Company Registration No. 05836806 (England and Wales)

FONIX MOBILE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

FONIX MOBILE LIMITED

COMPANY INFORMATION

Directors	William Richard Neale Richard Charles Thompson Robert Henry Weisz
Secretary	William Richard Neale
Company number	05836806
Registered office	23 Heddon Street London W1B 4BQ
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

FONIX MOBILE LIMITED

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FONIX MOBILE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present the strategic report for the year ended 30 June 2019.

Fair review of the business
The Company's principal activity continued to be facilitating mobile payments and messaging with profit before tax increasing by 69% (2018: 83%).

Principal risks and uncertainties
The principal risks identified are regulatory risk, liquidity risk and market risk.

Regulatory risk arises from rules imposed by regulators including the Phone-Paid Service Authority. The company mitigates regulatory risk by closely liaising with regulators and regularly monitoring compliance by its merchants, together with membership of a relevant trade association.

Liquidity risk arises from the difficulties the company may face in meeting obligations under financial liabilities as they fall due. The company mitigates liquidity risk by maintaining a sufficient cash balance to meet foreseeable obligations - and the nature of the business model means that growth is cash generative.

Market risk relates to the potential loss of key clients which is mitigated through medium term contracts and maintaining a diverse client base.

Key performance indicators
Annual budgets are agreed in advance with the board, and provide considerations to projected revenue, cashflow, working capital and debt collections. Monthly management accounts are prepared and reviewed with the board.

Other performance indicators
Other key performance indicators include the client retention rate and quantity of new clients. The technology services are also reviewed to ensure they are meeting clients' needs and to ensure the technology is at the forefront of the field.

Future developments
The directors believe that the company has a strong competitive advantage due to its technical innovation, commercial approach and operational processes.

On behalf of the board

W. R. Neale

....
William Richard Neale
Director
17 March 2020

The directors present their annual report and financial statements for the year ended 30 June 2019.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

William Richard Neale
Richard Charles Thompson
Robert Henry Weisz

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £5,055,068 (2018: £1,003,581). The directors do not recommend payment of a further dividend.

Auditor

UHY Hacker Young were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

W. R. Neale

William Richard Neale
Director

Date: 17 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FONIX MOBILE LIMITED

Opinion

We have audited the financial statements of Fonix Mobile Limited (the 'company') for the year ended 30 June 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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, 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 our 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 and the directors' report.

We have nothing to report in respect of the following matters where 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, 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 control 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FONIX MOBILE LIMITED

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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 Chapter 3 of Part 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.

Martin Jones (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

18 MARCH 2020

Chartered Accountants
Statutory Auditor

FONIX MOBILE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	2018 £
Turnover	3	85,924,659	55,233,074
Cost of sales		(77,752,830)	(50,034,914)
Gross profit		8,171,829	5,198,160
Administrative expenses		(3,481,988)	(2,397,583)
Operating profit	4	4,689,841	2,800,577
Interest receivable and similar income	8	56,095	14,579
Profit before taxation		4,745,936	2,815,156
Tax on profit	9	(822,174)	(473,221)
Profit for the financial year		3,923,762	2,341,935

The profit and loss account has been prepared on the basis that all operations are continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 £	2018 £
Profit for the year	3,923,762	2,341,935
Other comprehensive income	-	-
Total comprehensive income for the year	3,923,762	2,341,935

FONIX MOBILE LIMITED

BALANCE SHEET
AS AT 30 JUNE 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		541,162		541,681
Tangible assets	12		14,781		14,459
			555,943		556,140
Current assets					
Debtors	14	23,648,506		17,643,942	
Cash at bank and in hand		10,644,661		13,868,593	
		34,293,167		31,512,535	
Creditors: amounts falling due within one year	15	(32,584,280)		(28,666,351)	
Net current assets			1,708,887		2,846,184
Total assets less current liabilities			2,264,830		3,402,324
Provisions for liabilities	16		(72,341)		(83,859)
Net assets			2,192,489		3,318,465
Capital and reserves					
Called up share capital	19		42		41
Share premium account			505,329		500,000
Profit and loss reserves			1,687,118		2,818,424
Total equity			2,192,489		3,318,465

The financial statements were approved by the board of directors and authorised for issue on 17 March '20 and are signed on its behalf by:

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William Richard Neale

Director

Company Registration No. 05836806

FONIX MOBILE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 July 2017		41	1,452,008	528,062	1,980,111
Year ended 30 June 2018:					
Profit and total comprehensive income for the year		-	-	2,341,935	2,341,935
Dividends	**10**	-	-	(1,003,581)	(1,003,581)
Reduction of shares	**19**	-	(952,008)	952,008	-
Balance at 30 June 2018		41	500,000	2,818,424	3,318,465
Year ended 30 June 2019:					
Profit and total comprehensive income for the year		-	-	3,923,762	3,923,762
Issue of share capital	**19**	1	5,329	-	5,330
Dividends	**10**	-	-	(5,055,068)	(5,055,068)
Balance at 30 June 2019		42	505,329	1,687,118	2,192,489

