# Flexion Mobile Plc

## Annual Report for the year ended 31 March 2019

# Contents

# At a glance

About Flexion Mobile Plc ("Flexion" or the "Company")

## Introduction

Flexion runs the leading distribution platform for third-party free-to-play (freemium) games on the Android market outside Google Play and China ("Alternative Android Market"). The Company distributes many of the leading games on a growing number of channels such as Amazon, Samsung, ONE Store and leading regional channels. Flexion is based in London with a development office in Budapest. The Company employs 45 staff and long-term contractors and is listed on Nasdaq First North in Stockholm with ticker name FLEXM:SS.


## Value proposition

Flexion's value proposition is to generate incremental high margin revenue to its developer and channel partners. Based on current distribution power, Flexion generates approximately 10% on top of what the games generate in Google Play. As the Alternative Android Market grows and Flexion increases its distribution footprint, this percentage is expected to increase. The net contribution to the developer from this revenue is high as it is generated without the normal marketing, user acquisition and administrative costs required when distributing through Google Play

## Market

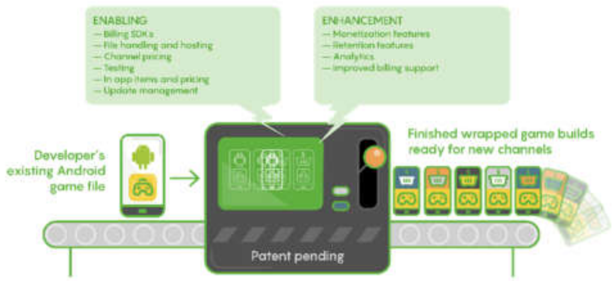
Industry-leading research firm Newzoo estimates the Global Games Market will generate more than $152bn in 2019, with mobile device games accounting almost $55bn. The Alternative Android Market is also estimated to boom thanks to an increasing demand for other app stores and growing mobile devices and app usage. Flexion's addressable market is the Android mobile games market, which covers more than 85% of the world's new mobile devices. The remaining market is served by Apple's iOS and is not currently supported by Flexion.

## Flexion's service offer

Flexion provides a full service and manages all steps from existing game file to revenue. This means that the parties involved can benefit from additional distribution and revenue with minimal effort.

## Unique technology

At the core of Flexion's technology is the patented enabling and enhancement software that allows Flexion to distribute third party Android games in its channels. This unique technology can also enhance the games by adding new distribution features required to support the increasingly fragmented market. Flexion's technology is patented in the US and patent pending in Europe.

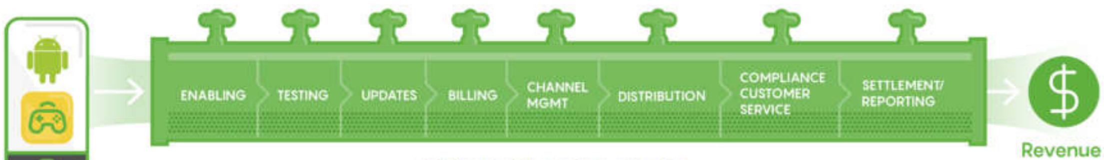



## Business model

Flexion operates a simple revenue share model, taking a percentage from end-user transactions. In a typical payment flow, the channel collects payments from end-users and deducts a channel fee. Flexion receives the remaining amount which is shared between Flexion and the developer.

## Go-to-market strategy

Flexion's go-to-market strategy is to sign and manage a portfolio of around 100 games in the mid-term. A third of these games will be top-tier games where each game has the potential to generate gross revenue in excess of USD 140,000 per month based on Flexion's current distribution power. The remaining two thirds of the games will be mid-tier games with a gross revenue potential in excess of USD 40,000 per month. Revenue per game is likely to increase over time as Flexion's distribution power grows through stronger relationship with existing channels, large investments by the channels, improved or new distribution features and the addition of new channels. In order to speed up the sales process Flexion may invest in various forms of incentives for top developers to join Flexion early.




Flexion's full service offering

# Chairman's Statement

- ✓ +204% IAP revenue growth in the financial year
- ✓ One of the first UK entities listed on Nasdaq First North index
- ✓ Our unique technology successfully awarded with a US patent
- ✓ 5 top-tier and 4 mid-tier new games signed during the year

I am pleased to share Flexion's annual report for the year to 31 March 2019. The past year included several key milestones for Flexion.

## Nasdaq First North Listing

We started the year by preparing the Company for the listing on Nasdaq First North which we successfully concluded in June 2018. We are very proud of this achievement as we were one of the first companies ever to list a UK entity on this market. This has given us access to a capital market with a unique mixture of game focused institutional and retail investors and therefore a solid platform from where we can boost the growth of Flexion.

## Global Roll-Out

At the same time as the listing, we changed our focus from product development to sales in order to kick-start our global service roll-out. This is of course an exciting move for any company and especially for us since the response from our clients was as strong as we ever could have hoped for. As a result, we managed to sign a total of five top-tier games and four mid-tier games during the year which confirms our market leading position.

## US Patent

In November, we were informed by the US Patent office that our US patent application had been accepted, finally allowing us to complete a process which we have been working on for four years. I think this really shows both the dedication of the Flexion team and the unique technical edge we hold within alternative mobile game distribution.

## Board

I would also like to mention the work we do within the Board to improve the corporate governance to prepare the Company for the future. This involves everything from reviews of financial control, risk analysis, strategy implementation to setting up Board committees required for a corporate code. As part of this work, we have also chosen to change audit firm from a strong mid-tier firm specialising in UK AIM companies to one of the world leading firms, Grant Thornton, which now has audited these accounts. Again, I think this shows the very high standards we set to achieve everything we do within Flexion.

## Revenue Growth

Finally, and most importantly, our efforts during the year resulted in IAP Revenue growth of 204% to GBP 6.3m. This is, of course, important for our financial strength but its strategic importance is even greater as it is the industry's key measurements of the opportunities in the alternative market. Revenue growth is therefore our focus and key performance indicator.

So, on behalf of the Board, I would like to thank all our staff, board members, partners and shareholders for being so supportive in helping Flexion becoming the leading game distributor within the Alternative Android Market.

Carl Palmstierna
Non-Executive Chairman
14th August 2019

# Chief Executive's statement

- ✓ Android market now covering 85% of all new mobile devices
- ✓ Successfully switched focus from product development to sales
- ✓ 13 top and mid-tier titles with a combined potential of 1bn USD annual revenue
- ✓ Continued technical development

Looking back at last year, people often tell me that they have been impressed and surprised to see how quickly we have managed to sign up a catalogue of top grossing games. I am very proud of this early success considering that we were in product development at the start of this year. So how did we do this?

## Team

For some time we have built up a strong sales organisation with a great drive, market knowledge and broad industry network. In addition, we have also focused on staff with good understanding of our key markets and the cultural preferences of these markets. We have, for instance, hired Chinese, Japanese and Korean speaking staff at our head office in London. With this as a base, we also have focused on building up a network of local representatives in our key markets who, on the ground, can generate leads and sales. This has proven to be a recipe for success.

## Market

Besides building a sales team, we managed to time the market entry well. There is a strong underlying growth in mobile games of approximately 20% per annum which really is powering the market. In addition, our addressable Android market is going from strength to strength, now covering 85% of new mobile devices globally with even higher penetration in important and new growth markets. On top of this, the Alternative Android Market is also going from strength to strength. We are seeing growing interest from new stores entering the market including the large Chinese device manufacturers and other service providers. We have seen some landmark anti-trust rulings on Google's attempt to control the market. New methods to reach end-users are emerging including D2C services particularly in Asia but also distribution directly to devices using new preloaded software. All this fuel the Alternative Android Market and general fragmentation which in turn increases the demand for our services.

## Chinese Developers

We have seen a growing demand from Chinese developers who are moving out of their massive but mature home market. As these developers are entering new markets with their games, our full-service offer has been very well received and has been a key driver in our early success. As a result, during the first nine months of global rollout, we have managed to sign a total of five top-tier titles and four mid-tier titles to our portfolio on top of the four tier titles we had at the start of June 2018. To try to quantify this achievement, these thirteen titles have a combined run rate of almost USD 1bn in annual revenue across all operating systems and stores. Already now, this means we have one of the highest profile games portfolios in our market. This is an immense help when marketing our Company and services to channels and developers.

## Continued Technical Development

Even though we have shifted focus to sales, we should not forget our unique capabilities of developing technical solutions for our market. So even if the core product is ready (our distribution-enabling service) there is still a lot we can do to further broaden and scale our offering by developing new technical solutions (enhancement features) for our market. This is something I am very excited about as we will be perfectly positioned to drive market growth beyond traditional app stores.

