FLEXION

Consolidated

Annual Report

For the year ended
31 December 2022

Flexion Mobile Plc

Company registration number 04306881

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FLEXION

Flexion Mobile Plc
Unit G5, Harbour Yard
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London SW10 0XD
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Chairman's Statement

My statement of Flexion's annual report for 2022, is split into two halves; the first half discusses the spectacular growth and success of the business during 2022 and our exciting opportunities for the future, whilst the second half discusses the corporate governance failings that emerged during 2023, which have led to substantial delay in finalising this annual report as well as significant extra cost.

I am pleased to share Flexion's annual report for 2022. The comparative year presented in these financial statements relates to the 9-month period ended 31 December 2021.

This has been another amazing year with very strong organic growth, greatly improved adjusted EBITDA and a strategic move into a new service vertical. I would also like to highlight our strong cash flow generation, which I view as proof of our first-rate management of the group.

At the start of the year, we set a growth target for distribution revenue of 40-60%. Thanks to a number of major game signings, successful launches and overall strong portfolio performance, we significantly exceeded this target. Attaining 86% organic growth for the year clearly defines us a growth company. Moreover, Audiencly started making a contribution in the second quarter of the year, resulting in consolidated revenue growth of 163% for 2022. This had a strong impact on our gross margin, which grew 221%. Audiencly's highly profitable business model, combined with our scalable business model in distribution, yielded 779% growth in adjusted EBITDA. We ended the year with a very solid cash balance of GBP 13.8m, allowing us to invest in attractive new growth opportunities.

We started 2022 having launched four strong games in the preceding quarter. Due to their popular IP and some very hard work by our channel management team, we managed to turbocharge these titles to unprecedented levels. We now see average annual revenue from our large titles of more than USD 10m per game, thereby demonstrating that our strategy to focus on bigger titles has paid off. Today, we operate a portfolio of approximately 25 games. Producing similar results across the portfolio would have a significant effect our revenue and adjusted EBITDA. This illustrates the strength of our distribution model, which offers clear growth opportunities at very low marginal cost – in other words, a scalable technical service platform model.

Outside distribution, we focused on entering the influencer marketing service vertical. In terms of marketing and sales, this is a very strategic move for us given that Audiencly targets the same types of games from the leading game developers around the world. The potential for cross-selling will benefit both business units. In the influencer market area, there is a clear opportunity to take a leading position, and this is something we are aiming to do. We are entering an extremely exciting period for the Group and I am looking forward to the year ahead.

Corporate governance failings

I am disappointed to have to report that during 2023, in response to audit inquiries raised by our external auditor, certain information was misrepresented to the auditors. The misrepresentation related exclusively to Audiencly, representing 12% of the Group when measured by the size of its revenue in 2022. For several years, Audiencly had conducted business with one of its principal customers, a related party, ("Key Customer") on the basis of an oral agreement, supported by spreadsheets accessible to both parties. Although no written contract was in place, in June 2023 when the Key Customer went into administration, both management at Flexion and the external auditors were presented with a written contract which we were told by senior management at Audiencly had been signed several years earlier. Although this document fairly reflected the contractual terms between the two parties, the written contract had only been created and signed that month.

Corporate growth and success

- 163% revenue growth
- 221% growth in gross profit
- 779% growth in adjusted EBITDA
- Strong cash position allowing us to capture wider opportunities

Carl Palmstierna
Non-Executive Chairman

Once the misrepresentation was identified, I personally interviewed one of those involved at Audiencly to confirm what had happened. The background and circumstances were explained to me. I, consequently, reported my findings to the board and management who investigated the matter, any potential impact on the financial statements and took necessary action including the appointment of an external investigation team. Following discussions with our external auditors, Grant Thornton UK LLP ("Grant Thornton"), we undertook an in-depth legal and accounting investigation to confirm what had happened and answer the following questions:

a. What had happened and who was involved.
b. Whether the Company has suffered any losses from the misrepresentation including whether the revenue between Audiencly and Key Customer was genuine.
c. Whether Flexion had committed any breaches of law or regulation in the UK or in Germany as a result of the misrepresentation; and
d. Whether the misrepresentation might potentially compromise the reliability of the Company's financial records and these financial statements.

