14 March 2022

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

Interim Results for the six months ended 31 December 2021

Strong gross profit and earnings growth, in line with recently upgraded expectations

Fonix, the UK focused mobile payments and messaging company, is pleased to announce its unaudited interim results for the six months to 31 December 2021 (the "Period").

Financial Highlights

	H1 2022	H1 2021	Change
Revenue	£28.6m	£24.6m	+16.2%
Gross profit	£7.0m	£5.8m	+19.9%
Adjusted EBITDA[1]	£5.5m	£4.6m	+20.4%
Adjusted PBT[2]	£5.2m	£4.4m	+20.3%
Adjusted EPS[3]	4.4p	3.6p	+21.4%
Underlying cash[4]	£6.3m	£3.6m	+73.3%
Net underlying free cash flows from operating activities[4]	£5.2m	£3.6m	+42.5%

Operational Highlights

- Total payment value ("TPV") of mobile payments grew strongly by 12% to £138m (H1 FY21: £123m)
- 12 new customer contracts signed in period, including BOTB and The Ruth Strauss Foundation, as well as several gaming clients connected to our new partnership with a global payments platform provider. The active customer count also continued to grow strongly by 10% YoY to 116 active customers at the period end[5]
- Double-digit growth in gross profits from existing customers
- Record levels of business were achieved in November and December, including 84m SMS Messages processed in a single month
- Doubled the size of the commercial team in the period, with focus on the transport & ticketing sector
- Fonix continues to maintain high client retention, with over 99% of income of a repeating nature
- Several innovative new product features added including multi-currency reporting in Campaign Manager to support overseas clients, as well as direct-to-consumer refunds, a market first for UK carrier billing
- 100% platform uptime in the period
- Fonix's three service lines of payments, messaging and managed services have each grown in the Period and the business retains a growing pipeline of significant prospects going into H2 FY22
- The business continues to make good progress on international expansion and broadening its product suite to enhance its competitive advantage and increase its serviceable addressable market

Dividend

We are pleased to declare an increased interim dividend of 2.00p per share (FY21: 1.70p), in line with the company's policy to pay out 75% of adjusted earnings over the year to shareholders in the form of an ordinary dividend. The interim dividend will be paid on 31 March 2022 to shareholders on the register on 25 March 2022, with an ex-dividend date of 24 March 2022.

Outlook

We have continued to make great progress on our strategic goals in the period, with growth ahead of management's initial expectations and the business is showing strong momentum going into the second half of the year. As was the case last year, we're expecting the first half of the financial year to be slightly larger due to some seasonality in the trade of our customers, however the underlying run-rate remains strong.

In line with our growth strategy, we continue to invest more in future growth, with increased spend on sales and marketing, along with further investment in both product and international reach, as we look to deliver sustainable, highly profitable growth for our shareholders.

The company's new business pipeline continues to grow strongly, including several significant enterprise deals in the UK and internationally, which provide the Board with confidence in the ongoing success of the business.

Eastern European conflict

Having assessed the economic sanctions emerging from the conflict in Ukraine, we do not foresee any risk of the business being directly impacted either now or in the future, other than the potential for impacts on the UK economy.

Notes

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

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

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

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

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

Rob Weisz, CEO, commented:

"*We have continued to make excellent progress on our strategic goals in the period and decisions taken in the last financial year have, as expected, started to deliver improved margins for us.*

As planned, we have invested more in sales and marketing, and we will be scaling our product team in the second half of the year as we look to continue to deliver sustainable, highly profitable growth for our shareholders, expand into new markets, continue to evolve our product set and further advance our competitive advantage.

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About Fonix

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

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

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

CEO's review

The business has had a strong start to the new financial year and has continued to deliver on its strategy of achieving double-digit period-on-period growth in existing client margins and winning new clients across its core sectors, whilst making targeted new investments in future growth.

Fonix's core business lines have each grown strongly in the period, with Mobile Payments and Managed Service gross profits both increasing by 18% and Mobile Messaging gross profit up 42% year-on-year. Mobile Payments remains the business's core focus and represented 83% (H1 FY21: 85%) of gross profits. Growth in Mobile Messaging grew strongly due to increased demand from existing customers, as well as higher inbound demand from new messaging clients, looking to leverage Fonix's market leading wholesale rates and high quality, direct to network operator connectivity.

