

Flexion Mobile Ltd
Annual Report
For the year ended
31 March 2017



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Strategic Report

Chairman's Statement

I am delighted to present Flexion Mobile Limited's ("Flexion" or "Group") annual report for the year to 31 March 2017. This year was very much used to prepare the Group both technically and commercially for global expansion during the next financial year. This allowed us to cement our position as the leading distribution platform for mobile games in the fragmented Android market.

Our underlying market, mobile games, continued to grow at rapid pace. The leading industry analyst Newzoo reported that the market reached almost USD 40bn in mobile games revenues in 2016 and is expected to reach USD 65bn in 2020. The Android segment of the market is also going from strength to strength both by massive investments by the channels (app stores) and by very successful Android based mobile device manufacturers in Asia. In addition, we saw more and more interest from mobile game developers to reach outside the two overcrowded channels - Google Play & Apple App Store - to reach new users and to access alternative monetisation models. These are all factors that drive fragmentation of the mobile games market.

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

To further enhance our position, we are currently reviewing the possibility to list on Nasdaq First North; something that would provide access to capital for future growth opportunities and would give us further credibility.

Finally, I would like to thank our customers, partners and investors for your continued support and of course all our staff for the amazing efforts you have put in to drive Flexion forward.

I'm very much looking forward to the next year.

Carl Palmstierna
Non-Executive Chairman

Strategic Report

Chief Executive's Statement

The year to 31 March 2017 was one in which Flexion continued to develop and invest in its fully automated global distribution offering for freemium games.

The year started with two financially important events. We completed a GBP 2.0 million private placement. In addition, we received the first EUR 0.7 million tranche in grant funding from the European Union's Horizon 2020 Research and Innovation Programme. These two capital injections combined with our healthy (pre-funding) cash balance and moderate cash burn, allowed us to speed up both sales activities and technical development to get ready for global expansion.

During the financial year we continued with our technical developments within process automation and platform scalability. This tied in very well with our grant funding which supports parts of these efforts. Our freemium offering is now almost ready for global expansion. In addition, we started supporting a new subscription offering where we enable and enhance standard game files for various subscription offerings. This follows a strong trend in the market to develop new business models suited for consumers in emerging and fast-growing Android markets. This is a very exciting new opportunity for us and something which we will continue to expand in established and new markets. More to come on this opportunity.

In parallel to making our platform more scalable, we have worked hard to increase the number of integrated channels. This is a long-term game but we have already seen some very encouraging results in especially Far East Asia and the Middle East. In addition, we are getting close to signing some of the largest western channels. We have spent considerable time and efforts on building strategic relationships with our key channels – a very important part of our strategy as our service offering is gradually expanding to much more than just a technical integration.

We signed our first top grossing Android titles and distributed them in a limited number of channels. We saw some strong KPIs and proved that our distribution platform can meet the demand of top game developers – an important milestone for us and something that will benefit us as we expand. Our Legacy business is starting to reach its end of life with very limited impact on our profit and loss. However, it should be remembered that some of these projects were implemented 10 years ago and its positive contribution has lasted much longer than expected.

In order to prepare for expansion, we have ramped up our recruitment activities and we intend to hire in all areas of the business. Finding and recruiting talent is still one of our biggest challenges but due to a very active recruitment strategy we have managed to expand both our teams in Budapest and London. In important international markets we will also work with local partners and we have already teamed up with partners in Japan, Korea, the USA and the Middle East.

Next year will be a very exciting year for us when some of our hard work and investment will start generating visible results. This is something we are all looking forward to as we continue our mission to become the leading game distribution platform for developers.

Jens Lauritzson
Chief Executive Officer

Strategic Report

Chief Financial Officer's Statement

The 12 months financial year ending 31 March 2017 represented a period of continued technological development and additional channel integrations to make the company ready for global expansion. The key financial objective was to control costs and available cash. Due to a combination of capital injections, tight control of costs, strong working capital management and some additional contribution from revenue growth we managed to keep this objective allowing us to be in a very well placed position for further growth in the next financial year.

Income Statement Review (Group)

Total Revenue for the financial year increased from GBP 0.86m to GBP 1.37m equal to an annual growth of 59.0%. The primary driver for this growth was Content Revenues (revenues from Android game purchases and Android in-app purchases) which grew from GBP 0.23m to GBP 0.79m over the year equal to a 230.5% annual growth. Our new revenue group Subscription Revenue (revenues from games downloaded from subscription stores) grew from GBP 0.12m to GBP 0.24m over the year representing a 107.7% annual growth. Legacy Revenue (old feature phone revenue and other non-strategic revenue) fell in line with expectations from GBP 0.51m to GBP 0.36 equal to a 29.4% fall.

Gross Profit grew from GBP 0.46m to GBP 0.49m equalling a 5.1% increase. The main reason why the Gross Profit did not grow in line with Total Revenue was that the mature Legacy Revenues has a higher margin than the relatively new Content Revenue and Subscription Revenue. i.e. your negotiation power increases over the life cycle of a product offering.

General and Administrative Expenses grew in line with expectations from GBP 1.58m to GBP 1,81m as we took on more staff to increase both technical development and channel integrations. The Operating Loss grew from GBP 1.21m to GBP 1.33m but mainly due to the GBP 0.64m EU Grant Funding our Loss Before Tax reduced from GBP 1.12m to GBP 0.69m. In addition, we were able to secure GBP 0.10m in R&D Tax Relief.

