fonix

Fonix plc

Annual Report & Accounts

2024

“This year, Fonix has delivered record cash returns to shareholders while successfully executing its strategic objectives, positioning the company for further long-term sustainable growth.”

Edward Spurrier
Non-executive Chair

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TPV

2024

£303.3m

2023

£268.1m

Change + 13.1%

Adjusted EBITDA

2024

£13.7m

2023

£11.6m

Change + 18.1%

Gross Profit

2024

£17.9m

2023

£15.1m

Change + 18.5%

Adjusted PBT

2024

£14.0m

2023

£11.0m

Change + 27.3%

Total payments volume is consumer spend inclusive of VAT processed via carrier billing, SMS billing and voice, along with the total value of payments facilitated through third-party payment service providers via Google Pay, Apple Pay, PayPal and bank card.

Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest, R&D tax credits and tax from the measure of profit.

Adjusted PBT is profit before tax excluding share-based payment charges and R&D tax credits.

Highlights

Operational Highlights

Online Payment Portals

For the first time, the company facilitated payment transactions via Apple Pay, Google Pay, PayPal and bank card as part of an expanded business strategy including the development of online payment portals.

Eurovision 2024

Selected to support Eurovision as voting partner for the first time, managing voting for Eurovision 2024 across two territories - the UK and Republic of Ireland.

Overseas Markets

Overseas markets represented approximately 12% of gross profits for the year.

Scalable Platform

Robust, scalable platform with 23m (FY23: 19m) unique mobile users interactions with Fonix's services in the year.

New Product Features

Significant investment in new product features in the year, including live broadcaster voting, online payment portals, new payment integrations, new mobile network operator connections and advanced campaign scheduling.

Platform Uptime

100% platform uptime as in previous years.

Business Model

What we do

Fonix is a leading mobile payments and messaging provider for businesses across media, charity, gaming, e-mobility, and other digital services. Fonix processed over £303 million in consumer payments in the year (FY23: £268 million) across the UK and Ireland.

Fonix's client base includes major media broadcasters and charities across Europe, including ITV, Bauer Media, Global Radio, RTÉ, Comic Relief, The DEC and BBC Children In Need.

Value proposition

Fonix's payment technology creates significant new revenue opportunities for businesses by providing frictionless payments that help them monetise their customer relationships and increase conversion rates in their checkout processes.

Unlike alternative payment providers, a significant differentiator is that Fonix's technology helps clients acquire new consumers, and the revenue through Fonix's platform is largely shown to be incremental rather than cannibalising their existing alternative payment provider transactions.

Services & revenue model

Mobile payments

Mobile payments enable consumers to make purchases from merchants (Fonix customers), charged to their mobile phone bill. Fonix facilitates the transaction, receiving the consumers' 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.

Fonix's Campaign Manager is a platform for setting up, managing, operating, reconciling, and reporting on marketing activities and the associated mobile payments.

There are three different ways in which transactions are charged to a consumer phone bill:

1. Carrier billing

Carrier billing enables merchants (Fonix customers) 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 in the UK and Europe, PSD2, stipulates a maximum spend of £40/€50 per single transaction and £240/€300 in aggregate per user per month. Fonix provides carrier billing connectivity through a suite of secure APIs, allowing its customers to directly bill consumers, facilitating both 'text to buy' and 'click to buy' purchases.

2. SMS billing

SMS billing enables consumers to purchase SMS-based services, charged directly to their mobile phone bill via SMS, which facilitates impulse purchases. Services supplied using SMS billing include voting, competitions, donations, and interactive services across media and digital merchants.

3. Voice (billing)

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 BT (powering most of the UK TV voting such as The X Factor and Strictly Come Dancing), RTÉ (the state TV and radio broadcaster in the Republic of Ireland) and Once Germany (the technical partner of the Eurovision Broadcasting Union).

Services & revenue model

Mobile messaging

Fonix's messaging API enables consumers to receive SMSs sent by clients for a variety of purposes including two factor authentication, alerts, notifications, and marketing. Fonix's Campaign Manager platform is largely agnostic to particular messaging channels and can be adapted to allow richer messaging via Google's RCS Business Messaging (RBM) and WhatsApp messaging, which will enable clients to send richer content and messaging experiences to increase engagement and conversion.

Fonix enables clients to send messages to consumers at no charge to the consumer.

Fonix charges clients to facilitate the message, which is recognised as revenue. Carriers charge Fonix to facilitate the transaction, which is recognised as cost of sales.

Managed services

Fonix enables consumers to donate to a charity client via their mobile phone bill or an online donation portal. The charity pays Fonix a fee for facilitating donations or providing the donation portal, which is recognised as revenue.

Sector focus

Fonix 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 and radio engagement market is estimated to be circa £174.3 million (PSA Annual Market Review 2023-2024). The company's growth strategy is to further increase market share in our core markets by focusing on broadcasters and media organisations currently not utilising the power of interactive services and supporting clients moving into international markets. Fonix also expects existing clients to continue to offer growth opportunities.

Charity

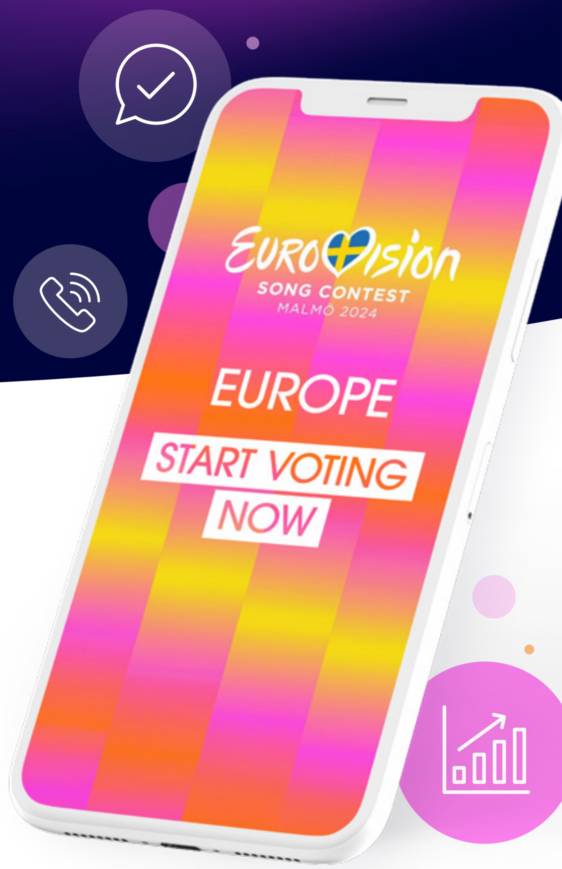
This remains a large market that is underdeveloped in terms of carrier billing. In the UK alone £13.9 billion was donated by people in the UK in 2023 (CAF UK Giving Report 2024) of which only £36.2 million was through carrier billing (PSA Annual Market Review 2023-2024). The focus will be to continue to drive Fonix's market leading 'text to donate' and 'click to donate' products in the UK as well as new international markets.

Gaming

A large market which is underserved by carrier billing. The UK gambling industry is estimated to be worth £15.1 billion per year (Gambling Commission, April 2022 to March 2023) of which only £60.9 million uses carrier billing (PSA Annual Market Review 2023-2024), with additional opportunities for international roll out of existing clients.

Case Study:

Fonix facilitates Eurovision 2024 vote collection in the UK and Ireland



Introduction

In 2024, Switzerland's Nemo captivated millions across Europe winning Eurovision with "The Code". Behind the scenes, a sophisticated voting system was key to the event's success. **Once.net**, as the official voting partner of the European Broadcasting Union (EBU), led the effort, ensuring seamless voting across many countries. To support this, they partnered with Fonix, who helped by powering SMS voting, managing telephony systems, and integrating voting data for the UK and Ireland.

The Challenge

Eurovision's voting system is complex, combining jury scores from 37 countries with public votes submitted via SMS, telephone, and online platforms. Coordinating this process in a live TV setting presents a significant logistical feat for Once.net, who rely on trusted partners in every region.
Fonix was responsible for delivering and managing a seamless, scalable solution to handle real-time votes across the live broadcasts.

The Solution

Fonix's role involved managing the telephony systems across both territories and powering the SMS voting technology for Eurovision 2024 in Ireland. This integrated approach allowed Fonix to ensure that all votes, whether cast via SMS or telephony, were accurately processed and reported in real time.

Results

Scalability:
Effortlessly managed peak voting periods and large scale interactivity.

Seamless integration:
Smooth collaboration with Once.net and robust management of voting systems.

Expertise in live events:
Well-equipped for future opportunities in supporting mass participation live events on an international level.

ONCE

"Fonix played a key role in the success of Eurovision 2024 voting across Ireland and the UK. We chose them for their proven expertise, extensive experience, solid reputation in live broadcasting and their ability to manage multi-region operations. Their integration of SMS and telephony systems helped deliver an outstanding audience experience which is critical to the event's overall success."

Thomas Niedermeyer, Managing Director at Once.net

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Strategic Report

Strategic Report

Chair's Review

"Fonix has entered the new financial year with a broadened product offering, and with the opportunity to significantly expand its international footprint."

I am pleased to inform shareholders that we have achieved another strong year of double-digit growth in income, profitability, and cash generation. This year, Fonix has delivered record cash returns to shareholders while successfully executing its strategic objectives, positioning the company for further long-term sustainable growth. Alongside further investments in overseas expansion, the business has continued to broaden its commercial offerings, creating new opportunities from existing customers and positioning itself to become a global leader in interactive services.

The Fonix management team has continued to drive robust organic growth, with gross profit and adjusted EBITDA both rising over 18% year-on-year. We have also capitalised on favourable interest rates, repurchased £2 million worth of shares in April and increased underlying cash by 20% over the year. In light of our strong performance, I am pleased to announce that we will once again be increasing our final dividend for the year, in line with our progressive dividend policy to pay out at least 75% of adjusted earnings. The board has resolved to propose a final dividend of 5.70p, giving a total dividend for the year of 8.30p (FY23: 7.25p), an increase of 14.5% year on year.

The business's expansion into international markets to date has proven highly successful, with international transactions now representing over 12% of gross profit for the year and Fonix has solidified its position as a market leader in interactive services across the UK and the Republic of Ireland. Looking ahead, we anticipate building on this success with the expected launch of services with several broadcasters in Portugal in FY25. This has once again been customer led, reducing the associated risks with entering a new territory.

Financial results

Gross profit, our key financial metric, increased by 18.5% to £17.9 million (FY23: £15.1 million) for the year. Consistent with previous years, gross profit was higher in the first half due to the seasonal nature of some media clients. Adjusted EBITDA increased 18.1% to £13.7m (FY23: £11.6m), reflecting the business' continued success at maintaining high operating leverage.

The company ended the year with £11.3m in underlying cash (FY23: £9.4m). Actual cash, which also includes money held on behalf of customers, closed the year at £26.5m (FY23: £20.6m).

The board recommends that the company pays a final dividend of 5.7p per share in November, bringing the total dividend for the year to 77% of adjusted earnings per share. If approved, the total distribution of dividends for the year ended 30 June 2024 will be £8.24m (FY23: £7.24m).

Product

In parallel to our international expansion efforts, the company is pursuing growth opportunities through an enhanced product suite incorporating new payment and messaging channels. This year, the business launched its first online payment portal, facilitating nearly £1 million in transactions via bank cards, Apple Pay, Google Pay, and PayPal. Rather than cannibalising existing mobile payment transactions, such initiatives will allow the business to increase its market share in interactive services. Additionally, the company introduced new support for live broadcaster voting, leading to its selection as the official Eurovision 2024 voting partner for both the UK and Ireland. Once again, these successes can be attributed to the business's outstanding industry reputation and the seamless integration of new features into its core product, Campaign Manager.

ESG

Throughout this period, the business has remained committed to environmental, social, and governance (ESG) excellence, reinforcing its foundation of responsible business and industry practices. ESG considerations remain central to all key decision-making processes within the company.

In response to shareholder feedback requesting more independent representation on the board, the company continues to actively consider the appointment of a third independent non-executive director. While the board continues to interview experienced candidates, it has not yet identified a candidate who meets the criteria for adding significant strategic or commercial value, whilst also fulfilling governance responsibilities and ensuring adequate independence.

Recognising the importance of good corporate governance, and in accordance with the Quoted Companies Alliance (QCA) Corporate Governance Code 2023, directors' remuneration will be put to advisory shareholder vote and all directors will be put forward for re-appointment at the company's AGM in November.

Finally, I would like to extend my heartfelt thanks to all Fonix's staff, customers, partners, suppliers, and shareholders for their unwavering support over the past year. I look forward to achieving even greater successes together in the future.

Conclusion

Fonix has entered the new financial year with a broadened product offering, and with the opportunity to significantly expand its international footprint through several enterprise scale prospects in Portugal. The management team remains confident this growth can be achieved whilst maintaining the company's highly operationally leveraged business model and with modest incremental capital investment.

The business has experienced remarkable success since its IPO in October 2020, with management consistently surpassing expectations and fulfilling the strategic objectives set during its market debut. Over the past few years, the business has consistently improved its product offerings, keeping its technology at the cutting edge of innovation, expanding its customer base, and maintaining a competitive edge. The business remains highly cash-generative and debt-free, and will continue to reward shareholders with a progressive dividend policy this year and into the future.

