22 September 2022

Fonix Mobile plc
(“Fonix” or the “Company”)

Final Results for the year ended 30 June 2022 (the “Year”)

Strong momentum with new revenues in the Republic of Ireland

Financial Highlights

	FY22	**FY21**	**Change**
TPV	£258.6m	£233.4m	+10.8%
Revenue	£53.6m	£47.7m	+12.5%
Gross profit	£13.2m	£11.3m	+16.6%
Adjusted EBITDA[1]	£10.3m	£8.8m	+16.5%
Adjusted PBT[2]	£9.7m	£8.3m	+16.3%
Adjusted EPS[3]	8.1p	7.0p	+16.4%
Proposed Final DPS	4.50p	3.53p	+27.5%
Underlying cash[4]	£7.8m	£5.0m	+54.2%
Underlying cash inflow/(outflow)[4]	£2.7m	£3.1m	

Operational Highlights

- Fonix launched interactive services with a significant media broadcaster in the Republic of Ireland in the final few weeks of the Year. In doing so, Fonix has contracted directly with all major mobile operators in Ireland and has a number of clients planned to go live in FY23
- Fonix’s three business segments of payments, messaging and managed services have each grown profitability by at least 14% in the Year, in line with expectations and the business retains a robust pipeline of prospects going into the next financial year
- 20 new customer contracts signed in the Year, with the active customer count increasing by 10.8% to 123 active customers at the Year end[5]
- 18m unique mobile users made 718m interactions with Fonix’s services in the Year[6]
- Record £35m Total Payment Volume (TPV) processed in a single month
- Fonix continues to maintain high client retention, with over 99% of income of a repeating nature
- 100% platform uptime in the Year
- Increased dividend, and new progressive dividend policy going forward

The Board expects to publish its Annual Report for the year ending 30 June 2022 on the company's website on Friday 21 October 2022. The Annual General Meeting is scheduled to take place on Tuesday 22 November 2022.

Outlook

- Positive start to FY23, with trading in line with the Board's expectations
- With a strong financial resilience, along with new client wins and new international connectivity, the Board continues to be confident in the business' growth potential and increasing profitability

Notes

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

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

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

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

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

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

Rob Weisz, CEO, commented:

"*We have continued to make great progress on our strategic goals this year and once again finished the year in a much stronger position than we started. Our team is now stronger than ever, with more senior depth in our engineering team, as well as an expanded sales and marketing function. Our serviceable market is significantly expanded with new direct network connectivity across the whole of Ireland, and established indirect connectivity in a couple of other European territories.*

The new financial year has started positively. Whilst a number of our media clients halted campaigns as a result of the sad passing of Her Majesty The Queen, which consequently impacts our revenue, we believe this will just impact the timing of certain broadcast schedules and remain confident that we are trading in line with market expectations over the year and have a strong pipeline of opportunities across our target sectors and markets. We look to the future with confidence."

Enquiries

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Jonny Franklin-Adams / Seamus Fricker (Corporate Finance)
Alice Lane / Sunila de Silva (ECM)

About Fonix

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

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

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

Chairman's Review

I am pleased to update shareholders on a year of international expansion and double-digit growth in profitability and cash generation. Whilst the economy has shown increasing signs of weakness through the year, Fonix hit record levels of profitability, upgraded management expectations, successfully expanded outside the UK, strengthened its sales and product teams, increased its dividend distributions to shareholders and significantly increased its underlying cash reserves.

The Fonix management team continues to deliver organic growth with profitability and cash generation, achieving growth in both gross profits and adjusted EBITDA of over 16%. Given the strong performance of the business, and the confidence with which we consider the future prospects for Fonix, we have reviewed our dividend policy this year. The board has resolved to propose an increase in the final dividend this year to 4.50p (2021: 3.53p), giving a total dividend of 6.50p for the year, an increase of 24% on 2021.

Going forward, the board proposes a progressive dividend policy, with an expectation that not less than 75% adjusted after tax earnings will be distributed each year.