FONIX MOBILE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24		2,974,737		(1,747,409)
Income taxes paid			(878,881)		(261,416)
Net cash inflow/(outflow) from operating activities			2,095,856		(2,008,825)
Investing activities					
Purchase of intangible assets		(316,561)		(298,019)	
Purchase of tangible fixed assets		(9,584)		(6,337)	
Proceeds on disposal of tangible fixed assets		-		261	
Interest received		56,095		14,579	
Net cash used in investing activities			(270,050)		(289,516)
Financing activities					
Proceeds from issue of shares		5,330		-	
Dividends paid		(5,055,068)		(1,003,581)	
Net cash used in financing activities			(5,049,738)		(1,003,581)
Net decrease in cash and cash equivalents			(3,223,932)		(3,301,922)
Cash and cash equivalents at beginning of year			13,868,593		17,170,515
Cash and cash equivalents at end of year			10,644,661		13,868,593

1 Accounting policies

Company information

Fonix Mobile Limited is a private company limited by shares incorporated in England and Wales. Its registration number is 05836806. The registered office is 23 Heddon Street, London, W1B 4BQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 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. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The Company has two major revenue streams. One revenue stream is transactions and interactions based. The revenue is therefore recognised when each transaction occurs. The other revenue stream is fees for various services. This is recognised in the financial statements over the period of the contract in proportion to the element of the services provided at the balance sheet date.

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

1 Accounting policies **(Continued)**

1.4 Intangible fixed assets other than goodwill

Intangible assets are initially recognised at cost. After recognition, under the cost method, 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, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Platform Software	3 years

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 and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probably future economic benefits and that its cost can be reliably measured. 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.

1.5 Tangible fixed assets

Tangible fixed assets 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 it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range 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, and is credited or charged to profit or loss.

1 Accounting policies **(Continued)**

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and 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.

1 Accounting policies **(Continued)**

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense is recognised as other comprehensive income or to an item recognised directly in equity 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 tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

1.11 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 stock or fixed assets.

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

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.

1.12 Retirement benefits

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.13 Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1 Accounting policies (Continued)

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Board of Directors.

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The 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

The Directors make judgements regarding the useful economic lives of intangible fixed assets. Intangible fixed assets consists of Platform Software which is considered to have a 3 year life.

The Directors make judgements regarding estimation of time costs to capitalise. Each month development staff report the amount of time spent on development and account for any absent dates, a percentage reduction is made to overheads.

3 Turnover and other revenue

All turnover arose within the United Kingdom.

	2019	2018
	£	£
Other significant revenue		
Interest income	56,095	14,579

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2019 £	2018 £
Exchange (gains)/losses	(2,361)	4,486
Fees payable to the company's auditor for the audit of the company's financial statements	15,500	16,500
Depreciation of owned tangible fixed assets	9,262	9,847
Amortisation of intangible assets	317,080	334,881
Operating lease charges	116,939	88,981

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2019 £	2018 £
For audit services		
Audit of the financial statements of the company	15,500	16,500
	15,500	16,500
For other services		
Taxation compliance services	1,500	3,000
All other non-audit services	1,500	2,000
	3,000	5,000

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Sales	6	5
Administration	11	9
Development	11	9
	28	23

6 Employees (Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	1,955,964	1,626,324
Social security costs	231,398	166,224
Pension costs	51,320	35,749
	2,238,682	1,828,297

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	498,700	227,191

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	473,700	217,191
Company pension contributions to defined contribution schemes	20,000	10,000

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	56,095	14,579

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	56,095	14,579

9 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	841,117	476,463
Adjustments in respect of prior periods	(7,425)	-
Total current tax	833,692	476,463
Deferred tax		
Origination and reversal of timing differences	(11,518)	(3,242)
Total tax charge	822,174	473,221

The actual charge for the 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:

	2019	2018
	£	£
Profit before taxation	4,745,936	2,815,156
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	901,728	534,880
Tax effect of expenses that are not deductible in determining taxable profit	29,094	7,689
Adjustments in respect of prior years	(7,425)	-
Research and development tax credit	(95,993)	(69,730)
Other permanent differences	(6,584)	382
Deferred tax rate adjustment	1,354	-
Taxation charge for the year	822,174	473,221

10 Dividends

	2019	2018
	£	£
Final paid	5,055,068	1,003,581

11 Intangible fixed assets

	Platform Software £
Cost	
At 1 July 2018	1,713,601
Additions - internally developed	316,561
Disposals	(311,517)
At 30 June 2019	1,718,645
Amortisation and impairment	
At 1 July 2018	1,171,920
Amortisation charged for the year	317,080
Disposals	(311,517)
At 30 June 2019	1,177,483
Carrying amount	
At 30 June 2019	541,162
At 30 June 2018	541,681