Jens Lauritzson
Chief Executive Officer
14th August 2019

# 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. 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 Reflection Ltd, Palmstierna Invest AB, Palmstierna Holding AB, Palmeister & Partners AB, and Freemelt AB. Member of the Board of Directors of Nenda AB , Drycks AB , Envigas AB , Yatrade AB and ZipClick Solutions AB, Chinsay 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 WeMind AB, SPWM Special Clients Services AB, SPWM Special Clients AB, ReformTech Heating Holding AB, Panopticon Software AB, myFC Holding AB (publ), Valbay AB, Valbay International AB. Member of the Board of Directors of Magine Holding AB, 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:** 3,835,000 shares through Palmstierna Invest AB and related entities (3,735,000 shares were held since the listing of the Company)

**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, currently CEO of Flexion Mobile Plc

**Other current assignments:** Director of Mobile Sensations Limited.

**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, currently COO of Flexion Mobile Plc

**Other current assignments:** Director of Mobile Sensations Limited.

**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:** Investment Director at Modern Times Group MTG AB.

**Previous experience:** Partner of MTGx. President of the Board of Directors of Ludicious – Zurich Games Festival. 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:** 125,000

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

**Independent in relation to major shareholders:** Yes.

# Chief Financial Officer's statement

## Revenue

The 12-month financial year ending 31 March 2019 showed a healthy revenue growth with total revenue increasing to GBP 6.4m (GBP 2.6m) equal to an annual growth of 150%. The driver for this growth was IAP (In-App Purchase) revenue which grew to GBP 6.3m (GBP 2.1m) equal to a 204% annual growth. The underlying drivers were improved distribution power for existing titles whereas new title releases only had marginal impact as these happened at the end of the year.

## Gross Margin, Adjusted EBITDA* and Operating loss

Gross profit grew to GBP 0.9m (GBP 0.7m) equalling a 36% annual increase. The reason why gross profit grew proportionally less than revenue is that the previous year numbers included high margin legacy revenue. For strategic reasons, these were closed at the end of last year.

Headcount as at 31 March 2019 grew by 9 to 45 (36) increasing staff and contractor costs by 32% to GBP 2.1m (GBP 1.6m). This is in line with long term targets to grow headcount with around 8 new staff per year. Other overheads increased by 45% to GBP 0.9m (0.6m) primarily driven by a one-off integration fee of GBP 0.2m. Adjusted EBITDA increased by 37% to GBP -2.1m (GBP -1.5m) and operating loss increased by 53% to -1.9m (GBP -0.9m).

The EUR 1.9m EU grant project that was awarded to us in April 2016 was successfully completed in October 2018. This meant that other income, where the EU Grant is recorded, fell to GBP 0.2m (GBP 0.7m) negatively impacting our operating loss.

## Net Loss and loss per share

Tax contributed positively with GBP 0.1m (GBP 0.1m) due to the annual research and development tax credit that the Company receives from the UK government. The Net Loss increased by 55% to GBP 1.8m (GBP 0.8m) resulting in a loss per share of GBP 4.42 pence (GBP 2.46 pence). This loss is in line with the board's strategy to invest raised capital in growth related activities.

## Minimum guarantee commitments

As part of our global roll-out, during the year we signed two large contracts which include guaranteed minimum revenue commitments. This was part of our marketing strategy to kick-start the roll-out in the same way as consumer platforms offer free subscription, gifts or discounted prices to create consumer awareness. To minimise the financial risk of these commitments we raised funds in March 2018 to strengthen the balance sheet which allows us to "set aside" cash for the Board's perceived risk of these contracts.

The two contracts guarantee a minimum monthly revenue level to the developer over a certain guarantee period. As the commitments are determined on an aggregated basis over the guarantee period, Flexion has the right to recover any guarantee payments made (for example during an initial revenue ramp up period) if the games' revenue performance improves to above the minimum guarantee levels. Guarantee payments made in excess of the games' revenue performance will be recorded on the balance sheet and are subject to periodic impairment tests. Based on the impairment reviews performed as at 31 March 2019 no impairment was identified during the year.

## Cash flow and Financial Position Review

We saw a positive effect of GBP 0.7m (GBP 0.6m) from working capital during the year resulting in an operating cashflow of GBP -1.1m (GBP -1.1m). No payments were received from the EU Grant during the year whereas we received GBP 0.9m in contributions during the previous year. As this project has come to an end, we received the last 10% payment (GBP 0.2m) and the release of the 5% performance guarantee (GBP 0.1m) in June 2019. GBP 0.2m (GBP 0.1m) was spent on capitalised development costs and GBP 0.3m (GBP 5.3m) was received from fund raising activities at the start of the financial year. This resulted in a net outflow in cash of GBP -1.1m (GBP 5.0m) and a cash balance at the end of the year of GBP 6.0m (GBP 7.3m). The Company's runway (cash at the end of the period divided by average 12 months operational cash flow) was 51 months (2018: 89 months).

Niklas Koresaar
Chief Financial Officer
14th August 2019

*Adjusted EBITDA (adjusting operating profit for several non-cash items) is used by the Company for internal performance analysis to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Company.

# Principal risks and uncertainties

The Board has here presented its view of the main risks and uncertainties of the Company. The Board continually reviews the potential risks facing the Company and the controls in place to mitigate these risks. The Board recognises that these risks may change and that there may be other risks not presented here and so the list is not intended to be exhaustive.

## Market Risk

The Company is dependent on a fragmented Android market for mobile games and at least some growth within this market. Lack of fragmentation and growth could reduce the demand for the Company's service which may have a material adverse effect on the Company's business, results and financial position. However, as the Android operating system is currently used on 85% of all new mobile devices, as new players are continuously entering the fragmented Android market and as the Company is actively positioning itself to capture growth opportunities within the market, the Board considers these risks to be acceptable.

## Competitive services and distribution solutions

The Company is active in a competitive market where innovation is fast paced. Product development and innovation by other players may result in services, products or technical solutions which may reduce the demand for the Company's services which may have a material adverse effect on the Company's business service and financial position. The Board believes new services, products and technical solutions will appear but that these will benefit the fragmented Android market which in the end will benefit all players on the market including the Company.

## Key Management

The Company is dependent on attracting and maintaining key personnel for the continued successful development of the business. The loss of key personnel may have a material adverse effect on the Company's business, service and financial position. To maintain key staff, the Company is actively working with a structured review, development and motivation process for all staff and manage an (EMI) option scheme to further incentivise staff. The Board does not consider Brexit to have any significant impact on key personnel as the Company is running a branch in Budapest, Hungary from which the Company can offer employment for EU nationals if needed.

## Financing and Future Capital Requirements

Depending on the development of the Company's business, its ability to forecast future cash needs, and its ability to generate cashflow, the Company may require additional capital on commercially acceptable terms to continue its operations and services. The conditions of future financing will depend on how the Company's business develops, but it will also depend on other factors outside the Company's control, such as macro-economic developments and capital markets being prepared to finance companies in the segment where the Company operates. Failure to raise such capital needed may have an adverse effect on the Company's business, service and financial position. The Board is continuously assessing this risk by regular reviews of budgets and forecasts, cash flow related risks and the capital markets from which the Company would raise capital if required.

## Financial Commitments

The Company may enter contractual relationship with developers, channels, financiers and other parties where the Company commits to certain revenue or payment streams. These commitments may be set on a fixed basis or on a minimum requirement basis which are dependent on independent underlying factors which may or may not be fully within the Company's full control. To meet these commitments the Company may need to pay significant amounts of capital which may reduce the Company's ability to meet its other obligations and capital needs. This may have a materially adverse effect on the Company's business, service and financial position. In the event the Company would have these commitments, the Board would continuously assess the related risk by reviewing exposures, risk scenarios and related cashflow impacts to not engage in more commitments than the Company can manage with existing financial resources.

## IT Systems

The Company is dependent on IT systems in its business for both its day-to-day operations and in relation to its customers and partners. System failures, data breaches, network outages, computer malwares, criminal actions and similar exigencies could have a detrimental effect on the Company's business, service and financial position. The Company is actively and continuously working to mitigate these risks by improving system monitoring, improving fault tolerance and disaster recovery in the platform, improving system and network infrastructure and introducing improved disaster recovery systems and procedures.

## Intellectual Property Rights

The Company owns intellectual property ("IP") rights on which the Company successfully placed a US patent and are currently working towards an EU patent. There is a risk that third parties legally or illegally infringe on the Company's rights or find gaps in the rights which they may exploit or seek IP protection on. To mitigate for this, the Company is, with its resources available, reviewing its IP rights protection to identify possible mitigations strategies. In addition, the Company is distributing mobile applications which may have substantial external IP rights attached to them. In the event the Company is directly or indirectly involved in a breach of these rights, the IP right holders may seek substantial damages from the Company. The Company is actively trying to mitigate against these risks by adhering to all contractual obligations around these rights and to seek insurance protection for the main IP risks.

### Processing of Personal Data

The Company registers and processes personal data in connection with its operations. If the Company fails to conduct its data processing in accordance with applicable data protection legislation, or if the Company fails to implement procedures for new legalisation, or if the Company is subject to hacker attacks or in any other way by mistake violates the law, the Company may, inter alia, be liable for damages for the injury and the violation that such action may entail. This could have a material adverse effect on the Company's business, results and financial position. To mitigate for this, the Company has developed a GDPR policy with an external GDPR advisor. The Board considers the policy to be compliant with the existing legislation. The Company's GDPR officer is also overseeing the implementation and adherence of this policy.

### Legal Disputes

As part of its ordinary business activity, the Company may become involved in legal disputes. If the Company fails to settle any legal proceedings it is party to, the Company may be required to pay significant amounts of damages and fees and claims may arise against the Company which may not be covered in full or in part by provisions or insurance. In addition, these disputes may also be time-consuming and detrimental to the day-today operations of the Company's business. To mitigate for this risk, the Company had identified a number of leading specialist lawyers which the Company is seeking advice from if deemed required. In such event, revenue, cash flow and profitability of the Company could be materially adversely affected.