This year has seen the management team deliver on its commitment to achieve international growth, establishing direct network operator connectivity with all significant mobile carriers in the Republic of Ireland, along with indirect network operator connectivity in Austria and Germany. We are confident international markets will provide a meaningful contribution to growth in the year ahead and it is the management team's belief that Fonix will become the market leader for media and broadcast clients in Ireland within the coming years.

Throughout the year, the business has continued to make good progress on its strategic goals. By continuing to increase its share of the UK market for phone-paid payments to over a third and winning a direct contract with a significant new client in the Republic of Ireland, the company has also continued to deliver on its vision to be the leading provider of mobile payments in all its core markets and geographies.

The business has continued to invest in new product innovations and finished the year with a larger and more senior development team. This year saw Fonix refresh its marketing website in parallel with relaunching its core carrier billing product “FPay” under the new brand “Checkout”. Along with Campaign Manager, Checkout will form a core part of Fonix’s product development roadmap in the years ahead.

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

Financial results

Gross profit increased to £13.2m (2021: £11.3m). As was the case in the previous financial year, due to the seasonal nature of certain media clients, year-on-year growth in the first half of the year was higher than the second. Gross margin as a share of total payment values (TPV) also improved during the year as the management team executed on their plan to grow more profitable product lines. Adjusted EBITDA increased 16% to £10.3m (2021: £8.8m), reflecting the business’ high operating leverage and the management team’s continued ability to control operating costs without compromising on top-line growth.

The company closed the year with £7.8m in underlying free cash (2021: £5.0m), giving it more than sufficient cover for the final dividend payment expected in November. Actual cash, which includes money held on behalf of customers, closed the year at £17.0m (2021: £17.3m), marginally down on the prior year due to the timing differences on outpayments from certain mobile network operators, but this had no impact on the business’ trading performance or liquidity.

The board recommends that the company pay a final dividend of 4.50p per share in November, bringing the total dividend for the year to 80% of adjusted earnings per share. If approved, the total distribution of dividends for the year ended 30 June 2022 will be £6.50m (2021: £5.23m).

Board update

We were pleased to welcome Carmel Warren, who joined the Board as a non-executive officer in March 2022. Carmel has significant board level experience, which will prove invaluable as we continue to execute our growth strategy. Carmel succeeded Lucinda Sharman-Munday as a member of the Board and chair of the Audit Committee, with Lucinda stepping down from her role at Fonix to focus more on other interests. On behalf of the board, I would like to thank Lucinda for all her efforts.

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

Conclusion

Fonix enters the new financial year in a strong position and its highly operationally leveraged business model provides it with good resilience against the combined threats of recession, rising interest rates and an energy cost of living crisis. The business remains highly cash generative, with no debt and minimal business risk from customer failure, and will continue to reward shareholders with a move to a progressive dividend policy in FY23. With a growing customer base, including a significant new overseas contract, and with increased dominance in the markets it operates, the Board looks to the future with much confidence.

Edward Spurrier, Non-Executive Chairman

CEO's Statement

I am delighted with the outstanding performance achieved by our team this year, in line with management expectations, which were upgraded earlier in the year. As well as double-digit growth in TPV, gross profits, and adjusted EBITDA, this year saw Fonix successfully deliver new income outside the UK and expand revenues across all our core sectors.

Throughout the year, we've stayed true to our mantra of only working with high quality merchants in our core sectors, a strategy that often means we turn away more prospective business than we win. Through this approach Fonix remains to be the only SMS billing provider in the UK market never to receive a regulatory fine, a reputational achievement that has undoubtedly helped us become the first aggregator in many years to establish new direct connectivity with the mobile carriers in Ireland.

Market opportunity
The Total Payment Value (TPV) of transactions processed by Fonix increased by 11% to £258.6m in the year. The majority of this growth has come from an expansion in existing customer revenues, as well as new greenfield opportunities from businesses in our target sectors previously not utilising the power of mobile payments. We are also continuing to see a gradual and stable expansion in revenues from new emerging sectors, such as e-scooter hiring.