The investigation was exceptionally thorough and has lasted several months. The Board was able to confirm its own findings and draw various positive and clear conclusions from the results:

a. In Audiencly's sector, it is common practice for relationships to be administered through oral agreements backed up by carefully controlled joint spreadsheets.
b. All but an immaterial amount of the revenue recorded by Audiencly in relation to Key Customer was substantiated and there is no evidence that Flexion has suffered any loss.
c. Flexion has not breached any laws or regulations either in the UK or in Germany; and
d. The Board is confident that these financial statements present a true and fair view.

Further details are set out in note 1 to the financial statements.

Nevertheless, the Board has also concluded that this episode highlighted the presence of control and governance weaknesses. As a result, the Board has commenced a control and governance improvement programme, which is in progress. I expect to be able to say more about these improvements in my next Chairman's statement.

This whole episode has been painful for Flexion. However, the improvements we are putting in place in control and governance will put us in a stronger position for the future.

The conclusions reached by our external auditors

The Board has noted that our external auditors, Grant Thornton, hold the view that a disclaimer of opinion is appropriate.

Although, we disagree with Grant Thornton's audit opinion and consider that no qualification is necessary, we respect and share its position that the misrepresentation could have led to a heightened risk of misstatement from an audit perspective. This is precisely the reason the Board undertook the thorough investigation I described above, to rule out that any misstatements had arisen. The results of the Board's investigations are clear; there was no misstatement of revenue, cost of sales or receivables arising from the misrepresentation referred to above.

Alongside the significant cost of this exercise which will be reflected in the company's financial statements for 2022-2024 , the investigations necessarily took time to complete. That has led to a considerable delay before the point could be reached that the Board was comfortable with approving these financial statements.

Having reached their conclusion that a disclaimed opinion was required on the financial statements of the group, Grant Thornton then notified us that they wished to extend their audit procedures to assess whether it was possible that they might be able to not apply a disclaimed opinion to Flexion Mobile's own financial statements. Grant Thornton indicated that these further audit inquiries would take several weeks to perform and might not result in any different conclusion from that drawn in respect of the consolidated financial statements. In other words, these further extended inquiries might result in the same disclaimed opinion and therefore might not be of any benefit but would definitely add yet more delay to the finalisation of these financial statements.

It is therefore the Board's opinion, that there is no doubt that it is overwhelmingly in the public interest that these financial statements, already more than ten months overdue, should be finalised without further delay.

Accordingly, the Board instructed the auditors to draw the conclusions they felt to be appropriate based on the audit evidence that they had compiled over the elongated period of eighteen months since the audit began, and not perform additional procedures that would have led to yet more delay.

As we put this painful episode behind us and look forward to our continued exciting growth journey. I can only take some consolation in knowing that we have done absolutely everything asked of us to support our auditors in this lengthy process. It is of course very disappointing that Grant Thornton have disclaimed their opinion, but we accept that it is a matter for them. We will come out stronger and for that I thank all our dedicated teams at Flexion.

On behalf of the Board, I would like to thank all our staff, board members, partners and shareholders for their unwavering support.

Carl Palmstierna
Non-Executive Chairman

Footnote: Analysis on page 3 to 13 of this front end of the Consolidated Annual Report refers to adjusted EBITDA. The Group believes adjusted EBITDA to be a key indicator of underlying operational performance, adjusting operating profit for several non-cash or extraordinary items. As a consequence of these adjustments, the Group believes that adjusted EBITDA represents normalised corporate profits. The Group and its members track adjusted EBITDA on a monthly and quarterly basis respectfully. Adjusted EBITDA for the year ended 31 December 2022 was GBP 4.5m, which is operating profit of GBP 1.7m before depreciation of GBP 0.1m, amortisation of GBP 2.5m, foreign exchange loss of GBP 0.5m, corporate acquisition costs of GBP 0.2m and fair value gains of GBP 0.5m. Adjusted EBITDA is an appropriate measure since it represents to users a normalised, comparable operating profit, excluding the effects of the accounting estimates, non-cash and extraordinary items mentioned above. The definition of adjusted EBITDA as defined above was updated in June 2022 with the exclusion of foreign exchange gains/losses and, therefore, historical adjusted EBITDA figures have been updated accordingly. The Group does not include the effects of amortisation of acquired intangible assets even though the associated revenues are included. The measure is not defined in the International Financial Reporting Standards, which forms the basis of the presentation of the Financial Statements included on pages 28 to 34 and is not intended as a substitute for the other GAAP measures. Since this is an indicator specific to the Group's operational structure, it may not be comparable to adjusted metrics used by other companies.

