23 September 2021

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

Final Results for the year ended 30 June 2021

Strong earnings growth and momentum

Financial Highlights

	FY21	FY20	Change
TPV	£233.4m	£211.7m	+10.3%
Revenue	£47.7m	£40.1m	+19.0%
Gross profit	£11.3m	£10.0m	+13.6%
Adjusted EBITDA[1]	£8.8m	£7.7m	+15.1%
Adjusted PBT[2]	£8.3m	£7.3m	+14.6%
Adjusted EPS[3]	7.0p	6.1p[4]	
Proposed Final DPS	3.53p	n/a	
Underlying cash[5]	£5.0m	£2.0m	+158.1%
Underlying cash inflow/(outflow)[5]	£3.1m	£(0.3)m	

Operational Highlights

- Fonix's three business segments of payments, messaging and managed services have each continued to grow comfortably in line with management's expectations since Fonix's admission to trading on the AIM in October 2020
- 34 new customer contracts signed in period, with the active customer count increasing by 13% to 111 active customers at the year end[6]
- 18m unique mobile users made 628m interactions with Fonix's services in the year[7]
- Record £32m Total Payment Volume (TPV) processed in a single month
- 50% increase in the number of charity clients using Fonix's payment services
- Fonix continues to maintain 100% client retention, with over 99% of income of a repeating nature
- 100% platform uptime in the period
- New connectivity in international markets

The Board expects to publish its Annual Report for the year ending 30 June 2021 on the company's website on Thursday 21 October 2021. The Annual General Meeting is scheduled to take place on Thursday 11 November 2021.

Outlook

- Positive start to FY22, with trading in line with the Board's expectations
- With a strong entry run-rate, along with new client wins, a key new technology partnership and new market connectivity, the Board continues to be confident in the business' growth potential and increasing profitability

Notes

[1] Adjusted EBITDA excludes share-based payment charges and AIM admission costs along with depreciation, amortisation, interest and tax from the measure of profit.

[2] Adjusted PBT is profit after tax excluding share-based payment charges and AIM admission costs.

[3] Adjusted EPS is earnings per share excluding share-based payment charges and AIM admission costs.

[4] 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.

[5] Underlying cash is actual cash excluding cash held on behalf of customers.

[6] Active customers are those generating more than £500 in gross profit in the previous 12-months.

[7] Unique users are calculated as the number of unique Mobile Station International Subscriber Directory Numbers (MSISDNs) processed through Fonix services.

Rob Weisz, CEO, commented:

"*We have continued to make great progress on our strategic goals this year and have finished the year with a really solid set of results. The team has responded very well to all the challenges put in front of them and I am assured we have the foundations in place for many years of continued growth.*

We will continue to invest in growth in the year ahead, increasing our spend as planned on sales and marketing along with investing in new product features as we look to continue to deliver sustainable, highly profitable growth for our shareholders, expand into new markets, continue to evolve our product set and further advance our competitive advantage.

The first few months of the new financial year have started strongly, with a robust run-rate coming into the year and we continue to make great progress on our strategic goals."

Enquiries

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About Fonix
Founded in 2006, Fonix provides mobile payments and messaging services for clients across media, telecoms, entertainment, enterprise and commerce.

When consumers make payments, they are charged to their mobile phone bill. This service can be used for ticketing, content, cash deposits and donations. Fonix's service works by charging digital payments to the mobile phone bill, either via carrier billing or SMS billing. Fonix also offers messaging solutions.

Based in London, Fonix is a fast growth business used by blue chip clients such as ITV, Bauer Media, BT, Global Media, Comic Relief and Children in Need to name a few.

Chairman's Review

It's a testament to the strength and determination of the Fonix management team, that the business has transitioned seamlessly to becoming a public company in the midst of a global pandemic. All whilst achieving double digit year-on-year growth in income and profitability, onboarding many new customers and laying the foundations for future growth into new markets.

As the pandemic has accelerated decades of digital transformation, some industries have declined whilst other emerging technologies have flourished. I'm pleased to say Fonix fits into the latter category, with total consumer payments processed through the Fonix platform increasing by over 10% to over £233m in the year (2020: £212m).