### Insurance

The Company could be held liable for damages exceed the Company's insurance cover, including, but not limited to, if the Company breaches any agreement in a material way or if any software provided by the Company causes material damage. The insurance cover places primarily in the London insurance market is highly technical and involve external specialist advise and there is a risk that the cover placed do not cover for all eventualities which the Company aim to cover. In addition, it may take considerable time for Flexion to make a claim from its insures and/or for the insurers to pay out in relation to the relevant loss. This could have a significant impact on the Company's business, results and financial position. The Company is actively trying to mitigate this risk by using market leading insurance advisors and insurance underwriters.

For and on behalf of the board:

Per Lauritzson
Director
14th August 2019

# Director's report

The Directors present their report and the consolidated financial statements for the year ended 31 March 2019.

## Results and dividends

The loss for the year ended 31 March 2019 amounted to GBP -1,810,886 (GBP -806,611). The Directors are not recommending payment of a final dividend for the year (GBP nil).

## Directors

The Directors who served on the Board during the year and subsequently to date are as follows:

Carl Palmstierna
Claes Kalborg
Jens Lauritzson
Per Lauritzson
Christopher Bergstresser

## Going concern

After making appropriate enquiries, the Directors consider that the Company 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 Company has adequate cash to cover its corporate overheads and management costs over this period.

## Performance Measures

The Directors have identified a number of performance measures ("KPIs") which the Company is tracking and reporting to its shareholders. These KPIs can be grouped into revenue growth, profitability and cash position. For revenue growth the Company is tracking growth of IAP Revenue and Total Revenue. For profitability the Company is tracking gross margin, adjusted EBITDA margin operating profit margin and head count. The latter is a key driver for administrative expenses in the Company. For cash position the Company is tracking operating cashflow, runway left and cash held. Please refer to the Chief Financial Officer statement for further details. The Board considers these KPIs to be the performance measures which investors on Nasdaq First North expect to see for a company with the characteristics of Flexion Mobile.

## Events after the reporting period

Further information on events after the reporting period is set out in note 21.

## Director's interests

The interests of those Directors serving at 31 March 2019, 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] | 5,792,986 | 14.1% |
| Per Lauritzson[1] | 5,792,986 | 14.1% |
| Carl Palmstierna[2] | 3,835,000 | 9.3% |
| Claes Kalborg[2] | 134,250 | 0.3% |
| Christopher Bergstresser | - | 0.0% |
| Total | 15,555,222 | 37.8% |

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

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%.

On 02/07/2018, 03/07/2018 and 04/07/2018 Carl Palmstierna acquired 28,000, 55,020 and 16,980 ordinary shares respectively through a related entity bringing his total interest in the share capital of the Company to 9.3%.

## Substantial shareholdings

As at 31 March 2019, 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 | 11,585,972 | 28.2% | 28.2% |
| Palmstierna Invest AB | 3,735,000 | 9.1% | 37.3% |
| Industrial Equity AB | 2,332,750 | 5.7% | 43.0% |
| Avanza Pension | 2,237,682 | 5.4% | 48.4% |
| Julius Baer & Co Sweden | 1,650,000 | 4.0% | 52.4% |
| Others | 19,591,554 | 47.6% | 100.0% |
| **Total** | **41,132,958** | **100.0%** | |

## Overseas branches

The Group has one overseas branch in Budapest, Hungary.

## Capital reduction

During the year the Company carried out a capital reduction of GBP 4.0m by special resolution to comply with Companies House requirements for re-registration as a public company. As a result of the capital reduction GBP 4.0m was moved from the share premium account to the retained earnings account on the statement of financial position.

## Future Developments

The Company will continue to expand its distribution platform by utilising the momentum built up in the current financial year. This will involve signing up more games from existing and new game developers, expanding relationships with existing channels and signing up new channels. In addition, the Company will work on developing new product features and new distribution methods to capture new market opportunities and consequently increase the scope for growth beyond what feasible through traditional store distribution.

## Risks

Risks associated with the entity's use of financial instruments are disclosed in note 1 and note 18.

## Annual General Meeting (AGM)

Details of business to be conducted at this year's AGM to be held on 19 September 2019 at Chelsea Harbour Hotel, London, UK, are contained in the Notice of the Annual General Meeting which will be communicated to shareholders through mail and also presented on the company's webpage.

## Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.
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 and profit or loss of the Company 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 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; and
- 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 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Research and Development

The Company 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 Company. The Company has recognised GBP 178,062 (2018: GBP 246,939) of research and development expenditure during the year in the statement of profit or loss. The Company has recognised GBP 227,227 (GBP 92,626) of development expenditure during the year in intangible assets.

## Auditor

The board decided that a change of auditor was appropriate and accordingly a tender process was undertaken. As a result, Jeffreys Henry LLP resigned, and Grant Thornton UK LLP was formerly appointed at the last AGM on 26 September 2018 as the Company's external auditor. Grant Thornton UK LLP have also indicated their willingness to continue in office, and a resolution that they be reappointed will be put to shareholders at the next AGM.

## 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 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 Company's auditors are aware of that information.

For and on behalf of the board:

Per Lauritzson
Director
14th August 2019

# Independent Auditors' report

## Opinion

**Our opinion on the financial statements is unmodified**

We have audited the financial statements of Flexion Mobile Plc (the Company) for the year ended 31 March 2019, which comprise of the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

**Overview of our audit approach**

- Overall materiality (based on preliminary figures): £98,000, which represented 2% of the company's total revenues;
- Key audit matters were identified as:
  - Revenue recognition; and
  - Treatment and recovery of contractual minimum guarantees.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 Matters** | **How the matter was addressed in the audit** |
|---|---|
| Revenue recognition<br>The company generates revenue through its distribution platform for third party free-to-play games on the Android market. As such revenue is generated through high-volume low value transactions. Due to the nature of this revenue, there is a risk that management could fraudulently manipulate revenue through fictitious transactions.<br><br>In addition, this is the first year of adoption of IFRS 15. A key part of management's assessment for adoption of IFRS 15 included reviewing the "agent v principal" considerations and how commissions payable to channels/stores should be recognised in the financial statements. As a result of the assessment management determined that it was a principal to the end-user and therefore revenue was recorded on a gross basis.<br><br>We therefore identified revenue recognition as a significant risk which was one of the most significant assessed risks of material misstatement. | Our audit work included, but was not restricted to:<br>· An assessment of the methodology and the internal control environment relating to revenue recognition. This involved assessing the design effectiveness of controls and implementation of relevant controls in the revenue business cycle relevant to the audit as well as testing the operating effectiveness of these relevant controls. We tested the operating effectiveness of relevant controls through inquiry, observation and inspection.<br>· Obtaining a breakdown of revenue per app store for the year and comparing these amounts to cash received per bank for each store in the year.<br>· Corroborating amounts received against billing/ payment reports. Investigating significant differences and discussing with management.<br>· Obtaining management's assessment of adoption of IFRS 15 and corroborating the assessment by reading and understanding agreed terms & conditions and performance obligations in key contracts and comparing our understanding to management's assessment.<br>· checking the IFRS 15 disclosure in the financial statements by comparing it to the requirements in the financial reporting standard and the company's stated accounting policy<br><br>The Company's accounting policy on revenue is shown in note 1 to the financial statements and related disclosures are included in note 2.<br><br>**Key observations**<br>Our testing did not identify any significant deficiencies in the operation of controls which would require us to amend the nature or scope of our planned detailed testing. Overall, based on our audit work, there were no audit findings. |
| Treatment and recovery of contractual minimum guarantees<br>During the current year, the company entered into minimum guarantee contracts with certain game developers. As per the contracts, the company agreed to pay an upfront monthly minimum guarantee to be utilised/settled against the expected revenue share from the sale of the games.<br><br>We determined a significant risk around accounting treatment as to whether the arrangement involved an intangible asset or a financial instrument or a prepayment asset, and a significant judgement around the expected revenue share to the developers.<br>We therefore identified the accounting treatment and recovery of contractual minimum guarantees as a | Our audit work included, but was not restricted to:<br>· Challenging management as to whether the accounting policy for the minimum guarantee is appropriate in accordance with the financial reporting framework and testing whether the minimum guarantee has been accounted for in accordance with that policy.<br>· Obtaining the contracts, understanding the terms and conditions, the invoices received, and the amount paid.<br>· Obtaining management's forecast for expected revenue share and comparing the forecast with the pipeline and actual post year end revenue share. |

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|
| significant risk, which was one of the most significant assessed risks of material misstatement. | The company's accounting policy on the treatment and recovery of contractual minimum guarantees is shown in note 1 to the financial statements and related disclosures are included in note 20.<br><br>Key observations<br>Based on our audit work we have no observations to report in the context of the accounting treatment or expected utilisation of the minimum guarantees. |

**Our application of materiality**
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £98,000 which is 2% of total revenues. This was based on preliminary figures. This benchmark is considered the most appropriate because it is a key focus area for management and the users of the financial statements.
We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the financial statements.
We determined the threshold at which we will communicate misstatements to the audit committee to be £4,900. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds

**An overview of the scope of our audit**
Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:
- Evaluation by the audit team of identified risks to assess their significance and to determine the planned audit response based on a measure of materiality;
- Evaluation of the design, implementation and operating effectiveness of processes and controls over key financial systems identified as part of our risk assessment. This included gaining an understanding of the general IT controls, the accounts production process and the controls addressing critical accounting matters identified in our risk assessment;
- There are a number of subsidiaries however these were dormant and dissolved during the year and were therefore out of scope for the purposes of our audit.