Cash flow and Financial Position Review (Group)

We saw a positive effect of GBP 0.46m from working capital during the year resulting in a negative Net Cash flow From Operating Activities of GBP 0.21m. This is a GBP 0.49m improvement from last year. The Net Change in Cash and Cash Equivalents was minus GBP 0.38m compared to a positive GBP 1.12m in the last year. The Cash and Cash Equivalents were GBP 2.22m as of the end of the year. This includes the first tranche of the EU Grant of which another GBP 1.02m is available subject certain conditions in the EU Grant Agreement and FX movements.

Niklas Koresaar
Chief Financial Officer

For and on behalf of the board:



Claes Kalborg
Director

Date: 22nd December 2017

GROUP DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 31 March 2017.

Results and dividends

The Group loss after tax for the year ended 31 March 2017 amounts to £647,406 (2016: £853,800). The Directors are not recommending payment of a final dividend for the year (2016: £nil).

Directors

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

Carl Palmstierna
Claes Kalborg
Jens Lauritzson
Per Lauritzson

Going concern

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

Events after the reporting period

Further information on events after the reporting period is set out in Note 25.

Principal risks and uncertainties

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

A key risk that the company is monitoring very closely is the cash flow risk as described above. The Group is also actively pursuing new sources of capital to meet future expected sales related cash needs for global expansion. The board is comfortable with that the Group can secure required funding. Other financial risks have been described in Note 22.

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

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

GROUP DIRECTORS' REPORT

its Hungarian branch. Several members of the Group's management team are also non-UK European but as they all have been living in the UK for a considerable time, they are likely to be allowed to remain in the UK. Another main risk is a reduced capital availability within the UK. The Group is mitigating this risk by looking at sourcing capital both within the UK and within the EU. In addition, the Group is reviewing the possibility to access the European public investor community by listing in non-UK European market. Brexit related FX risk is dealt with in Note 22 under general FX risk.

Overseas branches

The Group has one overseas branch in Hungary/Budapest.

Directors' responsibilities

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

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

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent; and
- state whether the Group and Company financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

Research and Development

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

Auditors


The Board has re-appointed Jeffrey's Henry LLP as auditors of the Group and Company with authority from the shareholders. Jeffrey's Henry LLP have expressed their willingness to accept this appointment.

GROUP DIRECTORS' REPORT

Disclosure of information to the auditors

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

For and on behalf of the board:



Claes Kalborg
Director

Date: 22nd December 2017

INDEPENDENT AUDITORS' REPORT

Independent Auditors' report to the members of Flexion Mobile Ltd

We have audited the financial statements of Flexion Mobile Ltd for the year ended 31 March 2017, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out in the Group Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all financial and non-financial information in the Strategic Report and Group Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, of the state of the Group's and Parent Company's affairs as at 31 March 2017 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

INDEPENDENT AUDITORS' REPORT

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and in the Group Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Group Directors' Report has been prepared in accordance with the legal requirements.

In addition, in light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Group Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for audit have not been received from branches not visited by us; or
- the parent company's 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.

SACHIN RAMAIYA

(SENIOR STATUTORY AUDITOR)

For and on behalf of Jeffreys Henry LLP, Chartered Accountants, Statutory Auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

Date: 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

| | Notes | 2017 £ | 2016 ¹ £ |
|---|-------|--------------------|------------------------|
| Revenue | 3 | 1,372,799 | 863,532 |
| Cost of Sales | 4 | (886,002) | (400,304) |
| Gross Profit | | 486,797 | 463,228 |
| General and Administrative Expenses | 6 | (1,811,853) | (1,584,395) |
| Share Based Payments | 17 | (11,366) | - |
| Operating Loss | 5 | (1,336,422) | (1,121,167) |
| Other Income | 9 | 642,645 | - |
| Finance Income | | - | - |
| Loss Before Tax | | (693,777) | (1,121,167) |
| Tax | 10 | 55,661 | 183,461 |
| Loss After Tax | | (638,116) | (937,706) |
| Attributable to: | | | |
| Equity holders of the parent | | (638,116) | (937,706) |
| Non-controlling interests | | - | - |
| Loss for the year | | (638,116) | (937,706) |
| Exchange translation differences | | (9,290) | 83,906 |
| Total comprehensive loss for the year | | (647,406) | (853,800) |
| Attributable to: | | | |
| Owners of the parent | | (647,406) | (853,800) |
| Non-controlling interests | | - | - |
| | | (647,406) | (853,800) |
| Loss per share: | | | |
| Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (£) | 11 | (5.07) | (6.89) |