Market opportunity

The market for frictionless mobile payments in Fonix's core sectors continues to be significant and grows year-on-year with the rise in consumer demand for TV and radio engagement, entertainment and gaming services (Phone-Paid Services Authority Annual Market Review, 2020/21). Fonix is also leading the way in growing the serviceable addressable market for phone-paid payments, by creating new solutions for more traditional industries, such as the public transportation sector, where large established and incumbent providers look to reduce their dependence on cash and provide greater accessibility to consumers.

The Total Payment Value (TPV) of transactions processed by Fonix on services increased by 12% year-on-year to £138m in the period, with all the growth coming in the UK market. Once again, this is an endorsement of our strategy to focus on key sectors and markets where we see sustainable growth opportunities and illustrates our ability to nurture and scale client's accounts in ways unmatched by our competitors.

For the majority of our customers, deploying Fonix's payment solutions has largely been shown to reduce checkout abandonment and provide incremental revenues rather than cannibalising their existing transactions, as demonstrated by Venntro and its partners seeing a huge 28% growth in new same-day subscribers (users that upgrade on the day they join a dating site) within the first few weeks of launching carrier billing. For this reason, we do not consider ourselves to be in direct competition with traditional payment methods, such as credit card or ApplePay, but offering an alternative to consumers who may otherwise forgo purchasing.

Growth strategy

Fonix continues to take a balanced approach to sustainable growth, looking to achieve a material percentage growth in gross profits, whilst at least maintaining shareholder income growth in parallel. Guided by this strategy, the business increased its investment in sales and marketing in the period in line with the percentage increase in gross profits.

The business has made good progress with each of its growth strategy pillars, which continue to guide our decision making and how we invest:

1. Grow & deepen existing client relationships

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

We are also pleased to report that in the period we have continued to see gross profits from existing customers grow by double-digit percentages, as key customers expanded their use of Fonix's services.

2. *Take a disciplined sector focus*

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

In addition to a number of prospective customer contracts that we will continue to look to win away from competitors, particularly in the media segment, where there remains significant opportunity to establish new contracts with businesses in our core sectors currently not harnessing the power of mobile payments and interactivity.

We doubled the size of our sales team in the period, hiring sector experts with a deep understanding of the transport and mobility sectors and who bring an immediate pipeline of new prospects. In the mobility and ticketing sector, there is a clear greenfield opportunity to offer consumers frictionless payments on-the-move as an alternative to traditional cash transactions with a high processing cost. We are only at the beginning of our 'journey' in this sector, but as new forms of consumer mobility emerge and more traditional forms of transport seek to digitise rapidly and provide their users with improved accessibly, Fonix remains well placed to capitalise on the emerging market.

In the media segment, we continue to see major broadcasters looking to shift away from a dependency on an advertising funded business model and seeking revenue diversification. Fonix continues to strengthen its position as market leader in this sector, with exceptional reference clients and an exemplary reputation with regulators and mobile operators alike.

We continue to win significant greenfield opportunities in the gaming sector and online services as we can clearly demonstrate the reduction in basket abandonment achieved by incorporating carrier billing as an alternative payment option in a consumer's checkout flow. In addition, we are only just beginning to unlock the benefit of our new technology partnership with a global payments platform provider announced earlier in the period and expect to see new revenues from this collaboration now the technical integration is complete.

In the charity segment, Fonix once again demonstrated the power of blending sport, media broadcast and mobile payments, in powering donations for The Ruth Strauss Foundation, during the Lord's Test between England and India. In total, over £1.2m was raised for the cause during the event. Similarly, Fonix's SMS donations formed a central part of ITV's Soccer Aid Campaign in September, with mobile billing representing the largest part of the £13m raised across all payment methods. With the market for charity donations being worth over £10bn annually in the UK alone, carrier billing payments providing a 'near-free' commission model and with Fonix's exceptional reference clients, there remains much greenfield opportunity for expansion in this market.