Against the backdrop of COVID-19, the decline in traditional advertising revenues for many broadcast clients has cemented Fonix's mobile payments platform as a core part of their long term commercial strategy and elevated our services to board level attention. As a result, Fonix's Campaign Manager platform is now widely recognised as a market leader in helping media and charity clients monetize their audience and provides Fonix with a significant competitive advantage.

This year has seen the business build solid foundations for international growth, establishing new supply-chain connectivity and winning its first international payments contract. As several of Fonix's multinational customers look to expand our services overseas, we're confident international markets will provide a meaningful contribution to growth in the years ahead and the highly operationally leveraged nature of Fonix's business means this can all be achieved with minimal increases in operating costs or overheads. It remains our strategy with regard to international expansion to be customer led.

Throughout the year, the business has continued to make good progress on its strategic goals (as set out in the CEO review below), helping it to comfortably meet its baseline growth target of achieving at least 10% growth in income and adjusted earnings. By increasing its share of the UK market for phone-paid payments to over 30% and significantly outgrowing other UK providers in the year, the company has also continued to deliver on its vision to be the leading provider of mobile payments in its core markets and geographies.

Throughout the period, the business has continued to maintain a strong focus on environmental, social and governance (ESG) excellence, by ensuring our operations remain best-in-class and that our customers' services are of the highest quality. ESG considerations are put at the forefront of all the business' key decision making processes.

Financial results

Gross Profit increased in line with market expectations to £11.3m (2020: £10.0m) despite the impact of the COVID-19 pandemic creating additional hurdles in the commercial sales cycle. Year-on-year growth in the first half of the year was higher than the second as clients in the media segment had a strong end to H1 followed by an intentionally softer start to H2, but this was just a timing issue, in line with the management's expectations and the overall trading direction remains very positive. Adjusted EBITDA increased to £8.8m (2020: £7.6m), reflecting the business' high operating leverage and the management team's continued ability to control operating costs after becoming a public company.

The company closed the year with £5.0m in underlying free cash (2020: £2.0m), giving more than sufficient cover for the final dividend payment expected in November. Underlying cash at the end of September will be approximately £7.0m. Actual cash, which includes money held on behalf of customers, closed the year at £17.3m (2020: £28.6m), down on the prior year due to the timing differences on outpayments for some significant client charity campaigns, but this had no impact on the business' trading performance or liquidity.

The board recommends that the company pay a final dividend of 3.53p per share in November, in line with the Company policy of paying out 75% of adjusted earnings per share. If approved, the total distribution of dividends for the year ended 30 June 2021 will be £5.234m (2020: £5.179m).

Board update

We were pleased to welcome Michael Foulkes, who joined the Board and business as CFO in March 2021. Michael has significant sector and international experience, which will prove invaluable as we continue to execute our growth strategy. Michael succeeded Rupert Horner, who was appointed to assist with the Company's admission to the AIM in October 2020. On behalf of the board I would like to thank Rupert for all his efforts and we are pleased he remains a very supportive shareholder in the Company.

Finally, I would like to say a thank you to all Fonix's staff, customers, partners, suppliers and shareholders for their continued support throughout the year. I look forward to achieving further successes together in the future.

Conclusion

Looking ahead to our priorities for 2022 and beyond, a key focus for the business will be scaling up commercial resources, further optimising margins across the product range and increasing the business' presence in new and neighbouring markets. We have made a promising start to the new financial year with a clear plan to double the size of the sales team, and a number of multinational clients are already looking to use Fonix's services in new territories. Fonix is well positioned to leverage these opportunities and build out strong reference clients in new markets in the same way as we have done in the UK.