1 - The comparatives have been restated to reflect the reclassification due to the transition to IFRS. The changes in presentation and the circumstances surrounding them are described in Note 2 – Accounting policies and Note 24.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

| | Notes | 2017 £ | Group 2016 £ | 2015 £ | Company | | |
|--------------------------------------|-------|------------------|--------------------|------------------|------------------|------------------|------------------|
| | | | | | 2017 £ | 2016 £ | 2015 £ |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| Property, plant and equipment | 12 | 58,441 | 1,966 | 5,688 | 58,441 | 1,966 | 5,688 |
| Intangible assets | 13 | 100,929 | - | - | 100,929 | - | - |
| Investments | 14 | - | - | - | 3 | 3 | 3 |
| Total Non-Current Assets | | 159,370 | 1,966 | 5,688 | 159,373 | 1,969 | 5,691 |
| Current Assets | | | | | | | |
| Trade and other receivables | 15 | 727,926 | 752,576 | 965,066 | 727,926 | 752,576 | 965,066 |
| Cash and cash equivalents | | 2,217,767 | 2,609,734 | 1,404,167 | 2,217,767 | 2,609,734 | 1,404,167 |
| Total Current Assets | | 2,945,693 | 3,362,310 | 2,369,233 | 2,945,693 | 3,362,310 | 2,369,233 |
| Total Assets | | 3,105,063 | 3,364,276 | 2,374,921 | 3,105,066 | 3,364,279 | 2,374,924 |
| Equity and Liabilities | | | | | | | |
| Equity | | | | | | | |
| Share capital | 16 | 1,277 | 1,277 | 1,150 | 1,277 | 1,277 | 1,150 |
| Share premium | 16 | 3,484,709 | 3,489,752 | 1,499,850 | 3,484,709 | 3,489,752 | 1,499,850 |
| Other reserves | 17 | 11,366 | - | - | 11,366 | - | - |
| Retained earnings | 18 | (1,291,101) | (643,695) | 210,105 | (1,291,101) | (643,695) | 210,105 |
| Total Equity | | 2,206,251 | 2,847,334 | 1,711,105 | 2,206,251 | 2,847,334 | 1,711,105 |
| Non-Current Liabilities | | | | | | | |
| Deferred Tax liabilities | | 34,147 | - | - | 34,147 | - | - |
| Total Non-Current Liabilities | | 34,147 | - | - | 34,147 | - | - |
| Current Liabilities | | | | | | | |
| Trade and other payables | 19 | 864,665 | 516,942 | 663,816 | 864,668 | 516,945 | 663,819 |
| Total Current Liabilities | | 864,665 | 516,942 | 663,816 | 864,668 | 516,945 | 663,819 |
| Total Liabilities | | 898,812 | 516,942 | 663,816 | 898,815 | 516,945 | 663,819 |
| Total Equity and Liabilities | | 3,105,063 | 3,364,276 | 2,374,921 | 3,105,066 | 3,364,279 | 2,374,924 |

The comparatives have been restated to reflect the transition to IFRS. The changes in presentation and the circumstances surrounding them are described in Note 2 Accounting Policies and Note 24.

The financial statements were approved and authorised for issue by the Board of Directors on 22 December 2017 and were signed on its behalf by:



Claes Kalborg
Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

| | Notes | Group | | Company | |
|---|-------|------------------|--------------------|------------------|--------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | £ | £ | £ | £ |
| Cash Flows From Operating Activities | | | | | |
| Loss for the year – continuing operations | | (693,777) | (1,121,167) | (693,777) | (1,121,167) |
| Loss For The Year | | (693,777) | (1,121,167) | (693,777) | (1,121,167) |
| Finance income | | - | - | - | - |
| Share based payments | 17 | 11,366 | - | 11,366 | - |
| Depreciation of tangible assets | 12 | 17,418 | 3,690 | 17,418 | 3,690 |
| Working capital adjustments: | | | | | |
| Change in trade and other receivables | | 109,091 | 586,669 | 109,091 | 586,669 |
| Change in trade and other payables | | 348,017 | (164,414) | 348,017 | (164,414) |
| Net Cash Flow From Operating Activities | | (207,885) | (695,222) | (207,885) | (695,222) |
| Cash Flow From Investing Activities | | | | | |
| Expenditure on property, plant and equipment | 12 | (73,863) | - | (73,863) | - |
| Capitalised development costs | 13 | (100,929) | - | (100,929) | - |
| Bank interest received | | - | - | - | - |
| Net Cash Flow From Investing Activities | | (174,792) | - | (174,792) | - |
| Cash Flow From Financing Activities | | | | | |
| Net proceeds from issue of equity instruments | 16 | - | 1,816,883 | - | 1,816,883 |
| Net Cash Flow From Financing Activities | | - | 1,816,883 | - | 1,816,883 |
| Net Change In cash And Cash Equivalents | | (382,677) | 1,121,661 | (382,677) | 1,121,661 |
| Net foreign exchange difference | | (9,290) | 83,906 | (9,290) | 83,906 |
| Cash and cash equivalents at beginning of year | | 2,609,734 | 1,404,167 | 2,609,734 | 1,404,167 |
| Cash And Cash Equivalents At End of Year | | 2,217,767 | 2,609,734 | 2,217,767 | 2,609,734 |

1 - The comparatives have been restated to reflect the transition to IFRS. The changes in presentation and the circumstances surrounding them are described in Note 2 – Accounting policies and Note 23.

