

Company Registration No. 07968005 (England and Wales)

**THE FLOW LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2017**

WEDNESDAY



\*A761NVQZ\*

A20

16/05/2018

#16

COMPANIES HOUSE

# THE FLOW LIMITED

## CONTENTS

	<b>Page</b>
Company information	1
Directors' report	2
Independent auditors' report to the members of The Flow Limited	4
Income statement and statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11

# **THE FLOW LIMITED**

## **COMPANY INFORMATION**

### **Directors**

A Monteforte  
A Moneta  
R Birtles (resigned 27 September 2017)  
H Tomlinson  
S Chapman  
I Peters

### **Secretary**

D James

### **Company number**

07968005

### **Registered office**

The Floop Campus  
Wicker Lane  
Sheffield  
S3 8HQ

### **Accountants**

Hart Shaw LLP  
Europa Link  
Sheffield Business Park  
Sheffield  
S9 1XU

### **Independent auditors**

PricewaterhouseCoopers LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

# **THE FLOW LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017**

The directors present their report and audited financial statements for the year ended 31 August 2017.

### **Principal activities**

The Flow Limited ("The Flow") design and manufacture telematics systems and provide data analytics services for the automotive and insurance industries.

### **Strategic Review**

The Flow continues to support the global motor insurance and automotive industries through (a) device-agnostic predictive analytics and (b) digital end-user services that increase customer loyalty. Through behavioural data, contextually enriched after capture from any telematics sensing device including smartphone-as-sensors, The Flow delivers actionable insight into driver behaviour from an economic, safety and environmental perspective. The Flow is also spearheading novel uses of telematics data in non-insurance applications, such as pollution monitoring.

An issue of Preferred Ordinary and Preference shares in March 2017 realised an equity input of £13m from three external investors. The investment is intended to support the Company's ambitious growth and technical infrastructure plans, which will include a move to new premises and a substantial increase in headcount. The Company also issued share options to a selected number of senior staff and employees in the year.

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A Monteforte  
A Moneta  
R Birtles (resigned 27 September 2017)  
H Tomlinson  
S Chapman  
I Peters

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# THE FLOW LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 AUGUST 2017 (CONTINUED)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Qualifying third party indemnity provision for the benefit of one or more of the directors of the company was in force during the year ended 31 August 2017.

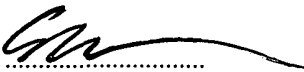
### Independent auditors

During the year, PricewaterhouseCoopers LLP continued in their capacity as auditors of the company and have indicated their willingness to continue in office.

### Small companies' provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board

X  


S Chapman  
Director

30/4/18

# THE FLOW LIMITED

## *Independent auditors' report to the members of The Floow Limited*

### **Report on the audit of the financial statements**

---

#### **Opinion**

In our opinion, The Floow Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 August 2017; the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

#### **Conclusions relating to going concern**

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

---

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude 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 based on these responsibilities.

# THE FLOW LIMITED

## ***Independent auditors' report to the members of The Floow Limited (continued)***

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

### **Other required reporting\***

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

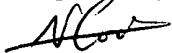
## THE FLOW LIMITED

### *Independent auditors' report to the members of The Floow Limited (continued)*

---

#### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Nicholas Cook (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

30 April 2018

**THE FLOW LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	2017 £	2016 £
Turnover	5	4,630,372	4,001,963
Cost of sales and other operating income		(4,466,591)	(3,080,198)
<b>Gross profit</b>		<u>163,781</u>	<u>921,765</u>
Administrative expenses	6	(2,470,921)	(1,131,037)
<b>Operating loss before exceptional items</b>		<u>(1,624,172)</u>	<u>(209,272)</u>
Exceptional items	6	(682,968)	-
<b>Operating loss</b>	6	<u>(2,307,140)</u>	<u>(209,272)</u>
Other interest receivable and similar income	7	12,044	5,651
<b>Loss on ordinary activities before taxation</b>		<u>(2,295,096)</u>	<u>(203,621)</u>
Tax on loss on ordinary activities	8	173,819	182,826
<b>Loss for the financial year</b>	15	<u>(2,121,277)</u>	<u>(20,795)</u>

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

	2017 £	2016 £
Loss for the financial year	(2,121,277)	(20,795)
Other Comprehensive Income for the year	-	-
<b>Total Comprehensive Expense for the year</b>	<u>(2,121,277)</u>	<u>(20,795)</u>

The activities of the company relate entirely to operations which are continuing operations.