Chief Executive Officer's Statement

My report focusses on Flexion's exceptional performance during 2022 and its exciting prospects for the future.

In 2022, the biggest spenders on user acquisition have continued to adapt to a new reality, which is less accurate user targeting and more uncertainty in terms of Return On Ad Spend (ROAS). Changes to IDFA (identification for advertisers) were introduced by Apple and these have led to less accuracy in tracking and attribution of advertising. In general, user acquisition spend has switched from iOS to Android and away from Meta to TikTok. Publishers are reviewing their long-term marketing strategies as well as game development focus as they continue to struggle with their performance marketing. This gives a boost to alternative marketing strategies, which include distribution in new channels but also investment in influencer marketing. More publishers are focusing on content creator programmes to grow engagement as well as organic distribution. This provides us with clear new business opportunities. Our acquisition of Audiencly has given us access to the exciting new creator economy. Influencer marketing, alternative distribution and related services are now very much in demand because of the weakening programmatic advertising market and new regulatory pressure.

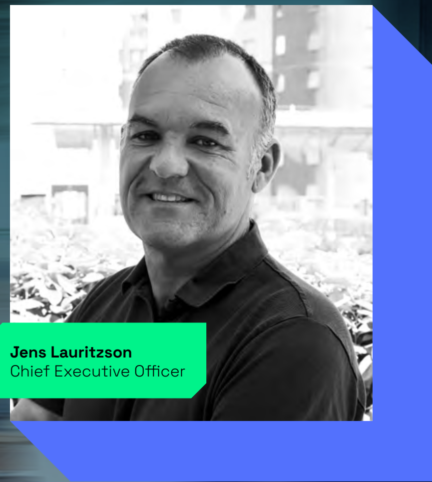
The alternative distribution market is experiencing strong tailwinds and we are seeing new players move in. Digital Turbine is one of the players that is focusing heavily on new distribution and announced a strategic investment in Aptoide during 2022 to serve mobile carriers and device manufacturers with a new marketing and distribution channel for games. We have signed a partnership agreement with Digital Turbine to help grow this new ecosystem and we are excited to explore this opportunity together with them. Meta is another company that has suffered extensive losses due to the changes in attribution and ad tracking. It is now seeking alternative channels to reduce dependency on the duopoly. We are close to this and monitoring Meta's progress with interest.

Market regulations aimed at promoting competition in distribution, advertising and payments are starting to have a visible impact on the strategic behaviour of the majority of industry players. Most importantly, game developers are now actively looking at new options and we are seeing increasing demand and a rise in the number of inbound requests. Companies such as Coda Payments and Xsolla are positioning themselves as the new payment services for game developers, independent of Google's and Apple's stores, which also boosts game developer awareness. While the focus a few years ago was primarily on the Apple-EPIC battle, the industry now accepts that the market has changed and will change even more in the years ahead. Plans to support developers with direct distribution and high margin payment services are now being worked on.

In terms of technology, streaming of android games across platforms is gaining momentum. Samsung recently announced its new Instant Play service. This project should start impacting the market during 2023.

With continued strong market growth, our priority and focus for the year ahead will remain on expanding our services and investing in our two business areas: distribution and influencer marketing.

Jens Lauritzson
Chief Executive Officer



Jens Lauritzson
Chief Executive Officer

The board

As set out in Flexion Mobile's articles of association, the number of Directors of the Board shall consist of not less than two and shall not be subject to any maximum number. The Board of Directors consists of seven members, including the chairman.

The Directors are elected annually at the annual general meeting for the period until the end of the next annual general meeting. The current Directors have their assignments until the end of the next annual general meeting. The Board of Directors' work is governed by English law, the articles of association and the Board of Directors' rules of procedure.

Carl Palmstierna

Born: 1953
Director since 2009, Chairman of the Board of Directors since 2011

Other assignments:
Chairman of the Board and board member of Palmstierna Invest AB, Palmstierna Holding AB, Palmeister & Partners AB, Nenda AB and Freemelt AB. Board member of Flaivy AB, Envigas AB, ZipClick Solutions AB, Chin say AB, S.P. BECPEL Stockholm AB, Viametrics AB, Viametrics Group AB and Zimpler AB.