**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 of 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.

**Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**
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 under the Companies Act 2006**
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.

**Matters on which we are required to report by exception**

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 for the financial statements**

As explained more fully in the Directors' responsibilities statement set out on page 13, 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.

**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.

Grant Thornton UK LLP.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
14th August 2019

# Statement of profit or loss and other comprehensive income
# For the year ended 31 March 2019

| | Notes | 2019 GBP | 2018 Restated* GBP |
|---|---|---|---|
| Revenue | 2 | 6,424,666 | 2,564,941 |
| Cost of sales | | (5,478,051) | (1,869,666) |
| **Gross profit** | | **946,615** | **695,275** |
| | | | |
| General and administrative expenses | 4 | (3,086,577) | (2,262,140) |
| | | | |
| Other Income | 7 | 245,910 | 685,249 |
| | | | |
| **Adjusted EBITDA**** | | **(2,072,918)** | **(1,517,835)** |
| Depreciation | | 21,251 | 21,251 |
| Amortization | | 45,793 | 27,779 |
| Other Income | | (245,910) | (685,249) |
| | | | |
| **Operating loss** | | **(1,894,052)** | **(881,616)** |
| | | | |
| Tax | 8 | 83,166 | 75,005 |
| **Loss after tax** | | **(1,810,886)** | **(806,611)** |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | | (1,810,886) | (806,611) |
| **Loss for the period** | | **(1,810,886)** | **(806,611)** |
| | | | |
| **Other comprehensive income:** | | | |
| Foreign exchange difference | | - | - |
| **Total comprehensive loss for the year** | | **(1,810,886)** | **(806,611)** |
| | | | |
| Attributable to: | | | |
| Owners of the parent | | (1,810,886) | (806,611) |
| **Loss for the year** | | **(1,810,886)** | **(806,611)** |
| | | | |
| **Loss per share:** | | | |
| Loss per share from continuing operations – basic and diluted, attributable to ordinary equity holders of the parent (p) | 9 | (4.42) | (2.46) |
| | | | |
| Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue) | 9 | 40,954,876 | 32,737,031 |

The notes on pages 22 to 37 form part of these financial statements.

*Restated – refer to note 1 and note 5 for an explanation and analysis of the prior period adjustments made in respect of the revenue, cost of sales and general and administrative expenses for the financial year ending March 2018.
** The Company defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs and other income. Adjusted EBITDA (adjusting operating profit for several non-cash items) is used by the Company for internal performance analysis to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Company

## Statement of financial position
## As at 31 March 2019

Company registration number 04306881

| | Notes | 2019<br>GBP | 2018<br>GBP |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 15,940 | 37,190 |
| Intangible assets | 11 | 347,209 | 165,776 |
| Deferred tax assets | | 9,912 | - |
| **Total non-current assets** | | **373,061** | **202,966** |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 13 | 1,458,377 | 701,280 |
| Cash and cash equivalents | | 5,988,436 | 7,358,115 |
| **Total current assets** | | **7,446,813** | **8,059,395** |
| **Total assets** | | **7,819,874** | **8,262,361** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 14 | 82,266 | 80,266 |
| Share premium | 14 | 4,957,133 | 8,703,183 |
| Other reserves | | 110,706 | 14,716 |
| Retained earnings | 16 | 91,402 | (2,097,712) |
| **Total equity** | | **5,241,507** | **6,700,453** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | - | 40,615 |
| **Total non-current liabilities** | | **-** | **40,615** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 2,578,367 | 1,521,293 |
| **Total current liabilities** | | **2,578,367** | **1,521,293** |
| **Total liabilities** | | **2,578,367** | **1,561,908** |
| **Total equity and liabilities** | | **7,819,874** | **8,262,361** |

The notes on pages 22 to 37 form part of these financial statements.

In accordance with the provisions of the Companies Act 2006-S405, the Company has not prepared group accounts because the inclusion of its subsidiary undertakings is not material for giving a true and fair view (refer to note 1 on page 22 for details).
The financial statements were approved and authorised for issue by the Board of Directors on 14 August 2019 and were signed on its behalf by:

Per Lauritzson
Director

# Statement of cash flows
# For the year ended 31 March 2019

| | Notes | 2019<br>GBP | 2018<br>Restated*<br>GBP |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss for the year — continuing operations | | (1,894,052) | (881,616) |
| **Loss for the year** | | **(1,894,052)** | **(881,615)** |
| | | | |
| Adjustments for: | | | |
| Effect of exchange rate fluctuations on cash held | | 280,067 | (124,045) |
| Finance income | | - | - |
| Share based payments | 15 | 19,721 | 3,350 |
| Depreciation of tangible assets | 10 | 21,251 | 21,251 |
| Amortisation of intangible assets | 11 | 45,795 | 27,779 |
| Grant income | 7 | (245,910) | (685,249) |
| | | | |
| Working capital: | | | |
| Change in trade and other receivables | | (590,509) | 92,706 |
| Change in trade and other payables | | 1,245,303 | 488,339 |
| **Operating cash flow** | | **(1,118,333)** | **(1,057,485)** |
| Grant payment | 7 | - | 868,951 |
| **Net cash flow from operating activities** | | **(1,118,333)** | **(188,534)** |
| | | | |
| **Cash flow from investing activities** | | | |
| Expenditure on property, plant and equipment | 10 | - | - |
| Capitalised development cost | 11 | (227,228) | (92,626) |
| Bank interest received | | - | - |
| **Net cash flow from investing activities** | | **(227,228)** | **(92,626)** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of shares | 14 | 511,900 | 5,304,183 |
| Share issue costs | 14 | (255,950) | (6,720) |
| **Net cash flow from financing activities** | | **255,950** | **5,297,463** |
| | | | |
| **Net change in cash and cash equivalents** | | **(1,089,611)** | **5,304,183** |
| Cash and cash equivalents at beginning of year/period | | 7,358,115 | 2,217,767 |
| Effect of exchange rate fluctuations on cash held | | (280.067) | 124,045 |
| **Cash and cash equivalents at end of year** | | **5,988,436** | **7,358,115** |

The notes on pages 22 to 37 form part of these financial statements.

*Restated to include a reconciling item of GBP 124,045 for the effect of exchange rate fluctuations on cash held.

# Statement of changes in equity
# For the year ended 31 March 2019

| | Notes | Share capital GBP | Share premium GBP | Share based payment reserve GBP | Retained earnings GBP | Total GBP |
|---|---|---|---|---|---|---|
| Balance at 1 April 2017 | | 1,277 | 3,484,709 | 11,366 | (1,291,101) | 2,206,251 |
| Loss for the year | | - | - | - | (806,611) | (806,611) |
| **Total comprehensive income** | | **1,277** | **3,484,709** | **11,366** | **(2,097,712)** | **1,399,640** |
| | | | | | | |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Share based payments | 15 | - | - | 3,350 | - | 3,350 |
| Bonus Issue | | 62,579 | (62,579) | - | - | - |
| Issue of share capital | 14 | 16,410 | 5,281,053 | - | - | 5,297,463 |
| **Balance at 31 March 2018** | | **80,266** | **8,703,183** | **14,716** | **(2,097,712)** | **6,700,453** |
| | | | | | | |
| Balance at 1 April 2018 | | 80,266 | 8,703,183 | 14,716 | (2,097,712) | 6,700,453 |
| Loss for the year | | - | - | - | (1,810,886) | (1,810,886) |
| **Total comprehensive income** | | **80,266** | **8,703,183** | **14,716** | **(3,908,598)** | **4,889,567** |
| | | | | | | |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Share based payments | 15 | - | - | 19,721 | - | 19,721 |
| Deferred tax on share options | | - | - | 76,269 | - | 76,269 |
| Capital restructuring | | - | (4,000,000) | - | 4,000,000 | - |
| Issue of share capital | 14 | 2,000 | 253,950 | - | - | 255,950 |
| **Balance at 31 March 2019** | | **82,266** | **4,957,133** | **110,706** | **91,402** | **5,241,507** |

The notes on pages 22 to 37 form part of these financial statements.

# Notes to the Group financial statements

## 1. Accounting policies

### Basis of preparation

The 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.

The accounting policies adopted in the preparation of the financial statements are consistent with those for the previous financial year, except for the adoption of new standards effective for the Company from 1 April 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### Description of the Business

Flexion Mobile Plc 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). The principal activity of the Company is other telecommunications activities.

### Exemption from preparing consolidated accounts

The Company is exempt from preparing consolidated financial statements under s405 (2) of the Companies Act 2006. Subsidiary undertakings may be excluded from consolidation if their sum inclusion is not material for the purpose of giving a true and fair view of the financial position of the Company.

The Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and can affect those returns through its power to direct the relevant activities of the investee (IFRS 10.6). Power arises from rights, in this case conferred from voting rights granted by equity instruments.

During the year the Company was parent to three subsidiaries which met the definition of control under IFRS 10. Each subsidiary had a reporting date of 31 March, remained dormant and was dissolved during the financial year. These entities had no material assets or liabilities and therefore no relevant activities requiring consolidation into the Company financial statements as detailed in note 12.

