Flexion Mobile Plc
(formerly Flexion Mobile Ltd)
Annual Report for the year ended 31 March 2018

Contents

At a glance

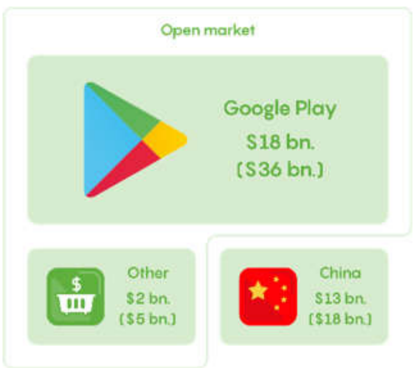
About Flexion Mobile Plc ("Flexion", the "Group" or the "Company").

Introduction

Flexion is a leading distribution platform for android games. The company works with many of the top tier game developers and help them with distribution on a growing number of platforms such as Amazon, Samsung and leading regional channels in India, South Korea and Japan. At the core of Flexion's patent pending technology is the enabling and enhancement software that let developers distribute one version of their game in multiple channels across several monetization models without any work required.

Market

Flexion's go to market strategy focuses on a specific segment, "other channels" - Android based stores outside Google Play and China. This segment is estimated to be worth USD 2 billion, growing to USD 5 billion in 2021.

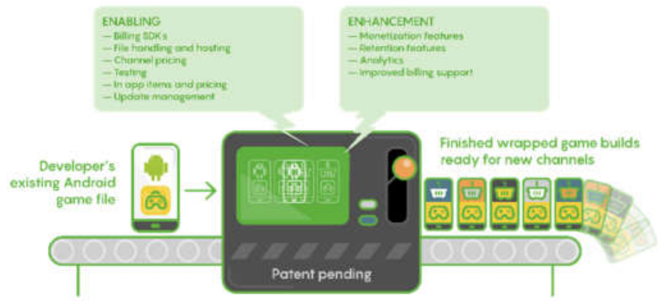


Flexion's offering

Flexion solves technological and commercial fragmentation. Unique technology makes games compatible with any distribution channel. Integrations and commercial relationships with distribution channels create an aggregated user base to which games can be profitably distributed. Flexion's service management offers active support of a growing portfolio of games letting developers reach new channels without additional work. For distribution channels (i.e. app stores) Flexion is a content provider.

Unique technology

The Company's enabling technology is unique. It makes it possible to add, modify or remove features in games to make them compatible with the requirements of any store. The technology does not require developers to do any redevelopment work and does not require access to the game's source code. Once processed, games are compatible with the requirements of any supported channel. The technology can enhance existing applications by adding features and functionality, primarily to drive revenue and user engagement.



Business model

Flexion operates with a simple revenue share model, taking a percentage from payments made in distributed games.

Strong position and limited direct competition

Flexion's value proposition is unique. It is full service and covers everything necessary to make a game successful across multiple distribution channels. Competition is currently limited in the market segment which Flexion is currently targeting. Other companies offer products/services which cover one or some necessary steps, often with a focus on technology. Developers need to combine multiple providers and/or build own solutions. Some developers choose to build own solutions or combine multiple 3rd parties. Flexion caters to developers who want a full-service offering.

Chairman's statement

- ✓ SEK 68m pre-IPO capital round completed in February 2018
- ✓ Successfully listed on Nasdaq First North Stockholm on 13 June 2018
- ✓ Continued investing in innovation and sales & marketing capabilities
- ✓ Mobile games global market expected to reach USD 105bn in 2021

I am pleased to share Flexion's annual report for the year to 31 March 2018. The past year was a ramp up period in which we prepared the Group financially for global expansion. We completed a SEK 68m pre-IPO capital round in February 2018 and directly thereafter started a listing process on Nasdaq First North Stockholm which we successfully concluded on the 13 June 2018. To secure funding and having capital available are crucial for our expansion plans as these will allow us to invest in strategically important partnerships which will speed up the growth of the Group.

Our underlying market, mobile games, continued to grow at rapid pace. The leading industry analyst Newzoo reported that the market reached almost USD 66bn in mobile games revenues in 2018 and is expected to reach USD 105bn in 2021. Our market, the Android segment, is also going from strength to strength both thanks to investments by the channels (app stores) and through the success of many Android based mobile device manufacturers in Asia. In addition, we saw a growing trend with stronger interest from mobile game developers to target new users outside the two overcrowded channels - Google Play & Apple App Store. These are all factors that drive fragmentation of the mobile games market and consequently provide demand for Flexion.

Our patent pending enabling and enhancement technology combined with a leading distribution platform, offers Flexion a unique opportunity. We can use our technology, experience, extensive network of industry contacts and first mover advantage to continue to build critical mass. This will allow us to continue expanding our catalogue of top grossing titles; something that will accelerate our revenue growth and continue to strengthen our market position.

We are investing in innovation as well as in sales and marketing capabilities. Looking forward we see good opportunities to continue our growth in our market. We expect to develop our business with existing channels, increase our share of the existing market and continue to expand internationally. Our people are vital to our success and we will continue to build upon our special company culture with its high levels of staff engagement.

2018 has been another successful year and on behalf of the Board, I would like to thank all of our staff, partners and investors for being so supportive in helping Flexion realise its vision.

Carl Palmstierna
Non-Executive Chairman

Chief Executive's statement

- ✓ Development focus shifted from a core product to enhancement features
- ✓ Successful launch of the first game on Amazon app store
- ✓ Stronger presence in the Asian market
- ✓ Strategic partnership with Amazon

The past year was a real break-through period for Flexion. For the first time we could shift product development focus from core functionality to value adding features. This is a clear signal that our service and development organisation is maturing and soon ready for scaling. We can now focus on sales and marketing and have therefore started expanding the teams as part of our global expansion.

The year started really well with the launch of our first game on the growing Amazon app store. This was a big achievement and a major stamp of approval from the world's leading ecommerce company. The partnerships with Amazon and Samsung are of strategic importance to Flexion and will offer big revenue opportunities for us. We also formed our first interesting partnership in Japan, the 3rd biggest gaming market in the world. It is still early days, but it has so far resulted in an integration with the Au Games service provided by the second biggest Japanese mobile carrier. To further strengthen our sales activities in the Asian market we recruited Japanese and Korean speaking sales personnel. That will help us grow our partnerships with Samsung and One Store in Korea but also develop our relationships in Japan.

On the developer relations side we have appointed local sales representatives in China and the US to strengthen our local presence. These activities and additional resources have generated a significant increase in our sales pipeline. We signed more quality games than ever before including Chinese game developers that want to reach the Western games market. This is an important milestone for us since we see a big opportunity for us in China.