Once again Fonix has seen transaction growth significantly ahead of the rest of the UK market (Phone-paid Services Authority Annual Market Research, 2022), and we are already starting to see similar patterns of unrivalled growth in the Republic of Ireland within a few months of launching services there. This clear demonstration of our ability to nurture and scale clients' accounts in ways unmatched by our competitors is one of the key drivers behind Fonix's high client retention rate. We continue to explore expanding into other geographies where we feel the ecosystem has the right dynamics to adopt our product offering.

The market for frictionless mobile payments remains significant and continues to grow year-on-year despite the expansion in alternative payment options such as ApplePay and GooglePay. It continues to be the case that for the majority of our merchants deploying Fonix's payment solutions is largely shown to reduce checkout abandonment and provide them with incremental revenues rather than cannibalising existing transactions from alternative payment methods.

Delivering against our growth strategy
Fonix continues to take a balanced approach to sustainable growth, looking to achieve a material percentage growth in gross profits and shareholder income year-on-year. There are five clear elements to our growth strategy, and I'm pleased to share that we have continued to deliver against every element in the new financial year:

1. Grow & deepen existing client relationships
Throughout the year we've continued to innovate on our product suite in partnership with our key reference clients, allowing us to once again scale existing customer revenues with double-digit growth year-on-year. As it can often take years for clients to reach their peak transacting level, we continue to see further growth opportunities across our existing client base in the year ahead, particularly from our newly launched international customers.

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. All our target sectors have grown strongly in the period, with

particularly strong growth from Media, Charity and Digital Services segments, which have grown an average of 23% year-on-year. Media has been our entry sector in expanding services in Ireland, but we also see plenty of opportunity to win deals across all our target sectors in Ireland over time.

Despite Fonix servicing a significant share of the phone-paid services market in our primary territories, there remain a number of large prospective customer contracts in both the UK and Ireland that we will look to win away from our competitors, as well as some significant opportunities to establish new contracts with businesses in our core sectors currently not harnessing the power of mobile payments and interactivity.

In media, there are multiple national broadcasters in both the UK and Ireland that we are targeting as new customers in the years ahead, particularly as our Campaign Manager product continues to advance significantly beyond the capabilities of any other providers in the market and a number of broadcasters seek to diversify revenue away from a purely advertising funded business model.

This year we saw a significant increase in the number of charity campaigns including supporting a number of events in aid of the humanitarian disaster in Ukraine. This followed successful campaigns earlier in the financial year for both The Ruth Strauss Foundation and Bob Willis Foundation.

In gaming, we have started to capitalise on our partnership with Nuvei, the leading payments technology provider for international gaming companies, by launching carrier billing payments with EYAS Gaming. EYAS is our first Fonix client using carrier billing through the Nuvei payments platform, and being live opens up significantly more opportunities for us to work with other Nuvei customers.

Transport and ticketing continues to represent a significant greenfield of opportunities to us. This year, we began to provide carrier billing payments to our first e-scooter customers and whilst still relatively small, there is a clear trajectory of month-on-month growth as the industry expands.

3. Create sustainable, long-term profitability for shareholders

The company's underlying cash balances have grown strongly throughout the last 2 years since IPO, as the company has continued to deliver on its strategy of achieving sustainable, long-term growth in profitability with limited incremental capital and operational investment. The Board also remains confident of the company's resilience in the face of the pending global recession. As such, we have determined now is the time to reward shareholders for the secure underlying cash position of the business with a move to a progressive dividend policy from FY23.

4. Be client led with international expansion

Our approach to international expansion continues to be client led, through our network of tier 1 multinational clients. This year saw us deliver on this commitment, by signing our first major contract with an overseas media broadcaster following a referral from their UK counterparts. In addition, references from our UK clients and partners allowed Fonix to establish direct carrier connectivity in Ireland as well as indirect connectivity in a couple of other European markets.