3. *Create sustainable, long-term profitability for shareholders*

Fonix continues to achieve material growth in gross profit and adjusted EBITDA, with both growing circa 20% year-on-year in the period. With our core commercial focus on large, multinational clients with relatively long sales cycles, and our priority on growing new clients to ensure that they are transacting to their full potential, we continue to take a considered approach to growth by balancing new business wins with driving transactions with existing clients. We believe this remains the best approach for providing a long-term return to shareholders.

4. *Be client led with international expansion*

Our approach to international expansion remains client led, through our network of tier-1 multinational clients. We have made good progress in broadening our addressable market in the period, establishing new connectivity in well regulated, neighbouring Western European territories in anticipation of existing customers adopting mobile billing in these markets in the years ahead. We believe this is the best strategy for achieving sustainable, highly valued, organic growth, where our domain expertise can be expanded into new markets.

International growth is a long-term investment strategy for the business, and therefore forms a relatively small part of our short and medium term forecasts. As such, going forward we plan to only mention new territories once they are generating meaningful revenues.

5. Widen our technological and operational advantage

Targeting a relatively small number of large sectors has enabled Fonix to build cutting edge innovative technologies, which create real tangible added value for our clients and provide the business with a significant competitive advantage.

For our Interactive Services clients, particularly in the media and charity segments, Fonix has developed a market leading Campaign Manager product, which enables clients to engage, market to and monetise their audience, to an extent unmatched by our competitors or alternative payment providers. Fonix continued to develop new features for Campaign Manager in the period, including multi-currency support for clients in new geographies and integrating online entries from third parties.

For our Payment Services clients, Fonix continues to invest in its proprietary carrier billing platform, FPay, which allows businesses to provide a complete carrier billing solution to their end consumers. During the period, Fonix added market leading direct-to-consumer refunds to its payments offering, saving merchants significant time and addressing an important use-case for e-mobility clients in the transport and ticketing sector.

We are confident these technological advantages will not only ensure retention of our existing customers, but also help us win significant new business from our competitors and greenfield opportunities in new emerging sectors.

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

People

Attracting, retaining and inspiring industry leading talent remains a top priority for the business. Fonix prides itself on being a great place to work and having a culture where our team can thrive.

Whilst many businesses in the technology sector have experienced significant wage inflation and turnover of staff, I'm pleased to say the company's cost base remains largely unimpacted and we have been able to offset any cost increases with savings elsewhere.

Our team remained stable at 38 employees by period end, with new commercial hires offset by some small reductions in administrative and operational personnel. We anticipate our headcount growing in the second half of the year as we invest further resources in product development and look to support new territories in line with our plans.

Product

We continued to make good progress on our product roadmap with our dedicated in-house development team focusing on platform resilience, security, and market reach, coupled with releasing several new features as mentioned in the 'Widen our technological and operational advantage' section above.

Financial Review

Key performance indicators

Financial	H1 2022 £'000	H1 2021 £'000	Change
Gross profit	6,992	5,832	19.9%
Adjusted EBITDA[1]	5,528	4,591	20.4%
Adjusted PBT[2]	5,240	4,356	20.3%
Underlying cash[3]	6,305	3,638	73.3%
Adjusted EPS[4]	4.4p	3.6p	21.4%

Non-financial	H1 2022	H1 2021	Change
Total payments value (TPV)	£138.0m	£123.0m	12.2%
Active customer count[5]	116	105	10.5%

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

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

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

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

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

Revenue and other income

Company revenues for the period were £28.6m (H1 FY21: £40.1m) growing 16% on the previous year, driven by strong growth across all service lines. Revenues recognised for mobile payments relate to the total commission charged to customers, including the Mobile Network Operator (MNO) share of a transaction, with the MNO commission also recognised within cost of sales. The Directors therefore monitor results and performance of the Company based upon the gross profit generated, which is considered the more meaningful measure of performance.

Revenue and gross profit grew more strongly than TPV, as Voice related TPV, which is a relatively low margin product, declined 15% year-on-year and was offset by growth in more profitable payments products.