During the year we successfully closed our biggest fund raise yet, a SEK 68m pre-IPO capital round adding vital firepower for expansion. We also started the process of listing Flexion on Nasdaq First North in Stockholm. Naturally, I am very excited about this as we now will now be able to do more focussed investments in existing and new developer relationships.

The strengthened balance sheet allowed us also to finally close our last old non-strategic legacy services to let us fully focus on our core business. The legacy services have been live for almost 10 years and have for many years been our primary source of funding but in the end the opportunity cost was too high to keep them alive.

On the infrastructure side we have now completed our full migration to the Amazon cloud. This has been a long and difficult project and now that it is complete we are ready to scale in terms of the number of games, channels and traffic we support in the future.

More games are coming with subscription features enabled and this is something we want to support and possibly enhance in the future. In terms of R&D, we are continuing to invest in automation and service development. We prototyped a new subscription service together with Samsung and this is still under evaluation.

Next year will be a very important and exciting year for us. We are already seeing stronger trends in our favour both regulatory and market driven, and we intend to capitalise on these. Our new funding and life as a public company will put us in a stronger position as the first mover in the open market. Our bigger and more experienced sales team with global reach is ready to deliver. I am therefore looking forward to a year when we grow significantly as a Group

Jens Lauritzson
Chief Executive Officer
28th August 2018

The Board

As set out in Flexion Mobile's articles of association, the number of Directors of the Board shall consist of not less than two and shall not be subject to any maximum number. The Board of Directors consists of five members, including the chairman, and is based in London, England. The Directors are elected annually at the annual general meeting for the period until the end of the next annual general meeting. The current Directors have their assignments until the end of the next annual general meeting. The Board of Directors' work is governed by English law, the articles of association and the Board of Directors' rules of procedure.

CARL PALMSTIERNA (BORN 1953)

Chairman of the Board of Directors since 2011.

Other current assignments: Chairman of the Board of Directors and member of the Board of Directors of WeMind AB, SPWM Special Clients Services AB, SPWM Special Clients AB, Palmstierna Invest AB, Palmstierna Holding AB, Palmeister & Partners AB, Freemelt AB and ReformTech Heating Holding AB. Member of the Board of Directors of Chinsay AB, Magine Holding AB, OrganoWood AB, S.P. BECPEL Stockholm AB, Viametrics AB, Viametrics Group AB, Zimpler AB, Sunpocket AB and B8 Sverige AB.

Previous experience: Chairman of the Board of Directors and member of the Board of Directors of Panopticon Software AB, myFC Holding AB (publ), Valbay AB, Valbay International AB. Member of the Board of Directors of Ankar Sweden AB, Bluefish Pharmaceuticals AB (publ), Byredo AB, Natural Fragrance of Sweden AB, Now Interact Nordic AB, Oculusai Incentive AB, Peepoople AB, Reforce International AB, Svenska allt för föräldrar AB, Universum Group AB and Valbay Förvaltning AB.

Education: Master of Science in Business and Economics, Stockholm School of Economics.

Shareholding in the Company: 3,750,000 shares through Palmstierna Invest AB.

Warrants in the Company: N/A

Independent in relation to Flexion and Flexion's management: Independent in relation to the management.

Independent in relation to major shareholders: No.

JENS LAURITZSON (BORN 1970)

Director since 2001.

Other current assignments: Member of the Board of Directors of FLAC Limited and Gamesmondo Limited. Director, Mobile Sensations. Managing director of Flexion.

Previous experience: Sales Manager UK at Aspiro and Managing Director at Popwire Limited.

Education: Bachelor's degree in economics and Finance, University of Lund.

Shareholding in the Company: 50% shareholding in 11,585,972 shares through the company Mobile Sensations Limited.

Warrants in the Company: 74,000 EMI share options

Independent in relation to Flexion and Flexion's management: No.

Independent in relation to major shareholders: No.

PER LAURITZSON (BORN 1974)

Director since 2007.

Other current assignments: Member of the Board of Directors of Flexion Limited and Gamesmondo Limited. Director, Mobile Sensations.

Previous experience: Business Developer at Polopoly AB and Project Manager at Swedish Trade Council.

Education: Bachelor of Science, Royal Holloway, University of London and Master of Science, London School of Economics.

Shareholding in the Company: 50% shareholding in 11,585,972 shares through the company Mobile Sensations Limited.

Warrants in the Company: 61,750 EMI share options.

Independent in relation to Flexion and Flexion's management: No.

Independent in relation to major shareholders: No.

CLAES KALBORG (BORN 1962)

Director since 2014.

Other current assignments: Chairman of the Board of Directors and member of the Board of Directors of Barn Storm Media AB and CK TV & Formats AB. Member of the Board of Directors of Non-Violence Licensing AB and Shoalgames LTD.

Previous experience: CMO at Acute Art, SVP at Rovio Entertainment Ltd and Head of Global Licensing at King.

Education: Various studies at Stockholm University and IHM Business School.

Shareholding in the Company: 134,250 shares through Barn Storm Media AB (acquired on 25/05/2018).

Warrants in the Company: N/A

Independent in relation to Flexion and Flexion's management: Yes.

Independent in relation to major shareholders: Yes.

CHRISTOPHER BERGSTRESSER (BORN 1968)

Director since 2018 (appointed on 04/06/2018)

Other current assignments: Partner of MTGx and president of the Board of Directors of Ludicious – Zurich Games Festival.

Previous experience: President & COO of Sega of Europe. Member of the Board of Directors and EVP of Miniclip SA, co-founder & member of the Board of Directors of Appscotch and member of the advisory Board of Spil Games, Nitro Games and Iconic Future.

Education: Bachelor's degree in economics, San Francisco State University.

Shareholding in the Company: No

Warrants in the Company: N/A

Independent in relation to Flexion and Flexion's management: Yes.

Independent in relation to major shareholders: Yes.

Chief Financial Officer's statement

The 12 months financial year ending 31 March 2018 represented a period of continued technological development and additional channel integrations to make the Group ready for global expansion. In addition, we successfully completed our SEK 68m pre-IPO capital round and started preparing Flexion for the listing on Nasdaq First North. The key financial objective along top line growth and capital availability, was to control our cash position. Due to a combination of tight control of costs, strong working capital management and some additional contribution from revenue growth we managed to keep this objective allowing us to be in a very well-placed position for further growth in the next financial year.

Principal risks and uncertainties facing the company

Please refer to Director's Report on page 9.