**GROUP AND COMPANY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

| | Notes | Share capital £'000 | Share premium £'000 | Share based payment reserve £'000 | Retained earnings £'000 | Foreign currency translation reserve £'000 | Total £'000 | Non- controlling interests £'000 | Total equity £'000 |
|--------------------------------------|-------|------------------------|------------------------|--|-------------------------------|--|------------------|---|-----------------------|
| Balance at 1 April 2015 | | 1,150 | 1,499,850 | - | 210,105 | - | 1,711,105 | - | 1,711,105 |
| Loss for the year | | - | - | - | (853,800) | - | (853,800) | - | (853,800) |
| Foreign exchange translation reserve | | - | - | - | - | - | - | - | - |
| Total Comprehensive Income | | 1,150 | 1,499,850 | - | (643,695) | - | 857,305 | - | 857,305 |
| Other movements | | - | - | - | - | - | - | - | - |
| Shares based payments | 17 | - | - | - | - | - | - | - | - |
| Issue of share capital | 16 | 127 | 1,989,902 | - | - | - | 1,990,029 | - | 1,990,029 |
| Balance At 31 March 2016 | | 1,277 | 3,489,752 | - | (643,695) | - | 2,847,334 | - | 2,847,334 |
| Balance at 1 April 2016 | | 1,277 | 3,489,752 | - | (643,695) | - | 2,847,334 | - | 2,847,334 |
| Loss for the year | | - | - | - | (647,406) | - | (647,406) | - | (647,406) |
| Foreign exchange translation reserve | | - | - | - | - | - | - | - | - |
| Total Comprehensive income | | 1,277 | 3,489,752 | - | (1,291,101) | - | 2,199,928 | - | 2,199,928 |
| Shares based payments | 17 | - | - | 11,366 | - | - | 11,366 | - | 11,366 |
| Issue of share capital | 16 | - | (5,043) | - | - | - | (5,043) | - | (5,043) |
| Balance At 31 March 2017 | | 1,277 | 3,484,709 | 11,366 | (1,291,101) | - | 2,206,251 | - | 2,206,251 |

1 General information

Flexion Mobile Ltd (the "Company") is a company incorporated 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.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiaries (together the "Group" or "Flexion"). The consolidated financial statements of the Group and the individual financial statements of the Company are prepared in accordance with applicable UK law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Directors consider that the financial information presented in these Financial Statements represents fairly the financial position, operations and cash flows for the period, in conformity with IFRS. This is the first year the Company has prepared financial statements under IFRS and a reconciliation of differences in accounting from the previous UK GAAP is shown in Note 24. The group has taken Section 408 under the Companies Act 2006 that no Company's Statement of Profit or Loss is presented.

Consolidation

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

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

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

Comparative Information

There have been a number of developments which have changed the presentation of the comparative information and these are summarised in Note 24.

Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary

assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in accounting policies and disclosures

The accounting policies have changed in the current and prior years. New standards and amendments to IFRS effective as of 1 April 2016 have been reviewed by the Group. These standards and amendments principally relate to clarifications and presentation and there has been no material impact on the financial statements as a result. The new standards include:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRSs: Annual Improvements 2012-2014 Cycle
- Disclosure Initiative (Amendments to IAS1)
- Amendment to IAS27: Equity Methods in Separate Financial Statements
- Amendment to IFRS 11: Accounting for Acquisitions of Interest in Joint Ventures
- Clarification of Acceptable Methods of Depreciation and Amortisation: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception.

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 March 2017 but were not effective at 31 March 2017 and have not been adopted for these Financial Statements. The Directors have assessed that the most important of these are IFRS 15, Revenue from contracts and customers and IFRS 16 is not expected to have a significant impact on the Group's net result on net assets, although the full impact will be subject to further assessment the impact of IFRS 15 is still being assessed by the Directors of these accounting changes on the Company.

The new standards include:

| | |
|---------------------------|---|
| IFRS 9 | Financial Instruments ² |
| IFRS 15 | Revenue from Contracts with Customers ² |
| IFRS 16 | Leases ³ |
| Improvements to IFRSs | Annual Improvements 2014-2016 Cycle ^{2,3} |
| Amendments to IAS 12 | Recognition of deferred tax assets for unrealised losses ¹ |
| Amendments to IAS 7 | Disclosure Initiative ¹ |
| Clarifications to IFRS 15 | Revenue from Contracts with Customers ² |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions ² |
| IFRIC 23 | Uncertainty over Income Tax Treatments ³ |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration ² |

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

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.

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

Principal accounting policies

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

Business combinations

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment comprises leasehold improvements for the lease which expire on 31 December 2019. Depreciation is charged on a straight-line basis to reflect the economic life of the lease.

Intangible fixed assets

Intangible fixed assets are development expenditure which is only capitalised as an intangible asset if the development costs can be reliably measured and is expected to result in completed technology which will add economic benefit to the Group.

Development expenditure is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation 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.

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

At each statement of financial position date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Income tax

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

Deferred tax

Deferred tax is recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intends to settle its current tax assets and liabilities on a net basis.

Grants

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

Grants are recognized on a systematic basis in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute. Grant contributions towards fixed assets are recognized over the expected useful economic lives of the related assets. Grants 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 recognized as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

Provisions

Provisions are recognized when the Group and Company has a present obligation as a result of a past event, and it is probable that the Group and Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Financial instruments

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

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

Fair values

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

Trade payables and other non-derivative financial liabilities

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

Cash and cash equivalents

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

Revenue Recognition

The company's turnover (Revenue) is derived from the revenue streams Distribution Revenue and Legacy Revenue. Distribution Revenue further comprises of Content Revenue and Subscription Revenue.