Included in other income was a further £23k of one-off COVID-19 related rental concessions, provided as relief for periods where access to our office was restricted.

Gross Profit

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

Gross profit for the period increased to £7.0m (H1 FY21: £5.8m) growing 19.9% on the previous period, with mobile payments growing 17.6%, mobile messaging growing 42.9% and managed services 18.4%.

Blended gross profit margins increased slightly to 24.5% (H1 FY21: 23.7%) attributable to changes in the product and client mix. In particular, the growth in carrier billing and SMS billing transactions offset declines in premium voice services, which carry a lower gross margin profile. We anticipate this trend to continue for the rest of the financial year, with margins stabilising from FY23 onwards.

Adjusted Operating Expenses

Operating costs remain firmly under control, with costs generally only increasing where the business has invested more in sales and marketing. Adjusted operating costs increased 21.3% in the period to £1.51m (H1 FY21: £1.24m). Excluding public limited company related costs incurred from part-way through the previous financial year (following the company's admission to the AIM), underlying adjusted operating costs only increased 14.3% in the period to £1.36m (H1 FY21: £1.19m). The majority of the increase related to additional staff costs as the business has invested more in growth with new commercial hires, along with an increase in marketing spend.

Staff related costs and incentives increased to £1.4m (H1 FY21: £1.2m) in the period reflecting the additional investment in sales and marketing hires. Average headcount for the period was 38 (H1 FY21: 35).

As well as new commercial hires, we have also seen a gradual recovery in general office, travel, sales and marketing related expenses to pre-pandemic levels as staff gradually return to the office, and we're able to attend more events and meet with clients more frequently.

Professional fees increased to £47k (H1 FY21: £18k) in the period as the company became listed on the AIM part-way through the prior period.

Software development costs of £303k (H1 FY21: £255k) were capitalised in the period, representing 59% (H1 FY21: 53%) of development costs in the period. The slight increase in capitalised expenditure reflects the additional focus on adding new product features and enhancements to the Fonix platform. The capitalisation of current period development spend was offset by an amortisation charge of £218k (H1 FY21: £178k). Development costs are amortised on a straight-line basis over 3-periods.

Adjusted EBITDA

The growth in gross profit and the continued control of costs has resulted in a significant increase in adjusted EBITDA, which is up 20% at £5.5m (H1 FY21: £4.6m) for the period. To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges and AIM admission costs along with depreciation, amortisation, interest and tax from the measure of profit.

Finance income and expenses

Finance expenses which relate to the unwinding of the discounted lease liability increased marginally to £6k (H1 FY21: £2k) following the signing of a new lease agreement in November 2020 but remains negligible overall.

Interest on bank deposits fell to £1k (H1 FY21: £13k) due to the decline in bank interest rates.

Statement of Financial Position

The company had net assets of £6.1m at the period end (H1 FY21: £3.5m), including capitalised software development costs with a carrying value of £933k (H1 FY21: £761k). The movement in net assets reflects profits after tax less dividend payments.

The company pays out monies to customers (merchants) once reconciliations have been completed and the equivalent monies have been received from mobile network operators. As a result, the company often holds significant amounts of customer related receivables, payables, and cash, which can vary substantially from period to period, depending on timing of customer campaigns and mobile operator outpayments.

Current assets increased to £66m (H1 HY21: 59m) in the period as Trade and Other Receivables, which includes monies receivable on behalf of customers, increased in the period. The increase related to the timing of operator outpayments at the period end. Current liabilities also increased to £62m (H1 FY21: £57m) as the increase in customer related receivables mentioned above was offset by an equivalent increase in amounts due to customers. The movement of cash within this is described in more detail below.

Non-current liabilities decreased to £0.2m (H1 FY21: £0.3m) as a result of normal payments against the office lease liability offset by an increase in deferred tax liabilities.

Cash and underlying cash

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

Underlying cash far better represents the free cash flow available to the business. Underlying cash increased 73% to £6.3m (H1 FY21: £3.6m) due to additional retained earnings and working capital improvements.