Income statement review (Group)

Total revenue for the financial year increased from GBP 1.37m to GBP 2.06m equal to an annual growth of 50.0%. The primary driver for this growth was IAP (revenues from Android game purchases and Android in-app purchases) which grew from GBP 0.79m to GBP 1.56m over the year equal to a 97.5% annual growth. Our new revenue group subscription revenue (revenues from games downloaded from subscription stores) grew from GBP 0.24m to GBP 0.35m over the year representing a 45.8% annual growth. Legacy revenue (old feature phone revenue and other non-strategic revenue) fell in line with expectations from GBP 0.34m to GBP 0.14m equal to a 58.8% fall. Legacy revenue was discontinued in January 2018 to focus all our resources on core revenues.

Gross profit grew from GBP 0.49m to GBP 0.70m equalling a 42.9% increase. The main reason why the Gross profit did not grow in line with total revenue was that the decreasing legacy revenue has a higher margin than the relatively new content revenue and subscription revenue. i.e. your negotiation power increases over the life cycle of a product offering.

General and administrative expenses grew in line with expectations from GBP 1.79m to GBP 2.21m as we took on more staff to increase both technical development and channel integrations. The operating loss grew from GBP 0.69m to GBP 0.88m. In addition, we were able to secure GBP 0.09m in R&D tax relief.

Cash flow and Financial Position Review (Group)

We saw a positive effect of GBP 0.58m from working capital during the year resulting in a negative net cash flow from operating activities of GBP 0.06m. This is a GBP 0.14m improvement from last year. The net change in cash and cash equivalents was a positive GBP 5.14m compared to a negative GBP 0.38m in the last year. The primary driver for this was the pre-IPO capital round completed in February 2018. The cash and cash equivalents were GBP 7.36m as of the end of the year. This includes the second tranche of the EU grant of which another GBP 0.18m is available subject certain conditions in the EU grant agreement and foreign exchange movements.

Niklas Koresaar
Chief Financial Officer

For and on behalf of the board:

Jens Lauritzson
Director
28th August 2018

Group Director's report

The Directors present their report and the consolidated financial statements for the year ended 31 March 2018.

Results and dividends

The Group loss for the year ended 31 March 2018 amounts to GBP 806,611 (2017: GBP 647,406). The Directors are not recommending payment of a final dividend for the year (2017: £nil).

Directors

The Directors who served on the Board during the year are as follows:

Carl Palmstierna
Claes Kalborg
Jens Lauritzson
Per Lauritzson

On 04/06/2018 Chistopher Bergstresser was appointed non-executive Director to strengthen the existing Board of Directors.

Going concern

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. As part of their enquiries the Directors have reviewed available cash vs. cash forecasts for the Company's operations for the 12 months from the date of approval of the financial statements. The Group has adequate cash to cover its corporate overheads and management costs over this period

Events after the reporting period

Further information on events after the reporting period is set out in Note 23.

Director's interests

The interests of those Directors serving at 31 March 2018, all of which are beneficial, in the share capital of the Company were as follows:

	Number of ordinary shares	Percentage of issued share capital
Jens Lauritzson[1]	5,856,486	14.6%
Per Lauritzson[1]	5,856,486	14.6%
Carl Palmstierna[2]	3,735,000	9.3%
Claes Kalborg	-	0.0%
Total	**15,447,972**	**38.5%**

[1]Through a company which is jointly owned by Jens Lauritzson and Per Lauritzson
[2]Through an investment company

On 25/05/2018 Claes Kalborg acquired 134,250 ordinary shares through an investment company bringing his total interest in the share capital of the Company to 0.3%.

Substantial shareholdings

As at 31 March 2018, the following interests in 5% or more of the issued ordinary share capital had been notified to the Company:

	Number of shares and votes	%	Aggregated %
Mobile Sensations Limited	11,712,972	29.2%	29.2%
Palmstierna Invest AB	3,735,000	9.3%	38.5%
Industrial Equity AB	3,582,750	8.9%	47.4%
ZALLAZ Société Anonyme	3,323,000	8.3%	55.7%
Others	17,779,236	44.3%	100.0%
Total	**40,132,958**	**100.0%**	

Principal risks and uncertainties

Market risk is considered to be relatively low due to a very strong underlying growth in the mobile games market. The Group has a dependency on the Android operating system being the main operating system on the mobile games market. Given that Android is used for ca 80% of all smart phone devices shipped today, the Board considers it highly likely that Android will continue to be the main operating system for smart phones in the foreseeable future. The Group's growth is dependent on fragmentation within the Android market and preferably further growth within the fragmented Android market. Given the number of new players entering the market, their large market power and the amount of resources they invest in mobile gaming, the Board considers these risks to be acceptable.

A key risk that the Group is monitoring very closely is the cash flow risk as described above. The Group is also actively pursuing new sources of capital to meet future expected sales related cash needs for global expansion. The Board is comfortable with that the Group can secure required funding. Other financial risks have been described in Note 21.

Technological performance risk is considered acceptable as the Group has successfully enabled and distributed mobile freemium games for a number of years. Freemium games are games which offer a free download but purchase opportunities within the game; the technically most advanced form of mobile game types.

As a UK based Group, the current Brexit negotiations are affecting the Group. Revenue and cost of sales are globally diversified making these relatively immune to any Brexit outcome. A main Brexit impact and risk for the Group is significantly less availability of strong European recruitment candidates in the UK.

The Group is actively mitigating this risk by recruiting candidates through its Hungarian branch. Several members of the Group's management team are also non-UK European but as they all have been living in the UK for a considerable time, they are likely to be allowed to remain in the UK. Another main risk is a reduced capital availability within the UK. The Group is mitigating this risk by looking at sourcing capital both within the UK and within the EU. In addition, the Group is accessing the European public investor community by seeking to list on Nasdaq First North in Stockholm, Sweden. Brexit related foreign exchange risk is dealt with in Note 21 under general foreign exchange risk.

Overseas branches

The Group has one overseas branch in Hungary/Budapest.

Directors' responsibilities

The Directors are responsible for preparing the Group Directors' report and financial statements in accordance with applicable law and International Financial Reporting Standards.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union that give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group and Company financial statements have been prepared in accordance with IFRS as adopted by the European Union, 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 Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 Group's website.

Research and Development

The Group undertakes research and development activities which involve investments in development of Flexion's technology. Development expenditure is capitalised as an intangible asset if the development costs can be reliably measured and is expected to result in completed technology which will add economic benefit to the Group. The Group has recognised GBP 246,939 (2017: GBP 325,683) of research and development expenditure during the year.