Content Revenue, which includes In-app purchases and purchases of game applications directly. In-app purchases are typically purchases of items within the game application where the download of the game application is free (freemium games). The turnover represents revenue receivable by the company in respect of end-user transactions of sold in-application items managed by the Group, less VAT, billing transaction costs, local taxes, bad debt/refunds and store based fees deducted at source. For purchases of game applications directly the items within the game application are free (premium games). The turnover represents revenue receivable by the company in respect of end-user transactions of sold applications managed by the company, less VAT, billing provider fees, local taxes, bad debt/refunds and store based fees deducted at source. Content Revenue may also include upfront

integration fees and recurring service charges recognized and recorded in the period when the service / integration is carried out. Content Revenue is recognized when transactions are deemed to be successful and recorded as accrued income on the balance sheet. The accrued income is subsequently reversed when the revenue is invoiced.

Subscription Revenue is typically revenue from game application distributed in subscription clubs. It is recognized when an end-user subscribes for the service and recorded as accrued income on the balance sheet. The accrued income is subsequently reversed when the revenue is invoiced. The turnover represents revenue receivable by the Group less VAT, billing provider fees, local taxes, bad debt/refunds and store based fees deducted at source.

Legacy Revenue is typically older non-strategic revenue including revenue from purchases or subscription fees 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, billing provider fees, local taxes, bad debt/refunds and store based fees deducted at source. Legacy Revenue is recognized when transactions are deemed to be successful and recorded as accrued income on the balance sheet. The accrued income is subsequently reversed when the revenue is invoiced.

Cost of sales

The company's cost of sales is typically a percentage of revenue paid out to game developers and sometimes to stores as per contractual terms. Costs are recognised in the same period as the related revenues.

Development Costs

The Group has in this financial year started to capitalise development costs to present its profit and loss statement more in line with industry practice. The Group carries out detailed analyses of its development management tool and development hours recorded in this system it identify cost that qualifies as development costs under IFRS. This to avoid capitalising any research costs which is not to be capitalised under IFRS. Development costs are determined by the management's review of the Group's development of management tools.

3 Segmental information

The Group's primary revenue reporting format was determined by the traffic segments according to its sales. At 31 March 2017, there were two reporting segments: Distribution Revenue and Legacy Revenue. An additional geographical segment information is presented in the table further below.

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

| | 2017 | 2016 |
|---|------------------|----------------|
| | £ | £ |
| Revenue Breakdown | | |
| Distribution Revenue ¹ | 1,036,823 | 357,465 |
| Legacy Revenue | 335,976 | 506,067 |
| Total group revenue excl. EU Grant | 1,372,799 | 863,532 |

¹Of which Content Revenue represented £792,374 in 2017 and £239,753 in 2016 and Subscription Revenue represented £244,449 in 2017 and £117,712 in 2016.

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

| | 2017 | 2016 |
|---|------------------|----------------|
| | £ | £ |
| Geographical Breakdown | | |
| United Kingdom | 259,827 | 277,532 |
| Europe | 328,835 | 473,147 |
| Asia | 715,211 | 79,637 |
| Other | 68,927 | 33,216 |
| Total group revenue excl. EU Grant | 1,372,799 | 863,532 |

4 Cost of Sales

| | 2017 | 2016 |
|----------------------------------|----------------|----------------|
| | £ | £ |
| Cost of Sales Breakdown | | |
| Distribution Cost of Sales | 706,288 | 157,993 |
| Legacy Cost of Sales | 179,714 | 242,311 |
| Total group Cost of Sales | 886,002 | 400,304 |

5 Operating loss

| | 2017 | 2016 |
|---|-------------|-------------|
| | £ | £ |
| Operating loss is stated after charging/(crediting): | | |
| Directors' emoluments | 112,446 | 109,532 |
| Services provided by the Company's auditors: | | |
| – Audit fees and expenses | 11,750 | 6,000 |
| – Tax compliance | 1,500 | 1,500 |
| Foreign currency (gain)/loss | 9,290 | (83,906) |
| Depreciation of tangible assets | 17,418 | 3,690 |
| Share Based Payments | 11,366 | - |

6 General and Administrative Expenses

| | 2017 | 2016 |
|--|------------------|------------------|
| | £ | £ |
| Staff costs | 1,389,188 | 1,282,260 |
| Premises | 130,005 | 64,878 |
| Cost of administrations | 48,427 | 38,459 |
| Depreciation | 17,418 | 3,690 |
| Other overheads | 226,815 | 195,108 |
| General and Administrative Expenses | 1,811,853 | 1,584,395 |

7 Staff costs (including directors)

| | 2017 | 2016 |
|---------------------------|------------------|------------------|
| | £ | £ |
| Salaries | 1,055,639 | 1,006,034 |
| Contractor fees | 54,567 | 30,901 |
| Employers NI | 140,658 | 117,141 |
| Employers pension | 54,814 | 50,956 |
| Other staff benefits | 38,860 | 33,264 |
| Other staff related costs | 44,650 | 43,964 |
| Employment Costs | 1,389,188 | 1,282,260 |

| Number of employees (including executive Directors) | 2017 | 2016 |
|---|-----------|-----------|
| UK Based Employees | | |
| Administration | 8 | 7 |
| Sales and marketing | 4 | 4 |
| Product development | 10 | 11 |
| Other | 2 | 1 |
| Number of Employees in UK | 24 | 23 |
| Hungary | | |
| Product development | 2 | 1 |
| Number of Employees in Hungary | 2 | 1 |
| Number of people employed | 26 | 24 |

8 Directors' emoluments

| | 2017 | 2016 |
|---|----------------|----------------|
| | £ | £ |
| Aggregate Directors' emoluments including consulting fees | | |
| Wages and salaries | 112,446 | 109,953 |
| Social Security costs | 12,500 | 12,472 |
| Directors' Emoluments | 124,946 | 122,425 |

9 Other income

| | 2017 | 2016 |
|--------------|---------|------|
| | £ | £ |
| Grant income | 642,645 | - |

On 6 April 2016 the Group was awarded £1,619,738 in grant funding from European Union's Horizon 2020 Research and Innovation Programme. The Company recognised in 2017 £642,645 as grant income. The amount of cash the Company received during 2017 was £566,908.