The notes on pages 11 to 20 form part of these financial statements.

# THE FLOW LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2017

	Note	2017		2016	
		£	£	£	£
<b>Fixed assets</b>					
Tangible Assets	10		402,582		152,725
<b>Current assets</b>					
Debtors	11	845,217		1,019,335	
Cash at bank and in hand		13,296,870		1,971,293	
		<u>14,142,087</u>		<u>2,990,628</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,155,614)</u>		<u>(636,456)</u>	
<b>Net current assets</b>			12,986,473		2,354,172
<b>Total assets less current liabilities</b>			<u>13,389,055</u>		<u>2,506,897</u>
<b>Net Assets</b>			<u>13,389,055</u>		<u>2,506,897</u>
<b>Capital and reserves</b>					
Called up share capital	14		634		316
Share premium account	15		15,709,293		2,709,840
Reserves/Share Options	15		3,664		-
Profit and loss account	15		(2,324,536)		(203,259)
<b>Total shareholders' funds</b>			<u>13,389,055</u>		<u>2,506,897</u>

The notes on pages 11 to 20 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to small companies and Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A.

The financial statements on pages 7 to 20 were approved by the Board of Directors on

...30/4/18... and signed on its behalf by:

X 

S Chapman  
Director  
The Flow Limited, Registered No. 07968005

30/4/18

## THE FLOW LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2017

	Called up share capital £	Share premium account £	Reserves/ Share Options £	Profit & loss account £	Total shareholders' funds £
<b>Balance at 1 September 2015</b>	316	2,709,840	-	(182,464)	2,527,692
<b>Changes in Equity</b>					
Total Comprehensive Expense	-	-	-	(20,795)	(20,795)
<b>Balance at 31 August 2016</b>	<u>316</u>	<u>2,709,840</u>	<u>-</u>	<u>(203,259)</u>	<u>2,506,897</u>
<b>Changes in Equity</b>					
Total Comprehensive Expense	-	-	-	(2,121,277)	(2,121,277)
Movement in Reserves	-	-	-	-	-
Movement in Share Capital	318	-	-	-	318
Movement in Share Premium	-	12,999,453	-	-	12,999,453
Movement in Share Options	-	-	3,664	-	3,664
<b>Balance at 31 August 2017</b>	<u>634</u>	<u>15,709,293</u>	<u>3,664</u>	<u>(2,324,536)</u>	<u>13,389,055</u>

The notes on pages 11 to 20 form part of these financial statements.

# THE FLOW LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
<b>Cash flows for operating activities</b>			
Cash used in Operations	19	(1,525,132)	(696,269)
Income tax refunds		173,819	182,826
<b>Net cash used in operating activities</b>		<u>(1,351,313)</u>	<u>(513,443)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(334,925)	(73,693)
Interest received		12,044	5,651
<b>Net cash used in investing activities</b>		<u>(322,881)</u>	<u>(68,042)</u>
<b>Cash flows from financing activities</b>			
Income from share issue		12,999,771	-
<b>Net cash from financing activities</b>		<u>12,999,771</u>	<u>-</u>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		11,325,577	(581,485)
<b>Cash and cash equivalents at beginning of year</b>	20	1,971,293	2,552,778
<b>Cash and cash equivalents at end of year</b>	20	<u>13,296,870</u>	<u>1,971,293</u>

The notes on pages 11 to 20 form part of these financial statements.