Edward Spurrier, Non-Executive Chairman

CEO’s Statement

Our success in UK mobile operator payments for media, charity and gaming providers demonstrates our continued ability to deliver frictionless payments in our target verticals above and beyond, not only our direct competitors, but also major alternative payment solutions. This year we saw gross profits from media, charity and gaming clients grow an average of 22% year-on-year as we added new clients and continued to support our existing clients to better engage with their audiences. Taking a disciplined sector focus allows us to take a more consultative approach to customer relationships, helping us better understand and address their needs, and create products that truly deliver results. This in turn, allowed us to build deeper, meaningful partnerships with each of our clients, helping them acquire more customers and optimise their consumer checkout journeys in ways unmatched by our competitors.

We delivered a strong financial performance during the period with gross profits and adjusted earnings per share growing in line with expectations. Over the year our underlying cash position grew 158% and I am pleased to be able to recommend a final dividend in line with our policy to distribute 75% of adjusted earnings per share.

Market opportunity

The market for frictionless mobile payments is significant and continues to grow year-on-year with the rise in consumer demand for services in online gaming, digital publishing, streaming and other digital services. We are also seeing new emerging sectors, such as e-scooter hiring and new forms of mobility and transportation.

The Total Payment Values (TPV) of transactions processed by Fonix on UK services increased by 10% to £233m in the year, significantly ahead of the rest of the UK market (Phone-paid Services Authority Annual Market Research, 2021). This reinforces our strategy to focus on key sectors where we see sustained growth and demonstrates our ability to nurture and scale clients’ accounts in ways unmatched by our competitors in the UK, all being a testament to our consultative sales approach.

For the majority of our customers, deploying Fonix’s payment solutions has largely shown to reduce checkout abandonment and provide incremental revenues rather than cannibalizing existing transactions, as demonstrated by the box office pay-per-view payment solution used for BT Sport. For this reason we do not consider ourselves to be in direct competition with traditional payment methods, such as credit card or ApplePay, but offering an alternative to consumers who would otherwise forgo purchasing.

Growth strategy

Fonix takes a balanced approach to sustainable growth, looking to achieve a material percentage growth in gross profits and shareholder income year-on-year. Driven by this approach, Fonix has achieved compound annual growth rates (CAGR) in gross profit and profit before tax of 33% and 48% respectively over the last 4-years.

There are five clear elements to our growth strategy set out below, which continue to guide our decision making and how we invest:

1. Grow & deepen existing client relationships

A key part of our commercial strategy continues to be the ‘land and expand’ approach to growth, focusing on enterprise scale opportunities and innovating on our product suite in partnership with key reference clients.

Through 2021, we continued to scale existing customer revenues with double-digit growth and see clear opportunities for additional double-digit growth in these clients in the year ahead.

2. Take a disciplined sector focus

We continue to take a sector focused approach to growth, targeting large enterprise clients and key partnerships across our core markets.

In addition to a number of prospective customer contracts we will continue to look to win away from competitors, there remains significant opportunity to establish new contracts with businesses in our core sectors currently not harnessing the power of mobile payments and interactivity. Particularly for those businesses that continue to see a shift away from an advertising funded business model and seeking revenue diversification.

The power of frictionless mobile payments for television and radio broadcasts was perfectly articulated by the fact that Fonix's payment solution accounted for over 81% of the individual donations made to Comic Relief on-the-night this year. With the market for charity donations being worth over £10bn annually in the UK alone, carrier mobile payments providing a 'near-free' commission model and with Fonix's exceptional reference clients, there remains much greenfield opportunity for expansion in this market.

In the gaming sector, we continue to support our core client base who have continued to grow in transactions and revenues over the last year. Shortly after the year end we agreed a significant partnership deal with a leading technology provider. We believe it will open up a considerable pipeline of opportunities in the UK and overseas in the next few years.

In online services, we recently launched services with a leading, multinational technology company operating thousands of online dating sites across the globe. Again this will sit alongside their traditional payment solutions as they look to increase their overall checkout conversion rates.

We will be making the planned investment in growth in the year ahead, allowing us to leverage these partnerships and also target the substantial greenfield opportunities we see in particular across mobility, ticketing, sports as well as a range of other emerging digital merchants.

A number of our core sectors grew significantly in the year, with particularly strong growth in media, charity and gaming sectors that together grew more than 22% in the year.