Previous assignments:
Chairman of the Board and Board member of WeMind AB, SPWM Special Clients Services AB, Reflection Ltd, SPWM Special Clients AB, ReformTech Heating Holding AB, Panopticon Software AB, myFC Holding AB (publ), Valbay AB, Valbay International A B. Board member of Magine Holding AB, Ankar Sweden AB, Bluefish Pharmaceuticals AB (publ), Byredo AB, Natural Fragrance of Sweden AB, Sunpocket AB, Elekta AB, Now Interact Nordic AB, Oculusai Incentive AB, Peepoople AB, Reforce International AB, Sv enska allt för föräldrar AB, Universum Group AB, Valbay Förvaltning AB, B8 Sverige AB and Organowood AB and Yatrade AB.

Shares in Flexion as of 31 December 2022:
3,624,980 shares via Palmstierna Invest AB and associated companies.

Options in Flexion as of 31 December 2022:
N/A

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

Independent in relation to major shareholders:
No.

Jens Lauritzson

Born: 1970
Director since 2001, currently CEO of Flexion Mobile Plc

Other assignments:
Board member of Mobile Sensations Limited.

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

Shares in Flexion as of 31 December 2022:
74,000 shares and 50% ownership in Mobile Sensations Limited, which owns 11,044,181 shares.

Options in Flexion as of 31 December 2022:
N/A

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

Independent in relation to major shareholders:
No.

Per Lauritzson

Born: 1974
Director since 2007, currently COO of Flexion Mobile Plc

Other assignments:
Board member of Mobile Sensations Limited.

Previous assignments:
Board member of Gamesmondo Limited. Business Developer at Polopoly AB and Project Manager at the ExportCouncil.

Shares in Flexion as of 31 December 2022:
50% ownership in Mobile Sensations Limited which owns 11,044,181 shares.

Options in Flexion as of 31 December 2022:
61,750 warrants.

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

Independent in relation to major shareholders:
No.

Christopher Bergstresser

Born: 1968
Director since 2018 (appointed on 4 June 2018)

Other assignments:
Non-executive board member of E-Sports Mogul.

Previous assignments:
Group COO and Head of M&A at Enad Global 7, Investment & M&A Director at Modern Times Group MTG AB, Partner at MTGx. Chairman of the Board of Ludicious – Zurich Games Festival. President & COO at Sega of Europe. Board member and EVP of Miniclip SA, co-founder and board member of Appscotch and co-founder and CEO of Vector Entertainment.

Shares in Flexion as of 31 December 2022:
N/A

Options in Flexion as of 31 December 2022:
125,000 warrants.

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

Independent in relation to major shareholders:
Yes.

Jean-Marcel Nicolai

Born: 1964
Director since 2021 (appointed on 23 August 2021, resigned 28 June 2023)

Other assignments:
No other assignments.

Previous assignments:
Chief Product & Experience Officer at Centric Digital, Senior Vice President of World-Wide Product and Technology at Disney Interactive Studios (Los Angeles), CTO and CPO at Atari (New York) and Head of Games and COO at Atari Inc.

Shares in Flexion as of 31 December 2022:
N/A

Options in Flexion as of 31 December 2022:
125,000 warrants.

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

Independent in relation to major shareholders:
Yes.

Mikael Pawlo

Born: 1973
Director since 2021 (appointed on 23 August 2021)

Other assignments:
Board member of Football Addicts AB, Forza Challenge AB, Forza Addicts Personal AB, Forza Addicts Personal 2 AB, WeMind AB, SMSgrupp i Stockholm Holding AB, SMSgrupp Africa AB, 6502 Processor AB, Sigmund 6581 AB, Nifty Moments AB, Bokio AB and Deco Djursholm AB.

Previous assignments:
Co-founder and CEO of Red Flag, co-founder and CEO of Mr Green & Co, board member of Djurgårdens Elitfotboll, X5 Music Group and Peerialism.

Shares in Flexion as of 31 December 2022:
118,535 shares.

Options in Flexion as of 31 December 2022:
N/A

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

Independent in relation to major shareholders:
Yes.

Andre Robert Kuschel

Born: 1976
Director since 2022 (appointed on 29 June 2022, resigned 28 June 2023)

Other assignments:
Founder and CEO of Lootboy and founder and CEO of Enjoy Event Marketing GmbH.