### Functional and presentation currency

Items included in the financial statements of the Company 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 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 recognized in the statement of profit or loss.

### New standards and amendments issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 March 2019 but were not effective at 31 March 2019 and have not been early adopted for these financial statements.

The Directors have assessed the full impact of these accounting changes on the Company and have concluded that none of these pronouncements will cause material adjustments to the Company's financial statements.

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. Instead, it introduces a single lessee accounting model where the lessee is required to recognise right of use assets and lease liabilities for leases that have a term of greater than a year. IFRS 16 will be adopted by the Company on the 1 April 2019 with the full retrospective method to provide consistency when looking at comparative results.

There is only one lease contract that is affected by the new standard which is for office space in London.

Management currently anticipate that on transition it will recognise circa GBP 0.127m in lease liabilities and circa GBP 0.125m in right of use assets (carrying value) with the difference taken to equity. The cost of this lease is presently recognised in administrative expenses; under IFRS 16 the lease expense will be replaced by a depreciation charge and interest expense.

The Company plans not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Instead, the Company plans to recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

None of the following new standards and amendments will be early adopted by the Company and will be incorporated in the preparation of the Company financial statements in accounting periods beginning on or after the effective dates noted below.

The new standards and amendments include:

| | |
|---|---|
| IFRS 3 | Business Combinations (amendment)[1,2] |
| IFRS 9 | Financial Instruments (amendment)[1] |
| IFRS 11 | Joint Arrangements (amendment)[1] |
| IFRS 16 | Leases[1] |
| IFRS 17 | Insurance contracts[3] |
| IAS 1 | Presentation of Financial Statements (amendment)[2] |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors (amendment)[2] |
| IAS 12 | Income taxes (amendment)[1] |
| IAS 19 | Employee benefits (amendment)[1] |
| IAS 23 | Borrowing Costs (amendment)[1] |
| IAS 28 | Investment in associates and joint ventures (amendment)[1] |
| IFRIC 23 | Uncertainty over income tax treatments1 |

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[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 Company.

**New standards and amendments issued**

Changes to existing standards

| | |
|---|---|
| IFRS 1 | First-time adoption of International Financial Reporting Standards |
| IFRS 2 | Share-based payments |
| IAS 28 | Investment in associates and joint ventures (amendment) |
| IAS 40 | Investment Property |

The Directors have assessed the full impact of these amendments on the Company and have concluded that none of these pronouncements will cause material adjustments to the Company's financial statements.

The Company applies, for the first time, IFRS 9 'Financial Instruments' which replaces IAS 39 'Financial instruments: Recognition and Measurement' and was adopted on 1 April 2018. The Company has assessed the credit risk around the financial instruments and expected credit losses under IFRS 9 compared to the credit loss provisioning method formerly used under IAS 39 Financial Instruments: Recognition and Measurement and has not found a material difference. As a result, prior year balances have not been restated and there has been no material impact on the Company's statement of profit or loss, statement of financial position and cash flow statement. IFRS 9 also contains new requirements on the application of hedge accounting. However, the Company does not currently employ hedge accounting.

For prior year balances the Company's management has assessed which business models apply to the financial assets and financial liabilities held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories in the table below demonstrating no material differences:

| Financial assets and liabilities | Original (IAS 39) | Measurement category New (IFRS 9) | Original Mar'18 Restated* | New Mar'18 | Carrying amounts Difference |
|---|---|---|---|---|---|
| | | | GBP | GBP | GBP |
| **Current financial assets** | | | | | |
| Cash and cash equivalents | Amortised cost | Amortised cost | 7,358,115 | 7,358,115 | - |
| Trade and other receivables | Amortised cost | Amortised cost | 510,539 | 510,539 | - |
| **Total current financial assets** | | | **7,868,654** | **7,868,654** | **-** |
| | | | | | |
| **Total financial assets** | | | **7,868,654** | **7,868,654** | **-** |
| | | | | | |
| **Current financial liabilities** | | | | | |
| Trade payables and other payables | Amortised cost | Amortised cost | 1,173,718 | 1,173,718 | - |
| **Total current financial liabilities** | | | **1,173,718** | **1,173,718** | **-** |
| | | | | | |
| **Total financial liabilities** | | | **1,173,718** | **1,173,718** | **-** |

*Restated: Please refer to note 18 for an analysis of the restatement.

**Revenue Recognition under IAS 18 Revenue**
Revenue as originally presented under IAS 18 'Revenue' for the financial year ending March 2018 was incorrectly stated. Distribution channel fees deducted at source of GBP 509,060 should have been shown in cost of sales rather than a deduction to revenue. The Company now determined, considering factors such as primary responsibility for providing the virtual goods and credit risk, it has acted as a principal to the end-user in the previous period and therefore revenue should have been recorded on a gross basis meaning distribution channel fees deducted at source should have be shown in cost of sales rather than a deduction to revenue.

As required by IAS 8, the nature and effect of this impact is disclosed below.

The adjustments to revenue and cost of sales in the statement of profit and loss are:

| | Financial year ending March 2018 As originally presented | Error Adjustment | Financial year ending March 2018 Restated |
|---|---|---|---|
| | GBP | GBP | GBP |
| Revenue | 2,055,881 | 509,060 | 2,564,941 |
| Cost of sales | (1,360,606) | (509,060) | (1,869,666) |
| **Gross Profit** | **695,275** | **-** | **695,275** |

There is no change in the treatment for existing historical subscription revenue and legacy revenue.

IAP revenue was revenue receivable from end-user transactions of sold in-application items within the games. Revenue should have represented revenue receivable by the Company in respect of end-user transactions of sold in-application items managed by the Company, less VAT, bad debt/refunds and discounts.

The Company also applies, for the first time, IFRS 15 'Revenue from Contracts with Customers'. There is limited impact on the Company's financial statements due to the application of IFRS 15.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied, and the control of goods or services is transferred.

The principles in IFRS 15 must be applied using the following 5 step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The following summarises the Company's accounting policy for revenue based on the principles of IFRS 15 for the previous and current reporting period.

**Revenue Recognition under IFRS 15**
Management has considered various factors including type of virtual goods, geographical region and sales channels and disaggregated revenue as disclosed in note 2 and 3. Management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors.

Under IFRS 15, the Company has determined that it acts as principal to the end-user as it is in control of the in-application item before it is transferred to the end-user. As the Company is acting as a principal, revenue is recorded on a gross basis meaning distribution channel fees deducted at source will, under IFRS 15, also be shown in cost of sales rather than a deduction to revenue.

The Company's revenue streams, being IAP revenue, subscription revenue and legacy revenue, are accounted for as a single performance obligation ("PO") which is the award of virtual goods to end-users. The PO is considered fulfilled when the virtual goods have been awarded and the end-users obtain control of the virtual goods. Revenue for all three revenue streams is recognised once the PO is fulfilled. End-users obtain control of the virtual goods immediately after they have made payment to the distribution channel and the virtual goods have been awarded to the end-users by the Company. At this point the distribution channel reports transactions as successful to the Company which in return records them as accrued revenue on the statement of financial position at the same time. The accrued revenue is subsequently reversed when payments are received from distributions channels and/or invoices are issued to distribution channels for revenue relating to those successful transactions.

The amount of consideration receivable by Flexion is dependent upon the number of applications and items sold to end-users. Therefore, Flexion's consideration is sales based and variable by nature. Payment terms typically vary from 30 days to 90 days between the distribution channels the Company works with. The Company offers various discounts to sales prices during certain times which are accounted for as variable consideration and deducted from the transaction price which is recognised as revenue at point in time.

The three revenue streams are explained below:

IAP revenue is revenue receivable from end-user transactions of sold in-application items within the games. Revenue represents revenue receivable by the Company in respect of end-user transactions of sold in-application items managed by the Company, less VAT, bad debt/refunds and discounts.

Existing historical subscription revenue is revenue from game applications distributed through subscription clubs to end-users. Subscription revenue represents revenue receivable by the Company in respect of end-user transactions of sold in-application items or sold applications managed by the Company, less VAT, bad debt/refunds and discounts. For certain contracts the Company receives fixed or minimum commitments from operators of subscription clubs tied to revenue thresholds related to those subscriptions. In periods where those revenue thresholds have not been met and the Company is entitled to such fixed or minimum commitment the Company recognises such commitment as revenue in the same period it relates to.

Existing historical legacy revenue is old non-strategic revenue from the sale of game applications in feature phones. The turnover represents revenue receivable by the Company in respect of end-user transactions of sold applications managed by the Company, less VAT, bad debt/refunds and discounts. Legacy revenue was actively phased out last financial year as it doesn't carry any strategic value to the Company.

Existing historical subscription revenue also includes non-material integration fees which are payable by the operator of the subscription club. Integration fees are a separate PO whereas the PO relates solely to the technical integration of the subscription club into the Company's platform. The PO is considered fulfilled once the technical integration has been carried out and the subscription club is released into the Company's production environment (a feature/integration which has been released into the production environment is considered to be usable). Integration fees are recognised once the PO is fulfilled. Integrations fees are determined on a fixed contractual fee basis with a separate and clearly identifiable transaction price. These integration fees are not dependant on the revenue performance of the subscription club.