3. Create sustainable, long-term profitability for shareholders

We are clear in our strategy to continue to achieve material growth in gross profit and adjusted earnings year-on-year. With our commercial focus on large, multinational clients with relatively long sales cycles and our priority on growing new clients to ensure that they are transacting to their full potential we therefore take a considered approach to growth by balancing new business wins with driving transactions with existing clients.

We already have a strong pipeline of identifiable opportunities across all of our target sectors and will double the size of the sales team in the year ahead as we look to capitalise on new industry targets identified, particularly in mobility and ticketing. We believe this is the best approach for providing a long-term return to shareholders.

4. Be client led with international expansion

In the last few years, Fonix has consistently outstripped growth in the rest of the UK market for phone-paid payments (Phone-paid Services Authority Annual Market Research) and will look to repeat this success in new neighbouring territories.

Our approach to international expansion continues to be client led, through our network of tier-1 multinational clients. With the recent signing of significant new partnerships with international technology providers in gaming and online dating, as well as our existing multinational customer base, we are in a strong position to leverage these relationships to spearhead our growth into international markets in the coming years.

This year saw the business establish new connectivity for our gaming clients in Austria, harnessing customers' deep understanding of the improved regulatory framework in the region. We anticipate additional neighbouring territories opening up in the years ahead also.

In addition, we are in advanced discussions to launch services with a key client in another European market, which we hope to announce in the coming months.

5. Widen our technological and operational advantage

Through our consultative led approach with customers and with years of investment, Fonix has been able to build new innovative technologies which create real tangible added value for our clients and provide Fonix with a significant competitive advantage.

With Fonix's Campaign Manager product, clients are able to optimise and increase the monetisation of their audience, to an extent unmatched by our competitors or alternative payment providers. We are confident this technological advantage will not only ensure retention of our existing customers, but help us win significant new business in the years to come.

By focusing on quality payment services and having a strong relationship with network operators and regulators, Fonix has been able to establish an exemplary reputation in the market for compliance. This trusted relationship with partners has proved to be invaluable when winning new business and attracting the best talent, and reinforces the barriers to entry in other providers looking to establish direct network operator connectivity.

Our gradual and balanced approach to growth has allowed the business to achieve exceptional and increasing economies of scale from our operations, with the business achieving an adjusted operating margin of over 73% in the year when comparing operating profit to gross profits.

People

Attracting, retaining and inspiring industry leading talent remains a priority to drive future growth and success. Fonix prides itself on being a great place to work and having a culture where our team can thrive. Fonix is also proud to boast a diverse workforce with 46% of staff being female and over 25% being from a black, Asian and minority ethnic (BAME) background.

Our team grew 23% over the year to 38 employees by the year end. Michael Foulkes joined as CFO in March, bringing a wealth of experience in the mobile payments sector and scaling businesses internationally. Edward Spurrier and Lucinda Sharman-Munday also joined the board as non-executives, both with significant experience at similar AIM listed companies.

Next year we will make a substantial investment in our sales team and have already hired industry experts with specialist knowledge in travel, ticketing and gaming sectors, as we look to invest in growth.

Product

We continued to make good progress on our product roadmap with our dedicated in-house development team focusing on platform resilience and security, coupled with releasing several new features for the interactive services and payments platforms.

As Fonix continues to scale and support more clients in the UK and internationally, with broader use-cases, we are also expanding our product and technology teams in the year ahead. This will allow us to connect to more markets whilst exploiting new revenue opportunities with existing clients and maintaining our competitive advantage.

COVID-19

We are proud of how our team responded to COVID-19, continuing to deliver valuable features for our customers and support the business' IPO process, even with our people moving to work remotely. Whilst new business sales cycles have been elongated by the pandemic, our business model has proven to be highly resilient throughout and we ended the year with a strong exit run-rate across all our key clients and sectors.

Outlook

In spite of fundamental changes to the way we work, we have continued to make great progress on our strategic goals this year and finished the year in a much stronger position than we started. The team has responded very well to all the challenges put in front of them and I am assured we have the foundations in place for many years of continued growth.

