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This document, which comprises an AIM admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission of the entire issued ordinary share capital of the Company to trading on AIM. This document contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of the FSMA, the Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Regulation Rules or approved by, or filed with, the FCA or any other competent authority.

Application has been made for the ordinary share capital of the Company to be admitted to trading on AIM. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 12 October 2020.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the FCA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors (whose names, addresses and functions appear on page 8 of this document) and the Company (whose registered office appears on page 8 of this document) accept responsibility, both collectively and individually, for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should read this document in its entirety. An investment in the Company includes a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part II of this document.

Fonix Mobile plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 05836806)

Placing of 50,000,000 Ordinary Shares of 0.1 pence each at 90 pence per share

and

Admission to trading on AIM

Nominated Adviser and Sole Broker



finnCap Ltd ("**finnCap**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser, sole broker and sole bookrunner to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this document) or otherwise be responsible to any person for providing the protections afforded to clients of finnCap or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. finnCap's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on finnCap by the FSMA or the regulatory regime established thereunder, finnCap does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. finnCap accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

A copy of this document is available, subject to certain restrictions relating to persons resident in certain overseas jurisdictions, at the Company's website www.Fonix.com

PRESENTATION OF INFORMATION

1. General

Prospective investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors or finnCap or any of their respective affiliates, officers, directors, partners, employees or agents. No representation or warranty, express or implied, is made by finnCap as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by finnCap as to the past, present or future. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules for Companies, neither the delivery of this document nor any subscription, sale or purchase made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document.

The Company will update the information provided in this document by means of a supplement to it if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this document. Any supplementary admission document will be made public in accordance with the AIM Rules for Companies.

The contents of this document and any other communications are not to be construed as legal, financial or tax advice. Each prospective investor should consult a legal adviser, an independent financial adviser duly authorised under the FSMA or a tax adviser for legal, financial or tax advice in relation to any investment in or holding of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Investing in and holding the Ordinary Shares involves financial risk. Prior to investing in the Ordinary Shares, prospective investors should read the entirety of this document and carefully consider all of the information contained in this document, paying particular attention to the section entitled Risk Factors in Part II of this document. Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information contained in this document and their personal circumstances.

finnCap, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser, sole broker and sole bookrunner to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this document) or otherwise be responsible to any person for providing the protections afforded to clients of finnCap or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. finnCap's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on finnCap by the FSMA or the regulatory regime established thereunder, finnCap does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. finnCap accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

In connection with the Placing, finnCap and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, finnCap and any of its affiliates acting as investors for

their own accounts. finnCap does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

finnCap and its affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provided various investment banking, financial advisory and other ancillary activities in the ordinary course of their business with the Company, in respect of which they have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict, with the interests of investors.

Investors who purchase Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on finnCap or any affiliated person in connection with any investigation of the accuracy of any information contained in this document for their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Placing Shares (other than as contained in this document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors or finnCap.

2. Notice to overseas persons

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the “**US Securities Act**”) and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the Placing Shares are being offered in “offshore transactions” in reliance on Regulation S under the US Securities Act. The Ordinary Shares will not qualify for distribution under the relevant securities laws of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan, nor has any prospectus in relation to the Ordinary Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a “**Restricted Jurisdiction**”) or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

3. Presentation of financial information

The report on historical financial information included in Part III of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part IV of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

Unless otherwise indicated, financial information in this document, including the Company’s audited consolidated financial statements for the years ended 30 June 2018, 2019 and 2020 and the notes to those financial statements, have been prepared in accordance with IFRS.

4. Non-IFRS information

This document contains certain financial measures that are not defined or recognised under IFRS, including EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA result from Company operating profit adjusted for depreciation and amortisation, share-based payments and exceptional items. Information regarding EBITDA, Adjusted EBITDA or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of EBITDA, Adjusted EBITDA or similar measures and the criteria upon which EBITDA, Adjusted EBITDA or similar measures are based can vary from company to company. EBITDA and Adjusted EBITDA, alone, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit, revenue or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

5. Rounding

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent.

6. Currency Presentation

In the document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom. The Company presents its financial information in sterling.

7. Cautionary note regarding forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the Company's markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Factors that might cause such a difference, include, but are not limited to the risk factors set out in Part II of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors' current view with respect to past or current trends, future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

8. Presentation of market, economic and industry data

This document contains information regarding the Company's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain

from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9. No incorporation of website information

The contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and prospective investors should not rely on them.

10. Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

11. Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, finnCap will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or Company of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Placing Shares and determining appropriate distribution channels.

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DIRECTORS, SECRETARY AND ADVISERS

Directors (as at Admission)	Edward Spurrier Robert Weisz Rupert Horner William Neale Lucinda Sharman-Munday	<i>(Non-Executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Chief Financial Officer)</i> <i>(Founder and Non-Executive Director)</i> <i>(Non-Executive Director)</i>
	All of whose business address is at the Company's registered office	
Registered Office	23 Heddon Street London W1B 4BQ	
Company Secretary	Rupert Horner	
Company website	www.Fonix.com	
Nominated Adviser and Sole Broker	finnCap Ltd One Bartholomew Close London EC1A 7BL	
Legal advisers to the Company	K&L Gates LLP One New Change London EC4M 9AF	
Legal advisers to finnCap	BDB Pitmans LLP The Anchorage 34 Bridge Street Reading RG1 2LU	
Reporting accountants	BDO LLP 55 Baker Street London W1U 7EU	
Auditors	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW	
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD	

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 2006 (as amended)
“Adjusted EBITDA”	earnings before interest, tax, depreciation and amortisation, excluding amounts in respect of the Company’s share-based payments and exceptional items
“Admission”	the admission of the Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM rules for companies published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM rules for nominated advisers published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company which are adopted by a written resolution passed on 23 September 2020
“Board” or “Directors”	the directors of the Company as at Admission, whose names are set out on page 8 of this document, or any duly authorised committee thereof
“Company” or “Fonix”	Fonix Mobile plc, a company incorporated under the laws of England and Wales
“City Code”	the City Code on Takeovers and Mergers published by the Panel from time to time
“Concert Party”	for the purposes of the City Code, together, William Neale, Robert Weisz, Richard Thompson, Andrew Oliver and Rupert Horner, together with their families and associated companies (including specifically Ganton Limited, Magnolia Capital Limited, Secora Limited, Sparticus Limited and Starnevesse Limited)
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear
“CSOP”	the Fonix Mobile plc company share option scheme, which will be registered with HMRC as a CSOP under Schedule 4, Income Tax (Earnings and Pensions) Act 2003, further details of which are set out in paragraph 10 of Part IV of this document
“Current Directors”	means the existing directors of the Company as at the date of this document, being William Neale and Robert Weisz
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales
“EU”	the European Union
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended)

“Executive Directors”	each of Robert Weisz and Rupert Horner
“Existing Ordinary Shares”	the aggregate 89,984,666 A ordinary shares of 0.1 pence each and 10,015,334 B ordinary shares of 0.1 pence each in the capital of the Company in issue immediately prior to Admission
“FCA”	the Financial Conduct Authority
“finnCap”	finnCap Ltd, the Company’s nominated adviser and sole broker
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“HMRC”	Her Majesty’s Revenue and Customs
“IFRS”	International Financial Reporting Standards
“Introduction Agreement”	the conditional agreement dated 7 October 2020 and made between (1) the Company (2) finnCap and (3) the Directors relating to Admission, further details of which are set out in paragraph 12.1(a) of Part IV of this document
“London Stock Exchange”	London Stock Exchange plc
“MAR”	the Market Abuse Regulation (2014/596/EU)
“Non-Executive Directors”	each of William Neale, Edward Spurrier and Lucinda Sharman-Munday
“Official List”	the Official List of the FCA
“Ordinary Shares”	ordinary shares of 0.1 pence each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing of the Placing Shares by finnCap as agent for and on behalf of the Selling Shareholders pursuant to the terms of the Selling Shareholders Agreement
“Placing Price”	90 pence per Placing Share
“Placing Shares”	the 50,000,000 Ordinary Shares being sold on behalf of the Selling Shareholders pursuant to the Placing
“Proposed Directors”	Rupert Horner, Edward Spurrier and Lucinda Sharman-Munday, each of whom is proposed to be appointed as a director of the Company upon Admission
“Prospectus Regulation Rules”	the prospectus regulation rules made by the FCA pursuant to section 73A of the FSMA from time to time
“PRS”	a Premium Rate Service regulated by the PSA
“PSA”	the Phone-paid Services Authority
“QCA Code”	the Corporate Governance Code, published by the Quoted Companies Alliance from time to time
“Relationship Agreement”	the conditional agreement dated 7 October 2020 and made between (1) the Company (2) William Neale and (3) finnCap, further details of which are set out in paragraph 12.1(e) of Part IV of this document

“Selling Shareholders”	those persons whose names and business addresses are set out in paragraph 22 of Part IV of this document
“Selling Shareholders Agreement”	the agreement dated 7 October 2020 and made between (1) finnCap and (2) the Selling Shareholders, further details of which are set out in paragraph 12.1(b) of Part IV of this document
“Shareholder”	a holder of Ordinary Shares
“Share Option Schemes”	together, the CSOP and the Unapproved Scheme
“Share Capital”	the issued Ordinary Shares upon Admission
“UK”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Unapproved Scheme”	the scheme constituted by a schedule to the CSOP under which non-tax advantaged options may be granted, further details of which are set out in paragraph 10 of Part IV of this document
“US”, “USA” or “United States”	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
“VAT”	UK value added tax

GLOSSARY

The following glossary of terms applies throughout this document, unless the context otherwise requires:

Term	Definition
“Aggregator services”	Encompasses Carrier Billing, SMS Billing and Voice Shortcodes
“API”	Application programming interface
“A2P”	Application to person
“Carrier Billing”	Service for Merchants to receive payments from Consumers charged to their mobile phone bill
“Charity”	Fonix’s provision of services to charities to allow donations to be made via the donor’s mobile phone account
“Client”	A customer to Fonix in respect of SMS Billing, Voice Shortcodes, Messaging and Carrier Billing
“Consumer”	The MNO’s customer
“CRM”	Customer relationship management
“Merchant”	A wholesale Carrier Billing and SMS Billing customer of Fonix
“Messaging”	A service for Clients to send application-to-person (“A2P”) SMSs to Consumers
“MNO” or “Carrier”	Mobile Network Operator
“Mobile Payments”	Carrier Billing, SMS Billing and Voice Shortcodes
“OTT”	Over the top
“PSD2”	Payment Services Directive 2
“RCS”	Rich communication services
“SaaS”	Software as a service
“SMS”	Short message service
“SMS Billing”	A service for Consumers to purchase SMS content and services, charged to their mobile phone bill
“TPV”	Total payment value
“TSP”	Technical service provider
“TV Engagement Market”	The market for TV services which allows Consumers to interact with the show via their mobile phone
“Voice Shortcodes”	A service for Consumers to dial a five-digit shortcode and purchase voice services, charged to their mobile phone bill

PLACING STATISTICS

Placing Price	90p
Number of Existing Ordinary Shares	100,000,000
Number of Placing Shares being sold by the Selling Shareholders pursuant to the Placing	50,000,000
Number of Ordinary Shares in issue on Admission	100,000,000
Percentage of Share Capital represented by the Placing Shares	50 per cent.
Market capitalisation of the Company at the Placing Price on Admission	£90 million
ISIN number	GB00BN789668
SEDOL number	BN78966
AIM TIDM	FNX
LEI number	213800GBZCWX7HR2ZE92

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2020¹

Publication of this document	7 October
Admission and dealings commence in the Ordinary Shares on AIM	8.00 a.m. on 12 October
CREST accounts credited by	8.00 a.m. on 26 October
Despatch of definitive share certificates, where applicable, by	23 October

Notes:

1. Each of the above dates is subject to change at the absolute discretion of the Company and finnCap

PART I

INFORMATION ON THE COMPANY

1. INTRODUCTION

Background

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

Founded in 2006, Fonix allows MNOs to provide additional services in the form of Carrier Billing, SMS Billing, Messaging and Voice Shortcodes. Fonix has over 100 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 MNOs.

Performance highlights include:

- £7.7 million FY20 EBITDA, representing 53 per cent. CAGR since FY18
- dividends of £6.053 million paid in FY20 and £5.055 million in FY19, with an intention to adopt a 75 per cent. of adjusted earnings per share dividend policy moving forwards
- TPV growth to over £211.7 million in FY20

2. HISTORY AND BACKGROUND

The Company was founded in 2006 by William Neale and originally incorporated as D2See Limited. Services included SMS Billing, Messaging and Voice Shortcodes. In 2010, the Company was renamed Orca Digital Limited.

In 2014, Rob Weisz joined as CEO and the Company was renamed Fonix Mobile Limited, with services expanded to include Carrier Billing and an increased focus on SMS Billing and Messaging.

In recent years, Fonix has been nominated for, and won, many awards, including:

- Deloitte Fast 50
- Deloitte Fast 500
- FT Future 100 UK list
- FT1000
- Sunday Times Hiscox Tech Track 100
- Vodafone Platinum Status

In 2020, TPV rose to over £211.7 million, reaching over 18m UK Consumers and processing 600 million interactions.

As of today, Fonix employs 32 staff.

3. BUSINESS OVERVIEW

Position in the market

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.

Services

Fonix has four product offerings:

The transactional offerings (SMS Billing, Carrier Billing and Voice Shortcodes) make up the majority of gross profit representing 86.3% in FY20.

Carrier Billing

Carrier Billing enables Merchants to charge Consumers directly to their mobile phone bills, or have the funds deducted from their pre-paid credit. This can be used for one-off purchases, recurring subscriptions and in-app payments. The current regulation to which Fonix is subject, PSD2, stipulates a maximum spend of £40 per single transaction and £240 in aggregate per user per month.

Fonix provides Carrier Billing connectivity through a suite of secure APIs, allowing Merchants to directly bill Consumers, facilitating both 'text to buy' and 'click to buy' purchases such as ticketing.

SMS Billing

SMS Billing enables Consumers to purchase SMS-based content and services, charged directly to their mobile phone bill via SMS, which facilitates impulse purchases. Content and services supplied using SMS Billing include voting, competitions and interactive services across media and digital Merchants.

Fonix's campaign manager is a platform for setting up, managing, operating, reconciling and reporting on SMS Billing content and services.

Voice Shortcodes

Voice Shortcodes are 5 or 7 digit phone numbers that Consumers call to be connected to voice services. Voice Shortcodes are principally used by media and telecoms businesses. Clients include Powwownow (conference calling) and BT (powering most of the UK TV voting such as The X Factor and Strictly Come Dancing).

Messaging

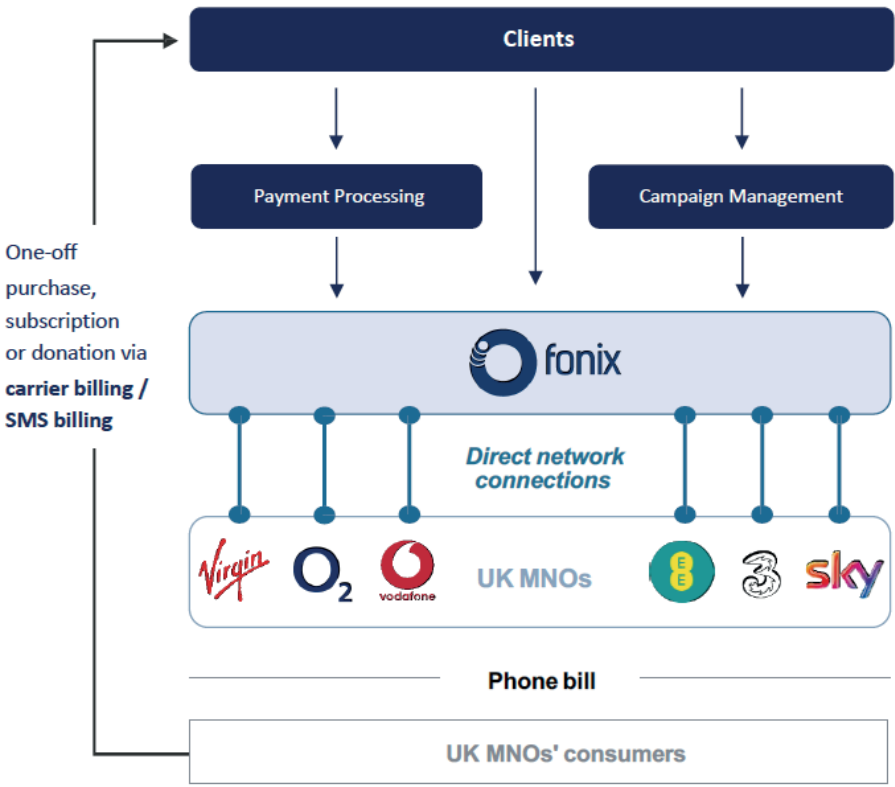
Fonix's Messaging API enables Consumers to receive A2P SMSs sent by Clients for a variety of purposes including two factor authentication, alerts, notifications and marketing.

Fonix is part of Google's RCS Messaging Early Access Programme, which will enable Clients to send richer content and messaging experiences to increase engagement and conversion.

The Platform

Fonix has developed a scalable and agile proprietary platform that has been built in-house by industry experts with Fonix retaining full ownership of all intellectual property.

Fonix's platform has direct network connections into the MNOs and sits between the MNOs and Clients as follows:



The platform is able to achieve high transaction processing speeds in excess of 2000 transactions per second providing capacity headroom above the current Client/MNO requirements. In order to maintain connectivity to both Fonix's Clients and MNOs, the platform has layers of redundancy including multiple divergent routes to Carriers and multi-site deployments, reducing single points of failure.

Security is of paramount importance given the type and quantity of data processed and the platform has inbuilt intrusion defence which is subject to 24/7 monitoring and escalation. The platform also undergoes two penetration tests per year.

Revenue Model

Mobile Payments - Carrier Billing, SMS Billing and Voice Shortcodes

Mobile Payments enables Consumers to make purchases from Merchants, charged to their mobile phone bill. Fonix facilitates the transaction, receiving the Consumer's spend (TPV) from the Carrier which it passes on to the Merchant.

On each transaction, Fonix generates a commission from the Merchant which is recognised as revenue along with the Carrier commission. Fonix pays the Carrier a commission, which it recognises as cost of sales.

Charity

Fonix enables Consumers to donate to a charity Client via their mobile phone bill. The charity pays Fonix a fee for facilitating donations, which is recognised as revenue.

Messaging

Fonix enables Clients to send SMSs to Consumers at no charge to the Consumer. Fonix charges Clients to facilitate the transaction, which is recognised as revenue. Carriers charge Fonix to facilitate the transaction, which is recognised as cost of sales.

Cash flow

For each of the above revenue streams (save Messaging), cash is received from the Carriers (and held on the balance sheet for a short period) prior to being paid to Clients – creating a negative working capital cycle. As a result, the overall cash balance can incur large fluctuations whilst the underlying cash for working capital remains relatively consistent. To help illustrate this, the below table breaks out the working capital cash from the year end cash balance for each of the year ends in the historic period:

	30 June 2018 £'000s	30 June 2019 £'000s	30 June 2020 £'000s
Cash 'Working Capital'	3,323	2,140	2,254
Cash	<u>10,545</u>	<u>8,504</u>	<u>26,364</u>
Cash and cash equivalents at the year end	13,868	10,644	28,618

4. CLIENTS

Fonix has an entrenched blue-chip base of over 100 Clients including ITV, Bauer Media, BT and Global Radio.

Fonix has developed robust and high throughput technology and, through deep sector expertise across key verticals including media, gaming, charity, ticketing and digital services strong, lasting relationships with its Clients and MNOs. Fonix is focused on mature, highly regulated markets where Clients and MNOs require a reliable and bespoke service which Fonix is well placed to cater for with a team of highly experienced industry experts.

Fonix's top 10 Clients account for 83 per cent. of gross profit and once integrated with Fonix they become firmly embedded, evidenced by no Client terminating their contract between 2018 and 2020 and an average contract length of the top 10 Clients of over 5 years.

5. MARKET OVERVIEW

Research suggests significant global growth potential of Carrier Billing from \$29.8 billion in 2019 to \$70 billion by 2027.¹

The market is characterised by three distinct sectors:

App stores and global players

The dominant global app stores, including the Apple App Store and Google Play, together with global brands such as Spotify and Netflix, continue to roll out Carrier Billing alongside traditional payment methods across the globe supported by a small number of service providers (sitting in a similar place to Fonix in the value chain). This is a high volume market with correspondingly low margins for service providers. Fonix does not currently focus on this market.

High value brands

High value, often regional services including broadcasters (such as BT Sport), sports rights holders and digital services (such as Bumble, Hopster). This is Fonix's area of focus.

Low-value content

Low value, high margin services, often targeted at emerging markets with low regulation, such as ringtones and wallpapers. Fonix does not currently focus on this market.

¹ Report Linker: Direct Carrier Billing Market Forecast to 2027 - COVID-19 Impact and Global Analysis by Type ; Platform ; End User

6. THE COMPANY'S GROWTH STRATEGY

The level of interaction by the Consumer is critical to the future growth of Fonix. Fonix's growth strategy is therefore based on increasing the number of transactions that occur on the platform, with content and services provided from both existing and new Clients. The Fonix platform and products are highly scalable with significant capacity for expansion in growing markets, not just with new Client wins but also through upselling existing Clients and product development. Since FY2018, Fonix has achieved 53 per cent. CAGR organic growth in EBITDA.

Sector Focus

The Company has a sector focussed growth strategy as follows:

- *Media*: consisting primarily of TV, radio, print and digital publishers, this is Fonix's largest market. The TV Engagement Market is estimated to be c.£146 million² and the pay TV market c.£7 billion³. On a global basis the OTT market is thought to be \$68 billion³. 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. Fonix expects existing Clients to continue to offer significant growth opportunities.
- *Charity*: this is a large market that is underdeveloped in terms of Carrier Billing. In the UK alone £10 billion⁴ was donated in 2019 of which only £40 million² was through Carrier Billing. The focus will be to continue to drive Fonix's market leading 'text to donate' and 'click to donate' products in the UK.
- *Gaming*: a large market which is underserved by Carrier Billing. The UK online gaming industry is estimated to be worth £5.5 billion³ of which only £43 million² uses Carrier Billing, with additional opportunities for international roll out of existing Clients.
- *Digital services*: this covers growing markets including dating (\$1.75 billion)³, fitness/diets (\$192 billion)⁵ and car parking (£1.75 billion)⁶.
- *TSPs*: Fonix is the 'go to' direct Carrier Billing and SMS Billing partner for TSPs in the UK, demonstrated through the success of the contracts it has with a number of TSPs. Fonix will continue to identify global TSPs looking for UK connectivity and support their growth.
- *Telecoms*: Fonix will continue delivering its telecoms services through channel sales partners, direct sales through MNO relationships and extending to other telecoms partners.

International

Whilst Fonix is predominantly UK focused, it is planning expansion into new jurisdictions and regions (including South Africa and mainland Europe). Fonix is taking a targeted Client led approach to expansion, with a focus on mature Carrier Billing markets with robust regulatory frameworks. The Company's progress internationally would be supported by its network of UK Carriers which have an international presence. This would remove some of the risk of having to find new suppliers in these territories.

Existing Client Growth Opportunities

There are significant organic growth opportunities within Fonix's existing Client base including Consumer price point increases, product development and brand expansion. Below are two examples of how Fonix has demonstrated its ability to on-board and grow the TPV of its Clients and promote organic growth within the business:

Case study 1 – Media Client

This example illustrates how Fonix has significantly grown TPV for a high profile national brand. Fonix launched SMS Billing, Charity, Messaging and campaign manager products for the Client in December 2017. The initial launch focused on one flagship brand. Between 2018 and 2020 TPV had a 71 per cent.

2 PSA Annual Market Review 2019/20

3 www.statista.com

4 CAF UK Giving Report 2019

5 www.alliedmarketresearch.com

6 www.RACfoundation.com

CAGR. This was achieved through: increasing volumes by introducing the platform to other brands across the Client's group; increasing the Consumer price point with no reduction in transactions; and, the development of an opt-in 'members club' that drove more entries and enabled more promotions.

This growth has been supported by the constant development of the platform's capabilities to increase its functionality and include more automation such that creative resources can be deployed elsewhere.

As to future growth in revenue from this Client, there remain the following opportunities:

- Continuous planned development to increase functionality and increase revenue
- Carrier Billing opportunities to roll out a suite of services online giving more ways for audiences to interact and generate incremental revenue
- New business opportunities to roll out SMS Billing and Carrier Billing solutions across gaming, dating, content and ticketing

Case study 2 – Gaming Client

This example illustrates how Fonix has significantly grown TPV for a Tier 1 gaming operator. Fonix launched Carrier Billing, SMS Billing and Messaging products for the Client in December 2014. The initial launch focused on one brand which has since scaled to six UK brands with the expected launch of the first international brand by the end of 2020. Between 2018 and 2020 the Client's TPV had a 32 per cent. CAGR. In the same period the average monthly volume had a 60 per cent. CAGR. In order to support this growth Fonix has put in place Messaging and CRM support to ensure optimisation and efficiency.