Actual cash, which includes cash held on behalf of customers, varies substantially from period to period and is particularly sensitive to the timing of passthrough outpayments for customer charity campaigns. Actual cash held fell to £23.6m (H1 FY21: £28.6m) in the period. The decrease is purely a timing issue and is wholly attributed to holding fewer customer related passthrough funds at the period end.

The company made use of the COVID-19 linked scheme to defer VAT payments and pay in instalments. At the period end, the company had deferred £83k of VAT to be repaid in Jan-22. This deferral increased actual cash held, but had no impact on underlying cash, which excludes customer related VAT balances.

Dividends

We are pleased to declare an increased interim dividend of 2.00p per share (FY21: 1.70p), in line with the company's policy to pay out 75% of adjusted earnings over the year to shareholders in the form of an ordinary dividend. The interim dividend will be paid on 31 March 2022 to shareholders on the register on 25 March 2022, with an ex-dividend date of 24 March 2022.

Outlook

We have continued to make great progress on our strategic goals in the period, with growth ahead of management's initial expectations and the business is showing strong momentum going into the second half of the year. As was the case last year, we're expecting the first half of the financial year to be slightly larger due to some seasonality in the trade of our customers, however the underlying run-rate remains strong.

In line with our growth strategy, we continue to invest more in future growth, with increased spend on sales and marketing along with further investment in both product and international reach as we look to deliver sustainable, highly profitable growth for our shareholders.

The company's new business pipeline continues to grow strongly, including several significant enterprise deals in the UK and internationally, which provide the Board with confidence in the ongoing success of the business. We look forward to updating shareholders at the appropriate time as we progress through the current financial year.

Robert Weisz
Chief Executive Officer

Unaudited interim results for the 6-months ended 31 December 2021

Statement of Comprehensive Income

For the 6-months ended 31 December 2021

	Note	**Unaudited 6 months to 31 December 2021 £'000**	Unaudited 6 months to 31 December 2020 £'000	Audited Year to 30 June 2021 £'000
Continuing operations				
Revenue	4	28,597	24,608	47,668
Cost of sales		(21,605)	(18,776)	(36,321)
Gross profit	3	6,992	5,832	11,347
Other income		42	-	76
Adjusted operating expenses[1]		(1,506)	(1,241)	(2,611)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		5,528	4,591	8,812
Share-based payment charge		(52)	(22)	(72)
AIM admission costs		-	(844)	(844)
Depreciation and amortisation		(283)	(246)	(507)
Operating profit		5,193	3,479	7,389
Finance income		1	13	17
Finance expense		(6)	(2)	(9)
Profit before taxation		5,188	3,490	7,397
Taxation		(874)	(760)	(1,334)
Total comprehensive profit for the period		4,314	2,730	6,063

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

Earnings per share	**Unaudited 6 months to 31 December 2021**	Unaudited 6 months to 31 December 2020	Audited Year to 30 June 2021
Basic earnings per share	4.3p	2.7p	6.1p
Diluted earnings per share	4.3p	2.7p	6.0p
Adjusted basic earnings per share	4.4p	3.6p	7.0p

Statement of Financial Position

As at 31 December 2021

	Unaudited 31 December 2021 £'000	Unaudited 31 December 2020 £'000	Audited 30 June 2021 £'000
Non-current assets			
Intangible asset	933	761	849
Right of use asset	211	324	268
Tangible assets	19	28	23
	1,163	**1,113**	**1,140**
Current assets			
Trade and other receivables	43,226	30,729	24,880
Cash and cash equivalent	23,630	28,570	17,336
	66,856	**59,299**	**42,216**
Total assets	**68,019**	**60,412**	**43,356**
Equity and liabilities			
Equity			
Share capital	100	100	100
Share premium account	679	679	679
Share option reserves	124	22	72
Retained earnings	5,158	2,740	4,374
	6,061	**3,541**	**5,225**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	137	88	147
Lease liabilities	76	218	133
	213	**306**	**280**
Current liabilities			
Trade and other payables	61,632	56,443	37,740
Lease liabilities	113	122	111
	61,745	**56,565**	**37,851**
Total liabilities	**61,958**	**56,871**	**38,131**
Total equity and liabilities	**68,019**	**60,412**	**43,356**