The adoption of IFRS 15 did not have an impact on the timing of revenue recognition against the Company's previous treatment.

**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**
Intangible assets currently consist of capitalised development cost. Research costs are expensed as incurred. An intangible asset arising from development expenditure is only recognised as an intangible asset when the Company 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.

The Company capitalises development costs for R&D projects in accordance with its continuing policy. The Company 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 are satisfied that policy criteria are met, the development costs are carried as assets and amortised over the estimated useful life of 5 years. Capitalisation of costs cease and amortisation commences from the end of the month following the date at which an intangible asset is available for use, unless recognition criteria in IAS 38 are met.

As at 31 March 2019, the carrying value of internally generated software assets was GBP 347,209 (2018: GBP 165,776) and the amount of research and development costs expensed was GBP 178,062 (2018: GBP 246,939).

**Minimum Guarantees**
During the year the Company has entered into minimum guarantee ("MG") commitments with certain developers whereby the Company guarantees a minimum, pre-defined amount of revenue for certain games over a defined guarantee period. MG payments made are recorded as prepayments on the statement of financial position as the Company has the right to recover MG payments made during the guarantee period if the game's aggregated revenue generation exceeds the aggregated MG commitments. MGs are considered prepayments as the Company is being granted a non-exclusive and limited right to use the underlying intellectual property ("IP") which is not considered to give rise to an intangible asset. Recovery of the MG Payments does not represent a legal obligation towards the developers and hence do not give rise to treatment as a financial instrument, instead their future recoverability is subject to periodic impairment reviews as per the Company's accounting policy explained further below in note 1.

**Equity**
Equity instruments issued by the Company 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**
The Company reviews the carrying amounts of its non-financial assets periodically 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). All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Income tax**
Income tax comprises current tax and deferred tax. Current tax and deferred tax are recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity respectively.

**Current tax**
Current tax is the expected tax payable or receivable on the taxable profit for the year. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period. Tax receivable comprises of tax relief for research and development expenditure claims (RDEC) which is recorded in the financial period the relating research and development expenditure relates to. The resulting asset is considered to be receivable and carried on the statement of financial position until payment of such relief is received.

The Company's current tax assets and/or liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting 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.

Tax losses can be carried forward indefinitely and have no expiry date.

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 statement of profit or loss, 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 Company intends to settle its current tax assets and liabilities on a net basis.

**Grants**
Grants are recognised on a systematic basis in the statement of profit or 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 statement of profit or loss, 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 was determined by management to be the most appropriate valuation model. It 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. The assumptions used are disclosed in note 16.

**Provisions**
Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the 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.

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

**Financial instruments**

**Recognition and derecognition**
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and initial measurement of financial assets**
Trade receivables do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15. All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories based upon the purpose for which the asset was acquired:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets classified as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within general and administrative expenses.

**Non-derivative financial instruments**
Non-derivative financial instruments have fixed or determinable payments and are not quoted in an active market. They 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.

**Trade receivables**
Trade receivables are amounts due from customers for in-app items sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost (2018: amortised cost). Carrying values and expected cash flows are reviewed by the Board and any impairment charged to the statement of profit or loss in the relevant period.

**Trade payables and other non-derivative financial liabilities**
Trade payables and other creditors are non-interest bearing and are initially recognised at fair value. They are subsequently carried at amortised cost using the effective interest method and are categorised as other financial liabilities.

**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. Cash and cash equivalents are categorized as financial assets at amortised cost (2018: amortised cost).

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

**Impairment of financial assets**
The Company recognises loss allowances for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant deterioration in credit quality since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant deterioration in credit quality since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses instead of tracking changes in credit quality. The Company has established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECL are a probability-weighted estimate of credit losses. An assessment of ECL is calculated using a provision matrix model to estimate the loss rates to be applied to each trade receivable category. ECL are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**Financial instruments — Risk management**
In common with all other businesses, the Company may be exposed to risks that arise from its use of financial instruments. This note describes the Company'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 Company'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. The Company does not currently use derivative financial instruments to hedge foreign exchange exposures.

**General objectives, policies and processes**
The Board has overall responsibility for the determination of the Company'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 Company's CEO. The Board receives regular updates from management 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 Company's competitiveness and flexibility. The Company'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 Company 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 Company operates. The Company has a policy to secure medium-term needs in operational currencies using spot rates. Only in certain cases may the Company 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 Company did not enter into any foreign currency hedging instruments during the year.

**Liquidity risk**
Liquidity risk arises from the Company's management of working capital; it is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company'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 Company to finance the planned programmes. For cash and cash equivalents and deposits, the Company only uses recognised banks with high credit ratings.

**Capital risk**
The Company'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 Company's financial assets consist of cash and cash equivalents and trade and other receivables. The Company did not earn any material interest on its financial assets during the year.

**Credit risk**
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Management considers the counterparty risk to be acceptable due to the very large size of its counterparties. The Company regularly monitors its exposure to bad debts in order to minimise exposure. Credit risk on cash and cash equivalents is considered to be low as the counterparties are all substantial banks with high credit ratings.

**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.

Judgements include matters such as the determination of operating segments while estimates focus on areas such as carrying values, estimated useful lives of Intangible assets and potential obligations.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements::

**Principal versus Agent**
The Company enters into transactions with end-users whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in the process of providing the virtual items to the end-user. Factors considered in making this assessment are most notably whether the Company bears the responsibility for fulling the promise to deliver the virtual item (taking into consideration various terms and conditions from the app stores that the Company works with) and the aspect of control over the virtual item before it is transferred to the end-user. Based on above factors and using judgement, the Company has determined that it acts as principal to the end-user meaning revenue is recorded on a gross basis. Further information on the revenue treatment of the Company can be found further above in note 1.

**Minimum Guarantees**
In determining the Company's accounting policy around minimum guarantees, specifically its treatment as prepayments, management is required to form a number of judgements. As the Company under the contractual agreement with the

developers is granted a non-exclusive and limited right to use the underlying IP the Boards' judgement is that this does not give rise to an intangible asset and should instead be accounted for as a prepayment against which revenue share is utilized.

Below are sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

**Impairment of Minimum Guarantees**
The Company periodically tests whether minimum guarantees have suffered any impairment in accordance to the Company's accounting policy. Determining whether minimum guarantees are impaired requires an estimation of the recoverable amount of the asset derived by the Company. Management are required to make estimates regarding the timing and amount of future cash flows applicable to game applications with minimum guarantees obligations, based on current performance, budgets, forecasts and contract periods. In cases where management determined future cash flows to be lower than minimum guarantee obligations the difference will be recorded immediately as an impairment loss in the statement of profit or loss.

**Capitalisation of internally developed software and useful lives**
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In addition, management reviews its estimate of the useful live of internally developed software at each reporting date, based on the expected utility of the asset. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software.

## 2. Revenue

Revenue disclosed in the statement of profit or loss is analysed as follows:

| | 2019 GBP | 2018 GBP |
|---|---|---|
| IAP Revenue | 6,323,525 | 2,079,044 |
| Subscription Revenue | 95,156 | 346,070 |
| Legacy Revenue | 5,985 | 139,827 |
| **Total Revenue** | **6,424,666** | **2,564,941** |

## 3. Operating segments

The Company has a single reportable operating segment as the distribution of games.

**Geographical information:**

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Asia | 675,473 | 472,930 |
| Europe excl. United Kingdom | 1,860,925 | 563,072 |
| Middle East Africa | 51,723 | 265,295 |
| N. America | 3,279,518 | 942,160 |
| S. America | 14,619 | 22,702 |
| United Kingdom | 542,408 | 298,782 |
| **Total revenue** | **6,424,666** | **2,564,941** |

The geographical revenue information above is based on the location of the customer.

The Company is domiciled in United Kingdom and produces its income primarily in USA, Germany, United Kingdom and South Korea.

Management determined the end user to be the customer hence there is no concentration of customers.

## 4. General and administrative expenses

| | 2019 GBP | 2018 Restated* GBP |
|---|---|---|
| Total staff costs | 2,124,609 | 1,606,040 |
| Operating lease expense (net of rental income) | 150,817 | 114,918 |
| Administrative costs | 135,577 | 81,416 |
| Other overheads | 761,789 | 352,399 |
| Audit fees to external auditors | 47,000 | 17,900 |
| Depreciation | 21,251 | 21,251 |
| Amortization | 45,793 | 27,779 |
| Share based payments | 19,721 | 3,350 |
| Foreign exchange differences | (219,980) | 37,087 |
| **General and administrative expenses** | **3,086,577** | **2,262,140** |

*Restated — General and administrative expenses in the financial year ending March 2018 did not include Depreciation, Amortization and Share based payments.

## 5. Staff costs (including Directors)

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Employee Salaries | 1,470,142 | 1,173,665 |
| Contractor fees | 218,122 | 121,435 |
| Social security costs | 187,591 | 146,969 |
| Employers pension costs – defined contribution | 73,419 | 60,640 |
| Employee benefit expenses | 59,885 | 48,872 |
| Other staff related costs | 115,450 | 54,459 |
| **Total staff costs** | **2,124,609** | **1,606,040** |

**Average number of employees (including executive Directors):**

| | 2019 | 2018 Restated* |
|---|---|---|
| **Employees employed in the United Kingdom** | | |
| Administration | 11 | 9 |
| Product development | 11 | 9 |
| Sales and marketing | 10 | 8 |
| Other | 2 | 2 |
| **Total employees employed in the United Kingdom** | **34** | **28** |
| | | |
| **Employees employed through Hungarian branch** | | |
| Product Development | 3 | 2 |
| Administration | 1 | - |
| **Total Employees employed through Hungarian branch** | **4** | **2** |
| | | |
| **Total number of people employed** | **38** | **30** |

*Restated to reflect the average number of employees for the period.