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

### 1 Company Information

The Floop Limited is a private company, limited by shares, which is incorporated and registered in England (Registered No. 07968005); its principal place of business and registered office is at The Floop Campus, Wicker Lane, Sheffield S3 8HQ.

### 2 Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the provisions of the Companies Act 2006 applicable to small companies and the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A.

These are the company's first set of financial statements prepared in accordance with FRS102 Section 1A. The date of transition is 1 September 2015. The transition to FRS102 Section 1A has resulted in a small number of changes in accounting policy to those used previously. There has been no impact on opening equity and profit for the comparative period. The last financial statements under UK GAAP were for the year ended 31 August 2016.

The financial statements are presented in Sterling (£).

### Exemptions for qualifying entities under FRS102 Section 1A

The Company has taken advantage of exemptions available to small companies under FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, relating to the need for preparing a strategic report and the reporting of share-based payments and directors' remuneration.

### Going Concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### 3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

#### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

#### Sale of services

The company sells design services to insurance industry customers. Revenue is recognised in the accounting period in which the services are rendered when the outcome of contract can be estimated reliably. The company

**THE FLOW LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

**Share Based Payments**

During the year the company has issued share options to certain Directors and employees. The fair value of the share-based payments is based on management's estimates of the number of shares that will vest and the associated timings. The Company has used a third-party valuations specialist to calculate the fair value of the share options. Key assumptions used in the calculations were volatility, dividend yield and risk-free interest rate.

**4 Principal accounting policies**

The principal accounting policies, which have been applied consistently, are set out below:

**4.1 Turnover**

Turnover represents the invoiced value of goods supplied, excluding value added tax. Turnover is recognised on delivery of goods and when the significant risks and rewards of ownership of the goods are transferred to the business partner. Service turnover is recognised in the period in which contracted services are carried out. Where income is invoiced in advance of activity and associated costs, the income is deferred and released to the profit and loss account over the period in which the delivery of the service takes place and costs incurred, and in accordance with the underlying contract.

**4.2 Property, plant & equipment and depreciation**

Property, Plant & Equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33.33% Straight line
Fixtures, fittings & equipment	15% Reducing balance
Leasehold Property	20% Straight Line

**4.3 Share-based payments**

The company operates a number of equity settled, share based payment compensation plans, under which the entity receives services from employees as consideration for equity instruments of the company. The fair value of the of the employee services received in exchange for the grant of the options is recognised as expense. The total amount to be expensed is determined by the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the company will revise its estimates of the number of options that are expected to vest, taking into consideration any leavers during the period who hold share options and other non-market vesting conditions. The impact of any adjustments to the original estimates, if any, will be recognised in the income statement, with a corresponding adjustment to equity.

**4.4 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2017

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

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

### **Basic financial assets**

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

### **Classification of financial liabilities**

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

### **Basic financial liabilities**

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

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

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

### **4.5 Equity instruments**

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

### **4.6 Foreign currency translation**

#### **a) Functional and presentation currency**

The company's functional and presentation currency is the pound sterling

#### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except where deferred in other comprehensive income as qualifying cash flow hedges.

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2017

### 4.7 Exceptional Items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

### 4.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives (if applicable) is recognised as a reduction to the expense recognised over the lease term on a straight-line basis. The company does not currently have any lease incentives.

### 4.9 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The company administers a defined contribution pension scheme for the benefit of its employees.

### 4.10 Taxation

The income tax charge or credit is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions or receivable balances where appropriate on the basis of amounts expected to be paid to or received from the tax authorities.

### 4.11 Research and development expenditure

Research and development expenditure is written off in the year in which it is incurred. It is the company's opinion that there are no costs of this nature which can be capitalised.