10 Income tax Expense / (Benefit)

| | 2017 | 2016 |
|---------------------------------------|-----------------|------------------|
| | £ | £ |
| UK corporation tax | (94,885) | (196,536) |
| Overseas withholding tax | 3,513 | 13,075 |
| Deferred tax | 34,147 | - |
| Other | 1,564 | - |
| Income Tax Expense / (Benefit) | (55,661) | (183,461) |

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:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Loss on ordinary activities before taxation | (693,777) | (1,121,168) | (693,777) | (1,121,168) |
| Tax at the UK corporation tax rate of 20% | (138,755) | (224,234) | (138,755) | (224,234) |
| Effects of: | | | | |
| Disallowable expenditures | (17,306) | 2,094 | (17,306) | 2,094 |
| Depreciation | 3,484 | 738 | 3,484 | 738 |
| Non-trade loan relationship credits | 1,856 | - | 1,856 | - |
| Net capital allowance | (497) | (393) | (497) | (393) |
| R&D taxable | 4,247 | - | 4,247 | - |
| R&D deduction | (60,730) | (153,222) | (60,730) | (153,222) |
| Loss b/f | (114,022) | (9,577) | (114,022) | (9,577) |
| Set against total profits | - | 16,022 | - | 16,022 |
| Tax surrendered for tax credit | 107,446 | 271,085 | 107,446 | 271,085 |
| Unutilised tax loss | 214,277 | 114,022 | 214,277 | 114,022 |
| Net non-trade loan relationship credit | - | (16,535) | - | (16,535) |
| Previously unused non-trading deficit | - | - | - | - |
| Research and development tax relief | (94,885) | (196,536) | (94,885) | (196,536) |
| Differences in overseas taxation rates | 3,513 | 13,075 | 3,513 | 13,075 |
| Deferred tax effect – timing differences | 34,147 | - | 34,147 | - |
| Other Items | 1,564 | - | 1,564 | - |
| Current tax charge / (credit) for the period | (55,661) | (183,460) | (55,661) | (183,460) |

The Group has estimated tax losses of £1,071,386 (2016: £570,109) to carry forward against future taxable profits.

11 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:

| | 2017 | 2016 |
|---|---------------|---------------|
| Loss after tax attributable to equity holders of the parent | (647,406) | (853,800) |
| Weighted average number of ordinary shares in issue | 127,711 | 123,886 |
| Fully diluted weighted average number of ordinary shares in issue | 127,711 | 123,886 |
| Basic and diluted loss per share (£) | (5.07) | (6.89) |

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 share options outstanding as at 31 March 2017 totalled 9,727 (2016: 8,604) and are potentially dilutive.

12 Property, plant and equipment – Group and company

| | Leasehold improvement £ | Total £ |
|-------------------------------------|-------------------------------|---------------|
| Cost | | |
| At 1 April 2015 | 17,084 | 17,084 |
| Additions | 1,996 | 1,996 |
| Disposals | (17,084) | (17,084) |
| At 31 March 2016 | 1,996 | 1,996 |
| Accumulated depreciation | | |
| At 1 April 2015 | 11,396 | 11,396 |
| Charge in year | 3,690 | 3,690 |
| Disposals | (15,086) | (15,086) |
| At 31 March 2015 | - | - |
| Carrying value 31 March 2016 | 1,996 | 1,996 |
| Cost | | |
| At 1 April 2016 | 1,996 | 1,996 |
| Charge in year | 73,863 | 73,863 |
| At 31 March 2017 | 75,859 | 75,859 |
| Accumulated depreciation | | |
| At 1 April 2016 | - | - |
| Charge in year | 17,418 | 17,418 |
| At 31 March 2017 | 17,418 | 17,418 |
| Carrying value 31 March 2017 | 58,441 | 58,441 |

13 Intangible Assets

| | Software Development £ | Total £ |
|-------------------------------------|------------------------------|----------------|
| Cost | | |
| At 1 April 2016 | - | - |
| Additions | 100,929 | 100,929 |
| At 31 March 2017 | 100,929 | 100,929 |
| Amortisation | | |
| At 1 April 2016 | - | - |
| Charge in year | - | - |
| At 31 March 2017 | - | - |
| Carrying value 31 March 2017 | 100,929 | 100,929 |

The Group started to capitalise development expenditures in the financial year ending 31 March 2017.