## 6. Directors' remuneration

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Directors' emoluments | 205,079 | 113,899 |
| Share based payments | 2,258 | 418 |
| **Total Directors' remuneration** | **207,337** | **114,317** |

The directors did not exercise any share options during the year to 31 March 2019.

The number of Directors to whom retirement benefits are accruing under defined contribution schemes are 2 (2018: 2).

| **Remuneration for highest paid Director** | 2019 GBP | 2018 GBP |
|---|---|---|
| Directors' emoluments | 85,479 | 64,500 |
| Share based payments | 228 | 228 |
| **Total** | **85,707** | **64,728** |

## 7. Other income

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Grant income | 245,910 | 685,249 |

On 6 April 2016 the Company was awarded up to GBP 1,619,738 in grant funding from European Union's Horizon 2020 Research and Innovation Programme. The Company recognised in 2019 GBP 245,910 (2018: GBP 645,249) as grant income. The Company received no grant payments during 2019 (2018: GBP 868,951).

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

## 8. Income tax expense / (benefit)

| | 2019 GBP | 2018 GBP |
|---|---|---|
| UK corporation tax refund | (115,463) | (86,473) |
| Overseas withholding tax | 6,555 | 5,000 |
| Deferred tax | 25,742 | 6,468 |
| Other | - | - |
| **Total income tax benefit** | **(83,166)** | **(75,005)** |

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Deferred tax brought forward | 40,615 | 34,147 |
| Origination and reversal of temporary differences | (50,527) | 6,468 |
| **Total deferred tax balance** | **(9,912)** | **40,615** |

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:

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Loss on ordinary activities before taxation | (1,894,055) | (844,529) |
| **Tax at the UK corporation tax rate of 19% (2018: 19%)** | **(359,870)** | **(160,461)** |
| | | |
| Effects of: | | |
| Disallowable expenditures | (8,279) | (10,830) |
| Depreciation | 4,038 | 4,038 |
| R&D taxable | 1,660 | 2,731 |
| R&D deduction | (82,120) | (54,286) |
| Loss b/f | (129,810) | (203,563) |
| Tax surrendered for tax credit | 145,289 | 96,044 |
| Unutilised tax loss | 429,029 | 326,327 |
| Research and development tax relief | (115,463) | (86,473) |
| | | |
| **Current tax credit for the period** | **(115,463)** | **(86,473)** |
| | | |
| Differences in overseas taxation rates | 6,555 | 5,000 |
| Deferred tax effect – timing differences | 25,742 | 6,468 |
| | | |
| **Total tax credit for the period** | **(83,166)** | **(75,005)** |

The Company has estimated tax losses of GBP 3,329,764 (2018: GBP 1,717,508) to carry forward against future taxable profits.

## 9. 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) | (1,810,886) | (806,610) |
| Weighted average number of ordinary shares in issue | 40,954,876 | 32,737,031 |
| Fully diluted weighted average number of ordinary shares in issue | 40,954,876 | 32,737,031[1] |
| **Basic and diluted loss per share (GBP)** | **(4.42)** | **(2.46)** |

[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 2019 totalled 3,659,250 (2018: 2,429,500) and are potentially dilutive.

## 10. Property, plant and equipment

| | Leasehold improvement GBP | Total GBP |
|---|---|---|
| **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** |
| | | |
| **Cost** | | |
| At 1 April 2017 | 75,859 | 75,859 |
| Additions | - | - |
| Disposals | - | - |
| **At 31 March 2019** | **75,859** | **75,859** |
| | | |
| **Accumulated depreciation** | | |
| At 1 April 2018 | 38,669 | 38,669 |
| Depreciation during the period | 21,251 | 21,251 |
| **At 31 March 2019** | **59,920** | **59,920** |
| **Carrying value at 31 March 2019** | **15,939** | **15,939** |

## 11. Intangible Assets

| | Software development GBP | Total GBP |
|---|---|---|
| **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** |
| | | |
| **Cost** | | |
| At 1 April 2018 | 193,555 | 193,555 |
| Additions | 227,228 | 227,228 |
| Disposals | - | - |
| **At 31 March 2019** | **420,782** | **420,782** |
| | | |
| **Accumulated amortisation** | | |
| At 1 April 2018 | 27,779 | 27,779 |
| Amortisation during the period | 45,795 | 45,795 |
| **At 31 March 2019** | 73,574 | 73,574 |
| **Carrying value at 31 March 2019** | **347,209** | **347,209** |

## 12. Non-current assets

### Investments in subsidiaries and associates:

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Cost as at 1 April | 3 | 3 |
| Disposals | 3 | - |
| **Cost at 31 March** | **-** | **3** |
| | | |
| Impairment charge as at 1 April | - | - |
| Impairment charge | 3 | - |
| **Carrying value as at 31 March** | **-** | **3** |

### Breakdown of carrying value of investment:

All group companies have a coterminous year end.

During the year to March 2019, 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 2019 | % Holding 2018 |
|---|---|---|---|---|---|
| Flexion Limited | UK | Direct | Ordinary | N/A | 100 |
| Gamesmondo Limited | UK | Direct | Ordinary | N/A | 100 |
| Flac Limited | UK | Direct | Ordinary | N/A | 50 |

Each of these subsidiaries were dormant and were dissolved during the financial year.

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 | Dissolved [9th October 2018] | - | (1) |
| Gamesmondo Limited | Dissolved [9th October 2018] | - | (1) |
| Flac Limited | Dissolved [29th January 2019] | - | (2) |

## 13. Trade and other receivables

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Trade receivables | 8,004 | 25,122 |
| Other receivables | 800,569 | 211,876 |
| Prepayments and accrued income | 649,804 | 464,282 |
| **Trade and other receivables** | **1,458,377** | **701,280** |

Other receivables include GBP 555,025 of minimum guarantees (2018: GBP 0), GBP 116,996 (2018: GBP 86,473) of corporation tax receivable, GBP 72,992 (2018: GBP 72,992) of recoverable guarantee relating to EU grant, recoverable VAT of GBP 40,725 (2018: GBP 18,835) and GBP 14,831 (2018: GBP 33,576) of other non-material items.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Management considers the counterparty risk to be acceptable due to the very large size of its counterparties.

## 14. Share capital

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 2017** | **Opening balance** | **127,711** | **0.01** | **1,277** | **3,484,709** |
| 14 December 2017 | Bonus issue | 6,257,839 | 0.01 | 62,579 | (62,579) |
| 14 December 2017 | Share split | 31,927,750 | 0.002 | | |
| **At 31 December 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** |
| | | | | | |
| **At 1 April 2019** | | **40,132,958** | **0.002** | **80,266** | **8,703,183** |
| 16 May 2018 | Capital reduction | | | | -4,000,000 |
| 5 June 2018 | Shares issued | 1,000,000 | 0.002 | 2,000 | 253,950 |
| At 31 December 2018 | | 41,132,958 | 0.002 | 82,266 | 4,957,133 |
| | | | | | |
| **At 31 March 2019** | | **41,132,958** | **0.002** | **82,266** | **4,957,133** |

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

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.

For the share placement undertaken on 5 June 2018 the Company had transaction costs of GBP 255,950 which were netted off against the share premium account. For the share placement undertaken on 23 February 2018 the Company paid transaction costs of GBP 6,720 which were also netted off against the share premium account.

## 15. Share based payments

The Company has a share ownership compensation scheme for employees of the Company. 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. The options carry neither rights to dividends nor voting rights at shareholders meetings.

| | Number of share options 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 |
| Exercised during the year | - | - | - |
| **Balance at 31 March** | **2,429,500** | **0.44** | **14 Feb 2015** |
| **Exercisable at 31 March** | **-** | | |

| | Number of share options 2019 | Weighted average exercise price GBP 2019 | Weighted average date of issue 2019 |
|---|---|---|---|
| Balance at 1 April | 2,429,500 | 0.44 | 14 Feb 2015 |
| Lapsed during the year | 461,500 | 0.60 | 1 Feb 2018 |
| Issued during the year | 1,691,250 | 0.71 | 31 May 2018 |
| Exercised during the year | - | - | - |
| **Balance at 31 March** | **3,659,250** | **0.54** | **22 May 2016** |
| **Exercisable at 31 March** | **1,214,750** | | |

Options become exercisable subject to vesting periods and conditions. Awards made after 1 April 2018 under this share ownership scheme have a vesting period of two years after date of grant for 50% of the options and three years after the date of grant for the remaining 50% of the options. Awards made before 1 April 2018 under this share ownership scheme have a vesting period of six months after date of listing the Company on Nasdaq First North for 50% of the options and twelve months after date of listing the Company on Nasdaq First North for the remaining 50% of the options.

An option will automatically lapse if the option holder receives or is given notice of termination of employment with the Company, ceases to hold employment with the Company and, in certain circumstances, ceases to provide services to the Company unless the Directors in their absolute discretion determine otherwise..