In line with our growth strategy, we will continue to invest in growth in the year ahead, spending more on sales and marketing along with a significant investment in product as we look to deliver sustainable, highly profitable growth for our shareholders and expand into new markets.

The first few months of the new financial year have started strongly, with a robust run-rate coming into the year and we continue to make great progress on our strategic goals. We recognise that by delivering on these objectives and potentially winning some flagship clients from our competitors we have a great opportunity to exceed expectations.

Robert Weisz, Chief Executive Officer

Financial Review

Key performance indicators

Financial	2021 £'000	2020 £'000	Change
Gross profit	11,347	9,988	13.6%
Adjusted EBITDA[1]	8,812	7,656	15.1%
Adjusted PBT[2]	8,312	7,255	14.6%
Underlying cash[3]	5,048	1,956	158.1%
Adjusted EPS[4]	7.0p	6.1p	14.2%
Adjusted ROCE[5]	150.85%	285.51%	

Non-financial	2021	2020	2020
Total payments value (TPV)	£233.4m	£211.7m	10.3%
Active customer count[6]	111	98	13.3%

The definition of active customers was changed in the second half of the year to only include customers generating more than £500 in gross margin in the previous 12-month period. Previously this was based on the number of customers integrated to the Fonix platform. On a like for like basis, the number of active customers at 31 December 2020 was 105 active customers.

[1] Adjusted EBITDA excludes share-based payment charges and AIM admission costs along with depreciation, amortisation, interest and tax from the measure of profit.

[2] Adjusted PBT is profit after tax excluding share-based payment charges and AIM admission costs

[3] Underlying cash is actual cash excluding cash held on behalf of customers.

[4] Adjusted EPS is earnings per share excluding share-based payment charges and AIM admission costs

[5] Adjusted ROCE is return on capital employed calculated as adjusted EBIT (being earnings before interest and tax excluding share-based payment charges and AIM admission costs) divided by capital employed (total assets less total current liabilities).

[5] Active customers are those that generated more than £500 in gross margin in the previous 12-months

Financial Results

Total payments value (TPV)
TPV represents the cash payments processed by Fonix on behalf of merchants. TPV grew 10.3% to £233m (2020: £212m) in the year, with particularly strong growth in the value of carrier billing and SMS billing transactions.

Revenue and other income
Company revenues for the year were £47.7m (2020: £40.1m) growing 19% on the previous year, driven by strong growth in the mobile payments service line. Revenues recognised for mobile payments relate to the total commission charged to customers, including the Mobile Network Operator (MNO) share of a transaction, with the MNO commission also recognised within cost of sales. The Directors therefore monitor results and performance of the Company based upon the gross profit generated, which is considered the more meaningful measure of performance.

Included in other income was £62k of one-off COVID-19 related rental concessions, provided as relief for periods where access to our office was restricted.

Gross Profit
Gross profit is the business' most important financial indicator as this represents the company's share of revenue for processing mobile payments and SMS messages.

Gross profit for the year increased to £11.3m (2020: £10.0m) growing 14% on the previous year, with mobile payments growing 15.4%, mobile messaging growing 1.7% and managed services 9.2%. Growth was skewed to the first half of the year as the media segment had a very strong end to H1 and as a result a number of media clients intentionally slowed down activity at the start of H2 in order to balance their own targets for the year, as customers generally work to an annual revenue target. The business tends to have good visibility of customer targets. These targets usually have strong alignment with actual results, with a tendency to overperform.

Blended gross profit margins decreased slightly to 23.8% (2020: 24.9%) attributable to changes in the product and client mix. In particular, increases in carrier billing and SMS billing margins were partially offset by declines in premium voice services, which have a different revenue profile. We however, anticipate the gross profit margins to increase in the year ahead as we look to optimise our margins further.

Adjusted Operating Expenses
Operating costs have been kept firmly under control since the business' IPO, with costs generally only increasing where the business has invested more in future growth. Adjusted operating costs increased 12% in the year to £2.6m (2020: £2.3m). The majority of the increase related to additional staff costs and incentives as the business invested more in growth with new product and commercial hires.