With imminent new network operator connectivity in Portugal, significant new customer prospects and increased dominance in the markets it operates, the board looks to the future with much confidence.

Edward Spurrier
Non-executive Chair

Strategic Report

CEO's Statement

"Fonix has never lost a significant customer to a competitor..."

This has been another outstanding year for Fonix, with significant growth from both new and existing customers across the UK and overseas. We have achieved double-digit growth in gross profit and adjusted EBITDA, whilst enhancing our commercial offering and investing in the foundations for further international expansion.

Throughout the year we've remained committed to our mantra of focusing on high quality sectors with enterprise scale customers and significant growth potential. Through this approach, Fonix has never lost a significant customer to a competitor and over many years has been able to establish a substantial competitive advantage. We will continue to adopt this strategy as we expand into adjacent markets.

Market opportunity

The market for Fonix's services is significant and growing. International markets now represent over 12% of the company's gross profit and we see significant opportunity for further overseas expansion across Europe. In the media sector, which represents nearly 80% of the company's gross profit, we have identified a number of markets in Europe alone that have the ingredients for Fonix to expand into. These markets, along with a gradual expansion in the company's commercial offering to include additional payment and messaging channels, will form the basis of the company's core growth strategy over the next 3-5 years. We remain confident that this strategy can be delivered whilst maintaining our highly operationally leveraged business model.

As well as establishing a pipeline of enterprise opportunities in Portugal, this year has seen us expand our product suite for interactive services, opening up significant new revenue opportunities from our existing customers. Notably, we introduced live broadcaster voting services, supporting Eurovision voting across both the UK and Ireland, along with all of RTÉ's telephony voting services. Additionally, we developed our first online payment portal, facilitating payments via Apple Pay, Google Pay, PayPal, and bank cards.

Delivering against our growth strategy

We continue to take a balanced approach to growth, primarily looking to achieve a material percentage growth in gross profit and shareholder income every year, but without compromising on strategic initiatives we believe will provide long term, sustainable growth. There are five clear elements to our growth strategy set out below, which continue to guide our decision making and how we invest:

1. Grow & deepen existing client relationships
2. Take a disciplined sector focus
3. Create sustainable, long-term profitability for shareholders
4. Client and sector led with international expansion
5. Widen our technological and operational advantage

1 Grow & deepen existing client relationships

We have supported our existing clients with product enhancements that have helped them enjoy strong growth in our services this year and we continue to identify additional opportunities for expansion within our current client base. This is especially true in the media sector, where we are gradually extending our interactive services offering to include complementary services, such as online payment portals, alternative messaging channels, and live broadcaster voting services. Integrating these additional services natively with our Campaign Manager product gives us a substantial competitive edge, as it allows us to offer consumers a seamless, real-time experience with minimal latency. Moreover, as we scale these services for specific clients and within core sectors, we achieve greater economies of scale, benefiting both Fonix and our customers.

We have further deepened our relationship with media customers in the Republic of Ireland where we have continued to help coordinate the industry response to the proposed new gambling regulation bill. Whilst the proposed legislation poses a risk to the operation of prize draw competition services in Ireland (as described in more detail in principal risks and uncertainties section of our Annual report and Accounts), our experience of working with regulators in the UK has shown us that broadcaster prize draw competitions are generally acknowledged to be well regulated, do not pose a harm to consumers and therefore do not need to be subject to the same treatment as gambling services.

2 Take a disciplined sector focus

We continue to take a disciplined, sector focused approach to growth, targeting large enterprise clients and key partnerships across our core markets and geographies. Media continues to be our biggest sector, representing almost 80% of gross profit in the year, with strong growth in both the UK and Ireland, particularly from those clients onboarded midway through the previous year. We see the media sector as the most promising catalyst for our international growth, and we continue to position it as the key entry point for extending our services into identified overseas markets.

Charity and Gaming follow as our next largest sectors, collectively contributing around 10% to gross profit. Our experience so far indicates that SMS charity donations remain a relatively untapped market outside the UK, and we believe that Fonix is well-positioned to foster growth in the charity sector as we achieve market scale in specific geographies. We have recently won our first charity customer in Ireland and we hope to leverage our strong relationships with mobile network operators to help nurture growth in the market over the years ahead.

This year we have seen a slight resurgence in Telecoms and Enterprise sectors with demand for support services from overseas mobile network operators, as well as increased demand for Fonix's wholesale SMS messaging connectivity. Both have largely emerged from inbound opportunities and can be attributed to our strong reputation in the industry.

3 Create sustainable, long-term profitability for shareholders

The company's underlying cash balances have continued to grow strongly in the year, which has enabled us to continue to increase our annual dividend, as well as return an additional £2m to shareholders in the year through a share buy-back. This strong financial performance reflects our disciplined, sector-focused approach to growth and our commitment to partnering only with merchants who offer high-quality, sustainable services to their consumers.

By focusing on our core sectors and product offerings, we remain confident that our expansion strategy can continue to be executed with only a modest expansion in commercial and operational resources, allowing us to continue to deliver on our strategy of achieving sustainable, long-term growth in income to our shareholders for years to come.

4 Client and sector led with international expansion

As our business increasingly focuses on international markets, we expect a larger portion of our future growth to come from overseas. Our strategy for international expansion remains client-driven, as demonstrated by our imminent expansion into the Portuguese market, which was initiated following a request from one of our multinational media clients with a strong presence there. By collaborating with local partners, we have subsequently successfully developed a robust pipeline of potential clients in Portugal across both TV and radio broadcasters. We are confident that this market offers significant growth potential for the business in the coming years and our current expectation is a similar growth trajectory to our Irish business.

Direct connectivity with mobile network operators (MNOs) is crucial for minimising latency in our products and optimising our interactive services to meet the specific nuances of individual MNO systems. Our experiences in Ireland and now Portugal, where we expect to finalise a contract with the final Portuguese MNO in the coming weeks, have shown that dealing with the internal bureaucracy of large MNOs can be time-consuming. However, as our reputation grows across neighbouring European countries and our product suite becomes less reliant on MNO supply chains, we are optimistic that this will lead to quicker adoption of our services in new European markets in the future. Beyond Ireland and Portugal, international expansion remains a key priority for the business. We have already made strong progress in identifying several promising international markets, which we are now beginning to explore further.

5 Widen our technological and operational advantage

Focusing primarily on opportunities in the media and charity sectors, both of which have sizable underlying markets, has allowed Fonix to develop innovative product features that provide real, tangible value to our clients, while establishing significant barriers to entry for potential competitors. This focus has also empowered our highly skilled team to become domain experts, further strengthening our relationship with customers and partners in the industry.

Our Campaign Manager product continues to be a market-leading interactive services platform, with a depth of features unmatched by competition. This year we have expanded our interactive services feature set, developing our first online payment portal, with a long-term vision of creating an increasingly seamless user experience between messaging and online channels. In doing this, we have also expanded our Checkout payment solution to support additional payment options including Apple Pay, Google Pay, PayPal and bank card, which were all utilised in our first online portal build. This additional functionality not only increases revenue opportunities, by capturing payment transactions that might have otherwise failed (due to mobile network operator bars or caps), but also provides further opportunities to make real-time upsells to consumers at the point of purchase and optimise transaction costs for our merchants (customers), in ways unmatched by any other provider in the market.

In addition, Campaign Manager has been enhanced to support live broadcaster voting, most notably for Eurovision 2024 and all of RTÉ's live viewer voting. Unlike in the UK, in many European territories, such voting is priced as a revenue-generating service for media broadcasters, therefore offering additional payment and revenue generating opportunities for Fonix and its clients. This is the case in both the Republic of Ireland and Portugal, as well as in several other European markets that Fonix has identified for potential future expansion.

While we are still in the early stages of expanding into the Portuguese market, we are already working to replicate the trusted relationships we have built with regulators and mobile operators in the UK and Ireland with their counterparts in Portugal. We consider this to be one of our most understated competitive advantages and we look forward to sharing more updates on these partnerships in the coming months. Across our existing markets these key relationships have been crucial not only in acquiring new clients but also in developing new commercial models and helping obtain referrals to mobile operators in other international markets. We believe these connections will be increasingly vital as we accelerate our international expansion efforts.

People

Fonix prides itself on being a great place to work and having a culture where our team can thrive. Our average headcount grew 14% to 49 employees, reflecting the addition of new staff to both our product team and our international operations. We will continue to add to both teams this financial year as we pursue our ambitious growth strategy.

Product

We have made good progress on our product roadmap in the year, with our dedicated in-house development team focusing on new features that drive revenue growth for us and our customers (as mentioned in the 'Widen our technological and operational advantage' section above), coupled with always ensuring our platform remains highly scalable, resilient and secure.

Outlook

We have made significant strides in our growth strategy this year, expanding our commercial offering and capitalising on a client-driven opportunity to build a substantial sales pipeline in a third geographical market, together underpinning our growth expectations for the year ahead.

In the next 12 months, we plan to further enhance our products, building on the strong progress achieved in FY24. Our serviceable market is expanding significantly with new direct network connectivity in Portugal, and we will explore additional direct connectivity opportunities in other territories in FY25 as we determine the most effective routes to market.

With a fair wind, we hope to begin transacting in Portugal before the Christmas trading period commences. By achieving this and continuing to nurture growth from our existing clients, we believe we have a strong opportunity to further build on our outstanding record since IPO.

Robert Weisz
Chief Executive Officer

Key Performance Indicators

Financial	2024	2023	Change
Gross profit	£17.9m	£15.1m	18.5%
Adjusted EBITDA[1]	£13.7m	£11.6m	18.1%
Adjusted PBT[2]	£14.0m	£11.0m	27.3%
Underlying cash[3]	£11.3m	£9.4m	20.2%
Adjusted EPS[4]	10.8p	8.9p	21.3%
Adjusted ROCE[5]	116%	112%	

Non-financial	2024	2023	Change
Total payments value (TPV)[6]	£303.3m	£268.1m	13.1%

[1] Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest, R&D tax credits and tax from the measure of profit.

[2] Adjusted PBT is profit before tax excluding share-based payment charges and R&D tax credits.

[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.

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

[6] Total payments volume is consumer spend inclusive of VAT processed via carrier billing, SMS billing and voice, along with the total value of payments facilitated through third-party payment service providers via Google Pay, Apple Pay, PayPal and bank card.

Strategic Report

Financial Review

"Gross profit for the year increased to £17.9m growing 18.5% on the previous year..."

Total payments volume (TPV)

TPV represents the cash payments processed or facilitated by Fonix on behalf of customers. TPV grew 13% to £303m (2023: £268m) in the year, with particularly strong growth in the value of SMS billing transactions. Charity related TPV grew by 2% year-on-year, having declined in the previous financial year.

Revenue and other income

Company revenues for the year increased to £76.1m (2023: £64.9m), driven by strong growth in the mobile payments, messaging and managed services 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. As mobile payments is the company's most significant service line, the directors monitor results and performance of the company based upon the gross profit generated, which is considered the more meaningful measure of performance.

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 messages.

Gross profit for the year increased to £17.9m (2023: £15.1m) growing 18.5% on the previous year, with mobile payments growing 17% (2023: 16%), mobile messaging growing 43% (2023: 20%) and managed services growing 2% (2023: declining 18%). As was the case in previous years, growth was skewed slightly to the first half of the year due to the seasonality in the trade of media related clients.

Blended gross profit margins increased slightly to 23.5% (2023: 23.2%) attributable to changes in the product and client mix affecting the mobile payments and mobile messaging gross margin percentages.

Adjusted operating expenses

Operating costs continue to have been kept firmly under control, with costs generally only increasing where the business has invested more in future growth. Adjusted operating costs increased 20% in the year to £4.2m (2023: £3.5m). The majority of the increase related to additional staff costs and incentives as the business has continued to invest more in growth, along with an increased spend on international expansion efforts.

Staff related costs and incentives, including remuneration, bonuses, benefits, recruitment costs and training costs, but before capitalisation of software development costs, increased to £4.3m (2023: £3.5m) in the year reflecting an increase in engineering and operations headcount, and the introduction of a new bonus scheme rewarding senior staff where the business outperforms expectations. Average headcount for the year was 49 (2023: 43).

IT hosting costs increased to £217k (2023: £205k) in the year as the company upgraded its platform infrastructure.

Software development costs of £1,061k (2023: £804k) were capitalised in the year, representing 67% (2023: 62%) of development costs in the year.

The increase reflects increases in the size of the development team and additional investment in the Fonix platform. The capitalisation of current year development spend was offset by an amortisation charge of £693k (2023: £560k). Development costs are amortised on a straight-line basis over 3-years.

Adjusted EBITDA

The growth in gross profit and continued control of costs have resulted in a significant increase in adjusted EBITDA which is up 18.1% at £13.7m (2023: £11.6m) for the year. To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest, R&D tax credits and tax from the measure of profit.

Finance income and expenses

Finance expense, which relates to the unwinding of the discounted lease liability, increased to £18k (2023: £5k) as the company renewed its office lease for a further three years in November 2023.

Finance income increased to £1.1m (2023: £0.3m) due to increases in the base rate part way through the prior year.

Corporation tax

The company's effective corporate tax rate increased to 23% (FY23: 19%) during the year, driven by increases in the headline rate of corporation tax and changes to the UK's research and development tax credit scheme. Starting in FY25, the company's effective tax rate on UK profits will rise again due to additional changes to the research and development tax credit scheme, effective from April 1, 2024. However, the company expects to mitigate this impact by utilising a branch profits exemption for net profits generated by branches located outside the UK.