Statement of Changes in Equity

For the 6-months ended 31 December 2021

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2020	**100**	**679**	**-**	**1,654**	**2,433**
Profit for the period	-	-	-	2,730	2,730
	-	-	-	2,730	2,730
Transactions with shareholders					
Dividends	-	-	-	(1,644)	(1,644)
Share-based payment charge	-	-	22	-	22
Capital issued	-	-	-	-	-
	-	-	22	(1,644)	(1,622)
Balance at 31 December 2021	**100**	**679**	**22**	**2,740**	**3,541**
Profit for the period	-	-	-	3,333	3,333
	-	-	-	3,333	3,333
Transactions with shareholders					
Dividends	-	-	-	(1,699)	(1,699)
Share-based payment charge	-	-	50	-	50
Capital issued	-	-	-	-	-
	-	-	50	(1,699)	(1,649)
Balance at 30 June 2021	**100**	**679**	**72**	**4,374**	**5,225**
Profit for the period	-	-	-	4,314	4,314
	-	-	-	4,314	4,314
Transactions with shareholders					
Dividends	-	-	-	(3,530)	(3,530)
Share-based payment charge	-	-	52	-	52
Capital issued	-	-	-	-	-
	-	-	52	(3,530)	(3,478)
Balance at 31 December 2021	**100**	**679**	**124**	**5,158**	**6,061**

Statement of Cash Flows

For the 6-months ended 31 December 2021

	Unaudited 6 months to 31 December 2021	Unaudited 6 months to 31 December 2020	Audited Year to 30 June 2021
	£'000	£'000	£'000
Cash flows from operating activities			
Profit before taxation	5,188	3,490	7,397
Adjustments for			
Depreciation	8	8	15
Amortisation	275	238	492
Share-based payment charge	52	22	72
Finance income	(1)	(13)	(17)
Finance expense	6	2	9
(Increase)/decrease in trade and other receivables	(18,346)	(9,582)	(3,732)
Increase/(decrease) in trade and other payables	23,386	8,166	(10,151)
Income tax paid	(379)	(445)	(1,346)
Net cash flows from operating activities	**10,189**	**1,886**	**(7,261)**
Cash flows from investing activities			
Interest received	1	13	17
Payments to acquire tangible assets	(3)	(3)	(5)
Payments to acquire intangible assets	(303)	(255)	(540)
Net cash flows from investing activities	**(305)**	**(245)**	**(528)**
Cash flows from financing activities			
Dividends paid	(3,530)	(1,643)	(3,343)
Capital payments in respect of leases	(54)	(44)	(141)
Interest paid in respect of leases	(6)	(2)	(9)
Net cash flows from financing activities	**(3,590)**	**(1,689)**	**(3,493)**
Net (decrease)/increase in cash and cash equivalents for the period	6,294	(48)	(11,282)
Cash and cash equivalents at beginning of period	17,336	28,618	28,618
Cash and cash equivalents at end of period	**23,630**	**28,570**	**17,336**

Statement of Underlying Free Cash Flows

For the 6-months ended 31 December 2021

The Company's mobile payments segment involves collecting cash on behalf of clients which is then paid to clients net of the Company's share of revenues or fees associated with collecting the cash. The Company's cash balance therefore fluctuates depending on the timing of "pass through" cash received and paid.