Staff related costs and incentives increased to £2.6m (2020: £2.2m) in the year reflecting the additional investment in corporate governance with new board members, increases in commission/bonus for strong business performance, increases in product investment and standard annual pay increases. Average headcount for the year was 36 (2020: 32). We continue to invest in sales with two new commercials hires starting shortly after the year end.

As well as the rent concessions recorded in other income, other general office and travel related expenses were estimated to be approximately £60k down year-on-year as result of changes in the 'ways of working' due to the COVID-19 pandemic. We anticipate a slow recovery in these costs to normalised levels in the year ahead, although the impact will be insignificant to the business' future cost base.

Professional fees and other public limited company associated costs increased to £65k (2020: £nil) in the year as the company became listed on the AIM in October 2020.

Software development costs of £540k (2020: £454k) were capitalised in the year, representing 56% (2020: 54%) of development costs in the year. The increase reflects increases in the size of the development team and additional investment in the Fonix platform. The capitalisation of current year development spend was offset by an amortisation charge of £375k (2020: £311k). Development costs are amortised on a straight-line basis over 3-years.

Adjusted EBITDA

The growth in gross profit and continued control of costs, particularly following the company's IPO has resulted in a significant increase in adjusted EBITDA which is up 15% at £8.8m (2020: £7.7m) for the year. To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges and AIM admission costs along with depreciation, amortisation, interest and tax from the measure of profit.

Finance income and expenses

Finance expense which relates to the underwinding of the discounted lease liability increased marginally to £9k (2020: £4k) following the signing of a new lease agreement in November 2020, but remains negligible overall.

Interest on bank deposits fell to £17k (2020: £49k) due to the sharp decline in bank interest rates.

EPS and Dividends

The Company's policy is to pay out 75% of adjusted EPS to shareholders in the form of an ordinary dividend each year. The Company's cash resources and distributable reserves are both considered more than adequate to cover a final dividend payment in line with this policy. The board therefore intends to recommend a final dividend of 3.53p per share to be approved at the AGM in November.

Statement of Financial Position

The Company had net assets of £5.2m at the year end (2020: £2.4m), including capitalised software development costs of with a carrying value of £849k (2020: £684k). The movement in net assets reflects profits after tax less dividend payments.

Current assets fell in the year as actual cash held, which includes money held on behalf of customers fell in the year. Movement in cash balances are described in further detail in the 'Cash and underlying cash' section below.

Current liabilities fell to £38m (2020: £48m) as the company held less charity funds on behalf of customers at the year end.

Non-current liabilities increased to £0.3m (2020: £0.1m) as the business signed a new 3-year lease agreement on its office in November 2020.

Cash and underlying cash

The board distinguishes between actual cash, which includes cash held on behalf of customers; and underlying cash, which excludes cash held on behalf of customers.

Underlying cash far better represents the free cash flow available to the business. Underlying cash increased 158% to £5.0m (2020: £2.0m) due to additional retained earnings and working capital improvements.

Actual cash which includes cash held on behalf of customers varies substantially from period to period and is particularly sensitive to the timing of passthrough outpayments for customer charity campaigns. Actual cash held fell to £17.3m (2020: £28.6m) in the year. The decrease is purely a timing issue and is largely attributed to holding fewer passthrough charity funds on behalf of charity customers at the year end.

The company made use of the COVID-19 linked scheme to defer VAT payments. At the year end, the company had deferred £578k of VAT to be repaid over the 7-months to Jan-22. This deferral increased actual cash held, but had no impact on underlying cash, which excludes customer related VAT balances.