The calculated fair value of share options and warrants charged to the Company financial statements in the year is GBP 19,721 (2018: GBP 3,350).

The fair value of equity-based share options granted is estimated at the date of grant using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected life, expected dividends, and the risk-free interest rate (based on government debentures).
The following are the inputs to the model for the options granted during the year:

| | Share options 2019 | Share options 2018 |
|---|---|---|
| Grant date fair value in GBP | 0.092 — 0.140 | 0.022 |
| Exercise price | GBP 0.55 — 0.95 | GBP 0.70 |
| Expected life | 4.25 - 6 years | 10 years |
| Expected volatility | 56.6% | 4.30% |
| Expected dividends | 0.00% | 0.00% |
| Risk-free interest rate | 1.00% - 1.36% | 1.17% |

In 2019 the expected life used in the valuation has been adjusted due to listing the shares based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. In 2018 the lapsing period was used as a basis to determine the expected life of options. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

## 16. Retained earnings

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Opening balance | (2,097,712) | (1,291,101) |
| Loss for the year | (1,810,886) | (806,611) |
| Capital reduction | 4,000,000 | - |
| **Closing balance** | **91,402** | **(2,097,712)** |

## 17. Trade and other payables

| | 2019 GBP | 2018 GBP |
|---|---|---|
| **Liabilities** | | |
| Trade payables | 366,893 | 123,076 |
| Social security and other taxes | 62,256 | 49,931 |
| Accrued expenses | 2,141,145 | 1,212,606 |
| Other payables | 8,073 | 135,680 |
| **Trade and other payables** | **2,578,367** | **1,521,293** |

## 18. Financial instruments

This note represents quantitative information about the Company's exposure to risk arising from financial instruments, specifically credit risk, liquidity risk and foreign exchange risk. Qualitative information about aforementioned risk exposure has been explained in note 1 under the Company's accounting policies. The Company does not currently use derivative financial instruments to hedge foreign exchange exposures.

**Financial instruments by category**

| | 2019 GBP | 2018 Restated* GBP |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Cash and other receivables | 5,988,436 | 7,358,115 |
| Trade and other receivables | 535,347 | 510,539* |
| **Total financial assets at amortised cost** | **6,523,783** | **7,868,654** |
| | | |
| **Total financial assets** | **6,523,783** | **7,868,654** |
| | | |
| **Financial liabilities at amortised cost** | | |
| Trade payables | 2,335,411 | 1,173,718* |
| **Total financial liabilities at amortised cost** | **2,335,411** | **1,173,718** |
| | | |
| **Total financial liabilities** | **2,335,411** | **1,173,718** |

*Trade and other receivables have been restated in the prior year period (Prior year value as reported was GBP 649,423) as corporation tax receivable (GBP 86,473), recoverable VAT (GBP 18,835) and other non-material items (GBP 33,576) were erroneously presented as financial instruments. Trade and other payables have been restated in the prior period (Prior year value as reported was GBP 1,521,293) as accrued expenses which did not meet the definition of a financial instrument under IAS 39 (GBP 161,964), advanced grants (GBP 124,992), social security and other taxes (GBP 49,931) and other non-material items (GBP 10,688) were erroneously presented as financial instruments.

## Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures from outstanding counter party receivables. Management assesses the credit quality of the counter parties, taking into account their financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of financial assets as disclosed below:

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Cash and cash equivalents[1] | 5,988,436 | 7,358,115 |
| Trade receivables | 8,004 | 25,122 |
| Other receivables[1] | 527,343 | 485,417 |
| **Total** | **6,523,783** | **7,868,654** |

[1]At 31 March 2019, GBP 1,788,850 are held in USD, GBP 205,201 are held in EUR, GBP 73,594 are held in SEK, GBP 27,978 are held in HUF, GBP 11,046 are held in PLN, GBP 10,578 are held in RUB. The majority of the remainder is held in GBP with a few smaller other currency balances.

Other receivables consist of GBP 72,992 (2018: GBP 72,992) of recoverable guarantee relating to EU grant and GBP 454,351 (2018: GBP 412,425) of accrued income that meets the definition of a financial instrument.

The Company performs an expected credit loss assessment for al trade and other receivables to calculate a provision for expected credit loss, based on historical credit loss information, current conditions and forecasts of future economic conditions. The simplified approach is used in accordance with IFRS 9. The resulting provision in respect of outstanding balances at 31 March 2019 is not material.

The Company did not have trade receivables or other receivables which are impaired or past due.

## Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

| | On demand | Within 1 year | Within 2 to 5 years |
|---|---|---|---|
| **Year ended 31 March 2019** | **GBP** | **GBP** | **GBP** |
| Trade payables | 366,893 | - | - |
| Other payables | 869,226 | 1,099,292 | - |
| **Total** | **1,236,119** | **1,099,292** | **-** |

| | On demand | Within 1 year | Within 2 to 5 years |
|---|---|---|---|
| **Year ended 31 March 2018** | **GBP** | **GBP** | **GBP** |
| Trade payables | 123,076 | - | - |
| Other payables | 453,031 | 597,612 | - |
| **Total** | **576,107** | **597,612** | **-** |

Trade payables held in currencies other than Sterling are as follows:

| Currency | 2019 GBP | 2018 GBP |
|---|---|---|
| USD | 310,187 | 44,035 |
| EUR | 12,053 | 3,090 |
| CAD | 12,821 | 12,821 |
| Other | 539 | 9,947 |
| | **335,600** | **69,893** |

## Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and SEK exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

| Monetary position at 31 March 2019 | USD rate | EUR rate | SEK rate |
|---|---|---|---|
| Change in rate | + 10% | + 10% | + 10% |
| Effect on profit before tax in GBP | - 167,113 | - 14,426 | -7,359 |
| | | | |
| Change in rate | - 10% | - 10% | - 10% |
| Effect on profit before tax in GBP | 151,921 | 13,115 | 6,690 |

| Monetary position at 31 March 2018 | USD rate | EUR rate | SEK rate |
|---|---|---|---|
| Change in rate | + 10% | + 10% | + 10% |
| Effect on profit before tax in GBP | - 373,968 | -5,952 | - 152,484 |
| | | | |
| Change in rate | - 10% | - 10% | - 10% |
| Effect on profit before tax in GBP | 339,971 | 5,411 | 138,622 |

The Company's exposure to foreign currency changes for all other currencies is not material.

### Foreign exchange risk

The Company is exposed to currency risk on sales, purchases and staff costs that are denominated in a currency other than the respective functional currency of the Company, the GBP. The main currencies in which these transactions are denominated are USD, EUR and HUF. At any point in time the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### Capital management

The Company's capital is made up of share capital, retained earnings and other reserves.

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to provide an adequate return to shareholders by pricing services in a way that reflects the level of risk involved in providing those services.

The capital structure of the Company consists of shareholders' equity as set out in the statement of changes in equity. All working capital requirements are financed from existing cash resources. The Company has no borrowings and is not subject to any covenants.

## 19. Related party transactions

Related party transactions with respect to directors' emoluments have been disclosed in note 7.

During the year to 31 March 2019, the Company obtained consultancy service from a firm over which one of the Directors exercises significant influence. The amount billed related to this consultancy service was GBP 65,000 (2018: NIL) based on arms-length market rates and was fully paid as of the reporting date.

On 02/07/2018, 03/07/2018 and 04/07/2018 Carl Palmstierna acquired 28,000, 55,020 and 16,980 ordinary shares respectively through a related entity bringing his total interest in the share capital of the Company to 9.3%.

| Compensation of key management personnel (incl. executive Directors): | 2019 | 2018 |
|---|---|---|
| | GBP | GBP |
| Short-term employee benefits | 340,179 | 237,798 |
| Share based payments | 10,460 | 1,802 |

There are no other related party transactions.

## 20. Capital commitments

During the year the Company has entered into minimum guarantee commitments with certain developers whereby the Company guarantees: a minimum, pre-defined, monthly amount of revenue to the developer over a defined guarantee period. As the Company has the right to recover any guarantee payments made over the guarantee period if the relevant game's revenue generation exceeds the guaranteed amount and Flexion's entitled revenue share, these guarantees will not be capitalized but treated as current assets subject to periodic impairment reviews. Based on the impairment reviews performed as at 31 March 2019 no impairment has been identified during the quarter.

At the year end the Company was committed to making the following minimum guarantee payments under ongoing minimum guarantees:

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Minimum guarantees which expire | | |
| Within one year | 3,359,782 | - |
| Within two to five years | 847,229 | - |
| **Total minimum guarantees** | **4,207,011** | **-** |

All minimum guarantees as of 31 March 2019 are denominated in USD. At the year end the Company was committed to making the following payments under non-cancellable operating leases:

| | 2019 GBP | 2018 GBP |
|---|---|---|
| Operating leases which expire: | | |
| Within one year | 68,063 | 90,750 |
| Within two to five years | - | 68,063 |
| **Total operating leases** | **68,063** | **158,813** |

## 21. Events after the reporting period

After the year end the Company entered into a new commitment to make the following payments under non-cancellable operating leases:

| | 2019<br>GBP |
|---|---|
| Operating leases which expire: | |
| Within one year | - |
| Within two to five years | 249,563 |
| **Total operating leases** | **249,563** |