EPS and Dividends

Given the company's strong performance, cash resources and distributable reserves, as well as the confidence in the company's prospects, the board recommends paying out 77% of adjusted EPS to shareholders in the form of an ordinary dividend, which is in line with the company's progressive dividend policy to pay out at least 75% of adjusted earnings per share each year. The board therefore intends to recommend a final dividend of 5.70p (2023: 4.89p) per share to be approved at the AGM in November.

Statement of Financial Position

The company had net assets of £10.7m (2023: £9.4m) at the year-end, including capitalised software development costs with a carrying value of £1.6m (2023: £1.2m). The movement in net assets reflects profit after tax less dividend payments and share buy-backs.

Current assets increased to £62m (2023: £57m) as the company held greater cash balances at the year end, due to the increase in trade year on year. Current liabilities increased to £53m (2023: £48m) as the company owed more trade payables at the year end, due to the increase in trade year on year.

Non-current liabilities increased to £0.4m (2023: £0.2m) as the company renewed its office lease agreement for a further three years in November 2023.

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 cash flow available to the business. Underlying cash increased to £11.3m (2023: £9.4m) due to additional retained earnings less cash used in share buy-backs.

Actual cash, which includes cash held on behalf of customers, can vary substantially from period to period and is particularly sensitive to the timing of passthrough outpayments for customer charity campaigns. Actual cash held increased to £26.5m (2023: £20.6m) in the year. The increase beyond the increase in underlying cash is purely timing related and attributable to a mobile network operator settling a trade receivable invoice a few days earlier than the previous year.

Michael Foulkes
Chief Finance Officer

Principal Risks and Uncertainties

The company faces a number of business risks and uncertainties due to ever changing market dynamics, including risks from competitors, supply-chain disruptions, regulatory changes, cyber criminals and other economic events. The table below sets out the key risks that have been identified, along with the company's approach to mitigating those risks:

Risk	Description
Fall in demand for services	The company's future revenue and profit growth will depend largely on generating demand for its services. There can be no assurance that the company will continue to be successful in selling services to existing customers or winning new customers. 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 customers, either through natural attrition or due to the customer wishing to use another provider. As the company's income is largely transaction based, there is also the risk the company's largest customers (merchants) could see reduced consumer demand for their own services, resulting in fewer transactions taking place and less income being generated for the company. Given the company has enjoyed a consistent supply of repeat business from customers, a reduction in the demand for its services from existing customers or customers experiencing a decline in their own businesses could result in a material reduction in the company's revenue and profitability. The company mitigates this risk by continuing to invest in new product innovations, which provide additional value to its existing customers, differentiate it from its competitors and/or make it more appealing to new customers. In addition, the company is investing to target growth in new geographies and adjacent products. The company also works closely with existing customers to ensure their services remain relevant and they are able to continue, maintain and potentially grow transactions with their consumers.

Risk	Description
Loss of key customers	Whilst the top 10 customers of the company can change each year (as new customers undertake large change programmes, for example), they have accounted for 85 percent, 88 percent and 86 percent of the company's gross profit in the years ended 2022, 2023 and 2024 respectively. Over the last few years the business has established a reasonably significant wholesale messaging business line, with customers using Fonix's direct network operator connections to send SMS messages to UK consumers. Unlike the company's core interactive services, wholesale messaging customers tend to have relatively low switching costs and are highly price sensitive due to the commoditized nature of pure SMS messaging. One of the company's top 10 customers (by contribution to the company's annual gross profit) exclusively uses Fonix's wholesale messaging services. Whilst the company has not lost a significant customer to a competitor during the past six financial years, the loss of one or more of these key customers to a competitor or otherwise, could lead to a material adverse effect on the company's revenue and profitability. The company mitigates this risk by continuing to invest in new product features that differentiate it from its competitors and ensure customers are more embedded in the company's platform. All significant clients are also given dedicated and exemplary customer service support.

Risk	Description
Dependency on key suppliers	The company's services are largely dependent on contracting with mobile network operators (MNOs) for the supply of mobile payments and messages. While the board is not presently aware of any reason likely to lead to the termination or variation of any such contracts, there can be no guarantee that such events will not occur in the future. It is 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. Such terminations or variations could have a material adverse effect upon the company's ability to offer services or viable commercials to customers and therefore on the company's financial results. To mitigate this risk, the company continues to maintain strong relationships with all its MNOs and takes a consultative approach with MNOs regarding any compliance and/or proposed commercial changes. In the event of MNOs enforcing adverse price variances, the company maintains the ability to pass the difference onto merchants. The company also continues to invest in new product innovations, such as alternative messaging and payment connections, which have the potential to alleviate some of the dependency on supplies from MNOs.

Risk	Description
Mobile network operator indemnities	As mobile network operators (MNOs) have no contractual relationships with the company's merchants (wholesale carrier billing and SMS billing customers of the company), the company takes on responsibility for them in its contracts with MNOs. 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, fraudulent consumer activity, artificially inflated traffic, consumer bad debts and regulatory or other third-party claims. It is common for liability to be uncapped. To mitigate these risks, the company continues to maintain strong relationships with all its MNOs and regularly reviews its customers' services to ensure they comply with MNO contracts and regulatory guidelines. The company also maintains the right within its contracts with customers (merchants) to pass-on customer specific claims to the relevant customer, although it has no way of guaranteeing recovery of any liabilities passed on.

Risk	Description
Technological change	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. 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 customer 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 customers 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 customers may be reluctant to adopt new solutions without seeing reference use cases. Failure to adapt in response to changes in customer demand and preferences or to keep pace with relevant technological or regulatory change could limit the company's ability to serve its customers effectively and restrict the company's ability to execute its growth strategy, which could lead to a reduction in customers and have a material adverse effect. The company mitigates these risks by continuously reviewing its product roadmap to ensure new and planned product features remain relevant to the demands of its customers and prospective customers. The company also continuously monitors the competitive landscape to ensure it continues to innovate its products to maintain a competitive edge.

Risk	Description
Regulatory and compliance breaches	As a Phone-paid Services Authority (PSA) registered entity, the company is bound by the PSA Code of Practice (PSA Code) in the UK. The company is also bound by the Commission for Communications Regulation (ComReg) Code of Practice in the Republic of Ireland, and similar regulatory obligations in other markets it chooses to operate. The PSA, ComReg and other relevant regulators investigate complaints and monitor compliance and may initiate an investigation where there appears to be a breach of their code or regulations. For certain cases, the regulator 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 regulations takes place. In the UK, if a PSA tribunal decides a provider has breached the regulations, 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. Similar sanctions and penalties can be applied by other regulators in other territories also. To mitigate this risk, the company regularly undertakes periodic customer compliance reviews and customer due diligence in line with the PSA Code or other relevant regulatory or network operator requirements. A number of the company's customers operate in regulated industries, such as media companies who are regulated by Ofcom, ComReg in Ireland and gambling companies who are licensed by the UK Gambling Commission in the UK. Should any of the company's key customers lose their licence to operate, then this could impact their ability to continue operating services with the company, which in turn could have a material adverse effect on the company's business, financial performance, financial condition and/or prospects. The company in part mitigates this risk by generally only working with customers with a long-standing trading history. In addition, general laws and regulations governing AIM listed businesses, the processing of personal data and the processing of payments in the United Kingdom and other territories continue to evolve and, depending on the evolution of such regulations, may adversely affect the company's business. To mitigate this risk, the management team is responsible for ensuring that all applicable laws and regulations, along with proposed changes are understood and addressed as required. The company also works with third party advisers in areas where this is considered necessary.

Risk	Description
Regulatory changes, including gambling legislation	A number of the company's significant customers operate 'prize draw competitions', which currently operate outside gambling and lottery legislation in each of the company's core geographical markets, including the UK, Ireland and new prospective markets. Should new legislation be introduced in one of these markets, which limits or prohibits the ability of the company's customers to continue to operate prize draw competitions in their current form, then this in turn could potentially have a material adverse effect on the company's business, financial performance, financial condition and/or prospects. In the UK, the gambling commission is currently reviewing gambling legislation and it has been noted in the associated gambling white paper that this review will consider possible changes to the legislation of UK prize draw competitions. To mitigate this risk, the company has been liaising with its significant customers operating prize draw competitions, along with the industry trade association, Association for Interactive Media and Micropayments (AIMM) to engage with the Gambling Commission during the gambling white paper consultation. In the Republic of Ireland, a draft Gambling Regulation Bill is currently being debated in the Dáil Seanad (the upper house of the Irish parliament), having initially passed the Dáil Éireann (the lower house of the Irish parliament) in May 2024. This proposed bill is intended to introduce a new gambling regulator along with several new laws around the operation of gambling services in Ireland. The definition of gambling and/or lottery services within this bill has the potential to capture broadcaster prize draw competitions, which currently sit outside gambling regulation, within the scope of the gambling and or lottery legislation. If this was to occur, it could significantly limit the ability of the company's customers to run prize draw competitions effectively or render them commercially unviable. This is due to complex licence requirements, caps on prizes and advertising watersheds (including prohibiting daytime SMS marketing and on-air promotions) imposed within gambling and lottery regulation. To mitigate this risk, the company has been working closely with its significant customers operating prize draw competitions in Ireland to engage with influential members of the Irish parliament to ensure the relevant carve-outs remain in place for broadcaster prize draw competitions to continue to operate outside gambling and or lottery regulation.

Risk	Description
Potential competition	The company faces competition for its technology and products from other providers of interactive services, 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. It is possible some mobile network operators (MNOs) could develop direct contractual relationships with company's customers and therefore obviate the need to contract with the company to provide carrier billing or mobile billing services. In addition, it's possible that MNOs may allow new market entrants to establish direct network connectivity and therefore compete with the company. The results of such increased competition may have a material adverse effect on the company's reputation, financial performance, and prospects. Customer contracts are generally rolling month-to-month and anyhow, exclusivity of supply is generally unheard of in the industry and even where fixed term contracts exist, customers are free to operate multiple providers in parallel and can therefore migrate services to a competitor on demand. The company mitigates this risk by continuing to invest in new product features that differentiate it from its competitors and ensure customers are more embedded in the company's platform. In addition, all significant clients are also given dedicated and exemplary customer service support to ensure the company maintains strong customer relationships.

Risk	Description
Insufficient operational support	Once a customer 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 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 services to existing customers 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 reputation, financial performance, and prospects. The company mitigates this risk by continuously reviewing whether its operational processes and resources remain adequate given the size and nature of its customer base and the requirements of its contractual service-level agreements (SLAs).

Risk	Description
Loss of key staff and recruitment	The company's future success depends, in part, on the ability and experience of its staff as well as the company's ability to continue to attract, adequately compensate, and retain key personnel. The company's success also depends on the continued services and contributions of 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 profitability. 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 customers' demands, which could have a material adverse effect on the company's reputation, business, financial performance, financial condition and/or prospects. The company mitigates this risk by promoting a positive work environment and ensuring the business remains an enjoyable and appealing place to work. The company also ensures responsibilities are shared across teams so key person risks are significantly reduced. In addition, the company regularly reviews its remuneration policy to ensure it remains competitive, particularly for most senior staff.

Risk	Description
Misappropriation of intellectual property rights	The success of the company's business depends on its ability to protect and enforce its trademarks, and other unregistered intellectual property rights (IPR), 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 confidentiality, invention assignment or licence agreements with employees, consultants and customers, 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 (IPR), which could result in a holding of 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 have a material adverse effect on the company's reputation, business, financial performance, financial condition and/or prospects. The company in part mitigates this risk by in general requiring that any agreements it enters include appropriate confidentiality and IPR clauses.

Risk	Description
Security breaches and cyber risk	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 customers. These security risks could create costly litigation, significant financial liability, increased regulatory scrutiny, financial sanctions, GDPR related fines, and a loss of confidence in the company's ability to serve customers and cause current or potential customers 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, financial performance, financial condition and/or prospects. The company in part mitigates this risk by ensuring that appropriate levels of data security and that intrusion detection processes remain in place. In addition, the company undergoes third-party penetration tests at least annually to ensure the robustness of its systems. The company has to date been unable to source commercially viable cyber insurance, due to a very limited number of insurance underwriters being willing to write cover for the payments sector in general.

Risk	Description
Industry scandals	Whilst the company and its customers have the utmost regard for the industry's regulations, it's possible there may be other providers, and customers of such providers, operating in the sector, which are less diligent and respectful of the rules and regulations. Should there be any misconduct by such organisations, this could potentially lead to a negative public relations (PR) event, such as was the case in the '2007 British premium-rate phone-in scandal'. In turn, this negative PR could lead to a loss in confidence in the sector from the company's customers and prospective customers, which could potentially have a material adverse effect on the company's financial performance, financial condition and/or prospects. The company in part mitigates this, by continuing to work closely in partnership with regulators, such as the Phone-paid Service Authority (PSA) in the UK and industry associations to promote best practice in the industry.
Changes in consumer behaviour and economic downturn	The majority of the company's gross profit comes from a share of revenue on consumer purchases from the company's merchants (customers). In addition, the majority of said consumer transactions are for discretionary and spontaneous purchases. As such, any macroeconomic economic event that has a negative impact on consumer confidence, household disposable income and levels of consumer spending or alternatively a fall in popularity (with consumers) of the merchant's services, could have a negative impact on merchant sales and therefore potentially the company's own gross profit. The impact of such an event could have a material adverse effect on the company's business, financial performance, financial condition and/or prospects. The company in part mitigates this, by continuing to grow and diversify its customer base and by helping the company's merchants to optimise their marketing spend with targeting consumer messaging, as well as ensuring the company's products can support new consumer formats introduced.