As to future growth in revenues from this Client, there remain the following opportunities:

- A clear roadmap of new brands in the UK to bring onto the Fonix platform
- Roll out Carrier Billing into new international markets through a single API
- Utilisation of Carrier APIs for security and verification

Acquisitions

Whilst no acquisition targets have been identified to date, Fonix will be receptive to the right value accretive or strategic opportunities should they arise.

7. TECHNOLOGY ROADMAP

Fonix has a technology roadmap to support the ongoing investment in research and development in both existing products and future additional products and features to complement the business strategy.

Over the next 12 months key initiatives include:

- International launches in selected territories
- MNO Know Your Client (KYC) APIs to support age verification, location and address verification
- MNO crediting APIs, enabling Merchants to credit Consumers' mobile phone bills (e.g. for refunds)

8. INTELLECTUAL PROPERTY

The Company values its intellectual property and has adopted a robust approach to the protection of its copyright and know-how attributed to the operations of the Company's platforms and business functionality in general. The vast majority of the Company's material intellectual property estate is comprised of unregistered intellectual property rights, subsisting as copyright and know-how in its technology platforms: (i) the Messaging and SMS Billing gateways; (ii) the campaign manager platform; and (iii) the Carrier Billing system (the "**Platforms**").

These Platforms depend upon the use of open source software licences and proprietary source code which has been developed by the Company's employees. No third-parties or contractors have undertaken any software development for the Company. Each employee who has written the code or been involved in the development of the Platforms has entered into a non-disclosure agreement with the Company, and tight

security measures have been put into place for those employees who have access to the Platforms to ensure the confidentiality of the proprietary code is maintained. The Company has one trademark which it is currently using and which is registered with the UK Intellectual Property Office for the word mark “FONIX” (trade mark number 3225625).

9. REGULATORY ENVIRONMENT

Overview

Fonix’s main regulator in the UK is the Phone-paid Services Authority (“**PSA**”).

Within the UK, payment services and the issuance of electronic money are regulated under a framework derived from the Payment Services Directive (Directive (EU) 2015/2366) (“**PSD2**”) and the Electronic Money Directive (Directive 2009/110/EC) (“**EMD**”). However PSD2 and EMD each contain a conditional exclusion for Carrier Billing on which the Company currently relies.

The PSA

The Company is registered with the PSA as a Level 1 Premium Rate Services (“**PRS**”) Provider (i.e. as an operator that forms part of the premium rate value chain). The Company first registered with the PSA on 16 June 2011 and its current registration period commenced on 13 June 2020 and will expire on 12 June 2021. As a PRS, the Company is obliged to comply with the PSA’s code of practice (the “**PSA Code**”). The PSA Code contains the regulatory framework governing the promotion, operation and content of PRS by providers. The Company has put in place the requisite procedures and guidance to ensure compliance with the PSA Code, including establishing a detailed framework for new client set up and ongoing due diligence and risk control, and ensuring that all Merchants comply with the PSA Code.

The FCA

The Company is not currently authorised or regulated by the FCA, relying, in relation to the regulation of providers of payment services and issuers of electronic money, on an exclusion relating to electronic communications (the “**Electronic Communications Exclusion**”). This exclusion is subject to a number of conditions, including that:

- (i) relevant payment transactions all result from services provided by a provider of electronic communications networks or services (i.e. a telecommunications company, not the Company) to subscribers to the relevant network or service;
- (ii) the relevant services are for the purchase of, in summary, digital content, voice-based services, tickets or charitable donations;
- (iii) the payment is charged to the related bill (e.g. the subscriber’s mobile phone bill), or paid out of a pre-paid balance which is also used to pay for telecommunications services; and
- (iv) monetary limits are observed – i.e. £40 per single payment transaction and £240 for the cumulative value of payment transactions in each month for an individual subscriber.

Activities within the scope of the Electronic Communications Exclusion are not considered ‘payment services’ for the purposes of the PSD2 (and relevant implementing legislation in the UK), and monetary value that is used to make payment transactions covered by the Electronic Communications Exclusion is not electronic money for the purposes of EMD (and relevant implementing legislation in the UK). Accordingly, the Company does not need to be authorised by the FCA as a payment services provider or as an issuer of electronic money on the basis that its only payments-related activities concern payment transactions covered by the Electronic Communications Exclusion. Please see the regulatory risk factors at paragraphs 6 and 7 of Part II for further information regarding the regulatory framework affecting the Company’s business.

10. DIRECTORS AND EMPLOYEES

Brief biographies of the Current Directors and Proposed Directors of the Company are set out below. Paragraph 6 of Part IV of this document contains further details of current and past directorships and certain other important information regarding the Directors.

10.1 **Directors and Proposed Directors**

Edward Spurrier, aged 55 – *Non-executive Chairman*

Edward currently holds a number of chairmanships in entrepreneurial technology companies. Edward joined Alternative Networks Limited as Finance Director, progressing to CFO, during which time he assisted in its successful AIM IPO. Subsequently he became CEO, prior to Alternative Networks plc's sale to Daisy Group in 2016. Edward has extensive experience in both the AIM market and technology sector. Edward successfully ran his own chartered accountancy firm, Spurrier & Co, where he had over 80 clients, some of which he acted for as quasi Financial Director. Edward qualified as a Chartered Accountant at Coopers Lybrand (now PWC).

Robert Weisz, aged 42 – *Chief Executive Officer*

Rob has held several senior positions in technology companies including Commercial Director at Mobile Interactive Group Ltd and most recently, Chief Executive Officer at Fonix. Prior to this, Rob was a Commercial Partnership Manager at O2 (UK) where he worked within Interactive Services, holding responsibility for new business and account management. Rob has had extensive experience working in both public and private companies within the telecoms and technology sectors. Rob began his career at Thus Plc, working in business development and account management where he was responsible for a number of key clients including the US Embassy and The Telegraph Group.

Rupert Horner, aged 58 – *Chief Financial Officer*

Rupert joined Thompson Investments (London) Limited ("**Thompson Investments**"), the family investment company of David Thompson, as an acquisitions manager. During his tenure at Thompson Investments, Rupert held directorships of several subsidiaries including a fully listed property company. Rupert has significant other public company experience, including having successfully helped both Secora plc and Gotech plc admit to trading on AIM. Rupert was introduced to Fonix during his time at Thompson Investments and became a founding shareholder in Fonix. Rupert began his career at Peat Marwick Mitchell (now KPMG) where he qualified as a Chartered Accountant.

William Neale, aged 44 – *Founder and Non-Executive Director*

In 2006, Will founded Fonix Mobile Limited, which has grown to be a leading mobile payments and messaging company. In 2013, Will founded Grabyo, a cloud-based video production, editing and distribution company. Will is a serial investor having invested in over 40 early stage companies, including Revolut, Marshmallow and proSapient.

Will began his career at Accenture where he worked within technology consulting, specialising in mobile telecoms.

Lucinda Sharman-Munday, aged 42, *Independent Non-executive Director*

Lucinda is currently CFO of Eagle Eye Solutions Group Plc a role she has held since July 2014. Prior to this, she was the CFO of the 5one group, the global consultancy providing services, analysis and software to help retailers achieve a customer-centric strategy. The global role covered Europe, South Africa and setting up America. Prior to this she worked for Adapt Group Ltd, and in 2006 iSOFT plc as an integral part of the turn-around team that successfully sold the business to IBA Health Group at the end of 2007. Lucinda began her career at KPMG in 1999 where she qualified as a Chartered Accountant.

10.2 **Employees**

The Directors believe that the recruitment, motivation and retention of highly skilled, high quality personnel is fundamental to the Company's ability to continue to meet the requirements of its Clients and to its continuing success.

On 30 June 2020, the Company had a total of 32 employees as follows:

Office and management	13
Technical	13
Sales and marketing	6
Total	<u>32</u>

11. SUMMARY FINANCIAL INFORMATION

The following summary of financial information relating to the Company's activities for the three years to 30 June 2020 has been extracted, without material adjustment, from the financial information on the Company set out in Part III of this document.

In order to make a proper assessment of the financial performance of the Company's business, prospective investors should read this document as a whole and not rely solely on the key or summarised information in this section.

Summary Historical Statement of Comprehensive Income

	12 months ended 30 June 2018 £'000	12 months ended 30 June 2019 £'000	12 months ended 30 June 2020 £'000
TPV ¹	125,384	174,501	211,681
Turnover	21,824	31,101	40,061
Gross profit	5,198	8,172	9,988
Adjusted EBITDA ²	3,271	5,610	7,655
Profit on ordinary activities before taxation	2,815	4,746	7,254

1 TPV represents transactional activity for SMS Billing, Carrier Billing, Charity and Voice Shortcodes, through the Company's platform. TPV has grown strongly at a CAGR of 30 per cent. during the historical period from £125 million in FY18A to £211.7 million in FY20A. This has driven the gross profit growth of £4.8m (CAGR of 39 per cent.) and EBITDA growth of £4.4 million (CAGR of 53 per cent.). TPV growth has been primarily driven by Fonix's media, gaming and Charity clients. Charity TPV results in a lower gross margin as the fee tends to be predominantly fixed.

2 adjusted EBITDA excludes £0.47 million exceptional costs incurred on the proposed sale of the business (which was aborted in FY19A) and tax expenses.

12. CURRENT TRADING, OPERATIONAL TRENDS AND PROSPECTS

The Company continues to trade in line with management's expectations. Trading in the first two months of the year has been strong and the business remains resilient to the economic impact of the coronavirus pandemic.

The Company continues to deliver on the technical roadmap to support both its existing client needs as well as to attract new business opportunities.

13. REASONS FOR ADMISSION

The Directors believe that Admission will be beneficial to the Company for the following reasons:

- raising the profile of the Company;
- positioning the Company such that it can attract, recruit and retain key employees who may be further incentivised through the Share Option Schemes;
- enabling existing shareholders to participate in the future growth of the Company;
- providing the Company with more flexibility to fund growth; and
- enabling the Company to issue new Ordinary Shares as consideration for acquisition opportunities.

In addition, the Placing will provide a partial realisation for the Selling Shareholders who will be raising approximately £45 million (gross) from the sale of the Placing Shares in the Placing.

14. DETAILS OF THE PLACING AND ADMISSION

The Company, the Directors and finnCap have entered into the Introduction Agreement relating to Admission. The Introduction Agreement is conditional, *inter alia*, upon Admission having become effective by not later

than 8.00 a.m. on 12 October 2020 or such later time and date, being not later than 8.00 a.m. on 12 November 2020, as the Company and finnCap shall agree.

Further details of the Introduction Agreement are set out in paragraph 12.1(a) of Part IV of this document.

The Selling Shareholders and finnCap have entered into the Selling Shareholders Agreement pursuant to which, subject to certain conditions, finnCap has conditionally agreed to use its reasonable endeavours to procure purchasers for the Placing Shares to be sold by the Selling Shareholders under the Placing. The Placing has not been underwritten. The Placing Shares represent approximately 50 per cent. of the Share Capital.

Further details of the Selling Shareholders Agreement are set out in paragraph 12.1(b) of Part IV of this document and the terms and conditions of the Placing are set out in Part V of this document.

15. LOCK-IN ARRANGEMENTS AND RELATIONSHIP AGREEMENT

15.1 Lock-in arrangements

Each of the Selling Shareholders (together the “**Covenantors**”), holding, in aggregate, 50 per cent. of the Share Capital at Admission, has undertaken to the Company and finnCap (subject to certain limited exceptions including transfers to family members or to trustees of trusts for their benefit and disposals by way of acceptance of a recommended takeover offer of the entire issued share capital of the Company) not to dispose of the Ordinary Shares held by each of them (and their connected persons (within the meaning of section 252 of the Act)) (the “**Restricted Shares**”) following Admission or any other securities issued in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission, save for Robert Weisz who has undertaken not to do so any time prior to the second anniversary of Admission (each such period (as applicable) being the “**Lock-in Period**”) without the prior written consent of finnCap.

Furthermore, each of the Covenantors has also undertaken to the Company and finnCap (subject to certain limited exceptions) not to dispose of the Restricted Shares for the period of 12 month following the expiry of the relevant Lock-in Period otherwise than through the Company’s broker in such manner as they may require with a view to the maintenance of an orderly market in the Company’s shares.

Further details of these arrangements are set out in paragraph 12.1(c) of Part IV of this document.

15.2 Relationship Agreement

In light of William Neale’s aggregate shareholding in the Share Capital immediately following Admission, as set out in paragraph 8 of Part IV of this document, William Neale has entered into the Relationship Agreement in order to regulate the relationship between him and the Company.

Further details of these arrangements are set out in paragraph 12.1(e) of Part IV of this document.

16. CORPORATE GOVERNANCE

AIM quoted companies are required to state which recognised corporate governance code they will follow from admission of their shares to trading on AIM and how they comply with such code and to explain reasons for any non-compliance. The Directors recognise the value and importance of high standards of corporate governance and intend, given the Company’s size and the constitution of the Board, to comply with the recommendations set out in the QCA Code.

16.1 The Board

The Board will be responsible for the overall management of the Company including the formulation and approval of the Company’s long-term objectives and strategy, the approval of budgets, the oversight of Company operations, the maintenance of sound internal control and risk management systems and the implementation of Company strategy, policies and plans. While the Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the Board. Such reserved matters will include, amongst other things, approval of significant

capital expenditure, material business contracts and major corporate transactions. The Board will meet regularly to review performance.

The QCA Code recommends at least two members of the Board comprise non-executive directors determined by the Board to be independent. The Board will at Admission comprise 5 Directors, of whom 2 are intended to be executive directors and 3 are intended to be non-executive directors. The Board considers 2 of the non-executives, being Edward Spurrier and Lucinda Sharman-Munday, to be independent and, as such, the Company will at Admission comply with the requirements of the QCA Code.

With effect from Admission, the Board has established an audit committee (the “**Audit Committee**”) and a remuneration committee (the “**Remuneration Committee**”) with formally delegated responsibilities.

16.2 **The Audit Committee**

The Audit Committee will be chaired by Lucinda Sharman-Munday. Its other members will be William Neale and Edward Spurrier. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company’s management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will have unrestricted access to the Company’s auditors. Further, the Audit Committee will advise the Board on the Company’s overall risk appetite and strategy including, *inter alia*, regularly reviewing and updating (if appropriate) the risk assessment processes in place, including in relation to remuneration and compliance functions, and assisting in overseeing implementation of the adopted strategy.

The Audit Committee will meet not less than three times a year.

16.3 **The Remuneration Committee**

The Remuneration Committee will be chaired by Edward Spurrier. Its other members will be Lucinda Sharman-Munday and William Neale. The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Company will be set by the Board.

William Neale is not considered to be independent for the purposes of the QCA Code and therefore his membership of the Remuneration Committee does not comply with the recommendation of the QCA Code and the QCA’s Remuneration Committee Guide for Small and Mid-Size Quoted Companies for all members of the Remuneration Committee to be independent non-executive directors. However, the Board has determined that, in light of William Neale’s knowledge of the industry in which the Company operates and competes for senior management personnel, and taking into account the size and nature of the Company and the independence of the other members of the Remuneration Committee, it is appropriate for William Neale to be a member of the Remuneration Committee.

The Remuneration Committee will meet as frequently as necessary and not less than once a year.

16.4 **Share dealings**

The Company has adopted a share dealing code, with effect from Admission, for Directors and applicable employees (as defined in the AIM Rules for Companies) of the Company for the purpose of ensuring compliance by such persons with the provisions of Rule 21 of the AIM Rules for Companies and MAR relating to dealings in the Company’s securities. The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company will take appropriate steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of MAR.

17. DIVIDEND POLICY

The declaration and payment by the Company of any future dividends on the Ordinary Shares and the amount of such dividends will depend on the results of the Company's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

The Company intends to pursue a progressive dividend policy for Shareholders. It is currently anticipated that a dividend will be declared in the first year after Admission at a pay-out ratio of 75 per cent. of adjusted earnings per share. It is expected that one-third will be paid as an interim dividend with two-thirds paid as a final dividend.

18. SHARE OPTION SCHEMES

The Directors believe that the success of the Company will depend to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the success of the Company.

Accordingly, the Company has established the Share Option Schemes.

The Share Option Schemes are "discretionary plans" under which participation may be offered to selected employees of the Company and any subsidiaries. Options granted under the Share Option Schemes that are satisfied by newly issued Ordinary Shares will be limited in total to 10 per cent. of the Company's issued share capital in any rolling 10-year period.

Further details of the Share Option Schemes are set out in paragraph 10 of Part IV of this document. Details of options currently held by the Directors are set out in paragraph 8 of Part IV of this document. It is currently intended that options will be granted on or shortly after Admission under the Share Option Schemes over Ordinary Shares representing, in aggregate, up to one per cent. of the Share Capital at Admission and that the Share Option Schemes will then continue to be used to provide share incentives to executive Directors and key employees. A further option will be granted on or shortly after Admission to Edward Spurrier over Ordinary Shares representing approximately 0.5 per cent. of the Share Capital at Admission (because the Chairman is not an employee or executive Director, he is not eligible to be granted an option under the Share Option Schemes, and so his option will be granted as a stand-alone option but on the same commercial terms as those applicable to options granted under the Share Option Schemes; the shares subject to the Chairman's option will count towards the dilution limits under the Share Option Schemes). Following Admission, the Company intends to grant options on terms that reflect market practice for AIM quoted companies of an equivalent size operating in comparable industries.

19. UK TAXATION

Information regarding taxation in relation to Admission is set out in paragraph 11 of Part IV of this document. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

20. THE CITY CODE ON TAKEOVERS AND MERGERS

The Company is incorporated in the UK and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the City Code applies to the Company.

Under Rule 9 of the City Code ("**Rule 9**"), if any person acquires an interest in shares (as defined in the City Code), whether by a series of transactions over a period of time or not, which (taken together with any interest in shares held or acquired by persons acting in concert (as defined in the City Code) with him) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any

further interests in shares are acquired by any such person (or any person acting in concert with him) which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the City Code, a concert party arises where persons, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. **“Control”** means an interest, or interests, in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether such interest or interests give de facto control.

The Panel considers that William Neale, Robert Weisz, Richard Thompson, Andrew Oliver and Rupert Horner, together with their families and associated companies (including specifically Ganton Limited, Magnolia Capital Limited, Secora Limited, Sparticus Limited and Starnevesse Limited) are presumed to be acting in concert for the purposes of the City Code (together, the **“Concert Party”**).

On Admission and following the Placing, the Concert Party will hold 47,091,087 Ordinary Shares, in aggregate, representing 47.09 per cent. of the Share Capital.

In addition, as set out in paragraph 3.19 of Part IV of this document, the Company has obtained Shareholder approval for authority to make market purchases of up to 10 per cent. of the Company's issued Share Capital following Admission (the **“Share Buyback Authority”**). If the Share Buyback Authority is utilised in full and the Company buys back and cancels or returns to treasury the Ordinary Shares so acquired, and the members of the Concert Party do not participate in any such buyback, the aggregate interest of the Concert Party in Ordinary Shares would represent 52.32 per cent. of the voting rights of the Company following such buyback. This assumes that there have been no other or prior changes to the Share Capital or to the shareholdings of the Concert Party. To the extent that the Concert Party's interest in Ordinary Shares increases through a Rule 9 threshold as a result, the Panel has confirmed that any such increase would not trigger an obligation to make a mandatory offer pursuant to Rule 9 on the basis that the consequence of such increases have been fully disclosed in this document.

Since, on Admission and following the Placing, the Concert Party will together be interested in more than 30 per cent. but hold less than 50 per cent. of the Share Capital, save as set out above with regard to the Share Buyback Authority, it will be unable to increase its aggregate holding of Ordinary Shares without making a general offer for the Company under Rule 9 or otherwise with the Panel's consent.

In the event that the Concert Party's aggregate interest in Ordinary Shares increases to above 50 per cent. of the Company's voting rights, (which would be the case if the Share Buyback Authority is utilised in full in the manner described above) it will generally be able to increase its interest in Ordinary Shares without incurring any obligation on any member of the Concert Party under Rule 9 of the Takeover Code to make a general offer to Shareholders, although individual members of the Concert Party will not be able to increase their percentage interest in Ordinary Shares through or between a Rule 9 threshold without Takeover Panel consent.

Further details concerning the shareholdings of the Concert Party are set out in paragraph 9.4 of Part IV of this document.

21. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares at 8.00 a.m. on 12 October 2020.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a “system member” (as defined in the CREST Regulations) in relation to CREST. Dealings in advance of crediting of the relevant CREST account(s) shall be at the sole risk of the persons concerned.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

22. FURTHER INFORMATION

Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts III to V of this document which contain further additional information on the Company.

PART II

RISK FACTORS

Investing in and holding Ordinary Shares involves financial risk. Prior to making an investment decision, prospective investors in the Ordinary Shares should carefully review all of the information contained in this document and should pay particular attention to the following risks associated with an investment in the Ordinary Shares, the Company's business and the industry in which it participates.

The risk factors set out below apply to the Company as at the date of this document. The risk factors are not set out in any order of priority.

The risks and uncertainties described below are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Company and the industry in which it participates or an investment in the Ordinary Shares. They comprise the material risks and uncertainties in this regard that are known to the Company and should be used as guidance only. Additional risks and uncertainties relating to the Company and/or the Ordinary Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Company's business, results of operations, financial condition and prospects. If any such risk or risks should occur, the price of the Ordinary Shares may decline and investors could lose part or all of their investment.

Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Prospective investors should consult a legal adviser, an independent financial adviser or a tax adviser for legal, financial or tax advice if they do not understand any part of this document.

RISKS RELATING TO THE COMPANY'S BUSINESS

1. Revenue growth is reliant on its ability to cross sell and up sell new services to existing clients and to win new Clients

The Company's future income and profit growth will depend largely on generating demand for its services, which is driven in part by the Company's continued ability to develop relevant services that adapt to client requirements. There can be no assurance that the Company will continue to be successful in selling new services to existing Clients, or to sell services to new Clients. There is a risk that the Company may exhaust the list of services that it is able to cross sell or up-sell to existing Clients, either through natural attrition or due to the Client wishing to use another provider for a specific project. Given the Company has enjoyed a consistent supply of repeat business from Clients, a reduction in the amount of work sold to existing Clients could result in a material reduction in the Company's revenue and profitability.

2. Concentration of key Clients

Whilst the top 10 Clients of the Company do change each year (as new Clients undertake large change programmes, for example), they have accounted for 73 per cent., 80 per cent. and 83 per cent. of the Company's gross profit in the years ended 2018, 2019 and 2020 respectively.

Whilst the incentive to switch or cancel services appears to be low and the Company has not lost a significant Client during the past three financial years, the loss of one or more of these key Clients to a competitor or otherwise, could lead to a material adverse effect on the Company's revenue and profitability.

3. The Company is dependent upon its contracts with MNOs, which, in line with market norms, contain a number of onerous terms

An MNO will have no contractual relationship with Merchants, meaning that the Company takes on responsibility for them. As such, each MNO agreement will contain a number of warranties granted by the Company relating to a Merchant's fitness to operate, compliance with all applicable laws and information

and platform security measures to be put into place. Although these warranties are numerous, they are standard in the industry. MNO agreements will also contain indemnities to be granted by the Company in favour of the MNO, including in relation to the operation of the Company's platforms, infringement of third party intellectual property rights and regulatory or other third party claims. It is common for liability to be uncapped.

It is also common for contracts with MNOs to be capable of termination on short notice and in certain cases, the MNOs can exercise that right without cause. The MNOs are also entitled to review, vary and/or introduce new fees from time to time, and these tend to take effect between 30 – 60 days after written notice has been given to the Company of such variation or new charges.

Major Merchants who rely exclusively on the Company for Carrier Billing solutions could introduce a second vendor to handle some or all of its Carrier Billing transactions. Major Merchants may also decide to connect directly with Carriers or publish an API that enables simpler, automated MNO interconnection, obviating the need to contract with the Company. All such cases could have a material adverse effect on the Company's financial results.

4. The Company is dependent on third parties, principally MNOs, within all the countries in which it may operate its services in the future

The Company's product offering is largely dependent on contracting with MNOs and aggregators. While the Board are not presently aware of any reason likely to lead to the termination of any such contracts, there can be no guarantee that such termination will not occur in the future. Such termination could have a material adverse effect upon the Company's ability to offer services to Clients and therefore on the Company's financial results.