14 Non-current assets

Investments in subsidiaries and associates:

| | Group | | Company | |
|--------------------------------------|-----------|-----------|-----------|-----------|
| | 2017 £ | 2016 £ | 2017 £ | 2016 £ |
| Cost as at 1 April | - | - | 3 | 3 |
| Additions | - | - | - | - |
| Cost at 31 March | - | - | 3 | 3 |
| Impairment as at 1 April | - | - | - | - |
| Impairment charge | - | - | - | - |
| Impairment at 31 March | - | - | - | - |
| Carrying value as at 31 March | - | - | 3 | 3 |

Break down of carrying value of investment:

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

| Subsidiary companies | Incorporation | Holding | Type of share held | % | % |
|----------------------|---------------|---------|--------------------|-----------------|-----------------|
| | | | | Holding 2017 | Holding 2016 |
| Flexion Limited | UK | Direct | Ordinary Shares | 100 | 100 |
| Games Mondo Ltd | UK | Direct | Ordinary shares | 100 | 100 |
| Flac Ltd | UK | Direct | Ordinary shares | 50 | 50 |

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

| Company | Capital and Reserves | Profit(loss) For the year |
|---------------------|-------------------------|------------------------------|
| Flexion Limited | 1 | - |
| Games Mondo Limited | 1 | - |
| Flac Limited | 2 | - |

15 Trade and other receivables

| | 2017 | 2016 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Trade receivables | 74,081 | 137,421 |
| Loss: provision for the payment | - | (95,771) |
| Other receivables | 242,811 | 452,098 |
| Prepayments and accrued income | 411,034 | 258,828 |
| Trade and other receivables | 727,926 | 752,576 |

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

16 Share capital

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

| Ordinary Shares (£0.001) | | | Total | Total |
|--------------------------|----------------------------|---------------------|-----------------------|-----------------------|
| Date | Details | Number of shares | Share Capital £ | Share Premium £ |
| At 1 April 2015 | Opening balance | 115,000 | 1,150 | 1,499,850 |
| | New share issue | 12,711 | 1,277 | 1,989,902 |
| At 31 March 2016 | | 127,711 | - | 3,489,752 |
| | Movements in share premium | - | - | 1,277 (5,043) |
| At 31 March 2017 | | 127,711 | 1,277 | 3,484,709 |

17 Share based payments

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

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

| | Number of Share Options 2016 | Weighted Average Exercise Price 2016 | Weighted Average Date of Issue 2016 |
|----------------------------|---|---|--|
| Balance at 1 April | 6,103 | £86.75 | 4 Dec 2013 |
| Lapsed during the year | 232 | £93.19 | 7 May 2015 |
| Issued during the year | 2,733 | £100.00 | 31 Jul 2015 |
| Balance at 31 March | 8,604 | £90.79 | 9 Jun 2014 |

| | Number of Share Options 2017 | Weighted average exercise price 2017 | Weighted Average Date of Issue 2017 |
|----------------------------|---|---|--|
| Balance at 1 April | 8,604 | £90.79 | 9 Jun 2014 |
| Lapsed during the year | 636 | £93.84 | 11 Aug 2015 |
| Issued during the year | 1,759 | £167.09 | 27 Nov 2016 |
| Balance at 31 March | 9,727 | 104.39 | 15 Nov 2014 |

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

The fair value of equity based share options granted is estimated at the date of grant using the Black-Scholes pricing model. The Board recognises that it is difficult to price American style options for a private company where the defined exercisable events are dependent on external factors. The calculated fair value of share options and warrants charged to the Group and Company financial statements in the year is £11,366 (2016: £ Nil). The total fair value of the share options granted during 2017 is £5.61.

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

| | Share Options 2017 | Share Options 2016 |
|------------------------|-------------------------------|-------------------------------|
| Strike price | £156.00 | £100.00 |
| Total units | 1,759 | 2,733 |
| Underlying asset price | £156.00 | £100.00 |
| Time (Years) | 10 | 10 |
| Volatility | 3.6% | 3.6% |
| Interest rate p.a. | 1.17% | 1.20% |

18 Retained earnings - Group and Company

| | 2017 | 2016 |
|---|--------------------|------------------|
| | £ | £ |
| Opening balance | (643,695) | 210,105 |
| Loss for the year | (647,406) | (853,800) |
| Transfer from share based payment reserve | - | - |
| Closing balance | (1,291,101) | (643,695) |

In accordance with the provisions of the Companies Act 2006, the Company has not presented a statement of profit or loss and other comprehensive income. The Company's loss for the year was £647,406 (2016: loss £853,800).

19 Trade and other payables

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Assets | £ | £ | £ | £ |
| Trade payables | 65,984 | 19,567 | 65,984 | 19,567 |
| Social Security and other taxes | 37,240 | 35,043 | 37,240 | 35,043 |
| Other payables | 65,790 | 96,577 | 65,793 | 96,580 |
| Accrued expenses | 695,651 | 365,755 | 695,651 | 365,755 |
| Trade and other payables | 864,665 | 516,942 | 864,668 | 516,945 |

20 Financial instruments by category

| | 2017 | 2016 |
|-----------------------------|-----------|-----------|
| | £ | £ |
| Assets | | |
| Trade and other receivables | 727,926 | 752,576 |
| Cash and other receivables | 2,217,767 | 2,609,734 |
| Liabilities | | |
| Trade and other payables | 864,665 | 516,942 |

21 Related party transactions

See Note 8 for information on the directors' emoluments.