Disclosure of information to the auditors

At the date of approving this report, each Director confirms that, so far as that he is aware, there is no relevant audit information of which the Group and Company's auditors are unaware and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

For and on behalf of the board:

Jens Lauritzson
Director
28th August 2018

Independent Auditors' report

Opinion

We have audited the financial statements of Flexion Mobile Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the group statement of profit or loss and other comprehensive income, group and company statements of financial position, group and company statements of cash flow, group and company statements of changes in equity, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the parent company's and the group's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	**How our audit addressed the key audit matter**
Accrued costs The Company had accrued costs of £1,212,606 at 31 March 2018 which makes up the bulk of the of the trade and other payables balance of £1,521,293. A large proportion of accruals is in respect of the share expenses due to the developers under their agreement with the company. The company has to first receive the information from the content providers and then ensure the correct allocation of amounts payables to the developers.	We performed an analytical review to compare actuals to expectations and queried exceptions. Checked for the accuracy of the data and the listing of the information. Obtained a sample of evidence to support the balances.
Going concern assumption The group is currently unable to generate sufficient cash flows from its operations to meet its costs but has sufficient access to cash reserves to meet	We evaluated whether appropriate costs had been capitalised. Reviewed whether labour costs appeared consistent with prior periods and understanding. Looked

its commitments as they arise. Although the current loss-making status is as expected due to its start-up phase, the Group will however, have to turn this round at some point to sustain its position.	at the mathematical accuracy of the calculations. We corroborated with management their understanding of the utilisation of the cash and expenses to be incurred and discussed with management the future cash flows. We reviewed the latest management accounts and cashflow forecasts to gauge the financial position.

Our application of materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows for both group and company: £74,000 (2017: £66,000). We determined it by calculating the average of 2% of Turnover, 10% of loss before tax and 1% of gross assets. We believe that loss before tax is a primary measure used by shareholders in assessing the performance of the Group whilst gross asset values and revenue are a representation of the size of the Group; all are generally accepted auditing benchmarks.
As all subsidiary entities are dormant and of immaterial value we did not flex the materiality for any component but maintained the same as that for the parent company.

We agreed with the audit and risk committee that we would report to them misstatements identified during our audit above £5,000 as well as misstatement below those amounts tat, in our view warranted reporting for qualitative reasons.

An overview of the scope of our 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 judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope
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 the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.
The Group financial statements are a consolidation of 4 reporting units, 3 of which have been dormant since inception. We therefore focused our work on the parent company and its trading, looking at each key audit matter, the scope of which was influenced by the application of materiality.

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 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 set out on page 10, 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.

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: www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of this 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.

Sachin Ramaiya (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP

Chartered Accountants
Statutory Auditors

Finsgate
5-7 Cranwood Street
London EC1V 9EE

29th August 2018

Group statement of profit or loss and other comprehensive income
For the year ended 31 March 2018

	Notes	2018 GBP	2017 GBP
Revenue	3	2,055,881	1,372,799
Cost of sales	4	(1,360,606)	(886,002)
Gross profit		**695,275**	**486,797**
General and administrative expenses	5	(2,209,760)	(1,794,435)
Share based payments	16	(3,350)	(11,366)
Adjusted EBITDA*		**(1,517,835)**	**(1,319,004)**
Other income	8	685,249	642,645
Depreciation of tangible assets	11	(21,251)	(17,418)
Amortisation of intangible assets	12	(27,779)	-
Operating loss (EBIT)		**(881,616)**	**(693,777)**
Tax		75,005	55,661
Loss after tax	**9**	**(806,611)**	**(638,116)**
Attributable to:			
Equity holders of the parent		(806,611)	(638,116)
Loss for the period		**(806,611)**	**(638,116)**
Foreign exchange differences		-	(9,290)
Total comprehensive loss for the year		**(806,611)**	**(647,406)**
Attributable to:			
Owners of the parent		(806,611)	(647,406)
		(806,611)	**(647,406)**
Loss per share:			
Loss per share from continuing operations — basic and diluted, attributable to ordinary equity holders of the parent (p)	10	(2.46)	(2.03)
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)	10	32,737,031	31,927,750

* EBITDA is presented before other income as this mainly contains income from the grant award

Group and Company statement of financial position
As at 31 March 2018

Company registration number 04306881

		Group		Company	
		2018	2017	2018	2017
	Notes	GBP	GBP	GBP	GBP
Assets					
Non-current assets					
Property, plant and equipment	11	37,190	58,441	37,190	58,441
Intangible assets	12	165,776	100,929	165,776	100,929
Investments	13	-	-	3	3
Total non-current assets		**202,966**	**159,370**	**202,969**	**159,373**
Current assets					
Trade and other receivables	14	701,280	727,926	701,280	727,926
Cash and cash equivalents		7,358,115	2,217,767	7,358,115	2,217,767
Total current assets		**8,059,395**	**2,945,693**	**8,059,395**	**2,945,693**
Total assets		**8,262,361**	**3,105,063**	**8,262,364**	**3,105,066**
Equity and liabilities					
Equity					
Share capital	15	80,266	1,277	80,266	1,277
Share premium	15	8,703,183	3,484,709	8,703,183	3,484,709
Other reserves		14,716	11,366	14,716	11,366
Retained earnings	17	(2,097,712)	(1,291,101)	(2,097,712)	(1,291,101)
Total equity		**6,700,453**	**2,206,251**	**6,700,453**	**2,206,251**
Non-current liabilities					
Deferred tax liabilities		40,615	34,147	40,615	34,147
Total non-current liabilities		**40,615**	**34,147**	**40,615**	**34,147**
Current liabilities					
Trade and other payables	18	1,521,293	864,665	1,521,296	864,668
Total current liabilities		**1,521,293**	**864,665**	**1,521,296**	**864,668**
Total liabilities		**1,561,908**	**898,812**	**1,561,911**	**898,815**
Total equity and liabilities		**8,262,361**	**3,105,063**	**8,262,364**	**3,105,066**

In accordance with the provisions of the Companies Act 2006-S408, the Company has not presented a statement of profit or loss and other comprehensive income. The Company's loss for the year was GBP 806,611 (2017: Loss GBP 647,406).