5. Technological change and reliability

The Company operates in an industry which is subject to continuous and fast-paced technological change, with new products and services being introduced to the market frequently and existing payment solutions and services becoming outdated or obsolete at an increasing rate. If the Company is unable to respond to such changes in a cost-effective manner, the Company may become less marketable and less competitive or perceived to be obsolete and the Company's operating results may be adversely affected. Therefore, the Company's success depends, in part, on its ability to anticipate these changes effectively and to develop its offering in line with changing Client demands and market preferences, as well as to adapt to changes in hardware, software, networking, browser and database technologies. The Company may be required to invest significant time and resources to develop or establish the necessary expertise and experience to sell and deliver new solutions to its Clients effectively and there can be no assurance that any new investment would ultimately prove successful. Such investments carry the risks associated with any new development effort, including cost overruns, delays in delivery, performance issues and the risk that Clients may be reluctant to adopt new solutions without seeing reference use cases. Further, to the extent that Clients focus on new products and services, Client demand for ongoing upgrading and refreshing of existing payment platform systems may decline significantly, which may result in a reduction in the Company's revenue from existing Clients. Failure to adapt in response to changes in Client demand and preferences or to keep pace with relevant technological or regulatory change could limit the Company's ability to serve its Clients effectively and restrict the Company's ability to execute its growth strategy, which could lead to a reduction in Clients and have a material adverse

6. As a PSA registered entity, the Company is bound by the PSA Code

The PSA will consider and, where there appears to be a breach of the PSA Code, investigate all complaints received, provided the complaint is made within a reasonable time from when it arose. The PSA also monitors compliance and may initiate an investigation itself where there appears to be a breach of the PSA Code. For certain cases, the PSA may seek interim measures from a tribunal such as suspension of a service and/or that revenue be withheld before any formal adjudication of potential breaches of the PSA Code takes place. If a tribunal decides a provider has breached the PSA Code, the tribunal can apply a range of sanctions including but not limited to: (1) issuing a formal reprimand and/or warning as to future conduct; (2) ordering a provider to give refunds to customers; (3) imposing a fine of up to £250,000 per breach; and (4) barring access to the service for a defined period.

7. There are conditions to the Electronic Communications Exclusion, which limit the use of Carrier Billing and SMS Billing

The Company's operations are, because of the Electronic Communications Exclusion, limited to certain types of services, such as digital content, voice-based services, tickets and charitable donations, and to caps on spend (£40 tariff and £240 monthly spend limit noted in paragraph 3 of Part I above). These conditions may have commercial implications for the Company as they limit the circumstances in which Carrier Billing and SMS Billing may be used by comparison with other means of paying for goods and services.

The Company relies on each of the MNOs with whom it deals in relation to Carrier Billing and SMS Billing complying in full with the Electronic Communications Exclusion, and all of its conditions. The Company also relies upon those MNOs not themselves being FCA authorised, for example as an authorised payment services provider or an authorised electronic money institution, and not being an agent of an FCA authorised firm. If there were a failure of compliance with the Electronic Communications Exclusion at the MNO level it might have the effect that the Company would be carrying on activities, and in particular payment services, for which it would need to be FCA authorised. This risk is partially mitigated by the fact that the MNOs (but not the Company as a supporting service provider) are subject to an annual requirement to supply the FCA with an audit opinion confirming compliance with the conditions of the exclusion.

The Company's business in this area of Carrier Billing and SMS Billing is, for as long as it is not FCA authorised, very much circumscribed by, and dependent upon the continued existence of, the Electronic Communications Exclusion. The limits on the scope of the payments-related business that the Company may undertake without obtaining authorisation may put it at a competitive disadvantage against competitors who are FCA authorised. The possibility of regulatory change in relation to the continued existence or terms of the Electronic Communications Exclusion is a further risk factor for the Company's business.

It will be necessary for the Company to keep under review whether any of its activities outside of the scope of the Electronic Communications Exclusion might cause it to need to be authorised by the FCA.

8. Potential competition

The Company faces competition for its technology and products from other providers of Carrier Billing and alternative payment providers. The results of such increased competition may have a material adverse effect on the Company's financial results. Some of the Company's alternative payment provider competitors may have significantly greater financial and human resources and may have more experience in development and commercialisation of their technology and products. As a result, the Company's competitors may develop safer or more effective products, implement more effective sales and marketing programs or be able to establish superior proprietary positions. Some MNOs have developed direct, contractual relationships with Merchants and have therefore obviated the need to contract with the Company to provide Carrier Billing services. Such MNOs are therefore in competition with the Company. In addition, the Company anticipates that it will face increased competition in the future as new companies enter the Company's markets and alternative products and technologies become available. The results of such increased competition may have a material adverse effect on the Company's reputation, business, prospects, results of operation and financial condition.

9. Failure by the Company to maintain sufficient levels of operational support could have a material adverse effect on the Company's financial condition, operating results and prospects

Once a Client uses the Company's platform, they depend on the Company's technical support services to resolve any issues relating to the services delivered through the Company's platform. If the Company does not effectively and quickly resolve post-deployment issues, or provide effective ongoing support, the Company's ability to sell additional platform modules and services to existing Clients would be adversely affected and the Company's reputation with potential customers could be damaged. The Company's failure to provide and maintain high quality support services, especially as the Company's business grows, could lead to a reduction in customers and ultimately have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

10. Failure to attract and retain skilled technical employees and senior management personnel could harm the Company's ability to grow

The Company's future success depends, in part, on the ability and experience of members of its senior management, client-facing employees and technical experts focussed on the development of the Company's billing platform as well as the Company's ability to continue to attract, adequately compensate and retain such personnel. Such success also depends on the continued services and continuing contributions of the Company's senior management to execute on its business plan and to identify and pursue new opportunities and product innovations, as well as to maintain the Company's culture and values despite geographical expansion and growth in employee numbers. Competition for suitably qualified individuals with the relevant technical expertise in the Company's industry is intense, and the Company may not recognise or respond adequately to market dynamics in order to retain or recruit key staff. Furthermore, any necessary increases in employee compensation could have an adverse effect on the Company's margins. Also, to the extent the Company hires personnel from competitors, it may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

If the Company is unable to identify, attract, develop, motivate, adequately compensate and retain well-qualified and engaged personnel, or if existing highly skilled and specialised personnel leave the Company and ready successors or adequate replacements are not available, the Company may not be able to manage its operations effectively. This could cause the Company to suffer delays in new product development or software implementations or otherwise fail to satisfy Clients' demands, which could have a material adverse effect on the Company's reputation, business, results of operations, financial condition and/or prospects.

11. The Company may be unable to adequately protect its intellectual property proprietary rights and prevent others from making unauthorised use of its technology

The success of the Company's business depends on its ability to protect and enforce its trademarks, and other unregistered intellectual property rights, including copyright and know-how. The Company attempts to protect its intellectual property through registered trademarks and a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection. The Company generally enters into confidentiality, invention assignment or licence agreements with employees, consultants and Clients, and generally limits access to distribution of its proprietary information. However, the Company cannot guarantee that it has entered into such agreements with all parties who may have or have had access to confidential information or that the agreements entered into will not be breached. Despite the Company's best efforts to protect its intellectual property rights, unauthorised parties may not be deterred or prevented from misuse, theft or misappropriation of information the Company regards as proprietary. Moreover, policing unauthorised use of the Company's intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the UK and where mechanisms for enforcement of intellectual property rights may be weaker. Attempts to enforce the Company's rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against the Company, or take unilateral steps to invalidate the Company's intellectual property rights, which could result in a holding or official action that invalidates or narrows the scope of its rights, in whole or in part. If the Company is unable to protect its proprietary rights, it may be at a competitive disadvantage compared to others who need not incur the additional expense, time, and effort required to create the payments platform that has enabled the Company to be successful to date. Any of these events could materially adversely affect the Company's business, results of operations, financial condition and/or prospects.

12. Security breaches, computer malware or other "cyber-attacks" could harm the Company's business by disrupting the operation of the Company's payment platform (or particular features, modules or services) and damaging the Company's reputation

Any unauthorised intrusion, malicious software infiltration, network disruption, denial of service or similar act by a malevolent party could disrupt the integrity, continuity, security and trust of the Company's payments platform or the systems of the Company's Clients. These security risks could create costly litigation, significant financial liability, increased regulatory scrutiny, financial sanctions and a loss of confidence in the Company's ability to serve Clients and cause current or potential Clients to choose another Carrier Billing solution, any of which could have a material adverse impact on the Company's business. In addition, as these threats continue to evolve, the Company is required to continue investing significant resources to

continuously modify and enhance the Company's information security and controls or to investigate and remediate any security vulnerabilities. Although the Company believes that it maintains a robust programme of information security and controls and none of the threats that the Company has encountered to date have materially impacted the Company, it may not be able to prevent a material event in the future or to promptly and effectively remedy a material event, and the impact of such an event could have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

13. COVID-19

The recent outbreak of COVID-19 (commonly referred to as coronavirus) has negatively impacted economic conditions globally and is having an adverse and disruptive effect on the UK economy. The Company's way of operating has adapted and is likely to need to continue to adapt over the coming months in response to the developments relating to the COVID-19 outbreak.

If the COVID-19 pandemic continues for a prolonged period of time, this may result in delays to the execution of the Company's strategy and the Company failing to secure new business. The COVID-19 pandemic may therefore have an adverse effect on the Company's business, cash flows, profitability, results of operation and financial condition.

GENERAL RISKS RELATING TO AN INVESTMENT IN THE ORDINARY SHARES

1. General

An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Prospective investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

2. Legislation and tax status

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status or tax residence of the Company or in tax legislation or practise may have an adverse effect on the returns available on an investment in the Company. Furthermore, as the Company operates in the UK, there is a risk that possible legislative and regulatory changes resulting from the Brexit negotiations could adversely affect the Company.

3. General economic climate

Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and commodity prices and stock market prices. The Company's operations, business and profitability can be affected by these factors, which are beyond the control of the Company.

4. Economic, political, judicial, administrative, taxation, environmental or other regulatory matters

In addition to the impact of the downturn of the world's economies, the Company may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters. The Company may not have been and may not be at all times in complete compliance with environmental laws, regulations and permits, and the nature of the Company's operations expose it to the risk of liabilities or claims with respect to environmental, regulatory and worker health and safety matters. If the Company violates or fails to comply with environmental laws, regulations and permits, it could be

subject to penalties, fines, restrictions on operations or other sanctions, and the Company's operations could be interrupted or suspended.

5. No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

6. Share price volatility and liquidity

Following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in political sentiment. This may substantially affect the market price of the Ordinary Shares irrespective of the progress the Company may make in terms of developing and expanding its products or its actual financial, trading or operational performance. These factors could include the performance of the Company, purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the restrictions contained in certain lock-in and orderly marketing arrangements), legislative changes and market, economic, political or regulatory conditions or price distortions resulting from limited liquidity in the Company's shares. The share price for publicly traded companies, particularly those at an early stage of development, such as the Company, can be highly volatile. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either exist, develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order even for a relatively small number of such Ordinary Shares.

7. Substantial sales of Ordinary Shares

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the lock-in and orderly marketing arrangements, details of which are set out in paragraph 12.1 of Part IV of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

8. There is no guarantee that the Company's Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

9. Investment in AIM traded securities

The Ordinary Shares will be traded on AIM rather than admitted to the Official List. AIM is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than the rules for companies admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity (as stated above), therefore making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Prospective investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the Company. Investors may,

therefore, not be able to sell at a price which permits them to recover their original investment and they could lose their entire investment in the Company.

10. Issue of additional Ordinary Shares

Although the Company's business plan does not involve the issue of Ordinary Shares, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest, and hence the proportionate voting interest, of Shareholders. This will particularly be the case if and to the extent that such an issue of Ordinary Shares is not effected on a pre-emptive basis, or Shareholders do not take up their rights to subscribe for further Ordinary Shares structured as a pre-emptive offer.

11. Dividends

Dividend growth in the Ordinary Shares will rely on underlying growth in the Company's business and, in particular, the dividend policy mentioned in Part I of this document should not be construed as a dividend forecast. Any change in the tax treatment of dividends by the Company may reduce the level of yield received by Shareholders.

12. Concert Party will hold 47.09 per cent. of the Share Capital on Admission

Following Admission, the Concert Party will hold 47.09 per cent. of the Share Capital. Notwithstanding the terms of the Relationship Agreement (in relation to William Neale only), the Articles and applicable laws and regulations, the Concert Party (and William Neale, individually) will be able to exercise significant influence over the Company's operations, business strategy and those corporate actions which require the approval of Shareholders. Further details regarding the Concert Party and Relationship Agreement are set out at paragraphs 9.4 and 12.1 of Part IV of this document respectively.

13. Force majeure

The Company's operations now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

PART III
FINANCIAL INFORMATION THE COMPANY
SECTION A
ACCOUNTANT'S REPORT



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Fonix Mobile plc
23 Heddon Street
London
W1B 4BQ

7 October 2020

finnCap Limited
One Bartholomew Close
London
EC1A 7BL

Dear Sir or Madam

Fonix Mobile plc (the “Company”)

Introduction

We report on the financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 7 October 2020 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in paragraph 1 of Part IV, the directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 June 2018, 2019 and 2020 and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

SECTION B

HISTORICAL FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

		<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Revenue	6	21,824	31,101	40,061
Cost of Sales		<u>(16,626)</u>	<u>(22,929)</u>	<u>(30,073)</u>
Gross Profit		5,198	8,172	9,988
Administrative Costs		(2,430)	(3,486)	(2,810)
Other operating income		<u>38</u>	<u>9</u>	<u>31</u>
Operating Profit	7	2,806	4,695	7,209
Financial expense	11	(6)	(5)	(4)
Financial Income	10	<u>15</u>	<u>56</u>	<u>49</u>
Profit before tax expense		2,815	4,746	7,254
Income tax expense	12	<u>(473)</u>	<u>(822)</u>	<u>(1,235)</u>
Profit for the year and total Comprehensive Income		<u><u>2,342</u></u>	<u><u>3,924</u></u>	<u><u>6,019</u></u>

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

		<i>Year to 30 June 2018 £</i>	<i>Year to 30 June 2019 £</i>	<i>Year to 30 June 2020 £</i>
Earnings per Share				
Basic and diluted earnings per Share – note 4		<u>0.57</u>	<u>0.94</u>	<u>1.36</u>

STATEMENT OF FINANCIAL POSITION

		<i>30 June</i> <i>2018</i> <i>£'000</i>	<i>30 June</i> <i>2019</i> <i>£'000</i>	<i>30 June</i> <i>2020</i> <i>£'000</i>
	<i>Note</i>			
Non-current assets				
Intangible Asset	14	542	541	684
Right of Use Asset	15	219	304	41
Tangible Assets	16	14	15	33
Total non-current assets		<u>775</u>	<u>860</u>	<u>758</u>
Current Assets				
Trade and other receivables	17	17,644	23,648	21,148
Cash and cash equivalent		13,868	10,644	28,618
Total current assets		<u>31,512</u>	<u>34,292</u>	<u>49,766</u>
Total assets		<u><u>32,287</u></u>	<u><u>35,152</u></u>	<u><u>50,524</u></u>
Equity and liabilities				
Equity				
Share capital	23	–	–	–
Share premium account		500	505	779
Retained earnings		2,818	1,687	1,654
Total equity		<u><u>3,318</u></u>	<u><u>2,192</u></u>	<u><u>2,433</u></u>
Liabilities				
Non-current liabilities				
Deferred tax liabilities	20	84	72	92
Lease liabilities	19	99	182	–
Total non-current liabilities		<u>183</u>	<u>254</u>	<u>92</u>
Current liabilities				
Trade and other payables	18	28,666	32,585	47,958
Lease liabilities	19	120	121	41
Total current liabilities		<u>28,786</u>	<u>32,706</u>	<u>47,999</u>
Total liabilities		<u><u>28,969</u></u>	<u><u>32,960</u></u>	<u><u>48,091</u></u>
Total equity and liabilities		<u><u>32,287</u></u>	<u><u>35,152</u></u>	<u><u>50,524</u></u>

STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Distributable Reserves £'000</i>	<i>Total Equity £'000</i>
As at 1 July 2017		0	1,452	528	1,980
Total comprehensive income for the year		0	0	2,342	2,342
Transactions with Shareholders:					
Dividend	13	0	0	(1,004)	(1,004)
Capital reduction	23	0	(952)	952	0
As at 30 June 2018		0	500	2,818	3,318
Total comprehensive income for the year		0	0	3,924	3,924
Transactions with Shareholders:					
Dividend	13	0	0	(5,055)	(5,055)
Capital issued	23	0	5	0	5
As at 30 June 2019		0	505	1,687	2,192
Total comprehensive income for the year		0	0	6,019	6,019
Transactions with Shareholders:					
Dividend	13	0	0	(6,052)	(6,052)
Capital issued	23	0	274	0	274
As at 30 June 2020		0	779	1,654	2,433

STATEMENT OF CASH FLOWS

		Year to 30 June 2018 £'000	Year to 30 June 2019 £'000	Year to 30 June 2020 £'000
Cash flows from operating activities				
Profit after tax		2,342	3,924	6,019
Taxation Charge		473	822	1,235
Amortisation	14	335	317	311
Depreciation	16	10	9	13
Right of Use amortisation	15	120	121	122
Profit on disposal of tangible assets		–	–	(16)
Interest receivable	10	(15)	(56)	(49)
Interest payable	19	6	5	4
(Increase)/Decrease in trade and other receivables		(9,135)	(6,004)	2,775
Increase in trade and other payables		4,242	3,964	15,359
		<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations		(1,622)	3,102	25,773
Corporation Tax Paid		(261)	(879)	(1,200)
		<hr/>	<hr/>	<hr/>
Net Cash generated from/(used in) operating activities		(1,883)	2,223	24,573
Cash flows from investing activities:				
Interest received		15	56	49
Purchase of intangible assets	14	(298)	(317)	(454)
Proceeds from sale of tangible assets		–	–	23
Purchase of tangible assets	16	(6)	(10)	(39)
		<hr/>	<hr/>	<hr/>
Net cash used in investing activities		(289)	(271)	(421)
Cash flows from financing activities:				
Payment of principal lease liabilities	19	(120)	(121)	(122)
Interest paid on lease liabilities	19	(6)	(5)	(4)
Issue of Shares	23	–	5	–
Dividends	13	(1,004)	(5,055)	(6,052)
		<hr/>	<hr/>	<hr/>
Net cash used in financing activities		(1,130)	(5,176)	(6,178)
Net (Decrease)/Increase in Cash and cash equivalents				
		(3,302)	(3,224)	17,974
Cash at Bank at beginning of year		17,170	13,868	10,644
		<hr/>	<hr/>	<hr/>
Cash at Bank at end of year		13,868	10,644	28,618
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cash and cash equivalents comprise the balances held at the bank

The movements in liabilities from financing activities only relate to lease liabilities and the movements thereon are disclosed in note 19.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Fonix Mobile Limited (“**Fonix Mobile**” or the “**Company**”) is a private company limited by shares incorporated in England and Wales. Its registration number is 05836806. The registered office is 23 Heddon Street, London, W1B 4BQ.

The principal activity of Fonix Mobile is facilitating mobile payments and messaging – including the related Content.

2. Summary of significant accounting policies

Statement of compliance

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards and interpretations (collectively “IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union.

The Historical Financial Information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Fonix Mobile’s statutory financial statements for the years ended 30 June 2018, 30 June 2019 and 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”). The financial statements for 30 June 2018 and 30 June 2019 have been delivered to the Registrar of Companies. The financial statements for 30 June 2020 have been signed and will be delivered to the Registrar of Companies in due course. The auditor’s reports on all these financial statements were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies (including IFRS 9, IFRS 15 and IFRS 16) have been consistently applied to all the years presented.

2.1 Basis of preparation

This Historical Financial Information presents the financial track record of Fonix Mobile for the three years ended 30 June 2020 and is prepared for the purposes of admission to AIM – a market operated by the London Stock Exchange.

The Historical Financial Information for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 is the first financial information that Fonix Mobile has prepared in accordance with IFRS. The date of transition to IFRS was 1 July 2017. The principal adjustments made to the UK GAAP results are the adjustment to leases under IFRS 16 and the adjustment to revenue recognition.

The rental lease previously recognised as an expense under UK GAAP is recognised as a Right of Use Asset (see note 15) and corresponding Lease Liability – as set out in note 19. The impact on the Balance Sheets at each year end (including 30 June 2017) is set out in note 27 below.

The impact on the trading results each year is to recategorise the lease expenses as Right of Use amortisation (both items being reported within Administration costs) and interest cost as set out in note 19.

The revenue, and the related cost of sales, for those transactions within the Mobile Payments revenue stream which were effected via SMS were previously recognised by Fonix Mobile as a principal. These transactions are considered to be those of an agent and accordingly sales (plus the related cost of sales) have been adjusted as set out in note 27. This adjustment has no impact on the Gross Profit for the year of the Company.

The Historical Financial Information has been prepared using the historical cost convention.

The Historical Financial Information is presented in Pounds Sterling – being the functional currency of Fonix Mobile.

Fonix Mobile's opening statement of financial position under IFRS was prepared as at 1 July 2017. A reconciliation between UK GAAP and IFRS at 30 June 2017 and for each of the three years to 30 June 2020 is included in note 27 below.

The principles and requirements for first time adoption of IFRS are set out in IFRS 1. This allows certain exceptions and exemptions in the application of particular Standards to prior years – in order to assist companies with the transition process.

The Company has taken advantage of the optional exemption in IFRS 1:9B to measure the lease liability at the date of transition to IFRS and to measure the Right of Use asset at an amount equal to the lease liability.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Fonix Mobile's accounting policies. The significant judgements made are disclosed in note 3 below.

2.2 **Changes in accounting policy and disclosures**

(a) *New and amended accounting standards*

None of the standards, interpretations and amendments (with the exception of IFRS 16) effective for the first time from 1 July 2017 onwards has had a material effect on the Historical Financial Information. The impact of IFRS 16 is set out in note 27 below

(b) *Future standards*

There are new IFRS standards, interpretations and amendments that are effective for periods beginning on or after 1 January 2020 as follows:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies have been amended to further define Material.
- IFRS 3 Business Combinations has been amended to further define a Business
- A revised Conceptual Framework for Financial Reporting has been published

Fonix Mobile does not believe that any of the above items nor any other new standards or amendments not yet effective will have a material impact on the Historical Financial Information or on financial statements in future periods.

2.3 **Going concern**

At the time of approving the Historical Financial Information, 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 2020 the Company had Cash and Cash Equivalents of £28.6 million (2019: £10.6 million 2018: £13.9 million) and Net Current Assets of £1.8 million (2019: £1.6 million 2018: £2.7 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 the Historical Financial Information.

2.4 **Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers as set out in note 5 below.

The chief operating decision-makers (who are responsible for allocating resources and assessing performance of the operating segments) have been identified as the executive Directors that make strategic decisions.

As Fonix Mobile's operations are all in one location within the United Kingdom – the Directors are of the opinion that Fonix Mobile has only one reportable geographical operating segment. This is in line with internal reporting provided to the executive Directors.

2.5 **Revenue Recognition**

Overview

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured – which is at the time of each transaction. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue Streams

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The Company revenue streams for the three years ended 30 June 2020 consist of the following:

- Mobile Payments
- Mobile Messaging
- Managed Services

Mobile Payments

The Company's technology for Mobile Payments facilitates a low friction way for mobile phone users to purchase services and charge them to their mobile phone bill or pre-paid balance. This revenue stream primarily consists of Direct Billing and Premium SMS Billing.

Under IFRS 15 the Company considers its involvement in all Mobile Payments transactions to be acting as an agent between customers and end-consumers. Management has determined that it is acting as an agent under IFRS 15 because it does not have the primary responsibility for providing the services to the end consumer.

Revenue is recognised at a point in time, as mobile payments are processed through the Fonix platform. Revenues recognised relates to the total commission charged to customers, with the MNO commission recognised within cost of sales.

Mobile Messaging

Mobile Messaging represents the delivery of SMSs from the Company's customers to the MNOs, for purposes such as marketing, notifications and two factor authentication. Consumers are not charged for these SMSs.

Under IFRS 15 the Company considers its involvement in all Mobile Messaging transactions, to be acting as a principal.

Revenue is recognised at a point in time, as messages are processed through the Fonix platform. Revenues recognised relates to the amount charged to customers, with the MNO costs recognised within cost of sales.

Managed Services

Managed services represent the delivery of services including event services, campaign management and technology services.

Under IFRS 15 the Company considers its involvement in all Managed Services transactions to be acting as a principal. With revenue recognised over the period of providing the service to a customer.

Revenues recognised relates to the amount charged to customers, with any third party costs incurred by the Company recognised within cost of sales.

Contracts and Obligations

To determine whether to recognise revenue, Fonix Mobile follows the 5-step process as set out within IFRS 15 for all revenue streams:

1. Contract identification is performed, with each customer and MNO having a separate signed contract with the Company. Thereafter any subsequent changes are effected by separate addendums to the relevant contract. Although every contract is unique – each has a significant level of replicated clauses that give similar trading arrangements within each income stream.
2. The Performance Obligation for each revenue stream is set out above.
3. The transaction price is determined as the fair value of the consideration Fonix Mobile expects to receive for the provision of the service. Accordingly the transaction price is calculated on a per unit basis in all significant income streams.
4. The transaction price is allocated to the Performance Obligations as each individual message is delivered by the Company.
5. Revenue is either recognised at a point in time, or over time, as set out in the respective policy for each revenue stream set out above, as each performance obligation is fulfilled. Delays in invoicing means that each months revenue transactions are accrued at the month end (reflected in accrued income) and transferred to Trade Receivables when invoiced.