Whilst expansion into international markets is time consuming and at times slow to progress, Fonix has made significant progress throughout the year, particularly in Ireland, where we now expect new media clients to make a meaningful contribution to our growth in FY23. Outside of Ireland, international growth is a long-term investment strategy for the business, and therefore forms a relatively small part of our short term forecasts. Therefore, as mentioned in our interim results, going forward we plan to only discuss new territories once they are generating meaningful revenues.

5. Widen our technological and operational advantage

Targeting a limited number of sectors with large underlying markets, has enabled Fonix to focus on building new innovative product features which create real tangible value for our clients and significant barriers to entry for any prospective competition.

During the year, the company made enhancements to Campaign Manager to support enhanced user data analytics, international market expansion, refunds and third-party transactions, along with a rebuild and rebranding of Fonix's carrier billing product suite 'FPay' to 'Checkout', allowing merchants to customise branded checkout pages in a matter of minutes.

We saw a slight softening in the market for software developers in the second half of the year, and despite initially losing some junior and mid-level members to inflationary wage pressure in the first half of the year, we have since increased the size of the development team, with a greater weighting to more senior hires.

Campaign Manager continues to be a market leading hybrid CPaaS and payments product, allowing our clients to optimise and increase the monetisation of their audience, to an extent unmatched by our competitors or alternative payment providers. This year saw us add support for new territories, including multi-currency features, as well as market first, consumer refund capabilities.

As well as rebranding our proprietary carrier billing product to 'Checkout', we also rebuilt the underlying codebase in preparation for introducing support for additional alternative payment options in future years.

Fonix has continued to maintain its exemplary reputation in the market for compliance, which was clearly demonstrated by our close work with the Phone-paid Services Authority in implementing the new code of practice in the year. In comparison, this year saw a number of competitors terminating contracts with clients they could no longer support due to the additional regulatory obligations or incurring fines where they could not adhere to the regulatory codes of practice. Our trusted relationship with both regulators and mobile operators in the UK is a model we are already on a path to mirroring in new key territories we are operating in. We find these key partnerships are not only invaluable when winning new business, establishing the best commercial relationships and attracting the best talent, but also reinforce the barriers to entry against other providers looking to form direct network operator connectivity in our core markets.

People

Attracting, retaining and inspiring industry leading talent remains a top priority for the business. Fonix prides itself on being a great place to work and having a culture where our team can thrive. Our average headcount grew 6% to an average of 38 employees over the year. Whilst there was some initial inflationary pressure with development salaries in the first half of the year, I am pleased to say the company's cost base remains largely unimpacted and we were able to offset any cost increases with savings elsewhere. Looking ahead, Fonix's highly operationally leveraged business model means we expect to be able to manage the wider inflationary pressures within our existing growth projections as there is no immediate need to significantly increase the size of the team in order to hit our growth targets.

Product

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

Economic climate
Whilst conscious of the looming recession and cost of living crisis, we are confident Fonix remains highly resilient to the consequences of an economic downturn. Although a significant proportion of Fonix's income comes from discretionary consumer expenditure, the management team's experience of previous recessions is that such transactions form an extremely small proportion of the average household budget and as such are largely unaffected by a squeeze on consumer spending.

Outlook
We have continued to make great progress on our strategic goals this year and once again finished the year in a much stronger position than we started. Our team is now stronger than ever, with more senior depth in our engineering team, as well as an expanded sales and marketing function. Our serviceable market is significantly expanded with new direct network connectivity across the whole of Ireland, and established indirect connectivity in a couple of other European territories.

The new financial year has started positively. Whilst a number of our media clients halted campaigns as a result of the sad passing of Her Majesty The Queen, which consequently impacts our revenue, we believe this will just impact the timing of certain broadcast schedules and remain confident that we are trading in line with market expectations over the year and have a strong pipeline of opportunities across our target sectors and markets. We look to the future with confidence.