## 5 Turnover by geographical location

	2017		2016	
	Turnover	%	Turnover	%
UK	2,537,305	54.8%	2,148,320	53.7%
Europe	545,452	11.8%	463,695	11.6%
USA and Canada	1,386,244	29.9%	1,287,948	32.2%
Asia/Rest of World	161,371	3.5%	102,000	2.5%
	<u>4,630,372</u>		<u>4,001,963</u>	

## 6 Operating loss

	2017	2016
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	85,068	67,995
Lease payments	84,615	64,985
Exceptional items*	682,968	-
Auditors' remuneration – Audit fees	20,500	14,130
Non-audit fees	32,250	5,500
	<u>805,341</u>	<u>152,610</u>

\*Exceptional items include costs associated with the share issue (£679,304) and movement in share options (£3,664) in the financial year.

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2017

### 7 Other interest receivable and similar income

	2017 £	2016 £
Bank interest	<u>12,044</u>	<u>5,651</u>

### 8 Tax on loss on ordinary activities

	2017 £	2016 £
R&D tax credit	(85,000)	(65,000)
Adjustment in respect of prior year	(88,819)	(117,826)
<b>Total current tax credit for the year</b>	<u>(173,819)</u>	<u>(182,826)</u>

### 9 Directors and employees

Staff costs during the year were as follows:

	2017 £	2016 £
Wages and Salaries	3,433,285	2,404,834
Social security costs	319,966	224,703
Other pension costs	40,053	27,424
	<u>3,793,304</u>	<u>2,656,961</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £40,053 (2016: £27,424).

The average number of employees of the company during the year was:

	2017 £	2016 £
Sales and direct staff	57	42
Support and administration staff	10	6
	<u>67</u>	<u>48</u>

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2017

### 10 Property, plant & equipment

	Computer Equipment	Fixtures and Fittings	Leasehold Property	Total
	£	£	£	£
<b>Cost</b>				
At 1 September 2016	213,466	80,701	-	294,167
Additions	220,599	74,326	40,000	334,925
At 31 August 2017	<u>434,065</u>	<u>155,027</u>	<u>40,000</u>	<u>629,092</u>
<b>Accumulated Depreciation</b>				
At 1 September 2016	120,477	20,965	-	141,442
Charge for the year	73,371	11,364	333	85,068
At 31 August 2017	<u>193,848</u>	<u>32,329</u>	<u>333</u>	<u>226,510</u>
<b>Net book value</b>				
At 31 August 2017	<u>240,217</u>	<u>122,698</u>	<u>39,667</u>	<u>402,582</u>
At 31 August 2016	<u>92,989</u>	<u>59,736</u>	<u>-</u>	<u>152,725</u>

### 11 Debtors

	2017 £	2016 £
Trade debtors	373,731	458,603
Other debtors	471,486	560,732
	<u>845,217</u>	<u>1,019,335</u>

### 12 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	161,429	60,950
Taxation and social security	144,872	120,883
Other creditors	109,738	30,789
Accruals and deferred income	739,575	423,834
	<u>1,155,614</u>	<u>636,456</u>

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2017

### 13 Share-based payments

The company has entered into the following share-based payment arrangements:

Share-based payment arrangement Scheme	Employment Management Incentive Scheme	Employment Management Incentive Scheme	Employment Management Incentive Scheme	Employment Management Incentive Scheme	Employment Management Incentive Scheme	Unapproved Share Option Scheme
Date of Grant	23rd July 2013	3rd July 2014	30th July 2015	2015/16	2016/17	3rd July 2014
Number of Employees	4	8	12	5	32	1
Shares Category	C Ordinary	C Ordinary	C Ordinary	C Ordinary	C Ordinary	C Ordinary
Share £ each	£0.0011764	£0.0011764	£0.0011764	£0.0011764	£0.0011764	£0.0011764
Exercise Price Per Share	£1.88	£1.88	£130.19	£130.19	£202.00	£1.88

Earliest Date options may be exercised

The date of the grant	2,550	-	-	-	-	-
1st Anniversary	1,360	340	250	750	666	680
2nd Anniversary	1,360	340	250	750	666	680
3rd Anniversary	1,360	349	250	750	666	680
4th Anniversary	1,360	357	250	750	666	680
5th Anniversary	3,060	357	254	750	666	680
Total	11,050	1,743	1,254	3,750	3,330	3,400

The options will lapse on the tenth anniversary of the date of the grant.