Settlement Terms

Customers are expected to settle Trade receivables within 30 days of the month end.

Interest income

Interest income from the Cash at Bank is recognised in the Statement of Comprehensive Income using the effective interest method.

2.6 Taxation

The tax expense for the three years to 30 June 2020 comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income – except where a charge is attributable to an item recognised as other comprehensive income or recognised directly in equity. In these latter circumstances the

corresponding tax charge (or credit) is also recognised in other comprehensive income or directly in equity respectively.

Current tax

The current income tax charge is calculated on the basis of UK tax rates and laws that have been enacted or substantively enacted at each balance sheet date.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not yet reversed at each balance sheet date.

Deferred tax balances are not recognised in respect of permanent differences that do not reverse.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by each balance sheet date.

Any Deferred tax assets that arise (such as on short term timing differences) are offset against Deferred tax liabilities.

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made – then the useful life shall not exceed ten years.

The only Intangible Asset at each year end is platform software that has been developed by the Company. The estimated useful life of this platform software is 3 years and amortisation is applied on a straight line basis.

The amortisation charge is recognised within administrative expenses.

In the Research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits. Accordingly all expenditure on research is recognised as an expense when it is incurred.

Expenditure on internally developed products is capitalised as an Intangible asset from the Development phase of a project if (and only if) certain specific criteria are met as follows:

- The expenditure attributable to the intangible asset under development can be measured reliably
- The process being developed is technically and commercially feasible
- The future economic benefits arising are probable
- Fonix Mobile can use (and intends to use) the developed asset
- Fonix Mobile has adequate technical plus financial and other resources available to complete the asset

The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project – the expenditure is treated as if it were all incurred in the research phase only.

2.8 Property, plant & equipment

Property, plant & equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the location and condition necessary for an asset to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets (less any residual value) over their estimated useful lives – using the straight-line method. The estimated useful lives range is as follows:

Fixtures and fittings	3 years
Computer equipment	3 years
Office equipment	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset. The resulting gain or loss is credited or charged to profit or loss.

The assets' residual values, useful lives and depreciation methods are reviewed (and adjusted if appropriate) at each year end or if there is an indication of any significant change since the last reporting date.

2.9 Impairment of intangibles plus property, plant & equipment

At each reporting period end date, the Company reviews the carrying amounts of its property, plant & equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication of impairment exists – the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset – the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount of an asset is the higher of its fair value less costs to sell and the value in use of that asset.

There have been no impairment losses in the three years to 30 June 2020.

2.10 Cash & cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

Fonix Mobile classifies financial instruments (or their component parts) on initial recognition as a financial asset or a financial liability or as an equity instrument in accordance with the substance of the underlying contractual arrangement.

Financial instruments are recognised on the date when Fonix Mobile becomes a party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value.

Financial instruments cease to be recognised at the date when Fonix Mobile ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables or cash and cash equivalents. An analysis of the Financial assets at each year end is set out in note 21 below.

Financial liabilities are included on the balance sheet as trade and other payables. An analysis of the Financial liabilities at each year end is set out in note 21 below.

(a) *Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current assets.

Trade receivables are recognised initially at the transaction price. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to 30 June 2020. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the UK gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

(b) *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities because the Company does not have an unconditional right (at the end of the reporting period) to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date – they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and all are repayable within one year. Accordingly these are included at the undiscounted amount of the cash expected to be paid.

2.12 **Leases as Lessee**

Short term leases or leases of low value are recognised as an expense on a straight-line basis over the term of the lease.

The Company recognises the Right of Use assets under lease agreements in which it is the lessee. The underlying asset recognised by the Company in the Historical Financial Information comprises property that is used by the Company in the normal course of business.

The Right of Use assets comprise the initial measurement of the corresponding lease liability payable plus payments made at (or before) the commencement day.

The Right of Use asset is recognised in the statement of financial position as a non-current asset. The corresponding lease liability is included in the statement of financial position as a current or non-current liability dependent upon the repayments due with twelve months of the balance sheet date.

The Right of Use asset is depreciated over the lease term and (if necessary) it is impaired in accordance with the policy set out in 2.9 above.

The lease liability is initially measured in the balance sheet at the present value of the lease payments that are not paid at that date – discounted using the interest rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (calculated from the interest rate implicit in the lease) and by reducing the carrying amount to reflect the lease payments made.

Any modifications made to the terms of a lease are reflected in the month that these are agreed with the lessor. The adjustments are reflected in the balance sheet value of both the lease liability and corresponding Right of Use asset.

There have been lease modification changes made to the Lease Liability (and the corresponding Right of Use asset) during the reporting period as set out in Notes 15 and 19 below.

2.13 Share capital and Dividends

Share capital issued by the Company is recorded at the proceeds received (or receivable) net of transaction costs.

Interim Dividends are recognised on payment.

Final Dividends payable are recognised as liabilities once they are no longer at the discretion of the Company.

2.14 Employee benefits

The costs of short term employee benefits are recognised as a liability and an expense – unless those costs are required to be recognised as part of the cost of fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are rendered.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.15 Retirement benefits

The Company operates a defined contribution plan for its employees. This is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position.

The assets of the pension plan are held separately from the Company in independently administered funds.

2.16 Share options

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken in to account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored in to the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes in to account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These judgements, estimates and associated assumptions are based on historical experience plus other factors that are considered to be relevant. The actual subsequent results and outcomes of the assets and liabilities may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis by the Directors. Any revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision

affects only that period. Where the revision affects both current and future periods – the revision is recognised in both the period of the revision and also those future periods.

Key sources of estimation uncertainty

The key estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Useful Economic Lives of Intangible Fixed Assets (see note 14)

The Directors make estimates regarding the useful economic lives of intangible fixed assets. Intangible fixed assets consist of platform software – which is considered to have a 3 year life. Details of the judgements made are included in note 14.

Key sources of judgement

Capitalisation of Intangible Fixed Assets (see note 14)

The Directors make judgements regarding the appropriateness of the time costs to capitalise on Development projects. All expenditure on potential Intangible Fixed Assets are treated as an expense unless the item being worked on meets the definition of an Intangible Asset as set out in note 2.7.

Each month development staff report the amount of actual time spent on Development. The resulting direct labour cost arising (including an appropriate level of overheads) that meet the above criteria is transferred from Administrative costs to Intangible Fixed Assets.

Principal v Agent Considerations (see note 2.5 and note 6)

The Directors make judgements regarding the appropriateness of treating revenue transactions as being undertaken as a Principal or Agent. In addition the Directors also make judgements regarding how the contracts with customers are recognised. The Directors' judgements on the income streams for the three years to 30 June 2020 are set out in note 2.5.

Lease Term Modifications

The Directors make judgements regarding how to reflect the modifications arising from changes to the terms of a lease as set out in note 2.12 above. Details of the judgements made are included in note 19.

4. Earnings per share

The Basic Earnings per Share calculation is the same as those for the Fully Diluted Earnings per Share position as there are no potentially dilutive instruments.

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Basic Calculation			
Earnings used in calculation of earnings per share:	<u>2,342</u>	<u>3,924</u>	<u>6,019</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of shares in issue	<u>4,129,966</u>	<u>4,163,773</u>	<u>4,418,840</u>
	£	£	£
Earnings per share (£ per share)	<u>0.57</u>	<u>0.94</u>	<u>1.36</u>

5. 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:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Mobile Payments	4,110	6,800	8,297
Mobile Messaging	515	743	1,027
Managed Services	573	629	664
Gross Profit	5,198	8,172	9,988

Differences between the way in which the single operating segment is reported in the Historical Financial Information 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.

6. Revenue

Fonix Mobile disaggregates Revenue between the different streams outlined in note 2.5 above 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 (as set out in note 2.5 above) is as follows:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Sales by Service Line			
Mobile Payments	16,648	23,667	29,747
Mobile Messaging	3,763	5,968	8,867
Managed Services	1,413	1,466	1,447
Total Income	21,824	31,101	40,061

In each of three years, the number of customers that represented more than 10% of revenue were as follows: FY18: 3, FY19: 2 and FY20: 3.

7. Operating profit

Operating profit each year is stated in the income statement after charging or (crediting) the following:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Exchange differences	4	(2)	4
Audit of the Company's financial statements	17	16	16
Fees payable on aborted transaction	–	468	–
Depreciation of owned tangible fixed assets	10	9	13
Profit on disposal of tangible fixed assets	–	–	(16)
Amortisation of intangible assets	335	317	311
Amortisation of Right of Use asset	120	121	122
R&D expenditure	101	178	314

8. Staff costs

The aggregate employee benefit expenses during each year were as follows:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Wages and salaries	1,626	1,956	1,908
Social security cost	166	231	219
Pension costs	36	51	29
Total Employment Costs	1,828	2,238	2,156

The above Employment costs include £454,000 (2019: £317,000; 2018: £298,000) in respect of employees whose value of time is capitalised within Development expenditure as set out in note 14 below.

The average monthly number of employees during each year was as follows:

	<i>Year to 30 June 2018 Number</i>	<i>Year to 30 June 2019 Number</i>	<i>Year to 30 June 2020 Number</i>
Sales	5	6	6
Administration	9	11	13
Development	9	11	13
Average Numbers	23	28	32

9. Transactions with key management personnel

The key management personnel of the Company are the members of the Board of Directors. Key management costs include the following expenses:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Wages and salaries	217	479	174
Social security cost	29	64	22
Pension costs	10	20	–
Key Management Costs	<u>256</u>	<u>563</u>	<u>196</u>

10. Interest receivable

Interest receivable each year comprises interest generated from the positive balances held at the Bank as follows:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Interest income	<u>15</u>	<u>56</u>	<u>49</u>

11. Finance costs

The Finance costs each year comprise the interest payable on the Lease Liabilities calculated at the rate implicit in the lease as set out in note 19 below.

12. Taxation

The taxation charge each year represents the following:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Current tax			
UK corporation tax on profits for the current period	476	817	1,215
Adjustments in respect of prior years	–	(7)	–
	<u>476</u>	<u>810</u>	<u>1,215</u>
Deferred tax	<u>(3)</u>	<u>12</u>	<u>20</u>
Total tax charge	<u>473</u>	<u>822</u>	<u>1,235</u>

The actual charge for each year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Profit before taxation	<u>2,815</u>	<u>4,746</u>	<u>7,254</u>
Expected tax charge based on the standard rate of corporation tax in UK of 19% (2019:19%; 2018:19%)	535	902	1,378
Effect of non deductible expenditure	8	29	6
Adjustments in respect of prior years	–	(7)	–
Research and development tax credit	(70)	(96)	(148)
Other permanent differences	–	(8)	(10)
Deferred tax rate adjustment	–	2	9
Total tax charge	<u>473</u>	<u>822</u>	<u>1,235</u>

13. Dividends

	<i>Year to 30 June 2018 £'000</i>	<i>Year to 30 June 2019 £'000</i>	<i>Year to 30 June 2020 £'000</i>
Interim paid	<u>1,004</u>	<u>5,055</u>	<u>6,052</u>
	£	£	£
Dividend per share	<u>0.24</u>	<u>1.21</u>	<u>1.35</u>

14. Intangible assets

The Intangible asset represents the internally developed platform software and the movements each year are as follows:

	<i>Platform Software</i> £'000
<i>Cost</i>	
At 1 July 2017	1,738
Additions – internally developed	298
Disposals	(322)
	<hr/>
at 30 June 2018	1,714
Additions – internally developed	317
Disposals	(313)
	<hr/>
at 30 June 2019	1,718
Additions – internally developed	454
Disposals	(437)
	<hr/>
at 30 June 2020	<u>1,735</u>
<i>Amortisation and impairment</i>	
At 1 July 2017	1,159
Amortisation charged for the year	335
Disposals	(322)
	<hr/>
At 30 June 2018	1,172
Amortisation charged for the year	317
Disposals	(312)
	<hr/>
At 30 June 2019	1,177
Amortisation charged for the year	311
Disposals	(437)
	<hr/>
At 30 June 2020	<u>1,051</u>
<i>Carrying amount</i>	
At 30 June 2020	<u>684</u>
At 30 June 2019	<u>541</u>
At 30 June 2018	<u>542</u>

15. Right of Use Asset

The corresponding lease liability of the Right of Use asset is set out in note 19.

The movements in the Right of Use asset each year are as follows:

	<i>Right to Use</i> <i>Land & Buildings</i> £'000
As at 1 July 2017	339
Amortisation for year	(120)
	<hr/>
As at 30 June 2018	219
Amortisation for year	(121)
Modification in December 2018	206
	<hr/>
As at 30 June 2019	304
Amortisation for year	(122)
Modification in November 2019	113
Modification in May 2020	(254)
	<hr/>
As at 30 June 2020	<u>41</u>

The Right of Use Asset represents a Property Lease on the offices used by the Company. Under FRS102 the lease rentals were treated as an Administrative cost – but the Right of Use the Property is capitalised under IFRS (with a corresponding Liability reflected in the Balance Sheet) as set out in Notes 19 below.

As set out in Note 19 the terms of the Property Lease extant at 30 June 2017 were renegotiated in December 2018 and again in November 2019 – which primarily involved extending the termination date. In May 2020 the Company gave notice on the Property Lease – and the agreement will terminate in November 2020.

16. Property, plant & equipment

Cost	Fixtures & fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
At 1 July 2017	22	8	48	78
Additions	2	–	4	6
Disposals	–	–	(20)	(20)
at 30 June 2018	24	8	32	64
Additions	–	–	10	10
Disposals	(5)	–	(6)	(11)
at 30 June 2019	19	8	36	63
Additions	8	–	31	39
Disposals	(2)	–	(24)	(26)
at 30 June 2020	25	8	43	76
<i>Depreciation</i>				
At 1 July 2017	13	8	39	60
Depreciation	4	–	6	10
Disposals	–	–	(20)	(20)
At 30 June 2018	17	8	25	50
Depreciation	4	–	5	9
Disposals	(5)	–	(6)	(11)
At 30 June 2019	16	8	24	48
Depreciation	4	–	9	13
Disposals	(2)	–	(16)	(18)
At 30 June 2020	18	8	17	43
<i>Carrying amount</i>				
At 30 June 2020	7	–	26	33
At 30 June 2019	3	–	12	15
At 30 June 2018	7	–	7	14

17. Trade & other receivables

	30 June 2018 £'000	30 June 2019 £'000	30 June 2020 £'000
Trade receivables	12,987	13,415	12,596
Unpaid share capital	–	–	274
Other debtors	2	24	23
Prepayments	114	175	153
Accrued income	4,541	10,034	8,102
	17,644	23,648	21,148

Fonix Mobile takes advantage of the practical expedient available under IFRS 15 so that no adjustments are made to Trade receivables – as the settlement terms are less than one year.

Trade receivables includes gross Mobile Payments amounts due from MNOs that are payable to customers. These amounts are not recognised as revenue as detailed in note 2.5 above.

The movement on accrued income comprises the following:

	<i>30 June</i> <i>2018</i> <i>£'000</i>	<i>30 June</i> <i>2019</i> <i>£'000</i>	<i>30 June</i> <i>2020</i> <i>£'000</i>
Opening balance	2,252	4,541	10,034
Transfer to Trade Receivables	(2,252)	(4,541)	(10,034)
Revenue recognised in advance of invoicing	4,541	10,034	8,102
Closing Balance	<u>4,541</u>	<u>10,034</u>	<u>8,102</u>

18. Trade & other payables

	<i>30 June</i> <i>2018</i> <i>£'000</i>	<i>30 June</i> <i>2019</i> <i>£'000</i>	<i>30 June</i> <i>2020</i> <i>£'000</i>
Trade payables	26,199	29,522	39,048
Corporation tax	476	431	446
Other taxation and social security	630	314	2,423
Other creditors	6	89	82
Delayed charity payment	–	–	3,900
Accruals	1,355	2,229	2,059
	<u>28,666</u>	<u>32,585</u>	<u>47,958</u>

Trade payables includes gross Mobile Payments amounts due to merchants where the Company has received funds (or the funds are receivable) on their behalf. These funds are not recognised within revenue or expenditure in the Company's income statement.

The delayed charity payment at 30 June 2020 represents funds that have been collected by the Company on behalf of the charity – but which have not been remitted to the charity by the year end (at its request).

19. Leases

The corresponding liability of the Right of Use asset set out in note 15 above represents the following:

	<i>Lease Liability £'000</i>
At 30 June 2017	339
Interest charge	7
Repayments	(127)
	<hr/>
At 30 June 2018	219
Interest charge	6
Repayments	(127)
Modification to Lease	205
	<hr/>
At 30 June 2019	303
Interest charge	4
Repayments	(126)
Modification to Lease	113
Termination notice	(253)
	<hr/>
At 30 June 2020	<u>41</u>

The Property Lease extant at 30 June 2017 had 34 months remaining as at that date – so that it would terminate in April 2020. On conversion to IFRS at that date the Right of Use asset and corresponding lease liability were reflected in the balance sheet based upon the remaining term of that lease and the rentals payable.

The Lease extent was renegotiated in December 2018 and the revised terms included termination in December 2021. The monthly rentals payable were not impacted by this renegotiation. Accordingly modifications were made to the lease liability and corresponding Right of Use asset to reflect the extended lease term.

The Lease extent was renegotiated again in November 2019 and the revised terms included termination in November 2022. The monthly rentals payable were not impacted significantly by this renegotiation. Accordingly modifications were made to the lease liability and corresponding Right of Use asset to reflect the extended lease term.

In May 2020 the Company gave notice on the Property Lease – and the agreement will terminate in November 2020 with no penalty or dilapidation payments arising. Accordingly the lease liability and corresponding Right of Use asset were modified to reflect the shorter date to termination.

The impact of the Modifications to the lease on the Right of Use asset is set out in Note 15 above.

The Lease Liability is reflected in the Balance Sheet at each year end as follows:

	<i>Current Liability £'000</i>	<i>Non Current Liability £'000</i>	<i>Total Liability £'000</i>
At 30 June 2017	120	219	339
At 30 June 2018	120	99	219
At 30 June 2019	121	182	303
At 30 June 2020	<u>41</u>	<u>0</u>	<u>41</u>

The maturity analysis of lease liabilities is set out in note 22 below.

20. Deferred tax

The major deferred tax liabilities recognised by the Company at each year end and the movements thereon were as follows:

	<i>Liabilities</i> 30 June 2018 £'000	<i>Liabilities</i> 30 June 2019 £'000	<i>Liabilities</i> 30 June 2020 £'000
Accelerated capital allowances	84	84	92
Short term timing differences	–	(12)	–
Liability at 30 June	<u>84</u>	<u>72</u>	<u>92</u>
	<i>2018</i> £'000	<i>2019</i> £'000	<i>2020</i> £'000
<i>Movements in the year:</i>			
Liability at 1 July	87	84	72
Charge/(credit) to profit or loss	(3)	(12)	20
Liability at 30 June	<u>84</u>	<u>72</u>	<u>92</u>

21. Financial instruments

Fonix Mobile has determined that the Financial Assets and Financial Liabilities each form a single class due to their nature, characteristics and risk profile. This determination reflects the Financial Instruments all being categorised within the same Level 2 fair value hierarchy for measurement.

	<i>30 June</i> 2018 £'000	<i>30 June</i> 2019 £'000	<i>30 June</i> 2020 £'000
Financial assets held at amortised cost:			
Trade receivables	12,987	13,415	12,596
Accrued Income	4,541	10,034	8,102
Cash & cash equivalents	13,868	10,644	28,618
	<u>31,396</u>	<u>34,093</u>	<u>49,316</u>
Financial liabilities held at amortised cost:			
Trade payables	26,199	29,522	39,048
Delayed charity payment	–	–	3,900
Other creditors	6	89	82
Accruals	1,355	2,229	2,059
Leases	219	303	41
	<u>27,779</u>	<u>32,143</u>	<u>45,130</u>

There are no Loan Commitments or Financial Guarantee contracts that would generate gains or losses designated as at fair value through the Statement of Comprehensive Income.

22. Financial risk management

The Company uses various financial instruments in its operations. These primarily include cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the working capital requirements of the Company.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below.

The Directors review and agree policies for managing each of these risks and they are summarised below:

(a) **Market risk**

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. The Company holds no external loans and has minimal trade with foreign currencies. As such all these three aspects of market risk are considered immaterial for the three years to 30 June 2020.

(b) **Liquidity risk**

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and closely managing its cash balance.

The Company's policy throughout the period has been to ensure continuity of funding. Short-term flexibility is achieved by paying Trade payables-Direct Billing only after the corresponding sums from trade receivables – Direct Billing have been received.

The Company liquidity requirements to date have not been impacted by Covid 19. However the directors continually monitor trade receivables to ensure that there is no deterioration in its profile.

The Company's financial liabilities including relevant maturities are detailed below:

	<i>Less than 6 months £'000</i>	<i>6-12 months £'000</i>	<i>1-2 years £'000</i>	<i>2-5 years £'000</i>	<i>5+ years £'000</i>	<i>Total £'000</i>
2018						
Trade payables	26,199	–	–	–	–	26,199
Accruals	1,355	–	–	–	–	1,355
Leases	60	60	99	–	–	219
Total	<u>27,614</u>	<u>60</u>	<u>99</u>	<u>–</u>	<u>–</u>	<u>27,773</u>
2019						
Trade payables	29,522	–	–	–	–	29,521
Accruals	2,229	–	–	–	–	2,228
Leases	60	61	121	61	–	303
Total	<u>31,811</u>	<u>61</u>	<u>121</u>	<u>61</u>	<u>–</u>	<u>32,054</u>
2020						
Trade payables	39,048	–	–	–	–	39,048
Delayed charity payment	–	3,900	3,900	–	–	7,800
Accruals	2,059	–	–	–	–	2,059
Leases	41	–	–	–	–	41
Total	<u>41,148</u>	<u>3,900</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45,048</u>

The Directors consider Liquidity to be the main Risk of the Company.

(c) **Credit risk**

The Company's principal Financial assets that may be impacted by credit risk are Cash at Bank plus Trade receivables and accrued income.

The credit risk associated with Cash at Bank is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. Credit losses historically incurred by the Company on these Financial assets have been nil.

The Company has Trade receivables of £12,596,000 at 30 June 2020 (2019: £13,415,000, 2018: £12,987,000) arising from past contractual payment terms that are not deemed impaired. The Directors monitor any customers not settling to terms at each month end – and take appropriate remedial action

Credit losses historically incurred by the Company on Trade receivables have been negligible and this is not anticipated to change over the next twelve months.

Accordingly the trade receivables expected loss rate is analysed as follows:

	<i>Total</i> <i>£'000</i>	<i>Less than</i> <i>1 month</i> <i>£'000</i>	<i>Less than</i> <i>3 months</i> <i>£'000</i>	<i>More than</i> <i>3 months</i> <i>£'000</i>
2018				
Expected loss rate		0%	0%	0%
Trade Receivables	12,987	12,693	291	3
Loss allowance	–	–	–	–
	<u>12,987</u>	<u>12,693</u>	<u>291</u>	<u>3</u>
2019				
Expected loss rate		0%	0%	0%
Trade Receivables	13,415	12,702	713	0
Loss allowance	–	–	–	–
	<u>13,415</u>	<u>12,702</u>	<u>713</u>	<u>–</u>
2020				
Expected loss rate		0%	0%	0%
Trade Receivables	12,596	11,468	1,128	0
Loss allowance	–	–	–	–
	<u>12,596</u>	<u>11,468</u>	<u>1,128</u>	<u>–</u>

The customer base of the Company is dominated by merchants – which are considered to be large credit worthy entities. There have been no failures in settlements during the three years ended 30 June 2020 and this position is expected to continue in the foreseeable future. Accordingly an expected loss rate of 0 per cent. has been applied to each element of the trade receivable profile.

Accrued income at each year end is invoiced in the following July and collected as part of the usual trade receivable routines. There have been no historic issues with collecting the accrued income and the directors consider this will continue in the future.

(d) **Capital Risk**

Fonix Mobile considers its Capital comprises Share Capital plus Share Premium and retained profits.

The Company maintains adequate capital to safeguard its ability to continue as a Going Concern and also to provide an adequate return to shareholders – commensurate with their risk. Accordingly the Capital risk is managed by paying an appropriate level of Dividends each year – as set out in note 13 above. The Company will consider the impact of COVID-19, and other macro-economic factors in determining the level of dividends paid going forward.