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2018 and were signed on its behalf by:

Jens Lauritzson
Director

Group and Company statement of cash flows
For the year ended 31 March 2018

		Group		Company	
	Notes	2018 GBP	2017 GBP	2018 GBP	2017 GBP
Cash flow from operating activities					
Loss for the year – continuing operations		(881,616)	(693,777)	(881,616)	(693,777)
Loss for the year		**(881,616)**	**(693,777)**	**(881,616)**	**(693,777)**
Adjustments for:					
Finance income		-	-	-	-
Share based payments	16	3,350	11,366	3,350	11,366
Depreciation of tangible assets	11	21,251	17,418	21,251	17,418
Amortisation of intangible assets	12	27,779	-	27,779	-
Grant income	8	(685,249)	(642,645)	(685,249)	(642,645)
Working capital:					
Change in trade and other receivables		92,706	109,091	92,706	109,091
Change in trade and other payables		488,339	423,754	488,339	423,754
Operating cash flow		**(933,440)**	**(774,793)**	**(933,440)**	**(774,793)**
Grant payment	8	868,951	566,908	868,951	566,908
Net cash flow from operating activities		**(64,489)**	**(207,885)**	**(64,489)**	**(207,885)**
Cash flow from investing activities					
Expenditure on property, plant and equipment	11	-	(73,863)	-	(73,863)
Capitalised development cost	12	(92,626)	(100,929)	(92,626)	(100,929)
Bank interest received		-	-	-	-
Net cash flow from investing activities		**(92,626)**	**(174,792)**	**(92,626)**	**(174,792)**
Cash flow from financing activities					
Net proceeds from issue of equity instruments	15	5,297,463	-	5,297,463	-
Net cash flow from financing activities		**5,297,463**	**-**	**5,297,463**	**-**
Net change in cash and cash equivalents		**5,140,348**	**(382,677)**	**5,140,348**	**(382,677)**
Net foreign exchange differences		-	(9,290)	-	(9,290)
Cash and cash equivalents at beginning of year/period		2,217,767	2,609,734	2,217,767	2,609,734
Cash and cash equivalents at end of year		**7,358,115**	**2,217,767**	**7,358,115**	**2,217,767**

Group statement of changes in equity
For the year ended 31 March 2018

	Notes	Share capital	Share premium	Share based payment reserve	Retained earnings	Total	Total
		GBP	GBP	GBP	GBP	GBP	GBP
Balance at 1 April 2016		1,277	3,489,752	-	(643,695)	2,847,334	2,847,334
Loss for the year		-	-	-	(647,406)	(647,406)	(647,406)
Total comprehensive income		**1,277**	**3,489,752**	**-**	**(1,291,101)**	**2,199,928**	**2,199,928**
Share based payments	16	-	-	11,366	-	11,366	11,366
Issue of share capital	15	-	(5,043)	-		(5,043)	(5,043)
Balance at 31 March 2017		**1,277**	**3,484,709**	**11,366**	**(1,291,101)**	**2,206,251**	**2,206,251**
Balance at 1 April 2017		1,277	3,484,709	11,366	(1,291,101)	2,206,251	2,206,251
Loss for the year		-	-	-	(806,611)	(806,611)	(806,611)
Total comprehensive income		**1,277**	**3,484,709**	**11,366**	**(2,097,712)**	**1,399,640**	**1,399,640**
Share based payments	16	-	-	3,350	-	3,350	3,350
Bonus issue		62,579	(62,579)	-	-	-	-
Issue of share capital	15	16,410	5,281,053	-	-	5,297,463	5,297,463
Balance at 31 March 2018		**80,266**	**8,703,183**	**14,716**	**(2,097,712)**	**6,700,453**	**6,700,453**

Notes to the Group financial statements

1. General information

Flexion Mobile Plc (the "Company") is a company incorporated and domiciled in England and Wales. The Company has its registered offices at St James House, 13 Kensington Square, London W8 5HD. The registered number of the Company is 04306881. On 1 June 2018 the Company re-registered as a public company (name changed from being Flexion Mobile Ltd to Flexion Mobile Plc).

2. Significant accounting policies

Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiaries (together the "Group"). The consolidated financial statements of the Group and the individual financial statements of the Company are prepared in accordance with applicable UK law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Directors consider that the financial information presented in these financial statements represents fairly the financial position, operations and cash flows for the period, in conformity with IFRS. As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All consolidated subsidiaries have a reporting date of 31 March.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All subsidiaries remained dormant during the current and comparative period.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Pounds Sterling ("GBP"), which is the Group's presentation currency and the Company's functional currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. New standards and amendments to IFRSs effective as of 1 April 2017 have been reviewed by the Group and there has been no material impact on the financial statements as a result of these standards and amendment.

The changes to new standards include:
IAS 7 Statement of cash flows (amendment)
IAS 12 Income taxes

2015 Amendments to IFRS for SMEs:

Improvements to IFRSs:
- Annual Improvements 2012-14 cycle
- Annual Improvements 2014-16 cycle - Amendments to IFRS 12

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 March 2018 but were not effective at 31 March 2018 and have not been adopted for these financial statements.

The Directors have assessed the full impact of these accounting changes on the Group and have concluded that none of these pronouncements will cause material adjustments to the Group's financial statements with the exception being IFRS 16 'Leases'. IFRS 16 'Leases' was issued by the IASB in January 2016 and endorsed by the EU and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, although the full impact will be subject to further assessment. None of the new standards will be early adopted by the Group and will be incorporated in the preparation of the Group financial statements from the effective dates noted below.

The new standards include:

IFRS 2	Share-based payment[1]
IFRS 4	Insurance contracts[1]
IFRS 9	Financial Instruments[1, 2]
IFRS 15	Revenue from contracts with customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance contracts[3]
IAS 19	Employee benefits (amendment) [2]
IAS 28	Investment in associates and joint ventures (amendment)[1, 2]
IAS 40	Transfer of investment property (amendment)[1]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRIC 23	Uncertainty over income tax treatments[2]

Annual Improvements 2014-2016 – cycle 1:
- Amendments to IFRS 1 and IAS 28

Annual Improvements 2015-2017 – cycle 2:
- Amendments to 4 IFRSs

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period end and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The Group's accounting policy descriptions set out the areas that involve significant estimation, uncertainty and critical judgement. The most significant of which are the Group's revenue recognition policy, its policies for accrued and deferred income and its capitalisation of development costs.

Principal accounting policies

The principal accounting policies are summarised below. They have been consistently applied throughout the period covered by the financial statements.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. In the consolidated Financial Statements, acquisition costs incurred are expensed and included in general and administrative expenses.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment comprises leasehold improvements for the lease which expire on 31 December 2019. Depreciation is charged on a straight-line basis to reflect the economic life of the lease. Property, plant and equipment does not include assets which have been acquired with grant funds.

Intangible assets (Research and Development costs)

Research costs are expensed as incurred. An intangible asset arising from development expenditure is only recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the availability to measure reliably the expenditure during the development.

Development expenditure is stated at cost less accumulated Amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over 5 years to reflect the estimated useful economic life of the assets. Subsequent relevant costs are included as carrying amount of the asset or as a separate asset if appropriate. Development expenditure does not include expenditure which is covered by grant funds.