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

	Unaudited 6 months to 31 December 2021	Unaudited 6 months to 31 December 2020	Audited Year to 30 June 2021
	£'000	£'000	£'000
Underlying free cash flows from operating activities			
Profit before taxation	5,188	3,490	7,397
Adjustments for			
Depreciation	8	8	15
Amortisation	275	238	492
Share-based payment charge	52	22	72
Finance income	(1)	(13)	(17)
Finance expense	6	2	9
(Increase)/decrease in trade and other receivables	6	270	244
Increase/(decrease) in trade and other payables	(3)	44	247
Income tax paid	(379)	(445)	(1,346)
Net underlying free cash flows from operating activities	**5,152**	**3,616**	**7,113**
Underlying free cash flows from investing activities			
Interest received	1	13	17
Payments to acquire tangible assets	(3)	(3)	(5)
Payments to acquire intangible assets	(303)	(255)	(540)
Net underlying free cash flows from investing activities	**(305)**	**(245)**	**(528)**
Underlying free cash flows from financing activities			
Dividends paid	(3,530)	(1,643)	(3,343)
Capital payments in respect of leases	(54)	(44)	(141)
Interest paid in respect of leases	(6)	(2)	(9)
Net underlying free cash flows from financing activities	**(3,590)**	**(1,689)**	**(3,493)**
Net (decrease)/increase in underlying free cash for the period	1,257	1,682	3,092
Underlying free cash at beginning of period	5,048	1,956	1,956
Underlying free cash equivalents at end of period	**6,305**	**3,638**	**5,048**

Notes to the preliminary financial information

1. Basis of preparation

The financial information relating to the half year ended 31 December 2021 is unaudited and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The presentational and functional currency of the Company is Sterling. Results in this financial information have been prepared to the nearest £1,000.

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

The profit before interest, tax, depreciation, amortisation and share-based payment charge is presented in the statement of total comprehensive income as the Directors consider this performance measure provides a more accurate indication of the underlying performance of the Company and is commonly used by City analysts and investors.

The comparative financial information for the year ended 30 June 2021 has been extracted from the annual financial statements of Fonix Mobile plc. These interim results for the period ended 31 December 2021, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information does not therefore include all of the information and disclosures required in the annual financial statements.

Full audited accounts of the Company in respect of the year ended 30 June 2021, which received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Going concern

At the time of approving the 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 31 December 2021 the Company had Cash and Cash Equivalents of £23.6 million (31 December 2020: £28.6 million) and Net Current Assets of £5.1 million (31 December 2020: £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.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing this financial information.

3. Segmental reporting

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

Gross Profit	**Unaudited 6 months to 31 December 2021 £'000**	Unaudited 6 months to 31 December 2020 £'000	Audited Year to 30 June 2021 £'000
Mobile Payments	5,816	4,944	9,577
Mobile Messaging	726	508	1,045
Managed Services	450	380	725
	6,992	5,832	11,347

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

4. Revenue

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

The total revenue of the Company has been derived from its principal activity wholly undertaken in the United Kingdom.

Revenue is recognised at the point in time of each transaction when the economic benefit is received. The total revenue of the Company by Service Line is as follows:

Revenue by Service Line	**Unaudited 6 months to 31 December 2021 £'000**	Unaudited 6 months to 31 December 2020 £'000	Audited Year to 30 June 2021 £'000
Mobile Payments	21,508	19,651	37,169
Mobile Messaging	6,155	4,171	8,928
Managed Services	934	786	1,571
	28,597	24,608	47,668

The number of customers representing more than 10% of revenue in period were 2 (31 December 2020: 2)

5. Earnings per share

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

	Unaudited 6 months to 31 December 2021 £'000	Unaudited 6 months to 31 December 2020 £'000	Audited Year to 30 June 2021 £'000
Retained profit for the period	4,314	2,730	6,063

Number of shares	**Unaudited 6 months to 31 December 2021 Number**	Unaudited 6 months to 31 December 2020 Number	Audited Year to 30 June 2021 Number
Weighted average number of shares in issue	100,000,000	100,000,000	100,000,000
Share options	521,392	232,684	465,475
	100,521,392	100,232,684	100,465,475
Earnings per ordinary share			
Basic	4.3p	2.7p	6.1p
Diluted	4.3p	2.7p	6.0p

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

Adjusted earnings per share	**Unaudited 6 months to 31 December 2021 £'000**	Unaudited 6 months to 31 December 2020 £'000	Audited Year to 30 June 2021 £'000
Retained profit for the period	4,314	2,730	6,063
Adjustments			
Share-based payment charge	52	22	72
AIM admission costs	-	844	844
Net adjustments	52	865	915
Adjusted earnings	**4,366**	**3,595**	**6,978**
Adjusted basic earnings per ordinary share	4.4p	3.6p	7.0p