Risk	Description
Foreign exchange	The majority of the company's income and costs are denominated and handled in pounds sterling, which is the company's functional and reporting currency. However, as the business continues to grow overseas, an increasing proportion of the company's working capital is held in foreign currencies, particularly Euros. Whilst the company generally receives money on behalf of customers and pays out to customers in a single currency, the business is exposed to potential exchange rate losses on the revaluation of current and prior historic retained earnings held in foreign currencies. The company in part mitigates this risk by converting working capital into its functional currency (pounds sterling) at the earliest opportunity after profit has been fully realised in net cash received.
Treasury	The company's business model requires it to receive and handle significant quantities of cash on behalf of its customers. As a result, at any one time, the company may hold significant amounts of cash. Generally, this cash is only as secure as the counterparty (financial institutions) holding the cash on behalf of the company, and any failure of such financial institutions could have a material adverse effect on the company's business, financial performance, financial condition and/or prospects. The company in part mitigates this risk by only holding cash in instant access bank accounts with financial institutions with high levels of credit worthiness. In addition, the company holds multiple banking relationships so that cash deposits can be moved to alternative financial institutions at short notice.

Risk	Description
Phishing	The company's business model requires it to receive and handle significant quantities of cash on behalf of its customers. As a result, the company frequently makes significant cash outpayments to its customers. The business is therefore often targeted by criminals looking to manipulate the company's staff into making payments into incorrect bank accounts under their control, commonly known as 'phishing'. Any such theft of the company's cash resources could have a material adverse effect on the company's business, financial performance, financial condition and/or prospects. The company in part mitigates this risk by having comprehensive payment approval processes and ensuring any requests to change a merchant's bank details are thoroughly checked and cross referenced ahead of any changes being approved.
Forecasting	Contractual negotiations and the onboarding of new customers and operators can often be prolonged and delayed, making short and medium term revenues difficult to predict. In addition, the vast majority of merchant/customer contracts contain no revenue commitments and expected revenues can change significantly at short notice. As a result, forecasting gross profit and particularly the growth rate of gross profit can be difficult to predict. The company in part mitigates this risk by taking a conservative approach to forecasting and avoids over committing resources during contract negotiations and merchant onboarding.

By order of the board

Michael Foulkes
Company Secretary

23 Heddon Street
London, W1B 4BQ

23 September 2024

Annual Reports & Accounts 2024

Governance

Governance

Board of Directors

Aged 59

Edward Spurrier
Independent Non-executive Chair

Edward is also Non-executive Chair of Captec Group Limited, and Equity Networks Limited. In the last 8 years he has chaired several successful fast growth Private Equity and VC backed technology companies. He also has non-executive roles with some private and not for profit organisations. He has been involved in the telecom, IT and tech sector for over 25 years and formerly was CEO and CFO of Alternative Networks plc (AIM listed) for 17 years, until 2015.

He qualified as a chartered accountant with PWC in London and spent 11 years advising entrepreneurs before joining Alternative Networks.

Aged 46

Robert Weisz
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.

Aged 39

Michael Foulkes
Chief Financial Officer

Michael is a chartered accountant with over 15 years working in senior finance roles for some of Europe's most successful technology businesses, including Mobile Interactive Group ("MIG"), previously one of Europe's largest mobile payments businesses. MIG was subsequently acquired by Velti, a Nasdaq listed mobile marketing business, where Michael continued in senior finance roles. Since, his most recent CFO role was over 4 years at the venture backed Black Swan Data.

Governance

Board of Directors

Aged 48

William Neale

Founder and Non-executive Director

Will founded Fonix plc in 2006. In 2013, Will founded Grabyo, a cloud-based video production, editing and distribution company. Will is a serial investor having invested in many early-stage companies, including Revolut, Marshmallow and proSapient. Will began his career at Accenture where he worked within technology consulting, specialising in mobile telecoms.

Aged 59

Carmel Warren

Independent Non-executive Director

Carmel is also Non-executive Chair of Character Group plc. In the last 10 years she has gained further experience in the technology sector working as CFO of several Aim listed companies including D4t4 Solutions plc, SEEEN plc and Universe Group Plc. Prior to that she gained extensive financial experience across multiple industries beginning her career at EY. She remains a fellow of the ICAEW.

Directors' Report

The directors present their report and the audited financial statements for Fonix plc for the year ended 30 June 2024.

The preparation of financial statements is in compliance with IFRS issued by the International Accounting Standards Board (IASB) ("IFRS") and IFRIC Interpretations issued by the International Accounting Standards Board (IASB).

Principal activities

The principal activity of Fonix Plc is facilitating mobile payments and messaging for merchants (customers) – including the related content. These solutions enable consumers to make online payments using their mobile devices.

Business review and future developments

The review of the period's activities, operations, future developments, and key risks is contained in the Strategic Report on **pages 11 to 36**.

Directors

The directors who held office during the period and subsequently were as follows:

1. **Robert Weisz**
2. **Michael Foulkes**
3. **Edward Spurrier**
4. **William Neale**
5. **Carmel Warren**

The company has agreed to indemnify its directors against third party claims which may be brought against them and has put in place a directors' and officers' insurance policy.

Details of directors' interests in the share capital of the company are disclosed in the Remuneration Committee Report set out on **pages 53 to 58**.

Substantial holdings

The company has been advised of the following interests in more than 3% of its ordinary share capital as at 30th June 2024:

Holder	Total shares	%
William Neale (held by Ganton Limited)	18,919,665	19.12%
Rathbones Plc	10,959,268	11.07%
Charles Stanley	9,676,545	9.78%
Slater Investments	7,644,332	7.72%
Richard Thompson (held by Starnevesse Limited)	7,287,167	7.36%
Robert Weisz	6,071,386	6.13%

Risk management objectives and policies

Details of the company's financial risk management objectives and policies are set out in note 17 of the financial statements. The key non-financial risks that the company faces are set out on pages 22 to 36 of the Strategic Report.

Dividends

There was a profit for the year after taxation amounting to £10.6m (2023: £8.8m).

A final dividend of £4.88m (4.89p per share) was paid during the year in respect of the year ended 30 June 2023 (2022: £4.50m, 4.50p per share).

An interim dividend of £2.60m (2.60p per share) was paid during the year in respect of the year ended 30 June 2024 (2023: £2.36m, 2.36p per share).

The directors recommend a final dividend of 5.70p per share (2023: 4.89p per share). If approved, the total dividend for the year would be 8.30p per share (2023: 7.25p per share) and the total distribution of dividends would be £8.24m (2023: £7.24m).

Disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements confirm that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware.
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors appointment

UHY Hacker Young were appointed during the period and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

Michael Foulkes
Company Secretary

23 Heddon Street
London, W1B 4BQ

23 September 2024

Corporate Governance Statement

Chair's corporate governance report

As chair of the board of directors, corporate governance is my responsibility and I recognise the importance of sound corporate governance and confirm that the company is complying with the QCA Corporate Governance Code. The QCA Code is based upon the principle that companies need to deliver growth in long-term shareholder value. The following report sets out how we do this in accordance with the 10 principles of the QCA Code. The directors consider that the company has broadly not departed from any of the principles of the QCA Code, although any areas where the company has deviated are described in further detail below.

Fonix Plc

QCA CODE™
VERIFIED VERSION
ESTABLISHED 2013

Our Principles

1. Establish a strategy and business model which promote long-term value for shareholders.
2. Promote a corporate culture that is based on ethical value and behaviours.
3. Seek to understand and meet shareholder needs and expectations.
4. Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success.
5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.
6. Establish and maintain the board as a well-functioning, balanced team led by the chair.
7. Maintain appropriate governance structures and ensure individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.
8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
9. Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

The company's business model is described in detail in the strategic report above. The company's business strategy is reviewed at least annually by the board and with goals and targets set for the business accordingly. The company's business strategy aims to create long-term value for shareholders by:

- Growing income from existing customers and winning new customer accounts.
- Building products and services that provide new revenue opportunities and create deeper relationships with existing customers.
- Realising international growth opportunities by investing in international supply-chain connectivity and nurturing multinational client relationships.
- Scaling costs effectively to balance growth, risk and shareholder income.

Principle 2

Promote a corporate culture that is based on ethical value and behaviours

The board seeks to ensure that the highest standards of integrity and ethical behaviour are demonstrated in the conduct of the company's operations. The board is dedicated to cultivating a culture that earns the trust and respect of employees, customers, and suppliers. The company accomplishes this through a senior leadership team that upholds strong ethical values such as integrity, transparency, accountability, and respect. These standards are enshrined in the company's written policies which are adopted by all employees and reviewed during the annual performance review. An open culture is encouraged within the company, with employee feedback sought and regular progress and performance updates provided to all employees.

As an industry leader, one of the company's core philosophies is to collaborate exclusively with merchants (customers) and suppliers who deliver high-quality products and services to consumers. To uphold this standard, the business often declines more prospective customers than it accepts, making it the only major mobile billing provider in the UK that has never received a regulatory fine.

The company's culture is evident in all aspects of its operations, and preserving this culture is a key consideration in both recruitment decisions and reward systems.

Principle 3

Seek to understand and meet shareholder needs and expectations

The board endeavours to engage in clear and consistent dialogue with both existing and potential shareholders to understand their needs and expectations, and to ensure that the company's strategy, business model, governance structures and progress are clearly understood.

The chief executive officer and the chief financial officer will meet with representatives of most major institutional shareholders at least twice per year, with their feedback being shared with the wider board. The chair is also available and has engaged with institutional shareholders where required.

The board also recognises that the annual general meeting ("AGM") provides an opportunity to meet shareholders and values the feedback provided by shareholders at this meeting. Due notice of the AGM is sent to shareholders at least 21 days before the date of the meeting and all directors routinely attend the AGM and are available to answer questions raised by shareholders. The board values feedback from shareholders regarding their voting decisions and engages in dialogue with those who express concerns.

Principle 4

Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success

Engaging with stakeholders enables the company to understand their needs more effectively which in turn helps the company make more informed business decisions. In addition to its shareholders, the company's key stakeholders are its employees, customers, end users (consumers of its customer services), suppliers (including mobile network operators), and regulators. The board regularly considers these stakeholders to ensure the business is taking appropriate actions to further strengthen these key relationships. Further information on the specific actions the business is taking can be found in the 'Section 172 Statement' on page 49.

Principle 5

Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The board retains overall responsibility for the company's framework of internal controls and reviewing their effectiveness. The board generally adopts a cautious and thoughtful approach to risk, carefully balancing risks and opportunities to ensure both short-term and long-term returns for shareholders. The business' key commercial opportunities, wins, losses and threats are documented by the senior leadership team and shared with the board each month. The company's risk register is also reviewed and updated by management across the business once a quarter and subsequently shared and discussed at board level each quarter. The information, which is always provided in a timely manner, is high quality and comprehensive, ensuring that the board is well informed and has the tools to facilitate proper assessment of matters which require its insight and decision making. The board and management team look to take mitigating actions or reinforcement of controls whenever unreasonable risks are identified that can be controlled with commercially viable mitigation strategies.

Regarding climate-related risks and opportunities, the board evaluates all business inputs that could have an environmental impact and, whenever possible, prioritises suppliers with best-in-class environmental policies.

There is currently no internal audit function as the board and audit committee considers that given the company's current stage of development, it is not necessary, but this will be reviewed annually as the company evolves.

Principle 6

Establish and maintain the board as a well-functioning, balanced team led by the chair

The QCA code requires that boards have an appropriate balance between executive and non-executive directors and that each board should have at least two independent directors. The board comprises the non-executive chair, who was independent at the time of appointment, two executive directors and two other non-executive directors. Of the non-executive directors, the board considered two to be independent directors (Edward Spurrier and Carmel Warren).

The company does not comply with the QCA code principle that independent non-executive directors should comprise half the board. Acknowledging the request from some shareholders for further independent representation on the board, the board commits to continue considering appointing a third independent non-executive director should an individual be identified, who could provide other meaningful strategic value to the business at the same time.

The board meets monthly and is supported by supplementary meetings where appropriate. The board is further supported by an appropriate committee structure, consisting of separate audit and remuneration committees that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Further details of the current directors and a note of those who are considered to be independent are set out on page 38.

Principle 7

Maintain appropriate governance structures and ensure individually and collectively the directors have the necessary up-to-date experience, skills and capabilities

The long-term success of the company is the responsibility of the board of directors, which comprises two executive directors, and three non-executive directors, one female and two males. In all new appointments the board aims to appoint candidates who bring new and diverse attributes to its composition.

The executive directors have responsibility for the operational management of the company's activities. The non-executive directors are responsible for bringing independent and objective judgement to board decisions. There is a clear separation of the roles of the non-executive chair and the chief executive officer. The chair is responsible for the running of the board and has ultimate responsibility for corporate governance matters. The chief executive officer has ultimate responsibility for implementing the strategy of the board and managing the day-to-day business activities of the company. The company secretary is responsible for ensuring that board procedures are followed, and applicable rules and regulations are complied with.