12 Tangible fixed assets

	Fixtures and fittings	Computer equipment	Office equipment	Total
	£	£	£	£
Cost				
At 1 July 2018	23,797	7,915	32,369	64,081
Additions	-	-	9,584	9,584
Disposals	(5,442)	-	(6,043)	(11,485)
At 30 June 2019	18,355	7,915	35,910	62,180
Depreciation and impairment				
At 1 July 2018	16,572	7,915	25,135	49,622
Depreciation charged in the year	3,853	-	5,409	9,262
Eliminated in respect of disposals	(5,442)	-	(6,043)	(11,485)
At 30 June 2019	14,983	7,915	24,501	47,399
Carrying amount				
At 30 June 2019	3,372	-	11,409	14,781
At 30 June 2018	7,225	-	7,234	14,459

13 Financial instruments

	2019	2018
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	23,473,094	17,530,249
Carrying amount of financial liabilities		
Measured at amortised cost	31,838,780	27,559,954

14 Debtors

	2019	2018
Amounts falling due within one year:	£	£
Trade debtors	13,415,771	12,987,523
Other debtors	23,797	2,040
Prepayments and accrued income	10,208,938	4,654,379
	23,648,506	17,643,942

15 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	29,521,024	26,198,513
Corporation tax	431,274	476,463
Other taxation and social security	314,226	629,934
Other creditors	89,298	6,437
Accruals and deferred income	2,228,458	1,355,004
	32,584,280	28,666,351

16 Provisions for liabilities

	Notes	2019	2018
		£	£
Deferred tax liabilities	17	72,341	83,859

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	73,351	83,872
Short term timing difference	(1,010)	(13)
	72,341	83,859

Movements in the year:	2019 £
Liability at 1 July 2018	83,859
Credit to profit or loss	(11,518)
Liability at 30 June 2019	72,341

18 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	51,320	35,749

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

19 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
4,028,133 A ordinary shares of 0.00001p each	40	40
147,033 (2018: 101,833) B ordinary shares of 0.00001p each	2	1
	42	41

In September 2019, 301,300 B ordinary shares were issued for a consideration of £273,831.

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	31,556	44,179

21 Events after the reporting date

EMI Options

On 5 September 2019 all of one employee's 240,200 B Ordinary share options were forfeited.

On 30 September 2019 two employees were permitted by the board to exercise their EMI options over 61,100 B Ordinary Shares.

Dividends

On 25 September 2019 Interim dividends for the year ended 30 June 2020 were declared amounting to £0.57 per A ordinary and B ordinary share.

22 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	498,700	227,191

Grabyo Limited
Grabyo Limited is a company in which the director and majority shareholder W Neale, has a significant influence due to W Neale's shareholding in Grabyo Limited.

The company invoiced Grabyo Limited £8,306 (2018: £16,175) during the year for Grabyo Limited's share of overhead costs and for consultancy services provided to Grabyo Limited. At the year end, an amount of £nil (2018: £1,480) was due from the related party.

Everplay Limited
Everplay Limited is a company in which the director and majority shareholder W Neale, has a significant influence due to W Neale's shareholding in Everplay Limited. Everplay Limited invoiced the company £184,332 (2018: £183,269) during the year for services and this is included in administrative expenses.

Wizzard Limited
Wizzard Limited is a company in which the directors W Neale and R Weisz have a significant influence, due to their indirect and direct shareholdings in Wizzard Limited. The company invoiced Wizzard Limited £27,063 (2018: £57,878) during the year for Wizzard Limited's share of overhead costs and services.

Wizzard Limited invoiced the company £74,021 (2018: £194,456) during the year for overhead costs and services provided to Fonix Limited. At the year end an amount of £4 (2018: £5,122) was due from the related party.

Ganton Limited
Ganton Limited is a company in which the director and majority shareholder W Neale, has a significant influence due to W Neale's shareholding in Ganton Limited. The company paid dividends to Ganton Limited to the value of £1,853,596 (2018: £279,158).

Starnevesse Limited
Starnevesse Limited is a company in which the director and shareholder R C Thompson, has a significant influence due to R C Thompson's indirect shareholding in Starnevesse Limited. The company paid dividends to Starnevesse Limited to the value of £1,206,369 (2018: £215,043).

Directors
The company paid dividends to the director group to the value of £1,565,046 (2018: £402,866).

23 Ultimate controlling party

The ultimate controlling party is W R Neale, a director, who controls 55% of the issued share capital of the Company.

24 Cash generated from/(absorbed by) operations

	2019	2018
	£	£
Profit for the year after tax	3,923,762	2,341,935
Adjustments for:		
Taxation charged	822,174	473,221
Investment income	(56,095)	(14,579)
Amortisation and impairment of intangible assets	317,080	334,881
Depreciation and impairment of tangible fixed assets	9,262	9,847
Movements in working capital:		
Increase in debtors	(6,004,564)	(9,135,380)
Increase in creditors	3,963,118	4,242,666
Cash generated from/(absorbed by) operations	2,974,737	(1,747,409)