Equity

Equity instruments issued by the Group are recorded at the value of the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Impairment of non-financial assets
At each statement of financial position date, the Group reviews the carrying amounts of its investments 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intends to settle its current tax assets and liabilities on a net basis.

Grants
Grants are recognised at fair value only when there is reasonable assurance that the entity will comply with the conditions attaching to them and that grants will be received.

Grants are recognised on a systematic basis in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute. Grant contributions towards fixed assets are recognised over the expected useful economic lives of the related assets. Grant income is not offset against any costs but has been shown separately within other income as grant income.

Share-based compensation
The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience.

Provisions
Provisions are recognised when the Group and Company has a present obligation as a result of a past event, and it is probable that the Group and Company will be required to settle that obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group and Company at the statement of financial position date approximated their fair values, due to relatively short-term nature of these financial instruments.

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Revenue recognition

The Group's turnover (revenue) is derived from the revenue streams distribution revenue and legacy revenue. Distribution revenue further comprises of IAP revenue and subscription revenue.

IAP revenue is revenue receivable from end-user transactions of sold in-application items within the games. The turnover represents revenue receivable by the Group in respect of end-user transactions of sold in-application items managed by the Group, less VAT, billing transaction costs, local taxes, bad debt/refunds and distribution channel fees deducted at source. IAP revenue is recognised when transactions are deemed to be successful and recorded as accrued income on the balance sheet. The accrued income is subsequently reversed when payments are received and / or invoices are issued for revenue relating to those successful transactions.

Subscription revenue is revenue from game applications distributed through subscription clubs. It is recognised in the period when an end-user has an active subscription for the service and recorded as accrued income on the balance sheet. The accrued income is subsequently reversed when payments are received and / or invoices are issued for revenue relating to those successful transactions. Subscription revenue may also include integration fees and recurring service charges. The turnover represents revenue receivable by the Group less VAT, billing provider fees, local taxes, bad debt/refunds and distribution channel fees deducted at source.

Legacy revenue is old non-strategic revenue including revenue from purchases or subscription fees of game applications in feature phones. The turnover represents revenue receivable by the Group in respect of end-user transactions of sold applications managed by the Group, less VAT, billing provider fees, local taxes, bad debt/refunds and store based fees deducted at source.

Legacy revenue is recognised when transactions are deemed to be successful and recorded as accrued income on the balance sheet. The accrued income is subsequently reversed when payments are received and / or invoices are issued for revenue relating to those successful transactions. Legacy revenue was actively being phased out as it doesn't carry any strategic value to the Group. The last month with material Legacy Revenue was January 2018.

Cost of sales

The Group's cost of sales is typically a percentage of revenue paid out to game developers and — in some instances — distribution channels as per contractual terms. Costs are recognised in the same period as the related revenues.

Development costs and internally generated software

The Group started to capitalise development costs for projects in accordance with its policy in the financial year ending 31 March 2017. The Group carries out detailed analyses of its development management tool and development hours recorded in its system to identify costs that meet recognition requirements. Once management have satisfied themselves that policy criteria are met the development costs are carried as assets and amortised over the estimated useful life of 5 years. At 31 March 2018, the carrying value of internally generated software assets was GBP 165,776 (2017: GBP 100,929) and the amount of research and development costs expensed was GBP 246,939 (2017: GBP 325,683).

3. Segmental information

The Group's primary reporting format is determined by management on a consolidated group basis and no geographical or departmental differentiation is made. A condensed group statement of profit and loss and a condensed group statement of financial position is presented below:

Condensed Group statement of profit or loss

	2018 GBP	2017 GBP
Revenue	2,055,881	1,372,799
Cost of sales	(1,360,606)	(886,002)
Total expenses and other costs	(2,262,140)	(1,823,219)
Other income	685,249	642,645
Operating loss	**(881,616)**	**(693,777)**
Tax	75,005	55,661
Loss after tax	**(806,611)**	**(638,116)**

Condensed Group statement of financial position

	2018 GBP	2017 GBP
Total non-current assets	202,966	159,370
Trade and other receivables	701,280	727,926
Cash and cash equivalents	7,358,115	2,217,767
Total equity	6,700,453	2,206,251
Total non-current liabilities	40,615	34,147
Total current liabilities	1,521,293	864,665

The Group's primary revenue reporting format was determined by the traffic segments according to its sales. At 31 March 2018, there were two reporting segments: distribution revenue and legacy revenue. An additional geographical segment information is presented in the table further below.

Primary segment information of the revenue of the Group is presented below:

	2018 GBP	2017 GBP
Distribution revenue[1]	1,913,065	1,036,823
Legacy revenue	142,816	335,976
Total Group revenue excl. EU grant	**2,055,881**	**1,372,799**

[1] Of which IAP revenue represented £1,559,343 in 2018 and £792,374 in 2017 and subscription revenue represented £353,722 in 2018 and £244,449 in 2017.

An additional geographical segment information of the revenue of the Group is presented below:

	2018 GBP	2017 GBP
Asia	379,068	715,211
Europe excl. United Kingdom	451,320	328,835
Middle East Africa	212,642	68,927
N. America	755,171	-
S. America	18,197	-
United Kingdom	239,483	259,826
Total Group revenue excl. EU grant	**2,055,881**	**1,372,799**

4. Cost of sales

	2018 GBP	2017 GBP
Distribution cost of sales	1,307,388	706,288
Legacy cost of sales	53,218	179,714
Total Group cost of sales	**1,360,606**	**886,002**

5. General and administrative expenses

	2018 GBP	2017 GBP
Employee salaries and benefit expenses	1,606,040	1,389,188
Premises (net of rental income)	114,918	130,005
Cost of administrations	81,416	48,427
Other overheads	352,399	215,065
Audit fees	17,900	11,750
Foreign exchange differences	37,087	-
General and administrative expenses	**2,209,760**	**1,794,435**

6. Staff costs (including Directors)

	2018 GBP	2017 GBP
Salaries	1,173,665	1,055,639
Contractor fees	121,435	54,567
Social security costs	146,969	140,658
Employers pension costs - contribution	60,640	54,814
Employee benefit expenses	48,872	38,860
Other staff related costs	54,459	44,650
Total staff costs	**1,606,040**	**1,389,188**

Number of employees (including executive Directors):

	2018	2017
Employees employed in the United Kingdom		
Administration	9	8
Sales and marketing	9	4
Product development	9	10
Other	2	2
Total employees employed in the United Kingdom	**29**	**24**

Employees employed through Hungarian branch		
Product Development	3	2
Total Employees employed through Hungarian branch	**3**	**2**
Total number of people employed	**32**	**26**

7. Directors' remuneration

	2018 GBP	2017 GBP
Directors' emoluments	113,899	112,446
Total Directors' remuneration	**113,899**	**112,446**

The number of Directors to whom retirement benefits are accruing under defined contribution schemes are 2 (2017: 2).