23. Share capital and Reserves

The share capital in issue at each year end is as follows:

	<i>30 June</i> <i>2018</i>	<i>30 June</i> <i>2019</i>	<i>30 June</i> <i>2020</i>
<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
A ordinary shares at 0.00001p each	4,028,133	4,028,133	4,028,133
B Ordinary shares of 0.00001p each	101,833	147,033	448,333
	<u>4,129,966</u>	<u>4,175,166</u>	<u>4,476,466</u>
	<i>30 June</i> <i>2018</i>	<i>30 June</i> <i>2019</i>	<i>30 June</i> <i>2020</i>
<i>Allotted, called up and fully paid</i>	<i>£</i>	<i>£</i>	<i>£</i>
A ordinary shares at 0.00001p each	40	40	40
B Ordinary shares of 0.00001p each	1	2	5
	<u>41</u>	<u>42</u>	<u>45</u>

During the year ended 30 June 2019 45,200 B shares were issued for a total consideration of £5,319.

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 in Note 17 above. These monies are expected to be 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 shares.

In October 2017 there was a reduction in the share premium account from £1,415,008 to £500,000 – which left the number of shares in issue and their nominal values unchanged. This reduction was effected by transferring £952,008 from the share premium account to the distributable reserve account.

Retained Earnings Reserve

The Retained Earnings Reserve represents the accumulated profits of the Company that are available for distribution to members,

24. Defined contribution scheme

	<i>Year to</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>Year to</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>Year to</i> <i>30 June</i> <i>2020</i> <i>£'000</i>
Charge to profit or loss in respect of defined contribution schemes	36	51	29
	<u>36</u>	<u>51</u>	<u>29</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

25. Related party transactions

Grabyo Limited

Grabyo Limited is a company in which the Director and majority shareholder W Neale, has a significant influence – due to his shareholding in Grabyo Limited.

The Company invoiced Grabyo Limited £405 during the year to 30 June 2020 (2019: £8,306 2018: £16,175) for Grabyo Limited's share of overhead costs. Grabyo invoiced the Company £200 (2019: nil 2018; nil) during the year to 30 June 2020 for the purchase of lockers.

At the year end, an amount of £nil (2019: nil 2018: £1,480) was due from the related party.

Everplay Limited

Everplay Limited is a company in which the Director and majority shareholder W Neale, has a significant influence – due to his shareholding in Everplay Limited.

Everplay Limited invoiced the Company £184,332 during the year to 30 June 2020 (2019: £184,332 2018: £183,269) for services and this is included in administrative expenses.

At each year end, an amount of £nil was due to or from the related party

Wizzard Limited

Wizzard Limited is a company in which the Directors W Neale and R Weisz have a significant influence – due to their indirect and direct shareholdings in Wizzard Limited.

The Company invoiced Wizzard Limited £26 during the year to 30 June 2020 (2019: £27,063 2018: £57,878) for shared office costs and messaging services.

Wizzard Limited invoiced the Company £29,070 during the year to 30 June 2020 (2019: £74,021 2018: £194,456) for shared office costs and design consultancy services provided to Fonix Mobile.

At the year end 30 June 2020 an amount of £1 (2019: £4 2018: £nil) was due from the related party.

Ganton Limited

Ganton Limited is a company in which the Director and majority shareholder W Neale, has a significant influence – due to his shareholding in Ganton Limited.

The Company paid dividends to Ganton Limited during the year ended 30 June 2020 of £2,163,409 (2019: £1,853,596 2018: £279,158).

At each year end, an amount of £nil was due to or from the related party

Starnevesse Limited

Starnevesse Limited is a company in which the Director and shareholder R C Thompson, has a significant influence – due to his indirect shareholding in Starnevesse Limited.

The Company paid dividends to Starnevesse Limited during the year ended 30 June 2020 of £1,239,629 (2019: £1,206,369 2018: £215,043).

At each year end, an amount of £nil was due to or from the related party.

26. Ultimate controlling party

The ultimate controlling party is W R Neale, a director, who controls 53 per cent. of the issued share capital of the Company.

27. Adoption of and conversion to IFRS

Fonix Mobile's effective IFRS transition date for the purposes of this Historic Financial Information was 30 June 2017. The effect of this transition to IFRS on each of the year end balance sheets at 30 June 2017 to 30 June 2020 and the income statements for the three years ended 30 June 2020 are set out below:

Adoption of IFRS 16

The principal adjustment arising was to recognise a property lease (previously treated as an operating lease) as a Right of Use asset and corresponding lease liability as required by IFRS 16.

Revenue recognition adjustment

In addition, adjustments have been made to the revenue recognition policy of the Company. Within Mobile Payments, those transactions effected via SMS were previously recognised by Fonix Mobile as a principal and are now recognised as an agent. Previously, the revenue and cost of sales related to these transactions were recognised on a gross basis. However, as the Company is considered the agent in this revenue stream, the amounts recorded in the financial statements have been recognised on a net basis. The impact of this adjustment has resulted in the reclassification of certain revenue and cost of sales in the Statement of Comprehensive Income. There is no impact of this adjustment on the Statements of Financial Position, or Statement of Cash Flows.

Impact on Statement of Financial Position

The impact of adopting IFRS 16 on the Statement of Financial Position at 30 June 2017 was to reflect the Right of Use Asset and corresponding liability as follows:

	<i>FRS 102 at 30 June 2017 £'000</i>	<i>IFRS 16 Adjustment £'000</i>	<i>IFRS at 30 June 2017 £'000</i>
<i>Statement of Net Assets</i>			
Fixed Assets			
Intangible Asset	579		579
Right of Use Asset	0	339	339
Tangible Assets	18		18
	<u>597</u>		<u>936</u>
Current Assets			
Debtors	8,509		8,509
Cash at Bank	17,170		17,170
	<u>25,679</u>		<u>25,679</u>
Creditors due within one year	(24,209)	(120)	(24,329)
Net Current Assets	<u>1,470</u>		<u>1,350</u>
Total Assets less Current Liabilities	2,067		2,286
Creditors due after one year	0	(219)	(219)
Provision for Liabilities	(87)		(87)
Net assets	<u>1,980</u>		<u>1,980</u>

The adjustment at 30 June 2017 had no impact on Equity and Reserves.

The IFRS 16 impact at each Statement of Financial Position date of the Right of Use asset and lease liability is as follows:

	<i>FRS 102</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>IFRS 16</i> <i>Revision</i> <i>£'000</i>	<i>IFRS at</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>FRS 102</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>IFRS 16</i> <i>Revision</i> <i>£'000</i>	<i>IFRS at</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>FRS 102</i> <i>30 June</i> <i>2020</i> <i>£'000</i>	<i>IFRS 16</i> <i>Revision</i> <i>£'000</i>	<i>IFRS at</i> <i>30 June</i> <i>2020</i> <i>£'000</i>
<i>Statement of Net Assets</i>									
Fixed Assets									
Intangible Asset	542		542	541		541	684		684
Right of Use Asset	0	219	219	0	304	304	0	41	41
Tangible Assets	14		14	15		15	33		33
	<u>556</u>		<u>775</u>	<u>556</u>		<u>860</u>	<u>717</u>		<u>758</u>
Current Assets			0			0			0
Debtors	17,644		17,644	23,648		23,648	21,148		21,148
Cash at Bank	13,868		13,868	10,644		10,644	28,618		28,618
	<u>31,512</u>		<u>31,512</u>	<u>34,292</u>		<u>34,292</u>	<u>49,766</u>		<u>49,766</u>
Creditors within one year	(28,666)	(120)	(28,786)	(32,584)	(122)	(32,706)	(47,958)	(41)	(47,999)
Net Current Assets	<u>2,846</u>		<u>2,726</u>	<u>1,708</u>		<u>1,586</u>	<u>1,808</u>		<u>1,767</u>
Total Assets less Current Liabilities	3,402		3,501	2,264		2,446	2,525		2,525
Creditors after one year	0	(99)	(99)	0	(182)	(182)	0		0
Provision for Liabilities	(84)		(84)	(72)		(72)	(92)		(92)
Net assets	<u>3,318</u>		<u>3,318</u>	<u>2,192</u>		<u>2,192</u>	<u>2,433</u>		<u>2,433</u>

Impact on Statement of Comprehensive Income

The impact of the adjustments on the Statement of Comprehensive Income for the three years ended 30 June 2020 is the as follows:

	<i>FRS 102</i> <i>year to</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>Revenue</i> <i>recognition</i> <i>adjustment</i> <i>£'000</i>	<i>IFRS</i> <i>year to</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>FRS 102</i> <i>year to</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>Revenue</i> <i>recognition</i> <i>adjustment</i> <i>£'000</i>	<i>IFRS</i> <i>year to</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>FRS 102</i> <i>year to</i> <i>30 June</i> <i>2020</i> <i>£'000</i>	<i>Revenue</i> <i>recognition</i> <i>adjustment</i> <i>£'000</i>	<i>IFRS</i> <i>year to</i> <i>30 June</i> <i>2020</i> <i>£'000</i>
Revenue	55,233	(33,409)	21,824	85,925	(54,824)	31,101	113,341	(73,280)	40,061
Cost of Sales	(50,035)	33,409	(16,626)	(77,753)	54,824	(22,929)	(103,353)	73,280	(30,073)
Gross Profit	5,198		5,198	8,172		8,172	9,988		9,988
Administrative Costs	(2,398)	(32)	(2,430)	(3,482)	(4)	(3,486)	(2,783)	(27)	(2,810)
Other operating income	0	38	38	0	9	9	0	31	31
Operating Profit	2,800		2,806	4,690		4,695	7,205		7,209
Financial expense	0	(6)	(6)	0	(5)	(5)	0	(4)	(4)
Financial Income	15		15	56		56	49		49
Profit before tax expense	2,815		2,815	4,746		4,746	7,254		7,254
Income tax expense	(473)		(473)	(822)		(822)	(1,235)		(1,235)
Profit for the year and	<u>2,342</u>		<u>2,342</u>	<u>3,924</u>		<u>3,924</u>	<u>6,019</u>		<u>6,019</u>

Impact on Statement of Cash Flows

The IFRS 16 impact on the Cash Flow Statements for the three years ended 30 June 2020 is the mere reallocation and recategorisation of expenditure that does not impact on Cash generated for any year. There is no impact on Cash Flow Statements for any period, as a result of the revenue recognition adjustment. The impact on the Cash Flow Statements is as follows:

	<i>FRS 102</i> <i>Year to</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>IFRS 16</i> <i>Revision</i> <i>£'000</i>	<i>IFRS</i> <i>Year to</i> <i>30 June</i> <i>2018</i> <i>£'000</i>	<i>FRS 102</i> <i>Year to</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>IFRS 16</i> <i>Revision</i> <i>£'000</i>	<i>IFRS</i> <i>Year to</i> <i>30 June</i> <i>2019</i> <i>£'000</i>	<i>FRS 102</i> <i>Year to</i> <i>30 June</i> <i>2020</i> <i>£'000</i>	<i>IFRS 16</i> <i>Revision</i> <i>£'000</i>	<i>IFRS</i> <i>Year to</i> <i>30 June</i> <i>2020</i> <i>£'000</i>
Profit for year after tax	2,342		2,342	3,924		3,924	6,019		6,019
Taxation	473		473	822		822	1,235		1,235
Amortisation	335		335	317		317	311		311
Depreciation	10		10	9		9	13		13
Amortisation	-	120	120	-	121	121	-	122	122
Profit on disposal	-		-	-		-	(16)		(16)
Interest receivable	(15)		(15)	(56)		(56)	(49)		(49)
Interest payable	-	6	6	-	5	5	-	4	4
(Increase)/Decrease in Debtors	(9,135)		(9,135)	(6,004)		(6,004)	2,775		2,775
Increase in Creditors	4,242		4,242	3,964		3,964	15,359		15,359
Cash generated from/ (used in) operations	(1,748)	126	(1,622)	2,976	126	3,102	25,647	126	25,773
Corporation Tax Paid	(261)		(261)	(879)		(879)	(1,200)		(1,200)
Net Cash generated from/(used in) operating activities	<u>(2,009)</u>	126	<u>(1,883)</u>	<u>2,097</u>	126	<u>2,223</u>	<u>24,447</u>	126	<u>24,573</u>
Cash flows from investing activities:									
Interest received	15		15	56		56	49		49
Purchase of intangibles	(298)		(298)	(317)		(317)	(454)		(454)
Proceeds from sale of tangibles	-		-	-		-	23		23
Purchase of tangibles	(6)		(6)	(10)		(10)	(39)		(39)
Net cash used in investing activities	<u>(289)</u>		<u>(289)</u>	<u>(271)</u>		<u>(271)</u>	<u>(421)</u>		<u>(421)</u>
Cash flows from financing activities									
Payment of lease liabilities	-	(120)	(120)	-	(121)	(121)	-	(122)	(122)
Interest paid of lease liabilities	-	(6)	(6)	-	(5)	(5)	-	(4)	(4)
Issue of Shares	-		-	5		5	-		-
Dividends	(1,004)		(1,004)	(5,055)		(5,055)	(6,052)		(6,052)
Net cash used in financing activities	<u>(1,004)</u>	(126)	<u>(1,130)</u>	<u>(5,050)</u>	(126)	<u>(5,176)</u>	<u>(6,052)</u>	(126)	<u>(6,178)</u>
Net (Decrease)/Increase in Cash and cash equivalents	<u>(3,302)</u>		<u>(3,302)</u>	<u>(3,224)</u>		<u>(3,224)</u>	17,974		17,974
Cash at Bank at beginning of year	17,170		17,170	13,868		13,868	10,644		10,644
Cash at Bank at end of year	<u>13,868</u>		<u>13,868</u>	<u>10,644</u>		<u>10,644</u>	<u>28,618</u>		<u>28,618</u>

28. Post Balance Sheet Events

In August 2020, an interim dividend of £1,642,863 was declared and paid to the Shareholders.

The Company has undertaken a number of steps to reorganise its share capital (the “**Pre-IPO Reorganisation**”). The Pre-IPO Reorganisation steps are as follows:

- (a) On 23 September 2020, £99,955.23534 of the available £505,329.00 of the Company's share premium account was capitalised through the issue of bonus A ordinary shares of £0.00001 each (“**A Shares**”) and B ordinary shares of £0.00001 each (“**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.
- (b) 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.
- (c) A new set of interim articles of association were adopted by the Company to reflect its re-registration as a public limited company and the Company's name was changed to Fonix Mobile plc.

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

29. Share Options

The Company operates an equity settled remuneration scheme for employees for which vesting conditions are defined by the terms contained in the individual share option agreements.

	<i>Weighted average exercise price</i>		<i>Weighted average exercise price</i>		<i>Weighted average exercise price</i>	
	£	Number	£	Number	£	Number
	2020	2020	2019	2019	2018	2018
Outstanding at the beginning of the year	1	301,300	1	346,500	1	346,500
Exercised during the year	1	(61,100)	1	(45,200)	–	–
Cancelled during the year	1	(240,200)	–	–	–	–
Outstanding at the end of the year	–	–	–	301,300	–	346,500

The exercise price of options outstanding at the end of the year was £1 (2019: £1; 2018: £1). The options do not have a finite contract life.

At the end of the year, no options (2019: nil; 2018: nil) had vested and were exercisable. The options scheme was terminated during 2020, with no schemes in place at the end of the year and no outstanding options.

All options have the same exercise condition based on an exit criteria. No expense has been recognised in consolidated profit or loss for the outstanding options as in the directors' opinion, at year end it was highly improbable that the exit criteria of the share option schemes would be met in the foreseeable future.

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names and functions are set out on page 8 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated and registered as a private limited company in England and Wales under the Act on 5 June 2006 with the name D2See Limited and with registered number 05836806. The Company's name was changed to Orca Digital Limited on 29 January 2010 and subsequently Fonix Mobile Limited on 15 June 2014. On 28 September 2020, the Company was re-registered as a public limited company and changed its name to Fonix Mobile plc. The Company's legal entity identifier is 213800GBZCWQ7HR2ZE92.
- 2.2 The Company is a public limited company and accordingly the liability of its members is limited. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder.
- 2.3 The Company's registered address and head office is at 23 Heddon Street, London, W1B 4BQ. The telephone number of the Company is +44 (0) 20 8114 7000 and its website on which the information required by Rule 26 of the AIM Rules for Companies is available is <https://www.fonix.com/>. The contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and prospective investors should not rely on them.
- 2.4 In accordance with the articles of association of the Company prior to Admission, the directors of the Company were permitted to declare and pay dividends in accordance with the Act. During the period covered by the historic financial information, the Company has declared, issued and paid the following dividends:
- (a) an interim dividend of £0.243 per share on 17 October 2017, totalling 1,003,582;
 - (b) an interim dividend of £0.67 per share on 06 August 2018, totalling £2,767,077;
 - (c) an interim dividend of £0.548 per share on 10 April 2019, totalling £2,287,991;
 - (d) an interim dividend of £0.57 per share on 26 September 2019, totalling £2,516,759;
 - (e) an interim dividend of £0.79 per share on 08 May 2020, totalling £3,536,408; and
 - (f) an interim dividend of £0.367 per share on 11 August 2020, totalling £1,642,863.

3. SHARE CAPITAL

- 3.1 As at 5 June 2006, being the date the Company was incorporated, the issued share capital of the Company, all of which was fully paid up, was as follows:

<i>Class of share</i>	<i>Number</i>	<i>Issued Amount</i>
Ordinary Shares of £0.01 each	1,000	£10
Total	<u>1,000</u>	<u>£10</u>

- 3.2 On 29 August 2006, each of the 1,000 ordinary shares of £0.01 each in the capital of the Company were subdivided into 10 ordinary shares of £0.001 each in the capital of the Company, resulting in an issued share capital of 10,000 ordinary shares of £0.001 each. Each of these 10,000 ordinary shares of £0.001 each were then redesignated as 10,000 A ordinary shares of £0.001 each in the capital of the Company.
- 3.3 On 1 July 2014, the Company carried out a further subdivision of shares and each of the (in aggregate) 11,933 A ordinary shares of £0.001 each in the capital of the Company then in issue were subdivided into 100 A ordinary shares, resulting in an issued share capital of 1,193,300 A ordinary shares of £0.00001 each in the capital of the Company.
- 3.4 On 9 September 2019, the Company issued 240,200 B ordinary shares of £0.00001 each to Robert Weisz at a subscription price of £1.14 per share. The shares were issued by the Company as partly paid and £273,825.60 in aggregate of share premium remained outstanding to be paid by Mr Weisz. On 23 September 2020, Mr Weisz entered into an undertaking in favour of the Company pursuant to which he undertook to pay up the £273,825.60 aggregate share premium remaining outstanding on the 240,200 B ordinary shares held by him, on a date that is no more than 5 years after the special resolution to approve re-registration of the Company as a public limited company, such amount to be deducted from the placing proceeds to be paid to him by finnCap under the Selling Shareholders Agreement and paid directly to the Company.
- 3.5 As at 30 June 2020, being the latest date to which audited accounts for the Company have been prepared, the issued share capital of the Company, all of which was fully paid up save as set out in paragraph 3.4 above, was as follows:

<i>Class of share</i>	<i>Number</i>	<i>Issued Amount</i>
A ordinary shares of £0.00001 each	4,028,133	£40.28133
B ordinary shares of £0.00001 each	448,333	£4.48333
Total	<u>4,476,466</u>	<u>£44.76466</u>

- 3.6 In connection with Admission, the Company has undertaken a number of steps to reorganise its share capital (the “**Pre-IPO Reorganisation**”). The Pre-IPO Reorganisation steps are as follows:
- (a) On 23 September 2020, £99,955.23534 of the available £505,329.00 of the Company’s share premium account was capitalised through the issue of bonus A ordinary shares of £0.00001 each (“**A Shares**”) and B ordinary shares of £0.00001 each (“**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.
- (b) 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.
- (c) A new set of interim articles of association were adopted by the Company to reflect its re-registration as a public limited company and the Company’s name was changed to Fonix Mobile plc.
- (d) Immediately prior to Admission taking place, the A Shares and B Shares will be re-designated as Ordinary Shares on the basis of one Ordinary Share per A Share or B Share then in issue.
- 3.7 Following the Pre-IPO Reorganisation (excluding the re-designation described above in paragraph 3.6(d) of this Part IV), the issued share capital of the Company as at the date of publication of this document is as follows:

<i>Class of share</i>	<i>Number</i>	<i>Issued Amount</i>
A ordinary shares of £0.001 each	89,984,666	£89,984.666
B ordinary shares of £0.001 each	10,015,334	£10,015.334
Total	<u>100,000,000</u>	<u>£100,000.00</u>

3.8 The issued share capital of the Company as it is expected to be immediately following Admission, all of which will be fully paid up on or before Admission, is as follows:

<i>Class of share</i>	<i>Number</i>	<i>Issued Amount</i>
Ordinary Shares of £0.001 each	<u>100,000,000</u>	<u>£100,000.00</u>
Total	<u><u>100,000,000</u></u>	<u><u>£100,000.00</u></u>

3.9 As at the date of this document, there are no options outstanding under the Share Option Schemes.

3.10 The Company does not have an authorised share capital.

3.11 The Placing will take place by way of a sale of Ordinary Shares by the Selling Shareholders. Other than as part of the Pre-IPO Reorganisation detailed in this paragraph 3, no new Ordinary Shares will be issued or allotted in connection with Admission.

3.12 Application will be made for the Ordinary Shares to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on, and no application has been or is being made, for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market.

3.13 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

3.14 The legislation under which the Ordinary Shares have been created is the Act and regulations made under the Act.

3.15 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in either certificated or uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested that their Ordinary Shares be held in certificated form within 10 business days of the date of Admission. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00BN789668.

3.16 The Placing Price of 90 pence per Ordinary Share represents a premium of 89.9 pence over the nominal value of 0.1 pence per Ordinary Share and is payable in full on Admission under the terms of the Placing.

3.17 Pursuant to an ordinary resolution of the Company dated 23 September 2020, the Directors are generally and unconditionally authorised pursuant to section 551 of the Act to allot shares and grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £33,333.33 (being 33.3 per cent. of the issued share capital of the Company on Admission), such authority to expire upon the earlier of the conclusion of the next annual general meeting of the Company and the date which is 15 months from the date of the passing of the resolution, save that the Directors may before such expiry make an offer or agreement which would or might require shares to be allotted or subscription or conversion rights to be granted after such expiry and the Directors may allot shares or grant subscription or conversion rights in pursuance of any such offer or agreement as if the authority had not expired.

3.18 Pursuant to a special resolution of the Company dated 23 September 2020, the Directors are empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act), grant rights over or otherwise dispose of equity securities wholly for cash pursuant to the authority conferred by the resolution referred to in paragraph 3.17 above as if section 561 of the Act did not apply to any such allotment provided that this power be limited to the allotment of equity securities:

- (a) in connection with an offer of, or invitation to apply for, equity securities by way of rights issue to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing respective holdings of Ordinary Shares and to holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary (but subject to

such exclusions, limits, restrictions or other arrangements as the Directors may consider necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, any legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or any stock exchange in any territory or any other matter whatsoever); and

- (b) otherwise up to a nominal amount of £10,000.00 (being ten per cent. of the issued share capital of the Company on Admission),

such power to expire upon the earlier of the conclusion of the next annual general meeting of the Company and the date which is 15 months from the date of the passing of the resolution, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted or rights to be granted after such expiry and the Directors may allot equity securities or grant rights in pursuance of any such offer or agreement as if the authority had not expired.

3.19 Pursuant to a special resolution of the Company dated 23 September 2020, the Company is generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:

- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 10,000,000 (being approximately ten per cent. of the issued share capital of the Company on Admission);
- (b) the minimum price which may be paid for each Ordinary Share is the nominal value of each Ordinary Share; and
- (c) the maximum price which may be paid for each Ordinary Share is five per cent. above the average of the closing mid-market prices of the Ordinary Shares for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned, based on the share prices published in the Daily Official List of the London Stock Exchange or the AIM supplement thereto, such authority to expire upon the earlier of the conclusion of the next annual general meeting of the Company and the date which is 15 months from the date of the passing of the resolution, save that the Directors may before such expiry make a contract to purchase its Ordinary Shares under the authority which will or may be executed wholly or partly after the authority expires and may make a purchase of Ordinary Shares in pursuance of any such contract as if the authority had not expired.

3.20 The Ordinary Shares are not redeemable. However, the Company may, subject to the requirements of the Act, purchase any of the Ordinary Shares on or off-market. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made for the purpose of financing the purchase.

3.21 Save as set out in this paragraph 3:

- (a) no shares in the capital of the Company have been issued otherwise than as fully paid;
- (b) the Company does not have in issue any shares not representing capital;
- (c) the Company does not hold any treasury shares and no shares in the capital of the Company are held by or on behalf of any member of the Company;
- (d) the Company does not have in issue any convertible securities, exchangeable securities or securities with warrants;
- (e) there are no acquisition rights and/or obligations over any unissued shares in the capital of the Company and no undertaking has been given by the Company to increase its issued share capital; and
- (f) no share or loan capital of any member of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.22 No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.23 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan

capital.

4. SUBSIDIARY UNDERTAKINGS

- 4.1 The Company does not have any subsidiaries and there are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.
- 4.2 Historically, the Company has had an interest in the following entities, which were wholly-owned subsidiaries: Fonix Interactive Limited, Fonix Pay Limited and Fonix Inc. Both Fonix Interactive Limited and Fonix Pay Limited were dissolved by voluntary strike off on 28 February 2017 and 14 November 2017 respectively. Fonix Inc. was dissolved on 2 October 2017 following a short form procedure in the State of Delaware, United States of America.

5. SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles, which were adopted by a written resolution passed on 23 September 2020 conditional on and with effect from Admission, contain, amongst others, provisions to the following effect:

5.1 Limited liability

The liability of the Company's members is limited to the amount (if any) unpaid on the shares in the Company held by them.

5.2 Unrestricted objects

The objects of the Company are unrestricted.

5.3 Change of name

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the power of the Company under section 77 of the Act to change its name by special resolution.

5.4 Share rights

Rights of different classes of shares

Subject to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of any such determination, as the Board may decide. Subject to any rights attached to any existing shares, the Company may also issue shares which are to be redeemed or which, at the option of the Company or the holder, are liable to be redeemed. The Board may decide the terms, conditions and manner of redemption of any redeemable shares which are issued.

Voting rights

Subject to any rights or restrictions as to voting attached to any shares and to any suspension or abrogation of voting rights pursuant to the Articles:

- (a) on a vote on a resolution on a show of hands, every member present (not being present by proxy) and entitled to vote on the resolution has one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote (save that a proxy who has been appointed by more than one member has one vote for and one vote against if he has been instructed to vote in different ways on the resolution); and
- (b) on a vote on a resolution on a poll, every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share of which he is the holder.

Unless the Board otherwise decides, no member is entitled in respect of any share held by him to vote on any resolution at a shareholders meeting, either in person or by proxy, if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

Variation of rights

If at any time the capital of the Company is divided into different classes of share, the rights attached to any class may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class and may be so varied either while the Company is a going concern or during or in contemplation of a winding up. The quorum at any such separate meeting (other than an adjourned meeting) shall be not less than two persons entitled to vote and holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares).

Transfer of shares

A member may transfer all or any of his shares which are in certificated form by an instrument of transfer in any usual form or common form or in any other form approved by the Board. The instrument of transfer must be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. A member may transfer all or any of his shares which are in uncertificated form by means of a relevant system in accordance with the CREST Regulations.

The Board may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien provided that, in the case of a class of shares admitted to trading on AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may refuse to register a transfer of a certificated share unless the instrument of transfer is:

- (a) in respect of only one class of share;
- (b) in favour of not more than four persons jointly; and
- (c) lodged (duly stamped if required) at the place where the register of members is situated (or such other place as the Board may appoint) accompanied (except in the case of a transfer by a person to whom the Company is not by law required to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

The Board may refuse to register a transfer of an uncertificated share in the circumstances set out in the CREST Regulations or if the transfer is in favour of more than four persons jointly.

Subject to the above and subject to the transfer restrictions summarised in the paragraph headed “*Suspension of rights attaching to shares*” below, the Articles contain no restrictions on the free transferability of fully paid shares.

Pre-emption rights

There are no pre-emption rights under the Articles in respect of transfers of issued shares or the allotment of new shares.

Section 561 of the Act confers on holders of Ordinary Shares rights of pre-emption in respect of the allotment by the Company of equity securities (as defined in section 560 of the Act) which are, or are to be, paid up in cash. Under these statutory pre-emption rights, the Company is, subject to certain limited exceptions, required to offer to allot the equity securities concerned to holders of Ordinary Shares on a *pro rata* basis before allotting them to other persons. These statutory pre-emption rights have been disapplied to the extent set out in paragraph 3.1.18.

Suspension of rights attaching to shares

Under section 793 of the Act, the Company may send out a notice (a “**section 793 notice**”) to any person whom the Company knows or has reasonable cause to believe to be interested in its shares (or to have been so interested at any time during the preceding three years) asking for information concerning his interest in the shares and information concerning any other interest in the shares of which he is aware. Where a person receives a section 793 notice and fails to provide the information

required by the notice within the time specified in it, the Company can apply to the court for an order directing that the relevant shares be subject to restrictions. The effect of a court order imposing restrictions is that (i) any transfer of the shares is void, (ii) no voting rights are exercisable in respect of the shares, (iii) no further shares may be issued in right of the shares or in pursuance of an offer made to the holder of them, and (iv) except in a liquidation, no payment may be made of sums due from the Company on the shares (whether in respect of capital or otherwise). The Articles also contain provisions for the imposition of restrictions on shares in circumstances where a person fails to comply with a section 793 notice which are described below.

If a member, or any other person appearing to be interested in shares held by that member, has been served with a section 793 notice and has failed in relation to any shares (the “**default shares**” which expression includes any further shares issued in respect of those shares) to give the Company the information required by the notice for a period of 14 days from the date of its service, then (unless the Board otherwise determines) the following sanctions apply:

- (a) the member is not entitled in respect of the default shares to attend or to vote (either in person or by proxy) at any meeting or on a poll or to exercise any other right conferred by membership in relation to shareholder meetings;
- (b) where the default shares represent 0.25 per cent. or more in nominal value of the issued shares of any class of shares (excluding any shares of that class held as treasury shares):
 - (i) any dividend or any other amount payable in respect of the default shares is to be withheld by the Company (without the Company being liable to pay interest on it) and the member is not entitled to elect to receive shares in lieu of dividend; and
 - (ii) save for an excepted transfer, no transfer of any default shares is to be registered unless the member is not himself in default in supplying the information required and he proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares included the subject of the transfer.

Where the sanctions described above apply, they cease to have effect (and any dividend or other money withheld becomes payable) at the expiry of seven days (or such shorter period as the Board may decide) following the earlier of:

- (a) the date on which the Company receives notification that the default shares have been transferred by means of an excepted transfer; and
- (b) the date on which the Company receives, in a form satisfactory to the Board, all of the information required by the relevant section 793 notice.

For the purposes of the above, an “excepted transfer” is (i) a transfer by way of acceptance of a takeover offer, (ii) a transfer in consequence of a sale made through a recognised investment exchange or any other stock exchange outside the UK on which the Company’s shares are normally traded or (iii) a transfer which is shown to the satisfaction of the Board to be made in consequence of a sale of the whole of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares.

Dividends

The Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board. If and so far as in the opinion of the Board, the profits of the Company available for distribution justify such payments, the Board may declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as the Board thinks fit.

Except as otherwise provided by the rights attaching to, or the terms of issue of, any shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid and shall be apportioned and paid proportionately to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose, no amount paid up on a share in advance of the date on which a call is payable shall be treated as paid up on the share.

Unless otherwise provided by the rights attaching to the share, no dividend payable in respect of a share shall bear interest as against the Company. The Board may deduct from any dividend payable to any person in respect of a share all such sums as may be due from that person to the Company on account of calls or otherwise in relation to shares in the Company.

Any unclaimed dividend may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 12 years after it was declared or became due for payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

The Board may, with the prior authority of an ordinary resolution of the Company, offer holders of Ordinary Shares (excluding Ordinary Shares held as treasury shares) the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash in respect of all or any part of any dividend specified by the ordinary resolution. The ordinary resolution may specify a particular dividend or dividends (whether declared or not) or may specify all or any dividends declared within a specified period but such period may not end later than the fifth anniversary of the date of the meeting at which the resolution is passed.

Distribution of assets on liquidation

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court), the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by legislation, divide among the members in specie the whole or any part of the assets of the Company. For this purpose, the liquidator may set such value as he considers fair on any one or more class or classes of property and may determine how such division shall be carried out as between members or classes of members. The liquidator may, with the same authority, may transfer the whole or any part of the assets to trustees on such trusts for the benefit of members as he thinks fit.

5.5 Shareholder meetings

Annual general meetings

In accordance with the requirements of the Act, the Company must hold a general meeting as its annual general meeting in each six month period following its accounting reference date.

Calling of general meetings

The Board may call a general meeting whenever it thinks fit. The Board must, on the requirement of the members under the Act, call a general meeting in accordance with the requirements of the Act.

Notice of general meetings

General meetings must be called by at least such minimum period of notice as is required under the Act which, in the case of an annual general meeting, is 21 clear days' notice and, in the case of other general meetings, is 14 clear days' notice. Notice of the meeting must be given to the members (other than any members who, under the Articles or by virtue of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and to the auditors of the Company. The accidental omission to send notice of a general meeting to any person entitled to receive it does not invalidate the proceedings of the meeting.

Every notice of a general meeting must specify (i) the time, date and place of the meeting, (ii) (in the case of an annual general meeting) that the meeting is an annual general meeting, (iii) the general nature of the business to be transacted at the meeting and (iv) any intention to propose a resolution as a special resolution. In addition, the notice must specify, with reasonable prominence, that a member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting, that a member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to different shares and that a proxy need not be a member.

Quorum

No business is to be transacted at any general meeting unless a quorum is present. The quorum for a general meeting is two members present in person or by proxy and entitled to vote on the business to be transacted at the meeting.

Method of voting

At any general meeting, a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result on a show of hands) a poll is demanded in accordance with the Articles.

5.6 Directors

Number and appointment of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two but shall not be subject to any maximum number. Directors may be appointed by the Company by ordinary resolution or by the Board, in each case either to fill a casual vacancy or as an addition to the existing Board.

A Director is not required to hold any shares in the Company by way of qualification.

Retirement of Directors

At each annual general meeting, any Director:

- (a) who has been appointed by the Board since the preceding annual general meeting; or
- (b) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or
- (c) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,

shall retire from office but shall be eligible for re-appointment.

Removal of a Director by resolution of the Company

In addition to any power of removal conferred by the Act, the Company may by ordinary resolution remove any Director from office and appoint another person in place of a Director so removed.

Vacation of office

The Articles provide for the office of a Director to be vacated in the following circumstances:

- (a) if he resigns or offers to resign and the Board resolves to accept such offer;
- (b) if he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to the Articles or the Act or becomes prohibited by law from acting as a Director;
- (c) if he becomes bankrupt, has an interim receiving order made against him, makes any arrangement with or compounds with his creditors generally or applies to the court for an interim order under the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- (d) if he is, or may be, suffering from mental disorder or is otherwise incapable of managing his affairs and either:
 - (i) an order is made by any court or official having jurisdiction (whether in the UK or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
 - (ii) he is admitted to hospital following an application for admission for treatment under the Mental Health Act 1983 or any similar legislation in any other jurisdiction,and the Board resolves that his office be vacated;

- (e) if he is absent from meetings of the Board for a period of six consecutive months without the permission of the Board and his alternate Director (if any) has not attended in his place during that period and the Board resolves that his office be vacated;
- (f) (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company) if he is removed from office by a notice in writing addressed to him at his last known address signed by at least three fourths in number of his co-Directors; or
- (g) in the case of any Director who holds any executive office with the Company, if his appointment as such is terminated or expires and the Board resolves that his office be vacated.

Alternate directors

Any Director may appoint any person to be his alternate and may remove any alternate appointed by him. The appointment requires the approval of the Board unless the appointee is another Director.

Directors' remuneration and expenses

Each Director is entitled to be paid by way of remuneration for his services as a Director such fee as may be decided by the Board but the aggregate of all fees so paid to Directors must not exceed £2,000,000 per annum (or such higher amount as may be decided by ordinary resolution of the Company). Such fee shall be distinct from and additional to any salary, remuneration or other benefits which may be paid or provided to a Director under any other provision of the Articles.

Any Director who performs any special or extra services which in the opinion of the Board are outside the scope of his ordinary duties as a Director and not in his capacity as a holder of employment or executive office may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide in addition to any remuneration paid or provided for pursuant to any other provision of the Articles.

The salary or remuneration of any Director appointed to hold any employment or executive office shall be such as the Board may decide and may be either a fixed sum of money or may, in whole or in part, be governed by business done or profits made or otherwise decided by the Board. Any such salary or remuneration may be in addition to or in lieu of any fee payable to him for his services as a Director under the Articles.

Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as a Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or shareholder meetings.

Pensions and other benefits

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) to or for the benefit of, amongst other persons, any past or present director of the Company or any of its subsidiary undertakings, members of his family and his dependants.

The Board may also exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of, amongst other persons, any past or present director of the Company or any of its subsidiary undertakings.

Borrowing powers

The Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but, as regards subsidiary undertakings, only so far as by the exercise of such rights or powers of control, the Board can secure) that the aggregate principal amount outstanding at any time

of all borrowings by the Company after deducting cash deposited shall not, save with the previous sanction of an ordinary resolution of the Company, exceed the greater of £17,000,000 and an amount equal to three times the adjusted capital and reserves (as defined in the Articles).

Proceedings of the Directors

Subject to the provisions of the Articles, the Board may regulate its proceedings as it thinks fit. The quorum necessary for the transaction of business may be determined by the Board and, unless so determined at any other number, shall be two. A duly convened meeting of the Board at which a quorum is present is competent to exercise all or any of the powers vested in or exercisable by the Board. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting has a second or casting vote.

A resolution in writing signed by all the Directors who would have been entitled to vote on the resolution at a meeting of the Board (provided that those Directors would have formed a quorum at such a meeting) is as valid and effective as a resolution duly passed at a meeting of the Board.

Directors' conflicts of interest

The Board may authorise any situation or matter in which a Director (an "**Interested Director**") has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company and which would, if not so authorised, result in the Interested Director being in breach of his statutory duty to avoid conflicts of interest. An Interested Director seeking authorisation of a conflict of interest must declare to the Board the nature and extent of his interest giving rise to the conflict as soon as reasonably practicable. An Interested Director must not be counted in the quorum or vote in respect of any resolution of the Board giving such authorisation.

Where the Board authorises a situation or matter, it may impose on the Interested Director such terms for the purpose of dealing with the conflict of interest as the Board may determine.

Permitted interests of Directors

A Director, notwithstanding his office, may:

- (a) be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;
- (b) hold any other office or place of profit with the Company (except that of auditor) in conjunction with the office of Director or act by himself or through a firm with which he is associated in a professional capacity for the Company or any body corporate in which the Company is directly or indirectly interested (otherwise than as auditor);
- (c) be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested (including by the holding of shares or other securities) in, any body corporate promoted by the Company or in which the Company is otherwise directly or indirectly interested or as regards which the Company has any powers of appointment; and
- (d) be a director of any body corporate in which the Company is not directly or indirectly interested if, at the time of his appointment as a director of that other company, such appointment cannot reasonably be regarded as giving rise to a conflict of interest.

If a Director has any interest referred to above, he must, subject to certain exceptions, declare the nature and extent of that interest to the Board. The declaration must be made as soon as is reasonably practicable and, in the case of an interest in a proposed transaction or arrangement with the Company, before the Company enters into the transaction or arrangement.

Directors not liable to account

A Director is not liable to account to the Company for any benefit which he derives from any transaction or arrangement or from any office, employment, position or relationship or from any interest in any body corporate if the relevant matter has been authorised by the Board (subject, in any such case, to the terms of such authorisation) or is permitted under the Articles.

No transaction or arrangement is liable to be avoided on the grounds that a Director has an interest in it (or derives a benefit from it) if the interest has been authorised by the Board or is permitted under the Articles.

Restrictions on voting by Directors

A Director must not vote on (or be counted in the quorum in relation to) any resolution of the Board (or of a Board committee) concerning any transaction or arrangement in which he has a direct or indirect interest. However, this prohibition does not apply to any resolution concerning a transaction or arrangement in which his interest cannot reasonably be regarded as likely to give rise to a conflict of interest or to any resolution concerning:

- (a) the giving of any guarantee, security or indemnity to the Director or any other person in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (b) an offer by the Company or any of its subsidiary undertakings of securities for subscription, purchase or exchange, in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (c) a transaction or arrangement in which he has an interest only by virtue of an interest in shares, debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (d) a transaction or arrangement concerning any other body corporate in which the Director (or any person connected with him) is interested (directly or indirectly) and whether as an officer, shareholder, creditor, employee or otherwise, if he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital of that body corporate or the voting rights available to members of that body corporate;
- (e) a transaction or arrangement concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefit scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the fund or scheme relates;
- (f) a transaction or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings under which the Director benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the transaction or arrangement relates;
- (g) any proposal relating to the purchase or maintenance of insurance against any liability for the benefit of any Directors (or of persons who include Directors);
- (h) the giving of indemnities in favour of Directors; and
- (i) the funding of expenditure incurred or to be incurred by any Director in defending any criminal or civil proceedings or in connection with an application to the court for relief or in defending him in any investigation by, or against action proposed to be taken by, a regulatory authority or the doing of anything to enable any Director to avoid incurring any such expenditure.

A Director must not vote on (or be counted in the quorum in relation to) any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested.

Indemnification of Directors

Subject to the Act, every Director is entitled to be indemnified by the Company against any liability incurred by him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company (other than any liability to the Company or any associated

company or any liability of the kind referred to in section 234(3) of the Act) and any other liability incurred by him in the performance of his duties.

Subject to the Act, the Company may provide a Director with funding to meet his expenditure in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust in relation to the Company or any associated company. The Company may also provide a Director with funding to meet his expenditure in connection with any investigation or action undertaken by a regulatory authority.

The above is a summary only of certain provisions of the Articles. The full provisions of the Articles are available on the Company's website at <https://www.fonix.com/>.

6. DIRECTORS AND EMPLOYEES

6.1 Details of the Directors and each of their respective functions are set out on page 8 of this document. Each of the Directors can be contacted at the business address of the Company at 23 Heddon Street, London, W1B 4BQ.

6.2 Details of the date of birth and length of service to date (if any) in their current or proposed office for each of the Directors are set out below:

<i>Name</i>	<i>Date of birth</i>	<i>Commencement date in office</i>
William Neale	23 April 1976	5 June 2006
Robert Weisz	25 January 1978	1 July 2014
Rupert Horner	9 September 1962	Admission
Edward Spurrier	23 March 1965	Admission
Lucinda Sharman-Munday	17 November 1977	Admission

6.3 In addition to their directorships of the Company (and any historic subsidiary) the Directors are currently, or have within the five years prior to the date of this document, been directors or partners of the following companies and partnerships:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Robert Weisz	None	None
Rupert Horner	Thompson Investments (London) Limited Pyrpro Limited Collicutt Meats Limited Collicutt Holdings Limited Secora Limited Recis Limited Luna Sociedade Imobiliaria S.A. Oitava Promotora Imobiliaria S.A.	Medium Channel Media Limited Tropical Forest Plantations Limited NKK Finance Limited Gotech Company Limited Algarve Real Estate Limited Mesh Holdings Plc (formerly Gotech Company Plc) HGC Investco I Ltd The New Beacon Educational Trust Ltd Sportsdata Ltd The Infusion Lab Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
William Neale	Everplay Limited Grabyo Limited Grabyo Inc Grabyo Pte Ltd Pyrlo Limited Ganton Limited Heddon Limited	Pyrpro Limited Wardour Limited Quadrant Limited Gullway Limited
Edward Spurrier	7 SFI Limited The White Horse Federation Wavenet Group Holdings Limited Radio Bidco Limited Wireless Innovation Group Ltd Robin Topco Limited Spark TMT (Carried Interest) LLP Marston-On-Dove Estates Limited	G.Network Communications Limited Aurora Kendrick James Limited Alternative Cloud Services Ltd Control Circle Limited Alternative Networks Limited Scalable Communications Limited Daisy Corporate Services Trading Limited Echo Communications Limited
Lucinda Sharman-Munday	Eagle Eye Solutions Group PLC Eagle Eye Solutions Limited Eagle Eye Solutions Inc Eagle Eye Solutions Canada Limited Eagle Eye Solutions Australasia Pty Limited	Eagle Eye Solutions Asia Pacific Pty Limited

6.4 Rupert Horner was a director of The Club Company (UK) Limited (formerly Clubhaus Plc) from 1 February 2001 to 8 May 2002, during which time the company entered into a scheme of arrangement with certain of its creditors. The purpose of the scheme was to redeem £45 million of principal of loan notes and unpaid preference dividends owed to, *inter alia*, Deutsche Bank Luxembourg S.A and the Bank of New York, through the issue of new shares in the capital of The Club Company (UK) Limited (formerly Clubhaus Plc). The scheme was effected on 17 May 2002, ensuring long term survival of the company.

6.5 Save as disclosed in paragraph 6.4, at the date of this document none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6.6 Details of the number of the Company's employees for each of the financial years ended 30 June 2018 and 30 June 2019 and 30 June 2020 for the Company are as follows:

<i>Period</i>	<i>Average number of employees</i>
Financial year ended 30 June 2018	23
Financial year ended 30 June 2019	28
Financial year ended 30 June 2020	32

6.7 As at 30 June 2020, the employees of the Company were employed as follows:

Sales and marketing	6
Office and management	13
Technical	13
Total	<u>32</u>

7. DIRECTORS' REMUNERATION AND SERVICE AGREEMENTS

7.1 Robert Weisz

Mr Weisz is employed as Chief Executive Officer pursuant to the terms of a service agreement with the Company dated 1 July 2014 and which will, at and conditional upon Admission, be replaced by a service agreement between Mr Weisz and the Company dated 7 October 2020. The new service agreement is terminable by either party on not less than 6 months' written notice. Mr Weisz is paid a basic annual salary of £170,500. His basic salary is subject to annual review by the Remuneration Committee. Mr Weisz is entitled to, but has elected not to, participate in the Company's occupational pension scheme. Mr Weisz is entitled to no other benefits during his employment with the Company or upon termination of his employment. Mr Weisz is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment with the Company. The service agreement is governed by English law.

7.2 Rupert Horner

Mr Horner is to be employed as Chief Financial Officer pursuant to the terms of a service agreement with the Company dated 7 October 2020 with effect from and conditional upon Admission. The appointment is subject to a probationary period of 6 months (the "**Probationary Period**"), during which the agreement is terminable upon two weeks' notice by either party. Following expiry of the Probationary Period and during the first five years of continuous employment, the agreement will be terminable by either party on one month's notice and after five complete years of service, on notice of one week for each complete year of continuous employment up to a maximum of 12 weeks' notice. Mr Horner is paid a basic salary of £800 (gross) per 8 hour working day. His basic salary is subject to annual review by the Remuneration Committee. Mr Horner is entitled to, but has elected not to, participate in the Company's occupational pension scheme. Mr Horner is entitled to no other benefits during his employment with the Company or upon termination of his employment. Mr Horner is subject to certain non-competition and non-solicitation covenants for a period of 6 months following the termination of his employment with the Company. The service agreement is governed by English law.

7.3 Edward Spurrier

Pursuant to the terms of a letter of appointment with the Company dated 7 October 2020 and which is conditional upon Admission, Mr Spurrier has agreed to serve as a Non-Executive Director and Non-Executive Chairman of the Company for an annual fee of £65,000. This appointment is terminable by either party on not less than 30 days' written notice but will terminate automatically if Mr Spurrier is removed from office by a resolution of the Shareholders or is not re-elected to office with the Company.

7.4 William Neale

Pursuant to the terms of a letter of appointment with the Company dated 7 October 2020 and which is conditional upon Admission, Mr Neale has agreed to serve as a Non-Executive Director for an annual fee of £40,000. This appointment is terminable by either party on not less than 30 days' written notice

but will terminate automatically if Mr Neale is removed from office by a resolution of the Shareholders or is not re-elected to office with the Company. Mr Neale is subject to certain non-competition and non-solicitation covenants for a period of 6 months following the termination of his appointment.

7.5 **Lucinda Sharman-Munday**

Pursuant to the terms of a letter of appointment with the Company dated 7 October 2020 and which is conditional upon Admission, Ms Sharman-Munday has agreed to serve as a Non-Executive Director for an annual fee of £35,000. This appointment is terminable by either party on not less than 30 days' written notice but will terminate automatically if Ms Sharman-Munday is removed from office by a resolution of the Shareholders or is not re-elected to office with the Company.

- 7.6 Save as disclosed in this document there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company.
- 7.7 There are no arrangements under which any Director has agreed to waive future emoluments nor have there been any waivers of such emoluments during the financial year immediately preceding the date of this document.
- 7.8 In the financial year ended 30 June 2020 (being the last completed financial year of the Company) the aggregate remuneration paid, including pension contributions and benefits in kind granted, to the Directors was £174,000.
- 7.9 On the basis of the arrangements in force at the date of this document it is estimated that the aggregate remuneration payable, including pension contributions and benefits in kind granted, to the Directors for the year ending 30 June 2021 (being the current financial year of the Company) will be £301,855.

8. DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

- 8.1 The interests of the Directors, their immediate families and any persons connected with them (within the meaning of section 252 of the Act) (all of which, unless otherwise stated, are beneficial) in the issued share capital of the Company as at the date of this document and as they are expected to be immediately following Admission are as follows:

<i>Director</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of issued Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
William Neale ⁽¹⁾	52,865,497	52.87%	26,432,749	26.43%
Robert Weisz	16,964,722	16.96%	8,482,361	8.48%
Rupert Horner ⁽²⁾	2,917,815	2.92%	1,458,907	1.46%
Edward Spurrier	–	–	–	–
Lucinda Sharman-Munday	–	–	–	–

(1) Of the Existing Ordinary Shares in which William Neale is interested as at the date of this document, 35,535,666 are held by Ganton Limited. Immediately following Admission, all of the 26,432,749 Ordinary Shares in which William Neale will be interested will be held by Ganton Limited.