The board consists of individuals with backgrounds and experience in publicly and privately-owned commerce, payments, finance and technology organisations. Individually and collectively, the board's members have a wide range of experience, personal qualities and capabilities.

Independent non-executive directors each hold similar positions at other publicly owned companies, bringing valuable insights and experiences from other businesses to the company board. Additionally, both independent non-executive directors, as well as the CFO, maintain professional memberships where continuing professional development (CPD) is a mandatory requirement.

The board has established an audit committee and a remuneration committee, with formally delegated duties and responsibilities, which are each chaired by a non-executive director. The audit committee is chaired by Carmel Warren and the remuneration committee is chaired by Edward Spurrier. The company has not appointed a nominations committee. The board has concluded that given the size of the company this function can be effectively carried out by the whole board.

Principle 8

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The company currently conducts annual monitoring of both corporate and personal performance. Agreed personal objectives and targets are determined each year for the executive directors and leadership team and performance is measured against these metrics. The independent non-executive chair undertakes the responsibility of assessing and monitoring the performance of the executive directors.

The board conducts effectiveness surveys every quarter, assessing engagement, behaviour, alignment, decision-making, and composition. The findings from these evaluations are then used to inform decisions on board composition and succession planning. The surveys are conducted internally, following best practice guidelines, and are completed anonymously, enabling board members to provide candid feedback. Based on the outcomes of these anonymous internal assessments, along with the consistent strong performance of the business and the management team, the board has determined that an externally facilitated review is not necessary at this time.

The board periodically reviews succession plans throughout the organisation to ensure that no single points of failure exist and the company is not overly dependent on any single member of staff.

Principle 9

Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture.

The company's remuneration committee is committed to creating a remuneration policy that fosters long-term shareholder value and ensures simplicity and transparency. Board remuneration is reviewed at least annually, with incentive targets aligned with the company's core strategic objective of achieving long-term, sustainable growth in adjusted EBITDA. This year, the board has agreed to submit board remuneration to an advisory shareholder vote.

Further details of the company's remuneration policy are set out in the remuneration committee report on pages 53 to 58.

Principle 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The company communicates with shareholders in a number of ways, including: the company's annual report and accounts, full and half year trading updates, other regulatory announcements, the annual general meeting (AGM), bi-annual investor roadshows and other ad hoc investor meetings.

A range of corporate information, including annual reports, full and half year results announcements, notices of general meetings and other regulatory announcements, is also available to shareholders, investors, and the public through the company's website: **www.fonix.com/investors**

Board and committee attendance

The board met twelve times during the financial year and its committees met a further five times, including three audit committee meetings.

The attendance of the directors at these meetings is detailed below. On the occasions when a director is unable to attend a meeting, any comments he or she has arising from the information pack circulated prior to the meeting are provided to the chair.

	Board meetings		Audit committee		Remuneration committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Robert Weisz	12	12	-	-	-	-
Michael Foulkes	12	12	-	-	-	-
William Neale	12	12	-	-	-	-
Edward Spurrier	12	12	3	3	2	2
Carmel Warren	12	12	3	3	2	2

Committees of the board

The remuneration committee

The remuneration committee is chaired by Edward Spurrier and its other member is Carmel Warren. The remuneration committee reviews the performance of the executive directors and makes recommendations to the board on matters relating to their remuneration and terms of employment. The remuneration committee also makes 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 are set by the board. The remuneration committee invites the executive board members and other relevant parties to attend where necessary.

The remuneration committee meets as frequently as necessary and not less than once a year.

The audit committee

The audit committee is chaired by Carmel Warren and its other member is the non-executive chair, Edward Spurrier. The external auditors are invited to each meeting and the Chief Executive Officer, Chief Financial Officer (together with members of the finance team as appropriate) and William Neale (as a non-executive director) attend by invitation.

The audit committee has 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 receives and reviews reports from the company's management and auditors relating to the annual accounts and the accounting and internal control systems in use throughout the company. The audit committee has unrestricted access to the company's auditors. Further, the audit committee advises 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.

Edward Spurrier is chair of the company and therefore his membership of the audit committee does not comply with the recommendation of the

QCA Code. However, the board has determined that, in light of Edward Spurrier's extensive knowledge of financial governance and internal controls and taking into account the size and nature of the company and the independence of the other members of the audit committee, it is appropriate for Edward Spurrier to be a member of the audit committee.

The company does not comply with the QCA's requirement to publish a separate audit committee report as it believes that the information provided within this corporate governance report gives shareholders adequate information on the committee's activities.

The audit committee meets as frequently as necessary and not less than three times a year.

Relations with shareholders

The board is committed to regular, open and effective communication with shareholders to ensure that the company's strategy and performance are clearly understood. The company provides annual and interim statutory financial reports, investor and analyst presentations, regular trading and business updates. At the Annual General Meeting (AGM) all shareholders have the opportunity to meet and ask questions of the board of directors. The next AGM is scheduled for 19th November 2024.

Section 172 Statement

The directors are aware of their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term; and

b. the interests of the company's employees; and

c. the need to foster the company's business relationships with suppliers, customers and others; and

d. the impact of the company's operations on the community and the environment; and

e. the desirability of the company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the company.

Engaging with employees

The company operates frequent all staff meetings, sharing updates from across the business in an open forum. These briefs allow employees to learn and share their views on the business, including team, product and market changes as well as new commercial opportunities. In addition, the company undertakes anonymous staff surveys at least once per year, giving all staff a chance to provide honest feedback to the senior leadership team and company board.

Whilst the company operates a 'working from home' and a flexible working policy, staff have been encouraged to work in the office at least once a week on a voluntary basis, with teams often meeting in person once a week. The ambition of this in-office based working is to allow junior staff to engage with senior colleagues and to encourage staff to immerse themselves in the company's culture. To this aim, the company hosts weekly social events in the office.

Engaging with customers

The company's main customers are its payment merchants. All significant customer accounts have a dedicated client services representative who meets with the customer regularly to discuss their needs and ensures the company is helping them meet their objectives.

Engaging with suppliers

The company's largest suppliers are those of mobile network operators (MNOs) and technology partners. Each MNOs has close relationships with several members of the senior management team, who meet regularly with MNOs to discuss their needs, new commercial opportunities, existing in-life services and regulatory changes. MNOs are also frequently invited to customer events so that both parties can learn about opportunities in the market.

Engaging with regulators

The management team works closely with regulators and trade associations to ensure the best standards and services are upheld in the industry. To this aim, the Chief Executive Officer acts as Vice Chair and member of the board of the Association for Interactive Media and Micropayments (aimm), a specialist trade association in the UK.

Minimising environmental impact

The board is committed to reducing the environmental impact of the company's activities and ensuring the business operates in a sustainable way. We recognise that we have an ethical responsibility to go beyond what is legally required of us, so as a business we strive to: reduce our energy consumption; reduce waste and increase recycling; incorporate environmental considerations into our decision making; minimise use of carbon intensive travel options such as air travel; and encourage staff to use alternative modes of travel such as walking, cycling and public transport.

To this aim, the company continues to implement initiatives aimed at reducing electricity consumption. Where energy consumption is necessary, such as in our office and in our data centre storage centres, we strive to use the most environmentally friendly suppliers and those using high proportions of 100% renewable energy.

Environment, Social and Governance (ESG) Scorecard

The board considers the following key indicators when assessing whether the business continues to meet its objective of being an environmentally and socially responsible organisation with a balanced and effective governance structure:

	2024	2023	Unit
Environmental			
Energy consumption (scope 1 & 2)	0.016	0.005	MWh/£m of revenue
CO2 production (scope 1 & 2)	0.0003	0.0000	tonnes/£m of revenue
Water consumption	2.891	3.389	m3/£m of revenue
Waste production	0.164	0.192	tonnes/£m of revenue
Google Workspace (part of scope 3)[1]	94.132	135.131	$kgCO_2e$
Amazon Web Services (part of scope 3)[2]	0.011	0.006	$MTCO_2e$
Social			
Employee turnover rate	8.4%	16.9%	per annum
Effective corporation tax rate	23.2%	19.0%	
Governance			
Board seats held by women	20.0%	20.0%	
Board seats held by independent directors	40.0%	40.0%	

[1] Google Workspace emissions data is taken from Google's Carbon Footprint for Google Workspace tool.

[2] Amazon Web Services (AWS) emissions data is taken from Amazon's Carbon Footprint Tool. In several months this year AWS's carbon footprint tool showed zero CO2e, which is believed to be due to AWS gradually switching services to 100% renewable sources of energy, although this could not be validated.

Energy and carbon report

The majority of Fonix's CO2e emissions are believed to come from scope 3 sources, including its suppliers Amazon Web Services (AWS), Google Drive and the mobile network operators. AWS and Google Drive emissions are shown in the table above, which are taken from each supplier's online carbon footprint tool. No data is available from the mobile network operators that allows the company to estimate the carbon footprint of their services.

Google has set the specific target of making all of its power sources carbon-free by 2030, and reached its 100% renewable energy target in 2018. Google's "moonshot" goal is to operate on 24/7 carbon-free energy in all their data centres and campuses worldwide by 2030. Amazon has set the goal of powering its company 100% with renewables by 2025 and becoming carbon net-zero by 2040.

As the company has not directly consumed more than 40,000 kWH of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Waste

As a business, Fonix consumes very little water and produces very little waste. Fonix operates a paperless office and has recycling facilities in place for any waste it or its staff produce. Where possible, Fonix ensures all shareholder, customer or supplier communications are made electronically.

Social responsibility

We prioritise the wellbeing of our employees. We support flexible working practices within the organisation which is incredibly well received by the staff. We carry out anonymous staff satisfaction surveys at least annually, where all staff and contractors are invited to provide honest feedback and recommendations to the board. The results of such surveys continue to be very positive, with changes to business practices considered in areas wherever scores could be improved.

At Fonix, we celebrate diversity and foster an inclusive workplace culture. Our workforce is composed of individuals from diverse backgrounds, with a significant proportion of staff belonging to minority groups.

Health and safety is, of course, fundamental to the business' operations, and whilst Fonix is assessed as a low risk workplace, a significant proportion of our staff are first aid or fire warden trained, with the offer to train every member of staff that wishes to be trained.

Fonix upholds the highest standards of data protection, with all staff enrolled in monthly data security training, and the business' leadership frequently consider new data related risks and mitigation strategies. Whilst Fonix holds very limited amounts of personally identifiable information (PII), there are clear data retention policies in place to ensure this data is not held for longer than necessary.

Remuneration Committee Report

Remuneration of executive directors

The company's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the company's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards and that it will continue to apply for FY25 and subsequent years, subject to ongoing review as appropriate.

The company's remuneration policy for executive directors seeks to:

- consider each individual's experience and the nature and complexity of their work in order to set a competitive base salary that attracts and retains individuals of the highest quality, whilst avoiding remunerating more than is necessary; and
- link remuneration packages to the company's long-term performance through share plans; and
- provide post-retirement benefits through payment into private pension arrangements and/or salary supplements; and
- design long-term incentives that are prudent and will not expose shareholders to unreasonable financial risk.

Executive directors' remuneration packages are considered annually by the remuneration committee in line with the above policy and comprise a number of elements:

Salaries

The base salary Chief Financial Officer (CFO) is reviewed by the remuneration committee at least annually each June, with any changes in pay implemented from July the following month. The base salary of other directors is reviewed by the remuneration committee at least annually each November, with any changes in pay implemented from January the following year.

In both processes, the committee takes account of the profitability and ongoing strategy of the company and the individual's contribution. Consideration is also given to the need to retain and motivate individuals, with reference made to information on salary levels in comparable organisations. To assist in this the remuneration committee looks at external salary surveys and undertakes its own research.

Annual bonus

The CFO receives an annual bonus scheme, with a maximum bonus opportunity of £75,000 per year in FY24 (FY23: £40,000).

The Chief Executive Officer has no annual bonus scheme as they are rewarded through annual salary and growth in the value of their existing shareholding.

The total bonus payable to the executive directors in respect of the current financial year was determine as set out below:

Name	Maximum reward	Actual performance	Annual bonus payable
Michael Foulkes	£75,000	100% of bonus	£75,000

Pensions

The company operates a work-place pension scheme, where directors are paid an employer pension contribution of 5% of salary between the lower and upper level of qualifying earnings, as set by the UK pension regulator.

Share awards

Executive directors may, at the discretion of the remuneration committee, be granted share option awards.

Remuneration of non-executive directors

The remuneration of the non-executive directors is determined by the board, based on a review of current practices in comparable companies. The non-executive directors do not receive any pension payments and generally do not participate in any incentive schemes, with the exception of the chair who received some share options in 2020 as listed in the sections below. In the light of best practice, it is not intended to grant any further share options to the non-executive directors in the future.

Wider employee considerations

The company encourages share ownership amongst all staff and therefore permanent staff with long lengths of service, are awarded share option grants at set intervals.

Shareholder engagement

The remuneration committee seeks and takes into consideration the views of shareholders on remuneration on an ongoing basis and they are invited to make contact directly with the chair of the remuneration committee at any time should they wish to do so.

Remuneration committee advice

In undertaking its responsibilities, the committee seeks independent external advice as necessary.