8. Other income

	2018 GBP	2017 GBP
Grant income	685,249	642,645

On 6 April 2016 the Group was awarded up to GBP 1,619,738 in grant funding from European Union's Horizon 2020 Research and Innovation Programme. The Group recognised in 2018 GBP 685,249 (2017: GBP 642,645) as grant income. The amount of cash the Group received during 2018 was GBP 868,951 (2017: GBP 566,908).

The Directors have assessed that there are no unfulfilled conditions and contingencies attaching to the recognised grant income that need to be disclosed.

9. Income tax expense / (benefit)

	2018 GBP	2017 GBP
UK corporation tax refund	(86,473)	(94,885)
Overseas withholding tax	5,000	3,513
Deferred tax	6,468	34,147
Other	-	1,564
Total income tax benefit	**(75,005)**	**(55,661)**

	2018 GBP	2017 GBP
Deferred tax brought forward	34,147	-
Origination and reversal of temporary differences	6,468	34,147
Total deferred tax balance	**40,615**	**34,147**

A reconciliation of the expected tax benefit computed by applying the tax rate applicable in the primary jurisdiction, the UK, to the loss before tax to the actual tax credit is as follows:

	2018 GBP	2017 GBP
Loss on ordinary activities before taxation	(844,529)	(693,777)
Tax at the UK corporation tax rate of 19% (2017: 20%)	**(160,461)**	**(138,755)**
Effects of:		
Disallowable expenditures	(10,830)	(17,306)
Depreciation	4,038	3,484
Non-trade loan relationship credits	-	1,856
Net capital allowance	-	(497)
R&D taxable	2,731	4,247
R&D deduction	(54,286)	(60,730)
Loss b/f	(203,563)	(114,022)
Set against total profits	-	-
Tax surrendered for tax credit	96,044	107,446
Unutilised tax loss	326,327	214,277
Net non-trade loan relationship credit	-	-
Previously unused non-trading deficit	-	-
Research and development tax relief	(86,473)	(94,885)
Differences in overseas taxation rates	5,000	3,513
Deferred tax effect – timing differences	6,468	34,147
Other Items	-	1,564
Current tax credit for the period	**(75,005)**	**(55,661)**

The Group has estimated tax losses of GBP 1,717,508 (2017: GBP 1,071,386) to carry forward against future taxable profits.

10. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:

	2018	2017
Loss after tax attributable to equity holders of the parent (GBP)	(806,611)	(647,406)
Weighted average number of ordinary shares in issue	32,737,031	31,927,750[1]
Fully diluted weighted average number of ordinary shares in issue	32,737,031	31,927,750[1]
Basic and diluted loss per share (GBP)	**(2.46)**	**(2.03)**

[1] The weighted average number of ordinary shares in issue as well as the fully diluted weighted average number of ordinary shares in issue as at March 2017 have been adjusted by a factor of 250 to take into account the 5 to 1 share split and the 50 to 1 bonus issue that took place on the 14 December 2017.

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The number of share options outstanding as at 31 March 2018 totalled 2,429,500 (2017: 2,431,750) and are potentially dilutive.

11. Property, plant and equipment — Group and Company

	Leasehold improvement GBP	Total GBP
Cost		
At 1 April 2016	1,966	1,966
Additions	73,893	73,893
Disposals	-	-
At 31 March 2017	**75,859**	**75,859**
Accumulated depreciation		
At 1 April 2016	-	-
Depreciation during the period	17,418	17,418
At 31 March 2017	**17,418**	**17,418**
Carrying value at 31 March 2018	**58,441**	**58,441**
Cost		
At 1 April 2017	75,859	75,859
Additions	-	-
Disposals	-	-
At 31 March 2018	**75,859**	**75,859**
Accumulated depreciation		
At 1 April 2017	17,418	17,418
Depreciation during the period	21,251	21,251
At 31 March 2018	**38,669**	**38,669**
Carrying value at 31 March 2018	**37,190**	**37,190**

12. Intangible Assets — Group and Company

	Software development GBP	Total GBP
Cost		
At 1 April 2016	-	-
Additions	100,929	100,929
Disposals	-	-
At 31 March 2017	**100,929**	**100,929**
Accumulated amortisation		
At 1 April 2016	-	-
Amortisation during the period	-	-
At 31 March 2017	**-**	**-**
Carrying value at 31 March 2018	**100,929**	**100,929**
Cost		
At 1 April 2017	100,929	100,929
Additions	92,626	92,626
Disposals	-	-
At 31 March 2018	**193,555**	**193,555**
Accumulated amortisation		
At 1 April 2017	-	-
Amortisation during the period	27,779	27,779
At 31 March 2018	**27,779**	**27,779**
Carrying value at 31 March 2018	**165,776**	**165,776**

13. Non-current assets

Investments in subsidiaries and associates:

	Group 2018 GBP	Group 2017 GBP	Company 2018 GBP	Company 2017 GBP
Cost as at 1 April	-	-	3	3
Additions	-	-	-	-
Cost at 31 March	**-**	**-**	**3**	**3**
Carrying value as at 31 March	**-**	**-**	**3**	**3**

Breakdown of carrying value of investment:

All group companies have a coterminous year end.

The company holds more than 20% of the share capital in the following companies:

Subsidiary companies	Place of incorporation	Holding	Type of share held	% Holding 2018	% Holding 2017
Flexion Limited	UK	Direct	Ordinary	100	100
Gamesmondo Limited	UK	Direct	Ordinary	100	100
Flac Limited	UK	Direct	Ordinary	50	50

The registered address of all these subsidiaries is St James House, 13 Kensington Square, London W8 5HD.