(2) Of the Existing Ordinary Shares in which Rupert Horner is interested as at the date of this document, 604,986 are held by Secora Limited and 2,312,829 are held by Magnolia Capital Limited. Immediately following Admission, all of the 1,458,907 Ordinary Shares in which Rupert Horner will be interested will be held by Magnolia Capital Limited.

- 8.2 As at the date of this document there are no options outstanding under the Share Option Schemes. An option will be granted on or shortly after Admission to Edward Spurrier over Ordinary Shares representing approximately 0.5 per cent. of the Share Capital at Admission at an exercise price not less than the market value on the date of grant as determined on the same basis as is used for options granted under the Share Option Schemes.

- 8.3 Save as disclosed above, none of the Directors nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company.
- 8.4 No Director nor any member of his immediate family nor any person connected with them (within the meaning of section 252 of the Act) has a related financial product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.
- 8.5 There are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.
- 8.6 No Director has or has had any interest, whether direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, any member of the Company.
- 8.7 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 8.8 No Director has any conflict of interest (or potential conflict of interest) between any duties owed by him to the Company and any private interests and/or other duties owed by him to third parties.
- 8.9 Details of any restrictions agreed by the Directors with regard to the disposal of their holdings in the Company's securities are set out in paragraph 12.1(b) of this Part IV.

9. MAJOR SHAREHOLDERS

- 9.1 In addition to the interests of the Directors set out in paragraph 7 above, insofar as is known to the Company, the following persons are as at the date of this document, and/or are expected immediately following Admission be, interested in 3 per cent. or more of the issued share capital or voting rights of the Company:

As at the date of this document

<i>Shareholder</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of issued Existing Ordinary Shares</i>
Starnevesse Limited	20,361,866	20.36%

Immediately following Admission

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
Slater Investments	10,244,444	10.24%
Starnevesse Limited	10,180,933	10.18%
Kestrel Partners	3,975,711	3.98%
Blackrock Investment Management	3,349,069	3.35%
AXA Investment Managers	3,000,000	3.00%

- 9.2 The Share Capital at Admission will consist of one class of Ordinary Shares with equal voting rights. At Admission no major Shareholder of the Company will have any different voting rights from the other Shareholders.

- 9.3 On Admission, William Neale will (directly or indirectly) hold 26.43 per cent. of the Share Capital of the Company. The Company and Mr Neale have entered into the Relationship Agreement to regulate aspects of the continuing relationship between the Company and Mr Neale to ensure that the Company is capable at all times of carrying on its business independently of Mr Neale and that future transactions between the Company and Mr Neale are on arm's length terms and on a normal commercial basis. Further details of the Relationship Agreement are set out in paragraph 12.1(e) below.
- 9.4 The interests of the Concert Party (all of which, unless otherwise stated, are beneficial) in the issued share capital of the Company as at the date of this document and as they are expected to be immediately following Admission are/will be as follows:

Name	As at the date of this document		Immediately following Admission	
	Number of Existing Ordinary Shares	Percentage of issued Existing Ordinary Shares	Number of Ordinary Shares	Percentage of issued Ordinary Shares
William Neale ⁽¹⁾	52,865,497	52.87%	26,432,749	26.43%
Robert Weisz	16,964,722	16.96%	8,482,361	8.48%
Richard Thompson ⁽²⁾	20,361,866	20.36%	10,180,933	10.18%
Rupert Horner ⁽³⁾	2,917,815	2.92%	1,458,907	1.46%
Andrew Oliver ⁽⁴⁾	1,072,274	1.07%	536,137	0.54%

- (1) Of the Existing Ordinary Shares in which William Neale is interested as at the date of this document, 35,535,666 are held by Ganton Limited. Immediately following Admission, all of the 26,432,749 Ordinary Shares in which William Neale will be interested will be held by Ganton Limited.
- (2) All of the 20,361,886 Existing Ordinary Shares in which Richard Thompson is interested as at the date of this document are held by Starnevesse Limited. Immediately following Admission, all of the 10,180,933 Ordinary Shares in which Richard Thompson will be interested will be held by Starnevesse Limited.
- (3) Of the Existing Ordinary Shares in which Rupert Horner is interested as at the date of this document, 604,986 are held by Secora Limited and 2,312,829 are held by Magnolia Capital Limited. Immediately following Admission, all of the 1,458,907 Ordinary Shares in which Rupert Horner will be interested will be held by Magnolia Capital Limited.
- (4) All of the 1,072,274 Existing Ordinary Shares in which Andrew Oliver is interested as at the date of this document are held by Sparticus Limited. Immediately following Admission, all of the 536,137 Ordinary Shares in which Andrew Oliver will be interested will be held by Sparticus Limited.

9.5 Save as disclosed in this paragraph 9, there are no persons, so far as the Company is aware, who are or will be immediately following Admission interested in 3 per cent. or more of the Company's issued share capital, nor, so far as the Company is aware, are there any persons who at the date of this document directly or indirectly, jointly or severally, exercise or could exercise control over the Company or who will or could do so immediately following Admission.

9.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

10. EMPLOYEE SHARE SCHEMES

10.1 Introduction

The Directors believe that employee share ownership will continue to form a vital part of the culture and incentives structure of the business. The Company has adopted the Share Option Schemes which it intends to operate after Admission. The Share Option Schemes comprise the CSOP (under which tax-advantaged options may be granted) and the Unapproved Scheme (under which non-tax advantaged options may be granted). The principal features of the Share Option Schemes are summarised below.

Awards under the Share Option Schemes will take the form of options to acquire Ordinary Shares. In the case of the CSOP, these options are intended to satisfy the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and to benefit from favourable UK tax treatment ("**CSOP**

Options”). Awards under the Unapproved Scheme will be non-tax advantaged options to acquire Ordinary Shares (**“NTA Options”**).

10.2 **Eligibility**

Any employee or full time director of the Company and its subsidiaries will generally be eligible to be granted CSOP Options and/or NTA Options (together, **“Options”**) under the Share Option Schemes at the discretion of the Remuneration Committee. Options may be granted to employees and full time directors on a discretionary basis, i.e. the Company can determine who to grant Options to and the size of the Options it wishes to grant. Any individual with a “material interest” may not be granted a CSOP Option. A material interest for this purpose means a holding of 30 per cent. of the shares or the ability to control 30 per cent. of the shares, either alone or with a “connected person”. An individual with a material interest may be granted an NTA Option.

10.3 **Grant of Options**

Options may be granted at any time when the grant of options is not prohibited by law, by the MAR, or by any regulation with the force of law, by the rules of any investment exchange on which the Ordinary Shares are traded, or by any non-statutory rule that binds the Company or with which the Board has decided to comply. No Options will be granted more than ten years after the date of the adoption of the Share Option Schemes by the Company. No payment is required for the grant of an Option. Options are not pensionable. An Option is personal to the participant and, subject to the rights of a participant’s personal representatives, may not be transferred.

10.4 **Exercise Price**

The price payable for each Ordinary Share on the exercise of an Option (the **“Exercise Price”**) will be specified by the Remuneration Committee but will not be less than the market value of an Ordinary Share on the date of grant. For newly issued Ordinary Shares the Exercise Price cannot be less than their nominal value. For the above purposes, the market value of an Ordinary Share on the date of grant will be set in accordance with a basis agreed with HMRC Shares and Assets Valuation and will normally be taken as being the middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the dealing day last preceding the date of grant.

10.5 **Individual Limits**

No person may at any time hold Options granted under the CSOP (or any other tax advantaged company share option plan operated by the Company) over Ordinary Shares having a total market value at the time of grant of more than £30,000. For this purpose, the value of shares is measured at the date of grant of the relevant options. (This means that an individual could be granted an option over £30,000-worth of shares on day one, exercise the option three years later and then be granted a further CSOP Option over another £30,000-worth of shares.) The limit of £30,000 does not apply to NTA Options.

10.6 **Performance Conditions**

The Remuneration Committee may, in its absolute discretion, make the exercise of an Option subject to the achievement of objective performance conditions, for example relating to the financial performance of the Company. The Remuneration Committee will have the power to vary the terms of any performance conditions attaching to an outstanding Option in appropriate circumstances, provided that the amended conditions shall be no more difficult to satisfy than was the original performance condition(s).

10.7 **Exercise and Lapse of Options**

Options will generally vest and become exercisable on the date specified by the Remuneration Committee in the Option certificate (the **“Normal Vesting Date”**). The Normal Vesting Date may not be earlier than third anniversary of the date of grant of the Option. An Option may only be exercised if, and to the extent that, any performance conditions have been satisfied (if not previously waived by the Remuneration Committee). Options will lapse on the tenth anniversary of the date of grant or such earlier date as specified by the Remuneration Committee in the Option certificate or sooner on the

occurrence of certain corporate events or where the participant ceases to hold employment with the Company (subject to certain exceptions, details of which are set out below).

10.8 Source of Ordinary Shares and Overall Limit

Options may be satisfied either by the issue of new Ordinary Shares, the transfer of Ordinary Shares from treasury or the transfer of Existing Ordinary Shares purchased in the market. The maximum number of new Ordinary Shares that may be issued to satisfy Options granted under the Share Option Schemes (and rights granted under any other employees' share scheme established by the Company) in any 10 year period may not exceed 10 per cent. of the total number of Ordinary Shares in issue from time to time.

10.9 Shareholder Rights

Options will not confer any shareholder rights unless and until they have been exercised and the participants have received their Ordinary Shares. Ordinary Shares will normally be transferred or allotted on the exercise of an Option within thirty days of the date of exercise. Any Ordinary Shares issued or transferred to participants will rank equally with the other Ordinary Shares then in issue (except in respect of rights arising prior to the date of allotment or transfer of the Ordinary Shares acquired on the exercise of the Option). Application will then be made, if appropriate, for permission for any Ordinary Shares to be admitted to trading on AIM.

10.10 Cessation of Employment

As a general rule, an Option may not be exercised at any time unless the participant then holds office or employment with the Company or a subsidiary of the Company.

If a participant ceases to be an employee or director before the Normal Vesting Date by reason of injury, ill-health, disability, retirement, redundancy, or their employing company or the business for which they work no longer being a subsidiary of the Company (i.e. the participant is a "good leaver"), they may exercise a pro-rated proportion of their Option for a period of 6 months beginning with the date of such cessation.

If a participant ceases to be an employee or director before the Normal Vesting Date for any other reason, they may exercise a pro-rated proportion of their Option only if permitted to do so by the Remuneration Committee, in which case the pro-rated portion of the Option may be exercised for a period of not more than 90 days beginning with the date of such cessation.

If a participant ceases to be an employee or director after the Normal Vesting Date for any other reason other than summary dismissal, they may exercise their Option for a period of 90 days beginning with the date of such cessation.

To the extent an Option is not exercised within these periods, it shall lapse and cease to be exercisable at the end of the specified period.

If a participant dies then their Option may be exercised during the following period of 12 months, but over a pro-rated number of shares if the death occurs prior to the Normal Vesting Date.

10.11 Corporate Events

In the event of a statutory compromise, takeover or winding up of the Company, Options will vest early subject to the extent to which any performance conditions have been satisfied or has been waived or varied by the Remuneration Committee. In the event of an internal corporate reorganisation, Options may be replaced by equivalent rights over shares in a new holding company.

10.12 Variation of Capital

In the event of any capitalisation issue, rights issue, consolidation, subdivision or reduction of capital or any other variation in the share capital of the Company, the number, amount or description of the Option shares may be adjusted by the Remuneration Committee (subject to various conditions) as well as the exercise price of the Options.

10.13 **Amendment to the Share Option Schemes**

The Remuneration Committee may, at any time, amend the provisions of the Share Option Schemes in any respect, provided that if it is intended that the CSOP shall continue to be a tax advantaged plan, no amendment may be made to a key feature of the CSOP if it would result in the relevant statutory requirement for arrangements of that type no longer being met. Details of any amendments must be given to any affected participant as soon as reasonably practicable.

11. **UK TAXATION**

The following information is based on UK tax law and HM Revenue and Customs (“**HMRC**”) practice currently in force in the UK (2020/21 UK tax year). Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The information that follows is for guidance purposes only. Any person (individual or corporate) who is in any doubt about his or her position should contact their professional advisor immediately.

11.1 **Tax treatment of UK investors**

The following information, which relates only to UK taxation, is applicable to persons who are tax resident in the UK under domestic law and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- (a) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 5 per cent., of any of the classes of shares in the Company; or
- (b) who will be required to treat the Ordinary Shares as “employment related securities” for UK tax purposes; or
- (c) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- (d) who are in any doubt as to their UK taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

11.2 **UK Dividends**

Where the Company pays dividends no UK withholding taxes are deducted at source, Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Ordinary Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company.

UK dividend income received by UK tax resident individuals will have a £2,000 annum dividend tax allowance UK dividend receipts in excess of £2,000 will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers, and 38.1 per cent. for additional rate taxpayers.

Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax.

11.3 **Disposals of Ordinary Shares**

Any capital gain arising on the sale, redemption, transfer, gift, or other disposal of these Ordinary Shares will be taxed at the time of such disposal under UK capital gains tax/corporation tax provisions.

The rate of capital gains tax on the disposal of Ordinary Shares by individuals will depend on their marginal rate of UK tax. Capital gains falls within the basic rate band will be subject to tax at a rate of 10 per cent. with capital gains falling into the upper and additional rate subject to tax at a rate of 20 per cent. Please note that the UK Government commissioned a review of the capital gains tax regime in July 2020 and these rates could increase in future years.

For Shareholders within the charge to UK corporation tax, indexation allowance up until 1 January 2018 may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its taxable profits is currently 19 per cent. falling to 17 per cent. after 1 April 2020. But in the Budget on 11 March 2020 it was announced that the rate would remain at 19 per cent., after 1 April 2020.

11.4 **Further information for Shareholders subject to UK income tax and capital gains tax**

Transactions in securities

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel “tax advantages” derived from certain prescribed “transactions in securities”. Should these specific provisions apply the result would be to re-characterise any capital gains as income.

11.5 **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or SDRT will generally be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM (including instruments transferring Ordinary Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- (a) the Ordinary Shares are admitted to trading on AIM, but are not listed on any market (with the term “listed” being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (b) AIM continues to be accepted as a “recognised growth market” as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances.

Any transfer of Ordinary Shares for consideration prior to admission to trading on AIM is likely to be subject to stamp duty or SDRT.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF

CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES IN UK LAWS OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO HIS TAX POSITION OR WHERE HE IS RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT HIS PROFESSIONAL ADVISER.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company (i) within the period of two years immediately preceding the date of this document and which are, or may be, material to the Company or (ii) which contain any provision under which the Company has an obligation or entitlement which is, or may be, material to the Company as at the date of this document:

12.1 *The Placing and Admission*

(a) Introduction Agreement

An introduction agreement dated 7 October 2020 and made between (1) the Company (2) the Directors and (3) finnCap pursuant to which finnCap has agreed, subject to certain conditions, to act as agent for the Company in connection with the application for Admission.

The Introduction Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 12 October 2020 (or such later date as the Company and finnCap may agree, being not later than 5.00 p.m. on 12 November 2020). The Introduction Agreement contains warranties from the Company and the Directors in favour of finnCap in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Company and its business. In addition, the Company has agreed to indemnify finnCap in respect of certain liabilities it may incur in respect of the application for Admission. finnCap has the right to terminate the Introduction Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties or a force majeure event.

(b) Selling Shareholders Agreement

A selling shareholder agreement dated 7 October 2020 and made between (1) finnCap and (2) the Selling Shareholders pursuant to which each Selling Shareholder has agreed to sell the Placing Shares held by him at the Placing Price and finnCap has agreed, subject to certain conditions, to use its reasonable endeavours to procure purchasers for the Placing Shares.

The Selling Shareholders Agreement is conditional upon, *inter alia*, the Introduction Agreement having become unconditional in all respects (save for any condition requiring the Selling Shareholders Agreement to have become unconditional) and Admission occurring on or before 8.00 a.m. on 12 October 2020. The Selling Shareholders Agreement contains warranties from the Selling Shareholders in favour of finnCap in relation to, *inter alia*, their title to the Placing Shares held by them.

(c) Lock-in and Orderly Market Agreement

Separate lock-in and orderly market agreements each dated 7 October 2020 and made between (1) the Company (2) finnCap and (3) each of the Selling Shareholders (who, following Admission, will hold shares in their direct capacity) (together the “**Covenantors**”) pursuant to which each of the Covenantors has undertaken to the Company and finnCap (subject to certain limited exceptions including transfers to family members or to trustees of trusts for their benefit or to wholly owned companies, disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company, or otherwise with the prior consent of finnCap and the Company, including when there is sufficient investor demand), not to dispose of the Ordinary Shares held by each of them at Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission, save for Robert Weisz who has

undertaken not to do so at any time prior to the second anniversary of Admission and otherwise on the same terms as the other Covenantors.

Furthermore, each of the Covenantors have also undertaken to the Company and finnCap not to dispose of their Ordinary Shares for the period of 12 months following the expiry of the relevant Lock-in Period otherwise than on an orderly market basis through finnCap or the Company's UK brokers for the time being.

(d) *Nominated Adviser and Broker Agreement*

A nominated adviser and broker agreement dated 7 October 2020 and made between (1) the Company and (2) finnCap pursuant to which the Company has appointed finnCap to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay finnCap a fee of £75,000 plus VAT per annum for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings, warranties and indemnities given by the Company to finnCap. The agreement is for a fixed initial term of 12 months and thereafter is terminable upon not less than 3 months' prior written notice by either the Company or finnCap.

(e) *Relationship Agreement*

A relationship agreement dated 7 October 2020 and made between (1) the Company (2) finnCap and (3) William Neale to regulate the relationship between the Company and William Neale after Admission. The Relationship Agreement will take effect on Admission and will be binding on William Neale until he ceases, directly or indirectly, to exercise control over at least 17.5 per cent. of the voting rights in respect of the entire issued share capital of the Company. Pursuant to the Relationship Agreement, William Neale undertakes, amongst other things, that he will (and, in relation to his associates, will procure, in so far he is properly able to do so, that each of them will): (i) conduct all transactions, agreements, relationships and arrangements with the Company on an arm's length basis and on normal commercial terms; and (ii) exercise his voting rights to procure in so far as he is able that the Company is able to carry on its business having regard to the interests of the Company's shareholders as a whole. The Relationship Agreement entitles William Neale, if he is not already in office as a Director, to nominate one Director for appointment to the Board and to remove any Director so nominated. The Relationship Agreement contains certain non-competition and non-solicitation covenants to which William Neale will be subject during the term of the Relationship Agreement and for a period of 12 months following its termination.

12.2 **General**

(a) *Shareholder Agreements and Deeds of Termination*

The Company has entered into shareholder agreements with the following parties (the **"Shareholder Agreements"**):

- (i) Moondice Limited (now Ganton Limited), on 13 September 2017;
- (ii) Secora Limited, on 13 October 2017;
- (iii) Robert Weisz, on 1 July 2014;
- (iv) Magnolia Capital Limited, on 30 August 2013;
- (v) Starnevesse Limited, on 30 August 2013; and
- (vi) William Neale, on 30 August 2013.

Each of these Shareholder Agreements are on the same terms and provide for:

- (i) pre-emption rights of holders of A Shares on an issue of new shares;
- (ii) a restriction on the transfer of any shares to a competitor of the Company;
- (iii) pre-emption rights of all shareholders on a transfer of share;
- (iv) drag along rights on a sale of 50 per cent. of the A Shares; and
- (v) tag along rights on a sale of 50 per cent. of any shares.

On 7 October 2020 the Company entered into deeds of termination in relation to each Shareholder Agreement, pursuant to which each party agreed to irrevocably and unconditionally waive, release and forever discharge all and any rights or claims which it may have (whether or not known to it) against the other party, or its respective officers and employees (as applicable) arising under or in connection with its respective Shareholder Agreement. The deeds of termination are effective at the point in time immediately prior to Admission.

Each Shareholder Agreement will therefore have been terminated upon Admission.

13. RELATED PARTY TRANSACTIONS

Save as set disclosed in note 25 to the historical financial information set out in Part III of this document, there have been no related party transactions of the kind set out in the Standards adopted according to Regulation (EC) No 1606/2002 that the Company has entered into during the period covered by the historical financial information set out in Part III of this document and up to the date of this document.

14. OTHER RELEVANT LAWS AND REGULATIONS

14.1 *Disclosure Guidance and Transparency Rules*

Under Chapter 5 of the Disclosure Guidance and Transparency Rules, a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights;

- (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or
- (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure Guidance and Transparency Rules.

14.2 *Public Takeover Bids*

(a) City Code on Takeovers and Mergers

The Company will be subject to the provisions of the City Code, including the rules regarding mandatory takeover offers set out in the City Code. Brief details of the Panel, the City Code and the protections they afford are described below. The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed public company resident in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the City Code. For the purpose of the City Code, a takeover will include any transaction which has its objective or potential effect (directly or indirectly) obtaining or consolidating control of the Company. For this purpose, control is defined as an interest or interests in shares carrying more than 30 per cent. of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

(b) Mandatory Bids

Under Rule 9 of the City Code, when (i) a person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the City Code) which, when taken together with shares already held by him or persons acting in concert with him (as defined in the City Code), carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer to all the holders of any class of equity share capital

or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the City Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him. Rule 9 of the City Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent. For the purposes of the City Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph (9) of the definition of 'acting in concert' also deems any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the City Code applies to be acting in concert for the purposes of the City Code unless the contrary is established.

(c) *Squeeze-out Rules*

Under the Act, if a takeover offer (as defined in section 974 of the Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Ordinary Shares to which the takeover offer relates (the "**Takeover Offer Shares**") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent.. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Act must, in general, be the same as the consideration that was available under the takeover offer.

(d) *Sell-out Rules*

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares (being voting shares that carry voting rights in the Company), any holder of Ordinary Shares to which the offer relates who has not accepted the offer is entitled by a written communication to the offeror to require it to acquire its Ordinary Shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, the giving of the notice. If a Shareholder exercises his other rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

14.3 Since 30 June 2020, there has been no takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.

14.4 Further details of the application of the City Code to the Concert Party are set out in paragraph 20 of Part I of this document.

15. INTELLECTUAL PROPERTY RIGHTS

15.1 The Company's business is dependent upon the following technology platforms: (i) a Messaging and SMS Billing gateway; (ii) a campaign manager platform; and (iii) a Carrier Billing system (the

“Platforms”). The Platforms allow the Company’s Clients to execute interactive campaigns via a secure and regulated framework via the PSA.

15.2 These Platforms depend upon the use of open source software licences and proprietary source code which has been developed by the Company’s employees. The Company has adopted a robust approach to the protection of its copyright and know-how attributed to the operations of the Company’s Platforms and business functionality in general. No third-parties or contractors have undertaken any software development for the Company. Each employee who has written the code or been involved in the development of the Platforms has entered into a non-disclosure agreement with the Company, and tight security measures have been put into place for those employees who have access to the Platforms to ensure the confidentiality of the proprietary code is maintained.

15.3 The Company has one trade mark which it is currently using and which is registered with the UK Intellectual Property Office for the word mark “FONIX” (trade mark number 3225625).

15.4 Save as disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Company’s business or profitability.

16. WORKING CAPITAL

In the opinion of the Directors having made due and careful enquiry the working capital available to the Company will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

17. LITIGATION

The Company has not been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Company nor, so far as the Company is aware, are any such proceedings pending or threatened.

18. SIGNIFICANT CHANGE

There has been no significant change in the financial position or financial performance of the Company, save as disclosed in this document, since 30 June 2020, being the date to which the financial information set out in Section B of Part III was drawn up.

19. ACCOUNTING

19.1 UHY Hacker Young of Quadrant House, 4 Thomas More Square, London, E1W 1YW are the auditors of the Company and audited the financial statements of the Company for the financial years ended 30 June 2019 and 30 June 2020 as set out in the historic financial information set out in Part III of this document. UHY Hacker Young are a member of the Chartered Institute of Accountants in England and Wales. As detailed in Part III note 27 the financial information was originally published and audited under FRS 102. The note details the changes from the original FRS 102 publication to the IFRS figures presented in the historical financial information.

19.2 Nexia Smith & Williamson of 25 Moorgate, London EC2R 6AY were the auditors of the Company and audited the financial statements of the Company for the financial year ended 30 June 2018 as set out in the historic financial information set out in Part III of this document. Nexia Smith & Williamson are a member of the Chartered Institute of Accountants in England and Wales. As detailed in Part III note 27 the financial information was originally published and audited under FRS 102. The note details the changes from the original FRS 102 publication to the IFRS figures presented in the historical financial information.