Annual remuneration statement

On behalf of the board, I am pleased to present our remuneration report for FY24.

Salaries

The base salary of Chief Executive Office (CEO) was increased in the year effective from 1 January 2024. The Chief Financial Officer received an increase to base pay from 1 July 2024, being the anniversary of their previous pay rise on 1 July 2023. From the 1 July 2024 the base salaries of executive directors were as follows: (see right):

Robert Weisz,
Chief Executive Officer

£184,484

Michael Foulkes,
Chief Finance Officer

£160,000

Fees for non-executive directors

Fees for non-executive directors at 01 July 2024 were as below. The fees are inclusive of fees for chairing the remuneration committee and audit committee.

Name	Role	Committee chair	Fee
Edward Spurrier	Chair	Remuneration	£65,000
William Neale	Non-executive director		£40,000
Carmel Warren	Non-executive director	Audit	£35,000

Equity plan

During the year, certain directors were issued share options in the company. All options had an exercise price equal to the closing mid-market price the day before the date of grant. Details of options issued to directors during the financial year are listed below:

Name	Type of award	Date of grant	Number	Exercise price	Initial vesting date	Final vesting date	Lapse date
Michael Foulkes	General employee scheme	30/11/2023	27,500	£1.955	30/11/2026	30/11/2028	30/11/2033
Michael Foulkes	Performance scheme	30/11/2023	27,500	£1.955	30/11/2026	30/11/2028	30/11/2033
			55,000				

Outstanding equity awards

At the 30 June 2024, the following outstanding options were held by the directors of the company:

Name	FY	Date of grant	Type of award	Number of shares granted	Exercise price £	Vested at start of year	Vested during the year	Exercised during the year	Lapsed during the year	Total 30 June 2024	Final vesting date
Edward Spurrier	FY21	07/10/2020	ES[1]	500,000	£0.900	-	500,000	-	-	500,000	07/10/2023
				500,000		**-**	**500,000**	**-**	**-**	**500,000**	
Michael Foulkes	FY21	08/04/2021	GES[2]	64,426	£1.785	-	21,475	-	-	64,426	08/04/2026
	FY22	11/05/2022	GES[2]	31,469	£1.430	-	-	-	-	31,469	11/05/2027
	FY24	30/11/2023	GES[2]	27,500	£1.955	-	-	-	-	27,500	30/11/2028
	FY24	30/11/2023	PS[3]	27,500	£1.955	-	-	-	-	27,500	30/11/2028
				150,895		**-**	**21,475**	**-**	**-**	**150,895**	

[1] Executive scheme
[2] General employee scheme
[3] Performance Scheme

Summary of directors' total remuneration

The directors received the following remuneration during the year to 30 June 2024:

Name of Director	Salary and fees £'000	Bonus £'000	2024 Total (excl. pension) £'000	2024 Pension £'000	2024 Total fixed remuneration £'000	2024 Total variable remuneration £'000	2023 Total (excl. pension) £'000	2023 Pension £'000
Executive								
Robert Weisz	181	-	181	-	181	-	176	-
Michael Foulkes	150	75	225	2	152	75	165	2
Non-Executive								
William Neale	40	-	40	-	40	-	40	-
Edward Spurrier	65	-	65	-	65	-	65	-
Carmel Warren	35	-	35	-	35	-	35	-
	471	**75**	**546**	**2**	**473**	**75**	**481**	**2**

Application of remuneration policy for FY25

Salaries

During the course of the financial year, the remuneration committee met to review the remuneration of the board. Based on external data provided by consultants, it was clear that the remuneration of the board remained lower than most comparable listed peers, and mindful of the need to retain quality individuals and reward them at appropriate levels for success, the following changes were recommended and will be subject to a shareholder vote at the AGM in November 2024:

- The Chief Financial Officer received an increase to base pay of £10,000 from 1 July 2024, equivalent to a 6.7% pay rise.

The remaining executive directors base salaries will be reviewed by the remuneration committee during the course of the year with any further increases effective from 1 January 2025, subject to a shareholder vote at the AGM in November 2024.

Annual bonus

From 01 July 2024, the CFO's bonus opportunity was increased to £80,000 per annum, equivalent to a 6.7% increase. The bonus is 100% allocated to achievement against the company's EBITDA objective. The remuneration committee retains discretion to adjust the bonus award in exceptional circumstances.

Company chair and non-executive directors

The fees for the company chair and non-executive directors will be reviewed during the course of the year with any increases effective from 1 January 2025, subject to a shareholder vote at the AGM in November 2024.

Shares held by directors

	Beneficially owned shares		Unvested share options		Vested unexercised share options	
Name of director	**30 June 2023**	**30 June 2024**	**30 June 2023**	**30 June 2024**	**30 June 2023**	**30 June 2024**
Executive						
Robert Weisz	7,325,356	6,071,386	-	-	-	-
Michael Foulkes	-	-	95,895	129,421	-	21,474
Non-Executive						
William Neale	22,827,288	18,919,665	-	-	-	-
Edward Spurrier	-	-	500,000	-	-	500,000

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom ('UK').

The company financial statements are required by law and IFRS adopted by the UK to present fairly the financial position and performance of the company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing each of the company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently; and

b. make judgements and accounting estimates that are reasonable and prudent; and

c. for the company financial statements, state whether they have been prepared in accordance with IFRSs adopted by the UK, subject to any material departures disclosed and explained in the company financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Reports & Accounts 2024

Financial Statements

Independent Auditor's Report

to the board of Fonix plc

Opinion

We have audited the financial statements of Fonix Plc (the 'company') for the year ended 30 June 2024, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Statement of Underlying Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in preparation of the company's financial statements is applicable law and the UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

Evaluation of management assessment	Key observations
Management have prepared forecasts to 30 June 2026 ("the forecast period"). We evaluated the management's going concern assessment and performed the following procedures: • Reviewing the forecasts, the methodology behind these and ensuring they are arithmetically correct; • Challenging the assumptions with management; • Obtaining post year end management information and comparing these to budget to ensure budgeting is reasonable and the results are in line with expectations; • Discussing with management plans for the company going forward, ensuring these have been incorporated into the budgeting and would not have a material adverse impact on the going concern status of the company; and • Assessing the transparency, completeness and accuracy of the matters covered in the going concern disclosure by evaluating management's cash flow projections for the forecast period and the underlying assumptions;	The company generated a profit of £10,617,000 in the year ended 30 June 2024 (2023: £8,797,000). They generated net underlying free cash flows from operating activities of £11,365,000 (2023: £9,852,000) and had underlying free cash of £11,325,000 (2023: £9,446,000) as at 30 June 2024. The forecast to 30 June 2026 shows that the Company continues to be profitable and has at all times available cash and liquidity to meets its liabilities as they fall due.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

The audit team met and communicated regularly throughout the audit with the CFO in order to ensure we had a good knowledge of the business of the Company. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified during our audit. Going concern is a significant key audit matter and is described above. In arriving at our audit opinion above, the other key audit matters were as follows:

Key audit matters	How our audit addressed the key audit matters
Revenue recognition in line with IFRS 15 The company recognises income as one of the three key service lines as detailed in the revenue policy (mobile payments, mobile messaging or managed service). Each is assessed against the 5 step process in line IFRS 15. Revenue is a key driver of the business and is made up of a high number of individual low value transactions therefore in respect of services provided there is a risk that revenue is recorded inappropriately relative to the provision of underlying services. In addition, there is the risk of management override to overstate results due to the company being AIM listed and having performance related bonuses. We therefore identified the risk over the occurrence assertions relating to revenue recognition as a significant risk, which was one of the most significant risks of material misstatement.	Our audit work included, but was not restricted to: • Documenting our understanding of management's process for evaluating revenue recognition and assessing the design effectiveness and implementation of related key controls. • We conducted on a sample basis and encompassed transactions arising across the year under review, to ensure that the amounts attributable to revenue had been correctly calculated in accordance with IFRS 15 and included in the correct accounting period. • We obtained copies of the customer contracts in order to check that relevant revenue and VAT had been posted accurately in the accounts. • Performing transaction testing by tracing transactions recognised in the revenue nominal ledger to the monthly billing spreadsheets and then agreed a sample of sales to the source documents to test the occurrence. • We used data analytics software to review the monetary flows of revenue to ensure every transaction results in a cash in-flow to gain assurance of occurrence. • We performed a trend analysis of revenue and cost of sales to identify any outliers in movements which could indicate misstatement. • Whilst performing our audit testing we assessed whether the treatment of revenue was in accordance with the correct recognition criteria as per the Company's accounting policy. • Assessing whether the Company's accounting policy for revenue recognition are in accordance with the requirements of IFRS 15.

Key audit matters	How our audit addressed the key audit matters
	The Company's accounting policy on revenue recognition is shown in Principal Accounting Policies for the consolidated financial statements and related disclosures are included in note 2. **Key observations** We have not found any issues or errors involving sales and are therefore satisfied we have assurance over sales recognition and treatment.
Management override of controls As an AIM listed Company there is a risk of pressure on management to deliver strong results for the board, so the risk of bias or manipulation is higher. There is also a risk due to performance related bonuses being paid to senior management. The Company applies the QCA Corporate Code as set out in the Corporate Governance Statement.	We assessed the level of control management has over the financials and what controls are in place to keep to the governance rules. • We reviewed estimates included in the financial statements for any evidence of management bias arising in their calculation. • We conducted enquiries of management and other staff to determine if they were aware of any unusual journals or other adjustments. • We tested a sample of journal entries, other adjustments, large or unusual transactions in the year and post year end period to determine that they are valid business transactions. **Key observations** As a result of our testing, we concluded that the risk of management override of controls is sufficiently mitigated.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Overall materiality	We determined materiality for the financial statements as a whole to be £696,600 (2023: £545,000).
How we determine it	Based on a benchmark of 5% of profit before tax for the year.
Rationale for benchmarks applied	We believe profit for the year to be the most appropriate benchmark due to the size, growth stage, increase in profitability and the nature of the Company.
Performance materiality	On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 65% of materiality, and was set at £452,700 (2023: £354,200).

Reporting threshold

We agreed with the Audit Committee that we would report to them all misstatements over £34,800 (2023: £27,250) (5% of materiality) identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 59, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Based on our understanding of the company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to Phone-paid Authority Service Code of Practice (PSA Code), AIM listing rules and Data Security regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and QCA code. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of legal invoices, enquiries of management, testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica Moorghen (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

Chartered Accountants and Statutory Auditor

UHY Hacker Young
4 Thomas More Square
London E1W 1YW

23 September 2024

Statement of Comprehensive Income

For the year ended 30 June 2024

	Note	2024 £'000	2023 £'000
Continuing operations			
Revenue	4	76,089	64,916
Cost of sales		(58,203)	(49,841)
Gross profit		17,886	15,075
Adjusted operating expenses[1]		(4,193)	(3,508)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		13,693	11,567
R&D tax credit		58	-
Share-based payment charge		(100)	(125)
Depreciation and amortisation		(825)	(924)
Operating profit	5	12,826	10,518
Finance income	7	1,127	341
Finance expense	7	(19)	(5)
Profit before taxation		13,934	10,854
Taxation	8	(3,317)	(2,057)
Total comprehensive profit for the financial year		**10,617**	**8,797**

1. Adjusted operating expenses excludes share-based payment charge, depreciation, amortisation and R&D tax credits.

Earnings per share	**Note**	**2024**	**2023**
Basic earnings per share	9	10.7p	8.8p
Diluted earnings per share	9	10.6p	8.7p
Adjusted basic earnings per share	9	10.8p	8.9p

Statement of Financial Position

As at 30 June 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Intangible asset	10	1,606	1,239
Right of use asset	11	286	42
Tangible assets	12	30	28
		1,922	1,309
Current assets			
Trade and other receivables	13	35,947	36,058
Cash and cash equivalent		26,480	20,648
		62,427	56,706
Total assets		**64,349**	**58,015**
Equity and liabilities			
Equity			
Share capital	18	100	100
Share premium account	18	679	679
Treasury shares	18	(2,273)	(495)
Share option reserves		362	297
Retained earnings		11,834	8,807
		10,702	9,388
Liabilities			
Non-current liabilities			
Deferred tax liabilities	16	237	157
Lease liabilities	15	146	-
		383	157
Current liabilities			
Trade and other payables	14	53,148	48,453
Lease liabilities	15	116	17
		53,264	48,470
Total liabilities		53,647	48,627
Total equity and liabilities		**64,349**	**58,015**

These financial statements were approved by the board on 23 September 2024 and signed on its behalf.