Company	Nature of business	Capital and reserves	Profit (loss) for the year
Flexion Limited	Dormant	1	-
Gamesmondo Limited	Dormant	1	-
Flac Limited	Dormant	2	-

14. Trade and other receivables — Group and Company

	2018 GBP	2017 GBP
Trade receivables	25,122	74,081
Other receivables	211,876	242,811
Prepayments and accrued income	464,282	411,034
Trade and other receivables	**701,280**	**727,926**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. Share capital — Group and Company

Details of ordinary shares of 1p each issued are in the table below:

Date	Details	Number of shares	Nominal Value GBP	Total share capital GBP	Total share premium GBP
At 1 Apr 2016	**Opening balance**	**127,711**	**0.01**	**1,277**	**3,489,752**
At 31 Dec 2016		127,711	0.01	1,277	3,489,752
	Movement in share premium				(5,043)
At 31 Mar 2017		**127,711**	**0.01**	**1,277**	**3,484,709**
14 Dec 2017	Bonus issue	6,257,839	0.01	62,579	(62,579)
14 Dec 2017	Share split	31,927,750	0.002		
At 31 Dec 2017		31,927,750	0.002	63,856	3,422,130
	Movement in share premium				(1,677)
23 Feb 2018	Shares issued	8,205,208		16,410	5,282,730
At 31 Mar 2018		**40,132,958**	**0.002**	**80,266**	**8,703,183**

16. Share based payments

The Group has a share ownership compensation scheme for employees of the Group. In accordance with the provisions of the plan, as approved by shareholders, employees may be granted options to purchase ordinary shares in the Company.

Each share option converts into one ordinary share of Flexion Mobile Plc upon exercise. The option holder shall pay for the exercise price in cash but can use the proceeds from selling the underlying shares to fund the payment. The options carry neither rights to dividends nor voting rights at shareholders meetings. No share option holders have yet had the right to exercise any options.

	Number of shares option 2017	Weighted average exercise price GBP 2017	Weighted average date of issue 2017
Balance at 1 April	2,151,000	0.36	9 Jun 2014
Lapsed during the year	159,000	0.38	11 Aug 2015
Issued during the year	439,750	0.67	27 Nov 2016
Balance at 31 March	**2,431,750**	**0.42**	**15 Nov 2014**

	Number of shares option 2018	Weighted average exercise price GBP 2018	Weighted average date of issue 2018
Balance at 1 April	2,431,750	0.42	15 Nov 2014
Lapsed during the year	210,750	0.38	7 Sep 2015
Issued during the year	208,500	0.70	29 Jul 2017
Balance at 31 March	**2,429,500**	**0.44**	**14 Feb 2015**

Options have a period of 10 years before they lapse grant dates.

No options were exercisable at the year ended 31 March 2018.

Options may only be exercised subject to lock-in periods and in the event of a trade sale or assets sale, in the event of admission or any other liquidity event approved by the Directors.

The fair value of equity-based share options granted is estimated at the date of grant using the Black-Scholes pricing model. The Board recognises that it is difficult to price American style options for a private company where the defined exercisable events are dependent on external factors. The calculated fair value of share options and warrants charged to the Group and Company financial statements in the year is GBP 3,350 (2017: GBP 11,366). The total fair value of the share options granted during 2018 is GBP 0.022.

The following are the inputs to the model for the options granted during the following years:

	Share options 2018	Share options 2017
Strike price	GBP 0.70	GBP 0.62
Total units	208,500	439,750
Underlying asset price	GBP 0.73	GBP 0.62
Time (Years)	10	10
Volatility	4.30%	3.6%
Interest rate p.a.	1.17%	1.17%

17. Retained earnings — Group and Company

	2018 GBP	2017 GBP
Opening balance	(1,291,101)	(643,695)
Loss for the year	(806,611)	(647,406)
Transfer from share-based payment reserve	-	-
Closing balance	**(2,097,712)**	**(1,291,101)**

18. Trade and other payables

	Group 2018 GBP	2017 GBP	Company 2018 GBP	2017 GBP
Liabilities				
Trade payables	123,076	65,984	123,076	65,984
Social security and other taxes	49,931	37,240	49,931	37,240
Accrued expenses	1,212,606	695,651	1,212,606	695,651
Other payables	135,680	65,790	135,680	65,790
Trade and other payables	**1,521,293**	**864,665**	**1,521,293**	**864,665**

19. Financial instruments by category

	Group 2018 GBP	2017 GBP	Company 2018 GBP	2017 GBP
Assets				
Trade and other receivables	649,423	635,321	649,423	635,321
Cash and other receivables	7,358,115	2,217,767	7,358,115	2,217,767
Liabilities				
Trade and other payables	1,521,293	864,665	1,521,296	864,668

20. Related party transactions

Related party transactions have been disclosed in note 7. There are no other related party transactions.

21. Financial instruments — risk management

In common with all other businesses, the Group may be exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's CEO. The Board receives regular updates from the management team through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group's operations expose it to some financial risks arising from its use of financial instruments, the most significant ones being foreign exchange risk, liquidity risk and capital risk. Further details regarding these policies are set out below.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world where the local currency and the revenue collection currency are not the same as the functional currency with which the Group operates. The Group has a policy to always secure medium term needs in operational currencies using spot rates. Only in exceptional circumstances may the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. The Group did not enter into any foreign currency hedging instruments during the year.

Liquidity risk

Liquidity risk arises from the Group's management of working capital; it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements and to raise new equity finance if required. The Board receives cash flow updates on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its developer programmes or increased recruitment without being satisfied that sufficient funding is available to the Group to finance the planned programmes. For cash and cash equivalents, the Group only uses recognised banks with high credit ratings.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Interest rates on financial assets

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The Group did not earn any material interest on its financial assets during the year.

22. Capital commitments

At the year end the Group was committed to making the following payments under non-cancellable operating leases:

	2018 GBP	2017 GBP
Operating leases which expire		
Within one year	90,750	88,250
Within two to five years	68,063	158,813
Total operating leases	**158,813**	**247,063**

23. Events after the reporting period

On 16 May 2018 the Company carried out a capital reduction of GBP 4.0m to comply with Companies House requirements for re-registration as a Plc company. The result of the capital reduction was that GBP 4.0m was moved from the share premium account to the retained earnings account on the statement of financial position.

On 1 June 2018 the Company re-registered as a public company (changed from being Flexion Mobile Ltd to Flexion Mobile Plc). To fulfil the re-registration requirements of the Companies Act 2006, the Company undertook a statutory audit of its 17 May 2018 statement of financial position. This confirmed the Company's net assets to be not less than the aggregate of its called-up share capital and distributable reserves. The audit statement was published in the company description and on the Company's website.

On 5 June 2018 the Company issued 1,000,000 shares at a nominal value of GBP 0.002 per share. The Issue price for these shares was SEK 8.30 per share less a discount of SEK 2.30 per share on the basis that allotments were limited in sizes of 1,000, 2,000 and 3,000 shares per shareholder. The sole purpose of the share issue was to increase the number of shareholders and to therefore improve the post listing liquidity.

On 13 June 2018 the shares of the Company were listed on Nasdaq First North in Stockholm/Sweden under the trading symbol (ticker) FLEXM.

The Company also initiated the formal process to strike off its dormant subsidiaries Gamesmondo Limited and Flexion Limited.