19.3 The financial information contained in Part III of this document does not constitute statutory accounts within the meaning of section 434 of the Act. A copy of the audited statutory accounts of the Company for each of the years ended 30 June 2018 and 30 June 2019 have been delivered to the Registrar of

Companies in England and Wales, and a copy of the audited statutory accounts of the Company for the year ended 30 June 2020 will be delivered to the Registrar of Companies in England and Wales within the applicable statutory deadline. The Company's auditors made a report under section 495 of the Act in respect of each of those statutory accounts and each such report was an unqualified report and did not include a statement under section 498(2) or (3) of the Act.

19.4 The current accounting reference period of the Company will end on 30 June 2021.

20. CONSENTS

20.1 finnCap Ltd of 1 Bartholomew Close, London EC1A 7BL is authorised and regulated in the United Kingdom by the FCA. finnCap has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.

20.2 BDO LLP of 55 Baker Street, London, W1U 7EU has given and not withdrawn its written consent to the inclusion of its report set out in Section A of Part III of this document in the form and context in which it appears.

21. GENERAL

21.1 The expenses payable by the Company in connection with the application for Admission are estimated to be £850,000, excluding VAT.

21.2 Save as disclosed at paragraph 13.1 above and paragraph 21.3 below, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;
- (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

21.3 The Company has engaged the following professional service providers and advisers in the 12 months preceding the date of this document, to provide the services set out below:

<i>Service provider/Adviser</i>	<i>Services provided</i>
Secora Limited	Consultancy services

21.4 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

21.5 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

21.6 The Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

21.7 Save as disclosed in this document, so far as the Directors are aware, there have not, in relation to the Company, been:

- (a) any significant recent trends in production, sales, inventory, costs and selling prices between the end of the last financial year of the Company and the date of this document; or
- (b) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Company's prospects for at least the current financial year.

21.8 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Company.

22. SELLING SHAREHOLDERS

The names of, and business addresses for, each of the Selling Shareholders are set out below:

<i>Name</i>	<i>Business Address</i>	<i>Number of Placing Shares</i>	<i>Number of Existing Ordinary Shares as at the date of this document</i>	<i>Number of Ordinary Shares immediately following Admission</i>
William Neale	23 Heddon Street, London, W1B 4BQ	17,329,831	17,329,831	–
Nicholas Richmond	23 Heddon Street, London, W1B 4BQ	350,723	701,446	350,723
Stephen George	23 Heddon Street, London, W1B 4BQ	738,305	1,476,611	738,306
Magnolia Capital Limited	The Georgian House, Nizels Lane, Hildenborough, Kent, TN11 8NW	853,922	2,312,829	1,458,907
Sparticus Limited	19 Mount Park Road, Ealing, London, W5 2RS	536,137	1,072,274	536,137
Starnevesse Limited	20 Marlborough Place, London, NW8 0PA	10,180,933	20,361,866	10,180,933
Robert Weisz	23 Heddon Street, London, W1B 4BQ	8,482,361	16,964,722	8,482,361
Secora Limited	The Georgian House, Nizels Lane, Hildenborough, Kent, TN11 8NW	604,986	604,986	–
Ganton Limited	Flat 1, 4 Tedworth Square, London, SW3 4DY	9,102,917	35,535,666	26,432,749
Marcus Kern	23 Heddon Street, London, W1B 4BQ	1,137,427	2,274,853	1,137,426
Anthony Baladi	23 Heddon Street, London, W1B 4BQ	227,489	454,979	227,490
Louisa Harris	23 Heddon Street, London, W1B 4BQ	454,969	909,937	454,968

23. AVAILABILITY OF THIS DOCUMENT

A copy of this document is available at the Company's website <https://www.fonix.com/>.

Dated 7 October 2020

PART V

TERMS AND CONDITIONS OF THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN THE UNITED KINGDOM OR MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (EACH A “RELEVANT STATE”) WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) (“QUALIFIED INVESTORS”) BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF ARTICLE 2(e) OF REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

1.1 Introduction

These terms and conditions (“**Terms and Conditions**”) apply to persons making an offer to acquire Placing Shares under the Placing.

Each person to whom these Terms and Conditions apply, as described above, who confirms its agreement to finnCap and the Company to acquire Placing Shares (which may include finnCap or its nominee(s)) (each an “**Investor**”) hereby agrees with finnCap and the Company to be bound by these Terms and Conditions as being the terms and conditions upon which the Placing Shares will be sold under the Placing. An Investor shall, without limitation, become so bound if finnCap confirms to the Investor (i) the Placing Price and (ii) its allocation of Placing Shares.

The Company and/or finnCap may require any Investor to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) considers necessary and/or may require any such Investor to execute a separate investor letter (an “**Investor Letter**”).

1.2 Agreement to acquire Placing Shares

Conditional upon: (i) Admission occurring and becoming effective by no later than 8.00 a.m. on 12 October 2020 (or such other date and/or time as finnCap may notify to the Company but, in any event, no later than 8.00 a.m. on 12 November 2020); (ii) the Introduction Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms; and (iii) finnCap confirming to the Investors their allocation of Placing Shares, each Investor agrees to become a member of the Company and agrees to acquire at the Placing Price those Placing Shares allocated to it by finnCap. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Investor may have.

1.3 Payment for Placing Shares

Each Investor undertakes to pay the Placing Price for the Placing Shares acquired by such Investor in the manner and by the time directed by finnCap.

Each Investor is deemed to agree that, if it fails to pay the Placing Price for the Placing Shares acquired by such Investor, finnCap may sell any or all of the Placing Shares allocated to that Investor and which have not been paid for on such Investor’s behalf and retain from the proceeds, for finnCap’s account and benefit (as agent for the Selling Shareholders), an amount equal to the aggregate amount owed by the Investor plus any interest due. Any excess proceeds will be paid to the relevant Investor at its risk. The relevant

Investor will, however, remain liable and shall indemnify finnCap and the Selling Shareholders on demand for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or SDRT or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Investor's behalf. By agreeing to acquire Placing Shares, each Investor confers on finnCap all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which finnCap lawfully takes in pursuance of such sale.

1.4 Representations and warranties

By agreeing to acquire Placing Shares under the Placing, each Investor which enters into a commitment to acquire Placing Shares will (for itself and any person(s) procured by it to acquire Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, acknowledge, represent and warrant to each of the Company, the Selling Shareholders, the Registrar and finnCap that:

- 1.4.1 it has read this document in its entirety and it is relying solely on this document (as well as the final version of the admission document to be published by the Company and any supplementary admission document published by the Company subsequent to the date of this document, each a "**relevant admission document**") and not on any other information given, or representation or statement made at any time, by any person concerning the Company or the Placing. It acknowledges that its participation in the Placing shall be made solely on the terms and conditions set out in these Terms and Conditions, the Introduction Agreement, the Selling Shareholder Agreement and the Articles. It agrees that these Terms and Conditions and the contract note issued by finnCap to such Investor represent the whole and only agreement between the Investor, finnCap, the Selling Shareholders and the Company in relation to the Investor's participation in the Placing and supersedes any previous agreement between any such parties in relation to such participation. It agrees that none of the Company, the Selling Shareholders, finnCap or the Registrar, nor any of their respective directors, officers, partners, agents, consultants, advisers, affiliates, representatives or employees (each an "**affiliate**"), will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation. This paragraph 1.4.1 shall not exclude any liability for fraudulent misrepresentation;
- 1.4.2 it has the funds available to pay the Placing Price in respect of the Placing Shares for which it has given a commitment under the Placing;
- 1.4.3 the contents of this document (and any other relevant admission document) are exclusively the responsibility of the Company and the Directors and apart from the responsibilities and liabilities, if any, which may be imposed on the Company, the Selling Shareholders or finnCap by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of finnCap, the Company, the Selling Shareholders nor any person acting on their behalf nor any of their respective affiliates accept any responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of this document (or any other relevant admission document) or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Placing Shares or the Placing and nothing in this document (and any other relevant admission document) will be relied upon as a promise or representation in this respect, whether or not to the past or future. finnCap, the Company and the Selling Shareholders accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this document (or any other relevant admission document) or any such statement;
- 1.4.4 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to acquire Placing Shares under the Placing, it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its placing commitment in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Selling Shareholders, finnCap, the Registrar or any of their respective affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing

- 1.4.5 it does not have a registered address in and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person;
- 1.4.6 having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations contained in this document, that it is acquiring Placing Shares solely on the basis of this document (and any other relevant admission document) and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to acquire Placing Shares;
- 1.4.7 no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document (and any other relevant admission document) and, if given or made, any information or representation must not be relied upon as having been authorised by finnCap, the Company or the Selling Shareholders;
- 1.4.8 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (*depository receipts and clearance services*) of the Finance Act 1986 and no instrument under which it acquires Placing Shares (whether as principal, agent or nominee) would be subject to stamp duty or SDRT at the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Placing Shares, are not participating in the Placing as nominee or agent for any person or persons to whom the allocation, transfer or delivery of Placing Shares would give rise to such a liability;
- 1.4.9 it, or the person specified by it for registration as a holder of the Placing Shares, will be liable for any stamp duty or SDRT liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (*depository receipts and clearance services*), registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Placing Shares and acknowledge and agree that, save for the Selling Shareholders who have agreed to pay any stamp duty or SDRT under section 87 of the Finance Act 1986 (if any), none of finnCap, the Selling Shareholders nor the Company nor any of their respective affiliates nor any person acting on behalf of them will be responsible for any other liability to stamp duty or SDRT resulting from a failure to observe this requirement;
- 1.4.10 none of the Placing Shares have been or will be registered under the laws of any Restricted Jurisdiction. Accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction unless an exemption from any registration requirement is available;
- 1.4.11 if it is receiving the details of the Placing in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 1.4.12 it is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
- 1.4.13 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to acquire Placing Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and acquired by and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 1.4.14 neither finnCap nor any of its affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and that participation in the Placing is on the basis that it is not and will not be a client of finnCap or any of its affiliates, that finnCap is acting for the Company and no-one else and that none of finnCap nor any of its

affiliates have any duties or responsibilities to it for providing protections afforded to its or their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in these Terms and Conditions or in any Investor Letter, where relevant;

- 1.4.15 it is not located within the United States, it is acquiring Placing Shares in an “offshore transaction” as defined in Regulation S promulgated under the US Securities Act (“**Regulation S**”) and where it is acquiring Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to acquire the Placing Shares for each such account; (ii) to make on each such account’s behalf the representations, warranties and agreements set out in this document or in any Investor Letter, where relevant; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or finnCap. It agrees that the provisions of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;
- 1.4.16 it is acting as principal only in respect of the Placing, or, if it is acting for any other person (i) it is and will remain liable to the Company and/or finnCap and/or the Selling Shareholders for the performance of all its obligations as an Investor in respect of the Placing (regardless of the fact that it is acting for another person) (ii) it is both an “authorised person” for the purposes of the FSMA and a Qualified Investor acting as agent for such person and (iii) such person is either (1) a Qualified Investor or (2) its “client” (as defined in section 86(2) of the FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Placing or any other offers of transferable securities on his behalf without reference to him;
- 1.4.17 any of its clients, whether or not identified to finnCap or any of its affiliates, will remain its sole responsibility and will not become clients of finnCap or any of its affiliates for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 1.4.18 where it or any person acting on its behalf is dealing with finnCap, any money held in an account with finnCap on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require finnCap to segregate such money as that money will be held by finnCap under a banking relationship and not as trustee;
- 1.4.19 it has not and will not offer or sell any Placing Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 102B of the FSMA;
- 1.4.20 it is an “eligible counterparty” or a “professional investor” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is purchasing the Placing Shares for investment only and not for resale or distribution;
- 1.4.21 it irrevocably appoints any Director and any director of finnCap to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its acquisition of all or any of the Placing Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- 1.4.22 if the Placing does not proceed or the conditions to finnCap’s obligations in respect of such Placing under the Introduction Agreement or the Selling Shareholder Agreement are not satisfied or the Introduction Agreement or the Selling Shareholder Agreement is terminated prior to Admission for any reason whatsoever or such Placing Shares are not admitted to trading on AIM for any reason whatsoever, then neither finnCap nor the Company nor the Selling Shareholders nor any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 1.4.23 it has not taken any action or omitted to take any action which will or may result in finnCap, the Company, the Selling Shareholders or any of their respective affiliates being in breach of the legal or regulatory requirements of any territory in connection with the Placing or its acquisition of Placing Shares pursuant to the Placing;
- 1.4.24 in connection with its participation in the Placing, it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and that its placing commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the “**Money Laundering Directive**”); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 1.4.25 due to anti-money laundering and the countering of terrorist financing requirements, finnCap, and/or the Company and/or the Selling Shareholders may require proof of identity of the Investor and related parties and verification of the source of the payment before the placing commitment can be processed and that, in the event of delay or failure by the Investor to produce any information required for verification purposes finnCap, and/or the Company and/or the Selling Shareholders may refuse to accept the placing commitment and/or purchase moneys relating thereto. It holds harmless and will indemnify finnCap, and/or the Company and/or the Selling Shareholders against any liability, loss or cost ensuing due to the failure to process the placing commitment, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- 1.4.26 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, the MAR and the Proceeds of Crime Act 2002 and confirms that it has complied and will continue to comply with those obligations;
- 1.4.27 it and each person or body (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it accepts Placing Shares pursuant to the Placing or to whom it allocates such Placing Shares have the capacity and authority to enter into and to perform their obligations as an Investor as regards the Placing Shares and will honour those obligations;
- 1.4.28 as far as it is aware it is not acting in concert (within the meaning given in the City Code) with any other person in relation to the Company and it is not a related party of the Company for the purposes of the AIM Rules for Companies;
- 1.4.29 finnCap is entitled to exercise any of its rights under the Introduction Agreement or the Selling Shareholder Agreement or any other right in its absolute discretion, including without limitation the right to terminate the Introduction Agreement or the Selling Shareholder Agreement (in its entirety or only as regards particular Selling Shareholders), without any liability whatsoever to it (or any agent acting on their behalf) and finnCap shall not have any obligation to consult or notify Investors in relation to any right or discretion given to it or which it is entitled to exercise;
- 1.4.30 finnCap expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Placing. If such right is exercised, the Placing (and the arrangements associated with it) will lapse and any monies received in respect of the Placing will be returned to Investors without interest;
- 1.4.31 the agreements, acknowledgements, representations, undertakings and warranties given by an Investor as contained in these Terms and Conditions or in any Investor Letter, where relevant, are irrevocable and finnCap, the Selling Shareholders and the Company and their respective affiliates

will rely upon the truth and accuracy of such representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have been made by its application for Placing Shares are no longer accurate, it shall promptly notify finnCap and the Company;

- 1.4.32 it is not and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring Placing Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate;
- 1.4.33 nothing has been done or will be done by it in relation to the Placing that has resulted or could result in any person being required to publish a prospectus in relation to the Company or to any Ordinary Shares in accordance with the FSMA or the Prospectus Regulation or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;
- 1.4.34 it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Ordinary Shares in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules as they apply to the Company;
- 1.4.35 the allocation of Placing Shares shall be determined by finnCap following consultation with the Company and that finnCap may scale down any placing commitments on such basis as it may determine; and
- 1.4.36 time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing.

1.5 Indemnity

Each Investor irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify and hold the Company, the Selling Shareholders and finnCap and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it or any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these Terms and Conditions.

1.6 Supply and disclosure of information

If finnCap, the Selling Shareholders, the Registrar or the Company or any of their agents request any information in connection with an Investor's agreement to acquire Placing Shares under the Placing or to comply with any relevant legislation, such Investor must promptly disclose it to them.

1.7 Miscellaneous

- 1.7.1 The rights and remedies of the Company, the Selling Shareholders, finnCap and the Registrar under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 1.7.2 On the acceptance of its placing commitment, if an Investor is a discretionary fund manager, that Investor may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Investor's risk. They may be returned by post to such Investor at the address notified by such Investor.
- 1.7.3 Each Investor agrees to be bound by the Articles (as amended from time to time) once the Placing Shares, which the Investor has agreed to acquire pursuant to the Placing, have been acquired by the Investor. The contract to acquire Placing Shares under the Placing and the appointments and authorities mentioned in these Terms and Conditions will be governed by and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholders, finnCap and the Registrar, each Investor irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against an Investor in any other jurisdiction.

- 1.7.4 In the case of a joint agreement to acquire Placing Shares under the Placing, references to an “Investor” in these Terms and Conditions are to each of the Investors who are a party to that joint agreement and their liability is joint and several.
- 1.7.5 finnCap and the Company expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined including the right of finnCap to notify to the Company and/or the Selling Shareholder the extension of the dates and times for satisfaction of any or all of the conditions in the Introduction Agreement and/or the Selling Shareholder Agreement (provided that such conditions are not extended beyond 8.00 a.m. on 12 November 2020).
- 1.7.6 The Placing is subject to the satisfaction of the conditions contained in the Introduction Agreement (which include, among other things, the satisfaction of certain conditions contained in the Selling Shareholders Agreement) and the Introduction Agreement not having been terminated in accordance with its terms. For further details of the terms of the Introduction Agreement and the Selling Shareholders Agreement please refer to paragraph 12.1 of Part IV of this document.
- 1.7.7 finnCap may, and its affiliates acting as an investor for its or their own account(s) may, acquire Placing Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in these Terms and Conditions to the Placing Shares being offered, subscribed, sold, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, finnCap and/or any of their respective affiliates acting as an investor for its or their own account(s). Neither finnCap nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.
- 1.7.8 Each Investor which acquires Placing Shares will be deemed to undertake that it agrees that it is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by such Investor or any other person on the acquisition by such Investor of any Placing Shares or the agreement by such Investor to acquire any Placing Shares.

1.8 Sales outside the United States

Each acquirer of the Placing Shares offered in reliance on Regulation S will be deemed to represent, warrant, acknowledge and agree as follows:

- 1.8.1 it and any person, if any, for whose account it is acquiring the Placing Shares, is acquiring the Placing Shares outside the United States in an offshore transaction meeting the requirements of Regulation S and the transaction was not pre-arranged with a buyer in the United States;
- 1.8.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares;
- 1.8.3 it is aware that the Placing Shares have not been and will not be registered under the US Securities Act and are being offered and sold only in “offshore transactions” outside the United States in reliance on Regulation S;
- 1.8.4 it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Placing Shares into the United States or any jurisdiction referred to above;
- 1.8.5 if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- 1.8.6 it has received, carefully read and understands this document and has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials

concerning the Placing Shares to any persons within the United States, nor will it do any of the foregoing; and

- 1.8.7 that the Company, finnCap and the Selling Shareholders, their affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations or agreements made by it, if it becomes aware that the foregoing acknowledgements, representations or agreements are no longer accurate or have not been complied with, it will immediately notify the Company and finnCap and, if it is acquiring any Placing Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

1.9 Selling restrictions

- 1.9.1 The distribution of this document and the offer of Ordinary Shares pursuant to the Placing in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

- 1.9.2 The Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document, any other relevant admission document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of the Ordinary Shares pursuant to the Placing contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to acquire any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

1.9.3 Relevant States

In relation to each Relevant State, no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant State, except that an offer to the public in that Relevant State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Regulation:

- a. to any legal entity which is a Qualified Investor;
- b. to fewer than 150, natural or legal persons (other than Qualified Investors) per Relevant State, subject to obtaining the prior consent of finnCap for any such offer; or
- c. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or finnCap to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Placing and any Ordinary Shares so as to enable an investor to decide to acquire any Ordinary Shares.

In the case of any Ordinary Shares being offered to a “financial intermediary” as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant State to Qualified

Investors as so defined or in circumstances in which the prior consent of the Company and finnCap has been obtained to each such proposed offer or resale.

The Company finnCap and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified finnCap of such fact in writing may, with the consent of finnCap, be permitted to acquire Ordinary Shares in the Placing.

1.9.4 **United States of America**

The Ordinary Shares have not been and will not be registered under the US Securities Act or under the securities laws or regulations of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold only outside the United States in “offshore transactions” in reliance on Regulation S.

In addition, until 40 days after the commencement of the Placing, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

1.9.5 **Australia**

This document has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for purposes of Australian law. This document (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Ordinary Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001.

Each acquirer of Ordinary Shares will be deemed to have acknowledged the above and, by applying for Ordinary Shares under this document, gives an undertaking to the Company not to offer, sell, transfer, assign or otherwise alienate those securities to persons in Australia (except in the circumstances referred to above) for at least 12 months after their issue.

1.9.6 **Canada**

The relevant clearances have not been and will not be, obtained from the Securities Commission or Securities Administrator of any province or territory of Canada. Accordingly, subject to certain exceptions the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

1.9.7 **Republic of South Africa**

The relevant clearances have not been and will not be obtained from the South African Reserve Bank nor any other applicable body in the Republic of South Africa. Accordingly, the Placing Shares will not, directly or indirectly, be offered or sold within the Republic of South Africa.

1.9.8 **Japan**

The Placing Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan except under circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorised in effect at the relevant time.

1.10 Allocation

- 1.10.1 finnCap has solicited indications of interest from prospective Investors to acquire Ordinary Shares in the Placing. On this basis, prospective Investors have been asked to specify the number of Ordinary Shares that they are prepared to acquire at different prices. Multiple applications under the Placing are permitted.
- 1.10.2 A number of factors have been considered in deciding the Placing Price and the bases of allocation, including prevailing market conditions, the level and the nature of the demand for Ordinary Shares and the objective of encouraging long-term ownership of the Ordinary Shares. The Placing Price has been established at a level determined in accordance with these arrangements, taking into account indications of interest received from persons (including market-makers and fund managers) connected with finnCap. Accordingly, the Placing Price may be lower than the highest price at which all of the Ordinary Shares, in respect of which indications of interest have been received or which are available for sale in the Placing, could have been accepted.
- 1.10.3 Investors will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation.
- 1.10.4 Investors will be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing with the Placing Shares may not begin before AIM Notice is made.
- 1.10.5 All Ordinary Shares to be sold pursuant to the Placing will be sold at the Placing Price which shall be payable in full as a pre-requisite to the delivery of such Ordinary Shares.
- 1.10.6 The rights attaching to the Ordinary Shares are uniform in all respects and they form a single class of shares for all purposes.
- 1.10.7 Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights to a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles.
- 1.10.8 Subject to the provisions of the Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Act allows for the disapplication of pre-emption rights by special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.
- 1.10.9 Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.
- 1.10.10 The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares, subject to the Act.
- 1.10.11 Further details of the rights attached to the Ordinary Shares are set out in paragraph 5 of Part IV of this document.

1.11 Dealing arrangements

- 1.11.1 The Placing is subject to the satisfaction of certain conditions contained in the Introduction Agreement, which are typical for an agreement of this nature, including the Selling Shareholder Agreement having become unconditional and Admission occurring and becoming effective by 8.00 a.m. on 12 October 2020 or such later date as may be determined in accordance with the Introduction Agreement and neither the Introduction Agreement nor the Selling Shareholders Agreement having been terminated in accordance with their terms. Certain conditions are related to events which are outside the control of the Company, the Directors and finnCap. Further details of the Introduction Agreement and the Selling Shareholders Agreement are described in paragraph 12.1 of Part IV of this document.

- 1.11.2 Application will be made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. Admission of the Ordinary Shares is not being sought on any market other than AIM.
- 1.11.3 It is expected that Admission will take place and dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 12 October 2020.
- 1.11.4 Each Investor will be required to undertake to pay the Placing Price for the Ordinary Shares acquired by such Investor in such manner as shall be directed by finnCap.
- 1.11.5 The Ordinary Shares are in registered form and can be held in certificated or uncertificated form. Title to certificated Ordinary Shares (if any) will be evidenced in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry into the operator register maintained by the Registrar (which will form part of the register of members of the Company).
- 1.11.6 It is intended that allocations of Placing Shares to eligible Investors who wish to hold Placing Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be posted by first class post as soon as is practicable following Admission. Dealings in advance of the crediting of the relevant CREST stock account shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Placing Shares which are not settled in CREST, transfers of those Placing Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

1.12 CREST

With effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

1.13 Placing arrangements

- 1.13.1 The Selling Shareholders and finnCap have entered into the Selling Shareholders Agreement, pursuant to which finnCap has agreed, as agent to the Selling Shareholders and subject to certain conditions, to use its reasonable endeavours to procure purchasers for the Placing Shares at the Placing Price.
- 1.13.2 The Introduction Agreement contains provisions entitling finnCap to terminate the Placing (and the arrangements associated with it, including the Selling Shareholder Agreement) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to Investors without interest. The Selling Shareholders Agreement provides for finnCap to be paid a commission in respect of the Placing Shares acquired by Investors. Any commission received by finnCap may be retained and any Placing Shares acquired by them may be retained or dealt in, by it, for its own benefit.
- 1.13.3 Further details of the terms of the Introduction Agreement and Selling Shareholders Agreement are set out in paragraph 12.1 of Part IV of this document.

1.14 MiFID II Product Governance Requirements

- 1.14.1 Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing

measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, finnCap will only procure investors who meet the criteria of professional clients and eligible counterparties.

- 1.14.2 For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or company of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.
- 1.14.3 Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Placing Shares and determining appropriate distribution channels.