Robert Weisz, Chief Executive Officer

Financial Review

Key performance indicators

Financial	2022 £'000	2021 £'000	Change
Gross profit	13,232	11,347	16.6%
Adjusted EBITDA[1]	10,265	8,812	16.5%
Adjusted PBT[2]	9,671	8,313	16.3%
Underlying cash[3]	7,786	5,048	54.2%
Adjusted EPS[4]	8.1p	7.0p	16.4%
Adjusted ROCE[5]	120.95%	150.86%	

Non-financial	2022	2021	Change
Total payments value (TPV)	£258.6m	£233.4m	10.8%
Active customer count[6]	123	111	10.8%

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

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

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

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

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

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

Financial Results

Total payments value (TPV)
TPV represents the cash payments processed by Fonix on behalf of merchants. TPV grew 10.3% to £259m (2021: £233m) in the year, with particularly strong growth in the value of SMS billing transactions, offset by falls in 'voice' related TPV.

Revenue and other income
Company revenues for the year were £53.6m (2021: £47.7m) growing 12.6% on the previous year, driven by strong growth in the mobile payments and messaging service lines. Revenues recognised for mobile payments relate to the total commission charged to customers, including the mobile network operator (MNO) share of a transaction, with the MNO commission also recognised within cost of sales. The Directors therefore monitor results and performance of the company based upon the gross profit generated, which is considered the more meaningful measure of performance.

Included in other income was £23k (2021 £62k) of one-off COVID-19 related rental concessions, provided as relief for periods where access to our office was restricted.

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

Gross profit for the year increased to £13.2m (2021: £11.3m) growing 16.7% on the previous year, with mobile payments growing 14.4% (2021: 15.4%), mobile messaging growing 29.8% (2021: 1.7%) and managed services 27.7% (2021: 9.2%). As was the case in FY21, 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 24.7% (2021: 23.8%) attributable to changes in the product and client mix. In particular, increases in carrier billing and SMS billing margins were partially offset by declines in premium voice services, which have a different revenue profile. We anticipate the gross profit margin percentages to stabilise in the year ahead as the client and product mix is expected to be more consistent in FY23.

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 16% in the year to £3.0m (2021: £2.6m). The majority of the increase related to additional staff costs and incentives as the business invested more in growth with new commercial hires.

Staff related costs and incentives increased to £3.0m (2021: £2.6m) in the year reflecting an increase in sales and marketing headcount, a full year of post IPO governance costs, and standard annual pay increases, offset by some efficiency savings. Average headcount for the year was 38 (2021: 36). We continue to grow the size of our commercial teams both in the UK and Ireland.

Travel and client meeting related expenditure gradually increased through the year to normalised levels following the underwinding of COVID related restrictions in the previous financial year.

Professional fees and other public limited company associated costs increased to £107k (2021: £65k) in the year as the company became listed partway through the previous financial year.

Software development costs of £608k (2021: £540k) were capitalised in the year, representing 60% (2021: 56%) 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 £462k (2021: £375k). Development costs are amortised on a straight-line basis over 3-years.

Adjusted EBITDA

The growth in gross profit and continued control of costs has resulted in a significant increase in adjusted EBITDA which is up 16.5% at £10.3m (2021: £8.8m) for the year. To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges and AIM admission costs along with depreciation, amortisation, interest and tax from the measure of profit.

Finance income and expenses

Finance expense which relates to the underwinding of the discounted lease liability increased marginally to £10k (2021: £9k), but remains negligible overall.

Interest on bank deposits fell to £8k (2021: £17k) due to the decline in bank interest rates part way through the previous financial year.

EPS and Dividends

Given the company's strong performance of the business, cash resources and distributable reserves, as well as the confidence in the company's future prospects, the board has reviewed Fonix's dividend policy this year and recommends to pay out 80% of adjusted EPS to shareholders in the form of an ordinary dividend. The board therefore intends to recommend a final dividend of 4.50p (2021: 3.53p) per share to be approved at the AGM in November.

Statement of Financial Position

The company had net assets of £7.8m (2021: £5.2m) at the year-end, including capitalised software development costs of with a carrying value of £995k (2021: £849k). The movement in net assets reflects profits after tax less dividend payments.

Current assets increased to £49m (2021: £42m) as the company was owed more trade receivables at the year end, due to a slightly later payment from a mobile network operator in comparison to the prior year and additional customer charity campaigns in the last quarter of the financial year.