M Foulkes, Director

R Weisz, Director

Statement of Changes in Equity

For the year ended 30 June 2024

	Note	Share capital £'000	Share premium £'000	Share option reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2022		100	679	172	-	6,870	7,821
Profit for the financial year		-	-	-	-	8,797	8,797
		-	-	-	-	8,797	8,797
Transactions with shareholders							
Dividends	19	-	-	-	-	(6,860)	(6,860)
Share-based payment charge		-	-	125	-	-	125
Purchase of own shares		-	-	-	(495)	-	(495)
		-	-	125	(495)	(6,860)	(7,230)
Balance at 30 June 2023		**100**	**679**	**297**	**(495)**	**8,807**	**9,388**
Profit for the financial year		-	-	-	-	10,617	10,617
		-	-	-	-	10,617	10,617
Transactions with shareholders							
Dividends	19	-	-	-	-	(7,481)	(7,481)
Share-based payment charge		-	-	100	-	-	100
Purchase of own shares		-	-	-	(2,040)	-	(2,040)
Exercise of share options issued from treasury shares		-	-	-	262	(144)	118
Fair value of options exercised in the period		-	-	(35)	-	35	-
		-	-	65	(1,778)	(7,590)	(9,303)
Balance at 30 June 2024		**100**	**679**	**362**	**(2,273)**	**11,834**	**10,702**

Statement of Cash Flows

For the year ended 30 June 2024

	2024 £'000	2023 £'000
Cash flows from operating activities		
Profit before taxation	13,934	10,854
Adjustments for		
Depreciation	15	16
Amortisation	809	908
Share-based payment charge	100	125
Finance income	(1,127)	(341)
Finance expense	19	5
(Increase)/decrease in trade and other receivables	111	(4,083)
Increase/(decrease) in trade and other payables	4,297	6,115
Income tax paid	(2,839)	(1,750)
Net cash flows from operating activities	**15,319**	**11,849**
Cash flows from investing activities		
Interest received	1,127	341
Payments to acquire tangible assets	(18)	(19)
Payments to acquire intangible assets	(1,061)	(1,040)
Net cash flows from investing activities	**48**	**(718)**
Cash flows from financing activities		
Net proceeds from issue of equity	119	-
Dividends paid	(7,481)	(6,860)
Purchase of own shares	(2,040)	(495)
Capital payments in respect of leases	(115)	(116)
Interest paid in respect of leases	(18)	(4)
Net cash flows from financing activities	**(9,535)**	**(7,475)**
Net increase in cash and cash equivalents for the period	5,832	3,656
Cash and cash equivalents at beginning of period	20,648	16,992
Cash and cash equivalents at end of period	**26,480**	**20,648**

Cash and cash equivalents comprise the balances held at the bank.

Statement of Underlying Cash Flows

For the year ended 30 June 2024

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 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.

	2024 £'000	2023 £'000
Underlying cash flows from operating activities		
Profit before taxation	13,934	10,854
Adjustments for		
Depreciation	15	16
Amortisation	809	908
Share-based payment charge	100	125
Finance income	(1,127)	(341)
Finance expense	19	5
(Increase)/decrease in trade and other receivables	(31)	11
Increase/(decrease) in trade and other payables	485	24
Income tax paid	(2,839)	(1,750)
Net underlying cash flows from operating activities	11,365	9,852
Underlying cash flows from investing activities		
Interest received	1,127	341
Payments to acquire tangible assets	(18)	(19)
Payments to acquire intangible assets	(1,061)	(1,039)
Net underlying cash flows from investing activities	48	(717)
Underlying cash flows from financing activities		
Net proceeds from issue of equity	119	-
Dividends paid	(7,481)	(6,860)
Purchase of own shares	(2,040)	(495)
Capital payments in respect of leases	(115)	(116)
Interest paid in respect of leases	(18)	(4)
Net underlying cash flows from financing activities	(9,535)	(7,475)
Net increase in underlying cash for the period	1,878	1,660
Underlying cash at beginning of period	9,446	7,786
Underlying cash equivalents at end of period	**11,324**	**9,446**

Notes to Financial Statements

1 Accounting Policies

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with UK adopted International Accounting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are effective or issued and early adopted as at the date of these financial statements and in accordance with the provisions of the Companies Act 2006

The Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs (adjusted EBITDA) is presented in the income statement 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 preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 2.

The presentational and functional currency of the company is sterling. Results in these financial statements have been prepared to the nearest £1,000.

Changes in accounting policy and disclosures

New and amended Standards and Interpretations applied

The following new and amended Standards and Interpretations have been issued and are effective for the current financial period of the company:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, providing guidance to help entities meet the accounting policy disclosure requirements. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance the circumstances the accounting policy information is likely to be considered material and therefore require disclosure.

There is no impact on the company as a result of this change.

- Amendments to IAS 8: Definition of Accounting Estimates

The company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the wording "change in accounting estimates" with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

There is no impact on the company as a result of this change.

- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.

The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

There is no impact on the company as a result of this change.

New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the company has not early adopted the following amendments to Standards and

Interpretations that have been issued but are not yet effective:

Standard or Interpretation	Effective for annual periods commencing on or after
Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);	**1 January 2024**
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);	**1 January 2024**
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and	**1 January 2024**
Non-current Liabilities with Covenants (Amendments to IAS 1).	**1 January 2024**

These have been endorsed and adopted for use in the UK by the UKEB (UK Endorsement Board). The directors do not expect any material impact as a result of adopting the standards and amendments listed above in the financial year they become effective.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company is not externally funded and accordingly is not affected by borrowing covenants. In addition, the cost of capital represents the dividend distributions or purchase of own shares– which are discretionary.

At 30 June 2024 the company had cash and cash equivalents of £26.5 million (2023: £20.6 million) and net current assets of £9.2 million (2023: £8.2 million). The business model of the company is cash generative – with increased sales of payment services impacting positively on the working capital cycle and profit from trading activities being reflected in cash at bank.

The directors maintain sufficient net assets in the company by moderating or increasing dividend distributions or share buy-backs 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.

Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Foreign exchange

Foreign currency transactions are initially recorded in the entity's functional currency, which is Pounds Sterling, at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies (such as receivables and payables) are remeasured at the exchange rate prevailing at the reporting date. Any exchange gains or losses are recognised in the income statement.

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 3 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.

Revenue recognition

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.

Services	Nature and timing of satisfaction of performance obligations and significant payment terms
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 carrier billing, premium SMS billing and premium voice billing. Under IFRS 15 the company considers its involvement in all mobile payments transactions to be acting as an agent between customers (merchants) 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 company's platform. Revenues recognised relate to the total commission charged to customers (merchants), with the mobile network operator commission recognised within cost of sales.
Mobile messaging	Mobile messaging represents the delivery of SMS text messages from the company's customers to the mobile network operators (MNOs), for purposes such as marketing, notifications and two factor authentication. Consumers are not charged for receiving these messages. Instead, MNOs charge the company for sending the messages, and the company in turn charges its customers for the same messages. Under IFRS 15 the company considers its involvement in all mobile messaging transactions, to be acting as a principal. Revenue is recognised as messages are processed through the company's platform. Revenues recognised relate to the amount charged to customers, with the associated MNO costs recognised within cost of sales.
Managed services	Managed services represent the delivery of services including event services, campaign management, MNO short code rentals 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 relate to the amount charged to customers, with any third-party costs, including MNO costs incurred by the company, recognised within cost of sales.

Contracts and obligations

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

1. Contract identification is performed, with each customer and mobile network operator having a separate signed contract with the company. Thereafter any subsequent changes are affected by separate addendums or notified rate changes 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 the company 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 or received 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 mean that each month's 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 or by offset against payables due to the same customers.

Interest income

Interest income from cash deposits is recognised in the Statement of Comprehensive Income using the effective interest method.

Property, plant and 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.

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. Intangible assets at the year end relate to customer contracts acquired and platform software that has been developed by the company.

The estimated useful life of customer contracts acquired is determined by the minimum revenue commitment period in each customer contract and amortisation is applied on a straight line basis. The amortisation charge is recognised within administrative expenses.

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; and
- The process being developed is technically and commercially feasible; and
- The future economic benefits arising are probable; and
- The company can use (and intends to use) the developed asset; and
- The company 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.

Impairment of intangibles plus property, plant and 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.

The 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 year to 30 June 2024.

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.

Financial instruments

The company 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 the company 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 the company 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 17 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 17 below.

Financial assets

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 ageing.

The expected loss rates are based on the company's historical credit losses experienced over the three year period prior to 30 June 2024. 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.

Financial liabilities

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 the transaction price and all are repayable within one year. Accordingly, these are included at the undiscounted amount of the cash expected to be paid.

Leases

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 right of use assets under the lease agreements in which it is the lessee. The underlying asset recognised by the company in the financial statements 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 within 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 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.

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.

Certain employees of the company receive bonuses linked to the company's EBITDA performance relative to predefined growth targets over a three-year period as part of a long-term incentive plan. The directors of the company are not included in this plan. The expenses related to these incentives are recognized as both a liability and an expense over the period during which the company is considered to have met or it is considered probable it will meet the targets necessary for the incentives to be awarded.

Retirement benefits

The company operates a defined contribution plan for its employees. This is a pension plan under which the company pays fixed rate contributions based on salary 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, third-party funds.

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. As final dividends are not proposed to shareholders or approved by shareholders until the annual general meeting (AGM) of shareholders held after the year end, they are not recognised as liabilities at the year end.

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 into 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 into 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 into 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.

Share buy-back

On 18 April 2024 the company announced a share buyback programme to repurchase ordinary shares in the company (Fonix Plc) up to a maximum aggregate consideration of 1,000,000 ordinary shares. The share buyback programme completed on 19 April 2024.

In the prior financial year, on 18 May 2023 the company announced a share buyback programme to repurchase ordinary shares in the company (Fonix Plc) up to a maximum aggregate consideration of 250,000 ordinary shares. The share buyback programme completed on 19 May 2023.

The purpose of both buyback programmes was to hold the shares in treasury for the purpose of satisfying future employee share option obligations.

The cost of treasury shares held is presented as a separate reserve (the "treasury shares") and recorded in equity.

Taxation

The tax expense for the year to 30 June 2024 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 Critical accounting estimates and judgements

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 10)

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 10.

Share-based payment charge

The company issues share options to certain employees. The Black-Scholes model is used to calculate the appropriate charge for these options.

The choice and use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate risk-free interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. In addition, the directors estimate the percentage of options that are expected to vest considering the likelihood of achieving performance targets and employee churn rates. Should more options vest than estimated the charge would increase.

The total charge recognised in the year to 30 June 2024 is £99,727 (2023: £124,786). Further information on share options can be found in note 20.

Recognition of long term employee bonus incentives

Several employees of the company receive bonuses linked to the company's EBITDA performance relative to predefined growth targets over a three-year period as part of a long-term incentive plan. Payment of such incentives is partially deferred over a three year period and only realised on completion of the final year. The directors make judgements on the proportion of the maximum incentive to accrue as a liability at the end of each financial year.

Key sources of judgement

Capitalisation of intangible fixed assets (see note 10)

The directors make judgements regarding the appropriateness of the time costs to capitalise on development projects. All expenditures 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 1.

Each month development staff report the amount of actual time spent on development activities. The resulting direct labour cost arising that meet the above criteria is transferred from operating expenses to Intangible fixed assets. The capitalised costs are reviewed by directors with adjustments made where they considered appropriate.

Principal vs agent considerations (see note 4)

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 year to 30 June 2024 are set out in note 1.

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 1 above.

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	2024 £'000	2023 £'000
Mobile payments	14,782	12,689
Mobile messaging	2,332	1,626
Managed services	772	760
	17,886	**15,075**

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

Gross profit can be attributed to the following geographical locations, based on the end user and the associated mobile network operators' location:

Gross profit by geography	2024 £'000	2023 £'000
United Kingdom	15,691	13,534
Rest of Europe	2,195	1,541
	17,886	**15,075**

4 Revenue

The company disaggregates revenue between the different streams outlined in note 1 above as this is intended to show its nature and amount.

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

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 1 above) is as follows:

	2024	2023
Revenue by service line	**£'000**	**£'000**
Mobile payments	54,199	47,607
Mobile messaging	19,859	15,513
Managed services	2,031	1,796
	76,089	**64,916**

Revenues can be attributed to the following geographical locations, based on the end user and the associated mobile network operators' location:

	2024	2023
Revenue by geography	**£'000**	**£'000**
United Kingdom	63,915	55,352
Rest of Europe	12,174	9,564
	76,089	**64,916**

5 Operating profit

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

	2024 £'000	2023 £'000
Exchange differences	8	12
Audit of the company's financial statements	47	33
Depreciation of owned tangible fixed assets	16	16
Amortisation of intangible assets	694	796
Amortisation of right of use asset	117	113
R&D expenditure	330	208

6 Staff costs

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

Employment costs	2024 £'000	2023 £'000
Wages and salaries	3,327	2,751
Share-based payment charge	100	125
Social security cost	407	316
Pension costs	68	59
	3,902	3,251
Less: amounts capitalised as intangible assets	(1,061)	(804)
	2,841	**2,447**

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

Average number of employees	2024 £'000	2023 £'000
Sales, marketing & client services	11	10
Administration	16	15
Development	22	18
	49	**43**

Key management remuneration

Remuneration of the key management team, including directors, during the year was as follows:

Key management compensation	2024 £'000	2023 £'000
Salaries	1,469	1,067
Share-based payment charge	68	80
Social security cost	175	126
Pension costs	15	11
	1,727	**1,284**

Two additional staff members were added to the senior leadership at the beginning of FY24. Their prior year remuneration is not included in the FY23 comparative figure.

Directors' remuneration

Remuneration of directors during the year was as follows:

Directors' remuneration	2024 £'000	2023 £'000
Salaries	546	481
Share-based payment charge	29	56
Pension costs	2	2
	577	**539**

The remuneration of the highest paid director during the year was:

Highest paid director	2024 £'000	2023 £'000
Total remuneration paid	**243**	**176**

Retirement benefits are occurring for one (2023: one) director under a defined contribution pension scheme.