Michael Foulkes, Chief Finance Officer

Audited results for the year ended 30 June 2021

Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
Continuing operations			
Revenue	4	47,668	40,061
Cost of sales		(36,321)	(30,073)
Gross profit	3	11,347	9,988
Other income		76	31
Adjusted operating expenses[1]		(2,611)	(2,363)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		8,812	7,656
Share-based payment charge		(72)	-
AIM admission costs		(844)	-
Depreciation and amortisation		(507)	(446)
Operating profit		7,389	7,210
Finance income		17	49
Finance expense		(9)	(4)
Profit before taxation		7,397	7,255
Taxation		(1,334)	(1,235)
Total comprehensive profit for the financial year		6,063	6,020

[1]Adjusted operating expenses excludes share-based payment charge, AIM admission costs, depreciation and amortisation

Earnings per share	**2021**	**2020**
Basic earnings per share	6.1p	6.1p
Diluted earnings per share	6.0p	6.1p
Adjusted basic earnings per share	7.0p	6.1p

The weighted average number of shares in issue for the year ended 30 June 2020 has been restated 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

As at 30 June 2021

	2021 £'000	2020 £'000
Non-current assets		
Intangible asset	849	684
Right of use asset	268	41
Tangible assets	23	33
	1,140	758
Current assets		
Trade and other receivables	24,880	21,148
Cash and cash equivalent	17,336	28,618
	42,216	49,766
Total assets	43,356	50,524
Equity and liabilities		
Equity		
Share capital	100	0
Share premium account	679	779
Share option reserves	72	-
Retained earnings	4,374	1,654
	5,225	2,433
Liabilities		
Non-current liabilities		
Deferred tax liabilities	147	92
Lease liabilities	133	-
	280	92
Current liabilities		
Trade and other payables	37,740	47,958
Lease liabilities	111	41
	37,851	47,999
Total liabilities	38,131	48,091
Total equity and liabilities	43,356	50,524

Statement of Changes in Equity

For the year ended 30 June 2021

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019	-	505	-	1,687	2,192
Profit for the financial year	-	-	-	6,020	6,020
	-	-	-	6,020	6,020
Transactions with shareholders					
Dividends	-	-	-	(6,053)	(6,053)
Share-based payment charge	-	-	-	-	-
Capital issued	-	274	-	-	274
	-	274	-	(6,053)	(5,779)
Balance at 30 June 2020	-	779	-	1,654	2,433
Profit for the financial year	-	-	-	6,063	6,063
	-	-	-	6,063	6,063
Transactions with shareholders					
Dividends	-	-	-	(3,343)	(3,343)
Share-based payment charge	-	-	72	-	72
Capital issued	100	(100)	-	-	-
	100	(100)	72	(3,343)	(3,271)
Balance at 30 June 2021	100	679	72	4,374	5,225

Statement of Cash Flows

For the year ended 30 June 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit before taxation	7,397	7,254
Adjustments for		
Depreciation	15	13
Amortisation	492	433
Profit on disposal of tangible assets	-	(16)
Share-based payment charge	72	-
Finance income	(17)	(49)
Finance expense	9	4
(Increase)/decrease in trade and other receivables	(3,732)	(3,380)
Increase/(decrease) in trade and other payables	(10,151)	21,240
Income tax paid	(1,346)	(1,200)
Net cash flows from operating activities	(7,260)	24,300
Cash flows from investing activities		
Interest received	17	49
Payments to acquire tangible assets	(6)	(39)
Proceeds from sale of tangible assets	-	24
Payments to acquire intangible assets	(540)	(454)
Net cash flows from investing activities	(529)	(421)
Cash flows from financing activities		
Net proceeds from issue of equity	(0)	274
Dividends paid	(3,343)	(6,053)
Capital payments in respect of leases	(141)	(122)
Interest paid in respect of leases	(9)	(4)
Interest paid	-	-
Net cash flows from financing activities	(3,493)	(5,905)
Net (decrease)/increase in cash and cash equivalents for the period	(11,282)	17,974
Cash and cash equivalents at beginning of period	28,618	10,645
Cash and cash equivalents at end of period	17,336	28,618

Statement of Underlying Free Cash Flows

For the year ended 30 June 2021

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 analysis below shows the movements in the Company's free underlying cash flow excluding the monies held on behalf of customers. The underlying cash is derived from actual cash by adjusting for customer related trade and other receivables less customer related trade and other payables and customer related VAT liabilities.