Current liabilities increased to £42m (2021: £38m) due to additional customer charity campaigns in the last quarter of the year, in comparison to the previous financial year.

Non-current liabilities decreased to £0.2m (2021: £0.3m) as the business is now in the second year of its 3-year office lease agreement signed November 2020.

Cash and underlying cash

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

Underlying cash far better represents the free cash flow available to the business. Underlying cash increased 54% to £7.8m (2021: £5.0m) due to additional retained earnings and working capital improvements.

Actual cash which includes cash held on behalf of customers varies substantially from period to period and is particularly sensitive to the timing of passthrough outpayments for customer charity campaigns. Actual cash held fell slightly to £17.0m (2021: £17.3m) in the year. The decrease is purely timing related and attributable to a mobile network operator settling a trade receivable invoice a few days later than the previous year.

Michael Foulkes, Chief Finance Officer

Audited results for the year ended 30 June 2022

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Continuing operations			
Revenue	4	53,649	47,668
Cost of sales		(40,417)	(36,321)
Gross profit	3	13,232	11,347
Other income		51	76
Adjusted operating expenses[1]		(3,018)	(2,611)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		10,265	8,812
Share-based payment charge		(100)	(72)
AIM admission costs		-	(844)
Depreciation and amortisation		(592)	(507)
Operating profit		9,573	7,389
Finance income		8	17
Finance expense		(10)	(9)
Profit before taxation		9,571	7,397
Taxation		(1,544)	(1,334)
Total comprehensive profit for the financial year		8,026	6,063

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

Earnings per share	**2022**	**2021**
Basic earnings per share	8.0p	6.1p
Diluted earnings per share	8.0p	6.0p
Adjusted basic earnings per share	8.1p	7.0p

Statement of Financial Position

As at 30 June 2022

	2022 £'000	2021 £'000
Non-current assets		
Intangible asset	995	849
Right of use asset	155	268
Tangible assets	25	23
	1,175	1,140
Current assets		
Trade and other receivables	31,975	24,880
Cash and cash equivalent	16,992	17,336
	48,967	42,216
Total assets	50,142	43,356
Equity and liabilities		
Equity		
Share capital	100	100
Share premium account	679	679
Share option reserves	172	72
Retained earnings	6,870	4,374
	7,821	5,225
Liabilities		
Non-current liabilities		
Deferred tax liabilities	160	147
Lease liabilities	17	133
	177	280
Current liabilities		
Trade and other payables	42,028	37,740
Lease liabilities	116	111
	42,144	37,851
Total liabilities	42,321	38,131
Total equity and liabilities	50,142	43,356

Statement of Changes in Equity

For the year ended 30 June 2022

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2020	100	679	-	1,654	2,433
Profit for the financial year	-	-	-	6,063	6,063
	-	-	-	6,063	6,063
Transactions with shareholders					
Dividends	-	-	-	(3,343)	(3,343)
Share-based payment charge	-	-	72	-	72
Capital issued	-	-	-	-	-
	-	-	72	(3,343)	(3,271)
Balance at 30 June 2021	100	679	72	4,374	5,225
Profit for the financial year	-	-	-	8,026	8,026
	-	-	-	8,026	8,026
Transactions with shareholders					
Dividends	-	-	-	(5,530)	(5,530)
Share-based payment charge	-	-	100	-	100
Capital issued	-	-	-	-	-
	-	-	100	(5,530)	(5,430)
Balance at 30 June 2022	100	679	172	6,870	7,821