7 Finance income and expenses

Interest income	2024 £'000	2023 £'000
Interest receivable on bank deposits	1,127	341

Interest expense	2024 £'000	2023 £'000
Interest on lease liability	19	5

8 Taxation

	2024 £'000	2023 £'000
Current tax		
UK corporation tax on profits for the current period	3,233	2,060
Adjustments in respect of prior years	4	-
	3,237	2,060
Deferred tax		
Current deferred tax expense/(credit)	80	(3)
Adjustments in respect of prior years	-	-
	80	(3)
Total tax charge	**3,317**	**2,057**

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:

Tax reconciliation	2024 £'000	2023 £'000
Profit before taxation	13,934	10,854
Tax using UK corporation tax rate of 25.00% (2023: 20.50%)	3,484	2,225
Non-deductible expenses	19	10
Share-based payments	25	26
Research and development tax credit claim	(164)	(244)
Other permanent differences	-	-
Deferred tax rate adjustment	(51)	40
Adjustments in respect of prior years	4	-
Total tax charge	**3,317**	**2,057**

As of 1 April 2023, the main rate of corporation tax in the UK increased from 19% to 25%. Due to the prior financial year straddling this date, a blended corporation tax rate of 20.5% applied to the prior financial year, calculated by apportioning the two tax rates on a weighted basis for the proportion of the prior financial year to which the relevant tax rate was applicable.

9 Earnings per share

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

	2024 £'000	2023 £'000
Retained profit for the financial year	10,617	8,797

Number of shares	**2024 Number**	**2023 Number**
Weighted average number of shares outstanding	99,651,884	99,970,504
Share options	803,079	760,799
	100,454,963	**100,731,303**
Earnings per ordinary share		
Basic	10.7p	8.8p
Diluted	10.6p	8.7p

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

Adjusted earnings per share	**2024 £'000**	**2023 £'000**
Retained profit for the financial year	10,617	8,797
Adjustments		
Share-based payment charge	100	125
Net adjustments	100	125
Adjusted earnings	10,717	8,922
Adjusted basic earnings per ordinary share	**10.8p**	**8.9p**

10 Intangible assets

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

	Customer relationships £'000	Platform software £'000	Total £'000
Cost			
At 1 July 2022	-	2,218	2,218
Additions	236	804	1,040
Written-off	-	(295)	(295)
At 30 June 2023	**236**	**2,727**	**2,963**
Additions	-	1,061	1,061
Written-off	-	(321)	(321)
At 30 June 2024	**236**	**3,467**	**3,703**
Amortisation			
At 1 July 2022	-	1,223	1,223
Charge for the year	236	560	796
Written-off	-	(295)	(295)
At 30 June 2023	**236**	**1,488**	**1,724**
Charge for the year	-	694	694
Written-off	-	(321)	(321)
At 30 June 2024	**236**	**1,861**	**2,097**
Net book value			
At 30 June 2024	**-**	**1,606**	**1,606**
At 30 June 2023	-	1,239	1,239
At 30 June 2022	-	995	995

When amortising intangible assets management make judgements over the useful economic life of assets and the likelihood that future economic benefits will flow from the assets held.

Customer relationships are amortised over the period that the associated customers are contractually committed to provide income to the business. The cost of a customer relationship acquired is fully amortised in the year of acquisition where there is no income commitment in the associated customers' contract.

Internally generated platform software costs are amortised over 3-years as this is management's prudent assessment of how long on average computer code is retained before being replaced, upgraded or refactored with new code.

11 Right of use asset

	Right to use land & buildings £'000
Carrying value	
At 1 July 2023	155
Amortisation for year	(113)
At 30 June 2023	**42**
Additions	361
Amortisation for year	(117)
At 30 June 2024	**286**

The right of use asset represents a property lease on the offices used by the company. The company renewed the office lease for a further 3 years in November 2023.

12 Tangible assets

	Fixtures & fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 July 2022	32	8	56	96
Additions	-	-	19	19
Disposals	-	(8)	(11)	(19)
At 30 June 2023	32	-	64	96
Additions	-	-	18	18
Disposals	-	-	(7)	(7)
At 30 June 2024	**32**	**-**	**75**	**107**
Depreciation				
At 1 July 2022	24	8	39	71
Charge for the year	4	-	12	16
Disposals	-	(8)	(11)	(19)
At 30 June 2023	28	-	40	68
Charge for the year	3	-	13	16
Disposals	-	-	(7)	(7)
At 30 June 2024	**31**	**-**	**46**	**77**
Net book value				
At 30 June 2024	**1**	**-**	**29**	**30**
At 30 June 2023	4	-	24	28
At 30 June 2022	8	-	17	25

13 Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	23,808	22,658
Other debtors	43	22
Prepayments	212	204
Accrued income	11,884	13,174
	35,947	**36,058**

The company 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 include gross mobile payments amounts due from mobile network operators that are payable to customers. These amounts are not recognised as revenue as detailed in note 1 above.

The movement on accrued income comprises the following:

	2024 £'000	2023 £'000
Opening balance	13,174	10,199
Transfer to trade receivables	(13,174)	(10,199)
Revenue recognised in advance of invoicing	11,884	13,174
Closing balance	**11,884**	**13,174**

The carrying amounts of the company's trade and other receivables are denominated in the following currencies:

	2024 £'000	2023 £'000
Sterling	33,077	32,918
Euros	2,870	3,140
US Dollars	-	-
	35,947	**36,058**

14 Trade and other payables

	2024 £'000	2023 £'000
Trade payables	31,264	41,135
Corporation tax	1,254	857
Other taxation and social security	4,231	1,229
Other creditors	11,632	1,280
Accruals	4,767	3,952
	53,148	**48,453**

Trade payables include gross mobile payments amounts due to customers 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 carrying amounts of the company's trade and other payables are denominated in the following currencies:

	2024 £'000	2023 £'000
Sterling	48,710	45,499
Euros	4,438	2,954
	53,148	**48,453**

15 Leases

The corresponding liability of the Right of Use asset set out in note 11 above represents the following:

	Property lease liability
	£'000
Carrying value	
At 1 July 2022	133
Interest charge	4
Repayments	(120)
Modification to lease	-
At 30 June 2023	**17**
Interest charge	18
Repayments	(134)
Modification to lease	361
At 30 June 2024	**262**

The lease liability is reflected in the balance sheet at each year end as follows:

	Current liability	Non current liability	Total liability
	£'000	£'000	£'000
At 30 June 2024	116	146	262
At 30 June 2023	17	-	17

16 Deferred tax

The elements of deferred taxation are as follows:

Closing liability	**2024 £'000**	**2023 £'000**
Accelerated capital allowances	409	316
General provisions	(81)	(85)
Share-based payments	(91)	(74)
	237	**157**

Movements in the year	**2024 £'000**	**2023 £'000**
Liability at 1 July	157	160
Charge/(credit) to statement for comprehensive income	80	(3)
Liability at 30 June	**237**	**157**

17 Financial instruments

The principal financial instruments used by the company from which financial instrument risk arises are as follows:

	2024 £'000	**2023 £'000**
Financial assets		
Trade receivables	23,808	22,658
Accrued income	11,884	13,174
Cash & cash equivalents	26,480	20,648
	62,172	**56,480**
Financial liabilities		
Trade payables	31,264	41,135
Other creditors	11,632	1,280
Accruals	4,767	3,952
Leases	262	17
	47,925	**46,384**

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:

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 relating to mobile payment transactions generally only after the corresponding sums from trade receivables have been received.

Foreign exchange risk

The majority of the company's revenues and costs continue to be in Sterling (the company's functional currency) and involve no currency risk. Activities in currencies other than Sterling are funded as much as possible through operating cash flows, mitigating foreign exchange risk. Funds held in foreign currencies and not required for operating expenses in the local currency are converted to Sterling on a prompt basis taking into consideration prevailing foreign exchange rates at the time of receipt.

The company has the following cash and cash equivalent deposits:

	2024 £'000	2023 £'000
Sterling	25,025	19,501
Euros	1,445	1,139
US Dollars	10	8
	26,480	**20,648**

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 £23,808k at 30 June 2024 (2023: 22,658k) 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.

The trade receivables of the company is dominated by mobile network operators – which are considered to be large credit worthy entities. There have been no failures in settlements during the eight years ended 30 June 2024 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.

Capital risk

The company considers its capital comprises share capital plus share premium and retained profit.

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.

Maturity of financial assets and liabilities
All of the company's financial assets and financial liabilities at each reporting date are either receivable or payable within one year, other than in respect of the company's leases (see note 15).

18 Share capital and reserves

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

Number of shares	2024 Number	2023 Number
Ordinary shares at 0.1p each	100,000,000	100,000,000
	100,000,000	100,000,000

Allotted, called up and fully paid	2024 £'000	2023 £'000
Ordinary shares at 0.1p each	100	1000
	100	100

Share premium

The share premium disclosed in the statement of financial position represents the difference between the issue price and nominal value of the shares issued by the company.

Treasury shares

On 18 April 2024 the company announced a share buyback programme to repurchase ordinary shares in the company (Fonix Plc) up to a maximum aggregate consideration of 1,000,000 ordinary shares. The share buyback programme completed on 19 April 2024.

In the prior financial year, on 18 May 2023 the company announced a share buyback programme to repurchase ordinary shares in the company (Fonix Plc) up to a maximum aggregate consideration of 250,000 ordinary shares. The share buyback programme completed on 19 May 2023.

The purpose of both buyback programmes was to hold the shares in treasury for the purpose of satisfying future employee share option obligations. The Company transferred 127,557 shares out of treasury on 13 November 2023 and a further 4,863 shares out of treasury on 12 April 2024 in order to satisfy employee share option exercises. The cost of treasury shares held is presented as a separate reserve (the "treasury shares") and recorded in equity.

Retained earnings

Retained profits are the cumulative net profit in the statement of comprehensive income, less dividend distributions and any retained earnings utilised up on the balance of employee share option exercises.

Movements on these reserves are set out in the statement of changes in equity.

19 Dividends

Amounts recognised as distributions to equity holders in the year:

	2024 £'000	2023 £'000
Final dividend for year ended 30 June 2023 of 4.89p (2022: 4.50p) per share	4,884	4,500
Interim dividend for year ended 30 June 2024 of 2.6p (2023: 2.36p) per share	2,597	2,360
	7,481	**6,860**
Proposed final dividend for year ended 30 June 2024 of 5.70p (2023: 4.89p) per share	5,642	4,878

20 Share-based payments

The company has a share option scheme for certain employees and directors of the company. Options are generally exercisable at a price equal to the market price of the company's shares on the day immediately prior to the date of grant. Options are forfeited if the employee or director leaves the company before the options vest.

With the exception of the Performance Scheme, service and performance criteria relating to the options are the continuing employment of the holder. The vesting of Performance Scheme options is also contingent on the company achieving certain minimum average growth percentages in Adjusted EBITDA over the 3-year period following the grant of options.

During the year ended 30 June 2024 the company had share-based payment arrangements under three schemes. The fair value of the employees' services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. Fair value is determined by reference to the Black-Scholes option pricing model.

The inputs into the option pricing model for options issued in the year are as follows:

	Performance scheme	General employee scheme
Grant date	30/11/2023	30/11/2023
Vesting period ends	30 Nov 2028	30 Nov 2028
Share price at date of grant	195.5p	195.5p
Volatility	31.04%	31.04%
Option life	10-years	10-years
Expected dividend yield	4.10%	4.10%
Risk free investment rate	4.37%	4.37%
Fair value at grant	50.49p	50.49p
Exercise price at date of grant	195.5p	195.5p

The volatility of the company's share price on each date of grant is calculated as the average of the annualised standard deviations of daily continuously compounded returns on the company's stock

A reconciliation of option movements over the year to 30 June 2024 is shown below:

	2024		2023	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 July	1,496,877	1.04	1,559,674	1.04
Granted during the year	214,500	1.96	-	-
Exercised during the year	(132,420)	0.90	-	-
Lapsed in the year	(6,098)	1.77	(62,797)	1.13
Outstanding at the end of the year	**1,572,859**	**1.17**	**1,496,877**	**1.04**
Exercisable at the end of the year	608,718	0.90	-	-

Options outstanding under the company's share option schemes were as follows:

Name of Scheme	2024 No. of options	2023 No. of options	Calendar year of grant	Exercise period	Exercise price per share
Executive Scheme	500,000	500,000	2020	2023	90.0p
General Employee Scheme	522,580	655,000	2020	2023-2025	90.0p
General Employee Scheme	64,426	64,426	2021	2024-2026	178.5p
General Employee Scheme	275,353	277,451	2022	2025-2027	143.0p
Performance Scheme	27,500	-	2023	2026-2028	195.5p
General Employee Scheme	183,000	-	2023	2026-2028	195.5p
	1,572,859	**1,496,877**			

The company recognised a charge of £100k (2023: £125k) related to equity-settled share-based payment transactions in the year.

21 Related party transactions

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 2024 of £1,709,764 (2023: £1,566,138).

At the year ended 30 June 2024 an amount of £nil (2023: £nil) was due to or from the related party.

22 Ultimate controlling party

There is no ultimate controlling party of the company.

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Connect with us:

Investor relations: investors@fonix.com

Our address:

Fonix
23 Heddon Street
London
W1B 4BQ