The share options issued in 2014 and 2015 have been adjusted by 600 shares for employees who have left the company's employment in 2016.

The earliest date on which the option may be exercised are contained in the table above unless an earlier event occurs to cause it to lapse or to become exercisable under the applicable rules.

In order for the options to be exercised on the Employee Management Incentive schemes the option holder must remain an employee of the company or any company which is a 51% subsidiary of the company from the date of the grant to the date the exercise conditions have been met.

The Black Scholes options pricing model has been used to arrive at the valuation of the share options issued. The company used a third-party valuation specialist to calculate the fair value of the share options. Key assumptions used in the calculations were volatility, dividend yield and risk-free interest rate. As there is no observable market price for the options, and no entity-specific observable market data available, the Black Scholes option pricing model has been used to calculate the fair value of the options issued during the year.

# THE FLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2017

### 14 Called up share capital

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
Nil Deferred shares (2016 - 186) of £0.01 (2016 - £0.01) each	-	2
47,473 (2016 - 47,473) Ordinary A shares of £0.0024827 (2016 - £0.0024827) each	118	118
21,250 (2016 - 21,250) Ordinary B shares of £0.0020165 (2016 - £0.0020165) each	43	43
2,125 (2016 - 2,125) Ordinary C shares of £0.0011764 (2016 - £0.0011764) each	2	3
15,000 Preferred Ordinary shares (2016 - 15,000) of £0.01 (2016 - £0.01) each	150	150
6,482 Preferred Ordinary B shares (2016 - Nil) of £0.01 each	65	-
25,617 A Preference shares (2016 - Nil) of £0.01 each	256	-
	<u>634</u>	<u>316</u>

	No. of shares	% of all shares	Voting rights %
<b>Share capital and associated voting rights</b>			
Ordinary A shares	47,473	40.25	57.45
Ordinary B shares	21,250	18.02	24.63
Ordinary C shares	2,125	1.80	-
Preferred Ordinary shares	15,000	12.72	17.92
Preferred Ordinary B shares	6,482	5.49	-
A Preference shares	25,617	21.72	-
	<u>117,947</u>	<u>100.00</u>	<u>100.00</u>

#### Share capital – terms and conditions of each class

The holders of Ordinary A and B shares, together with the holders of Preferred Ordinary shares are entitled to receive notice of and speak at General Meetings and vote on shareholders resolutions with the voting rights percentage noted above. They have full dividend rights and are ranked in the order specified in the company's Articles.

The holders of all other share classes shall not be entitled to receive notice of nor speak at General Meetings, nor vote on shareholders resolutions. They have full dividend rights and are ranked in the order specified in the company's Articles.



# THE FLOW LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017

### 19 Reconciliation of loss before taxation to cash used in operations

	2017 £	2016 £
Loss before taxation	(2,295,096)	(203,621)
Depreciation charges	85,068	67,995
Finance income	(12,044)	(5,651)
Other movement in reserves	3,664	-
	<u>(2,218,408)</u>	<u>(141,277)</u>
Decrease/(Increase) in trade and other debtors	174,119	(396,960)
Increase/(Decrease) in trade and other creditors	519,157	(158,032)
<b>Cash used in operations</b>	<u>(1,525,132)</u>	<u>(696,269)</u>

### 20 Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

<b>Year ended 31 August 2017</b>	<b>31.08.2017</b>	<b>31.08.2016</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<u>13,296,870</u>	<u>1,971,293</u>
<b>Year ended 31 August 2016</b>	<b>31.08.2016</b>	<b>31.08.2015</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<u>1,971,293</u>	<u>2,552,778</u>