Statement of Cash Flows

For the year ended 30 June 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	9,571	7,397
Adjustments for		
Depreciation	15	15
Amortisation	575	492
Share-based payment charge	100	72
Finance income	(8)	(17)
Finance expense	10	9
(Increase)/decrease in trade and other receivables	(7,095)	(3,732)
Increase/(decrease) in trade and other payables	4,121	(10,151)
Income tax paid	(1,365)	(1,346)
Net cash flows from operating activities	5,924	(7,260)
Cash flows from investing activities		
Interest received	8	17
Payments to acquire tangible assets	(17)	(6)
Payments to acquire intangible assets	(608)	(540)
Net cash flows from investing activities	(617)	(529)
Cash flows from financing activities		
Dividends paid	(5,530)	(3,343)
Capital payments in respect of leases	(111)	(141)
Interest paid in respect of leases	(10)	(9)
Net cash flows from financing activities	(5,651)	(3,493)
Net (decrease)/increase in cash and cash equivalents for the period	(344)	(11,282)
Cash and cash equivalents at beginning of period	17,336	28,618
Cash and cash equivalents at end of period	16,992	17,336

Statement of Underlying Free Cash Flows

For the year ended 30 June 2022

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

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

	2022	2021
	£'000	£'000
Underlying free cash flows from operating activities		
Profit before taxation	9,571	7,397
Adjustments for		
Depreciation	15	15
Amortisation	575	492
Share-based payment charge	100	72
Finance income	(8)	(17)
Finance expense	10	9
(Increase)/decrease in trade and other receivables	(31)	245
Increase/(decrease) in trade and other payables	139	247
Income tax paid	(1,365)	(1,346)
Net underlying free cash flows from operating activities	9,006	7,114
Underlying free cash flows from investing activities		
Interest received	8	17
Payments to acquire tangible assets	(17)	(6)
Payments to acquire intangible assets	(608)	(540)
Net underlying free cash flows from investing activities	(617)	(529)
Underlying free cash flows from financing activities		
Dividends paid	(5,530)	(3,343)
Capital payments in respect of leases	(111)	(141)
Interest paid in respect of leases	(10)	(9)
Net underlying free cash flows from financing activities	(5,651)	(3,493)
Net (decrease)/increase in underlying free cash for the period	2,738	3,092
Underlying free cash at beginning of period	5,048	1,956
Underlying free cash equivalents at end of period	7,786	5,048

Notes to the preliminary financial information

1. Basis of preparation

The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the Year ended 30 June 2022 has been extracted from the Company's audited financial statements which were approved by the Board of Directors on 21 September 2022 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales.

The financial information for the Year ended 30 June 2021 has been extracted from the Company's audited financial statements which were approved by the Board of Directors on 22 September 2021 and which have been delivered to the Registrar of Companies for England and Wales.

The reports of the auditor on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

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

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

2. Going concern

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

At 30 June 2022 the Company had Cash and Cash Equivalents of £17.0 million (2021: £17.3 million) and Net Current Assets of £6.8 million (2021: £4.4 million). The business model of Fonix Mobile is cash generative – with increased sales impacting positively on the working capital cycle and profits from trading activities being rapidly reflected in cash at bank.

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

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

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

3. Segmental reporting

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

Gross Profit	2022 £'000	2021 £'000
Mobile Payments	10,951	9,577
Mobile Messaging	1,355	1,045
Managed Services	926	725
	13,232	11,347

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

4. Revenue

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

The total revenue of the Company has been derived from its principal activity 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 is as follows:

Revenue by Service Line	2022 £'000	2021 £'000
Mobile Payments	40,129	37,169
Mobile Messaging	11,673	8,928
Managed Services	1,847	1,571
	53,649	47,668

The number of customers representing more than 10% of revenue in year were 2 (2021: 2)

5. Earnings per share

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

	2022 £'000	2021 £'000
Retained profit for the financial year	8,026	6,063

Number of shares	2022 Number	2021 Number
Weighted average number of shares in issue	100,000,000	100,000,000
Share options	510,056	465,475
	100,510,056	100,465,475
Earnings per ordinary share		
Basic	8.0p	6.1p
Diluted	8.0p	6.0p

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

Adjusted earnings per share	2022 £'000	2021 £'000
Retained profit for the financial year	8,026	6,063
Adjustments		
Share-based payment charge	100	72
AIM admission costs	-	844
Net adjustments	100	915
Adjusted earnings	8,126	6,979
Adjusted basic earnings per ordinary share	8.1p	7.0p