Shares purchased by Directors

The direct or indirect interest of the Directors as of 31 March 2017 in the shares of the Company were:

| | Number of Ordinary Shares | Percentage of issued share capital |
|------------------------------|---------------------------------|--|
| Jens Lauritzson ¹ | 25,776 | 20.2% |
| Per Lauritzson ¹ | 25,776 | 20.2% |
| Carl Palmstierna | 14,940 | 11.7% |
| Total | 66,492 | 52.1% |

¹ Through a company which is jointly owned by Jens Lauritzson and Per Lauritzson

22 Financial instruments – risk management

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

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

General objectives, policies and processes

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

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The Group did during the year not use any cash deposit instruments due to the currently low market interest rates and to ensure full liquidity on its cash balances. The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Interest rates on financial assets

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

Foreign exchange risk

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital; it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements and to raise new equity finance if required. The Board receives cash flow updates on a monthly basis

as well as information on cash balances. The Board will not commit to material expenditure in respect of its developer programmes or increased recruitment without being satisfied that sufficient funding is available to the Group to finance the planned programmes. For cash and cash equivalents, the Company only uses recognised banks with high credit ratings.

Capital risk

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

23 Capital commitments

Capital Commitments

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

| | 2017 £ | 2016 £ |
|-------------------------------|----------------|---------------|
| Operating leases which expire | | |
| Within one year | 88,250 | 30,250 |
| Within two to five years | 158,813 | - |
| Total Operating Leases | 247,063 | 30,250 |

24 First time adoption of IFRS:

These are the first financial statements for which IFRS has been adopted. The major changes that have been applied to these accounts are:

| | Income statement £ | Other reserves £ | Accruals £ | Reserves £ |
|---|--------------------------|------------------------|---------------|---------------|
| 1. Share based payments | 11,366 | - | - | 11,366 |
| 2. Lease incentive | 31,563 | - | 31,563 | - |
| 3. Employer benefit – holiday pay accrual | 2,605 | - | 2,605 | - |

1. Share based payments – see further information in Note 17
2. The treatment of rent free periods changed in the period
3. The company now accrues benefits in relation to unpaid holidays due to staff

25 Events after the reporting period

Bonus Issue and Share Split

On 14 December 2017 the following changes to the Company's share capital took place:

- The allocation of 50 new ordinary shares of £ 0.01 each for every 1 share of £ 0.01 each held by the shareholders in the capital of the Group. The number of issued ordinary shares were therefore increased from 127,711 to 6,385,550.
- The capitalisation of the sum of £ 62,578 (being part of the amount standing to the credit of the share premium account) to increase the total share capital to £ 63,856.
- The subdivision of each ordinary share of £ 0.01 each into 5 ordinary shares of £ 0.002 each to increase the number of issued ordinary shares from 6,385,550 to 31,927,750.

Fund Raising Activities

The Group is currently involved in fund raising activities to raise up to SEK 60 million in new capital to the Group. The outcome and the final terms of these activities will not be determined until after the completion of these accounts.

26 2015 Notes of Statements of Financial Positions

Tangible fixed assets

| | Plant and machinery etc £ |
|-------------------------|------------------------------|
| Cost | |
| At 1 April 2014 | 46,216 |
| Additions | 2,669 |
| Disposals | (31,801) |
| At 31 March 2015 | <u>17,084</u> |
| Depreciation | |
| At 1 April 2014 | 37,696 |
| On disposals | (31,801) |
| Charge for the year | 5,501 |
| At 31 March 2015 | <u>11,396</u> |
| Net book value | |
| At 31 March 2015 | <u>5,688</u> |
| At 31 March 2014 | 8,520 |

Fixed asset investments

| | Shares in group undertakings and participating interests £ |
|------------------------------------|--|
| Cost | |
| At 1 April 2014 & at 31 March 2015 | <u>3</u> |
| Net book value | |
| At 31 March 2015 | <u>3</u> |
| At 31 March 2014 | 3 |

| | |
|---|----------------|
| Debtors | 2015 |
| | £ |
| Trade debtors | 211,157 |
| Accrued income | 355,395 |
| Withholding tax | 6,057 |
| Corporation tax | 150,453 |
| Bad debt provision | (95,772) |
| Other prepayments | 66,091 |
| Lease deposits | 5,000 |
| Minimum guarantees | 266,685 |
| | 965,066 |
| | |
| Creditors: amounts falling due within one year | 2015 |
| | £ |
| Trade creditors | 62,192 |
| VAT liability | 8,859 |
| PAYE / NIC liability | 31,091 |
| Minimum guarantees | 67,402 |
| Advance | 29,442 |
| Shareholder advance | - |
| Pension | 4,389 |
| Accrued expenses and deferred income | 460,441 |
| | 663,816 |
| | |
| Share capital | 2015 |
| | £ |
| Allotted, called up and fully paid | |
| 115,000 Ordinary Shares of 1p each | 1,150 |

Issued in 2015

| | No of share options | Exercise Price GBP |
|--|--------------------------------|-----------------------------------|
| Total number of share options issued | 2,535 | 100.00 |
| Total number of shares options cancelled | - | - |
| Total number of shares options outstanding | 2,535 | 100.00 |

| | No of share options | Total weighted average exercise Price GBP |
|--|--------------------------------|--|
| Total number of share options issued | 6,376 | 86.46 |
| Total number of shares options cancelled | 273 | 80.00 |
| Total number of shares options outstanding | 6,103 | 86.75 |