	2021 £'000	2020 £'000
Underlying free cash flows from operating activities		
Profit before taxation	7,397	7,254
Adjustments for		
Depreciation	15	13
Amortisation	492	433
Profit on disposal of tangible assets	-	(16)
Share-based payment charge	72	-
Finance income	(17)	(49)
Finance expense	9	4
(Increase)/decrease in trade and other receivables	244	(252)
Increase/(decrease) in trade and other payables	247	(200)
Income tax paid	(1,346)	(1,200)
Net underlying free cash flows from operating activities	7,113	5,987
Underlying free cash flows from investing activities		
Interest received	17	49
Payments to acquire tangible assets	(6)	(39)
Proceeds from sale of tangible assets	-	24
Payments to acquire intangible assets	(540)	(454)
Net underlying free cash flows from investing activities	(529)	(421)
Underlying free cash flows from financing activities		
Net proceeds from issue of equity	(0)	274
Dividends paid	(3,343)	(6,053)
Capital payments in respect of leases	(141)	(122)
Interest paid in respect of leases	(9)	(4)
Net underlying free cash flows from financing activities	(3,492)	(5,905)
Net (decrease)/increase in underlying free cash for the period	3,092	(339)
Underlying free cash at beginning of period	1,956	2,294
Underlying free cash equivalents at end of period	5,048	1,956

Notes to the preliminary financial information

1. Basis of preparation

The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the Year ended 30 June 2021 has been extracted from the Company's audited financial statements which were approved by the Board of Directors on 22 September 2021 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales.

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 United Kingdom ("UK"). The financial information in these accounts have been prepared and presented on that basis.

The information included in this preliminary announcement has been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board ("IASB") that are effective as at the date of these financial statements and in accordance with the provisions of the Companies Act 2006.

The Company is a public limited Company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

2. Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Fonix Mobile 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 30 June 2021 the Company had Cash and Cash Equivalents of £17.3 million (2020; £28.6 million) and Net Current Assets of £4.4 million (2020: £1.8 million). The business model of Fonix Mobile 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 in line with the forecast.

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 these financial statements.

3. 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:

	2021	**2020**
Gross Profit	**£'000**	**£'000**
Mobile Payments	9,577	8,297
Mobile Messaging	1,045	1,027
Managed Services	725	664
	11,347	9,988

Differences between the way in which the single operating segment is reported in the financial statements and the internal reporting to the Board for monitoring and strategic decisions, relates to the recording of revenue in line with IFRS 15. The IFRS adjustments do not impact on the calculation or reporting of Gross Profit.

4. Revenue

The Company disaggregates revenue between the different streams outlined 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:

Revenue by Service Line	2021 £'000	2020 £'000
Mobile Payments	37,169	29,747
Mobile Messaging	8,928	8,867
Managed Services	1,571	1,446
	47,668	40,061

The number of customers representing more than 10% of revenue in year were 2 (2020: 3)

5. Earnings per share

The calculations of earnings per share are based on the following profits and number of shares:

	2021 £'000	2020 £'000
Retained profit for the financial year	6,063	6,020

Number of shares	2021 Number	2020 Number
Weighted average number of shares in issue	100,000,000	98,509,808
Share options	465,475	-
	100,465,475	98,509,808
Earnings per ordinary share		
Basic	6.1p	6.1p
Diluted	6.0p	6.1p

The weighted average number of shares in issue for the year ended 30 June 2020 has been restated 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. The weighted number of shares in issue for the year ended 30 June 2020 before the share reorganisation was 4,409,758, which has then been multiplied by a factor of 100,000,000/4,476,466 to give a restated figure of 98,509,808 weighted shares.

The calculations of adjusted earnings per share are based on the following adjusted profits and number of shares listed above:

Adjusted earnings per share	2021 £'000	2020 £'000
Retained profit for the financial year	6,063	6,020
Adjustments		
Share-based payment charge	72	-
AIM admission costs	844	-
Net adjustments	916	-
Adjusted earnings	6,979	6,020
Adjusted basic earnings per ordinary share	7.0p	6.1p