Previous assignments:
Co-founder of Audiencly and founder of World of Nerds.

Share in Flexion as of 31 December 2022:
50% of 748,827 shares via half-ownership of companies.

Options in Flexion as of 31 December 2022:
N/A

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

Independent in relation to major shareholders:
Yes.

Chief Financial Officer's statement

Mr Palmstierna has already summarised the painful process Flexion has gone through in response to the misrepresentation. My report focusses on Flexion's performance during the 2022 financial year.

Revenue

The financial year ending 31 December 2022 showed steady revenue growth with total revenue increasing to GBP 68.5m (31 December 2021: GBP 26.1m) equal to growth of 163%. The drivers for this growth was IAP (In-App Purchase) revenue which grew to GBP 60.6m (31 December 2021: GBP 26.0m) equal to a 133% growth and the Marketing services revenue of GBP 7.8m as a result of the acquisition of Audiencly.

Gross Margin, Adjusted EBITDA* and Operating profit

Gross profit grew to GBP 11.1m (31 December 2021: GBP 3.4m) equalling a 221% increase. The key driver was IAP gross profit which grew by 158% to GBP 8.6m (31 December 2021: GBP 3.3m) with Marketing services contributing GBP 2.3m (31 December 2021: n/a) and non-IAP gross margin contributing with GBP 0.2m (31 December 2021: GBP 0.1m).

Staff and contractor costs increased by 102% to GBP 4.5m (31 December 2021: GBP 2.2m), this is due to the prior year being a nine-month period and the head count growing by 192% to 123 (31 December 2021: 64). General and admin expenses (excluding impairment write-back) increased by 244% to GBP 9.9m (31 December 2021: GBP 3.3m). During the prior period there was an impairment write-back of GBP 0.4m. Adjusted EBITDA increased by 779% to GBP 4.5m (31 December 2021: GBP 0.5m) and operating profit increased by 201% to GBP 1.7m (31 December 2021: GBP 0.6m).

Total comprehensive profit and earnings per share

Tax contributed negatively with GBP 0.1m (31 December 2021: GBP 0.02m). Currency translation differences contributed positively with GBP 0.7m (31 December 2021: GBP Nil). As a result, total comprehensive profit increased to GBP 1.2m (31 December 2021: GBP 0.5m) resulting in earnings per share of GBP 2.36 pence (31 December 2021: GBP 1.08 pence).

Cash flow and Financial Position Review

The operating cash flow increased by GBP 5.1m to GBP 6.1m (31 December 2021: GBP 1.0m) driven by an improved performance and positive working capital contribution due to the Group's growth. GBP 0.2m (31 December 2021: GBP 0.2m) was spent on capitalised development costs. GBP 2.3m (31 December 2021: GBP 0.1m) was received from share issues related to the retail fund raise performed in December 2022 and the employee options scheme. This resulted in a net outflow in cash of GBP 1.2m (31 December 2021: GBP 0.1m) and a cash balance at the end of the year of GBP 13.8m (31 December 2021: GBP 14.5m).

Niklas Koresaar
Chief Financial Officer
10 June 2024

Niklas Koresaar
Chief Financial Officer

* The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses and corporate acquisitions costs. The definition was updated in June 2022 with the exclusion of foreign exchange gains/losses and, therefore, historical adjusted EBITDA figures have been updated accordingly.

Principal risks and uncertainties

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

Financial instruments

The quantitative information about the Group's exposure to risk arising from financial instruments, specifically credit risk, liquidity risk and foreign exchange risk can be found in note 22. Qualitative information about aforementioned risk exposure has been explained in note 2 under the Group's accounting policies. The Group does not currently use derivative financial instruments to hedge foreign exchange exposures.

Market Risk

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

Competitive Services and Distribution Solutions

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

Key Management

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

Financing and Future Capital Requirements

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

Financial Commitments

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

Investments

The Group may invest in or acquire companies that hold technology, services, know-how or market positions which are beneficial to the growth of the Group. These investments and acquisitions carry risk which may result in that the invested or purchased value will decrease in value or be completely written off. The Board is mitigating this by ensuring that the Group holds sufficient resources and knowledge to assess and address relevant risks properly.

IT Systems

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

Intellectual Property Rights

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

Processing of Personal Data

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

Legal Disputes

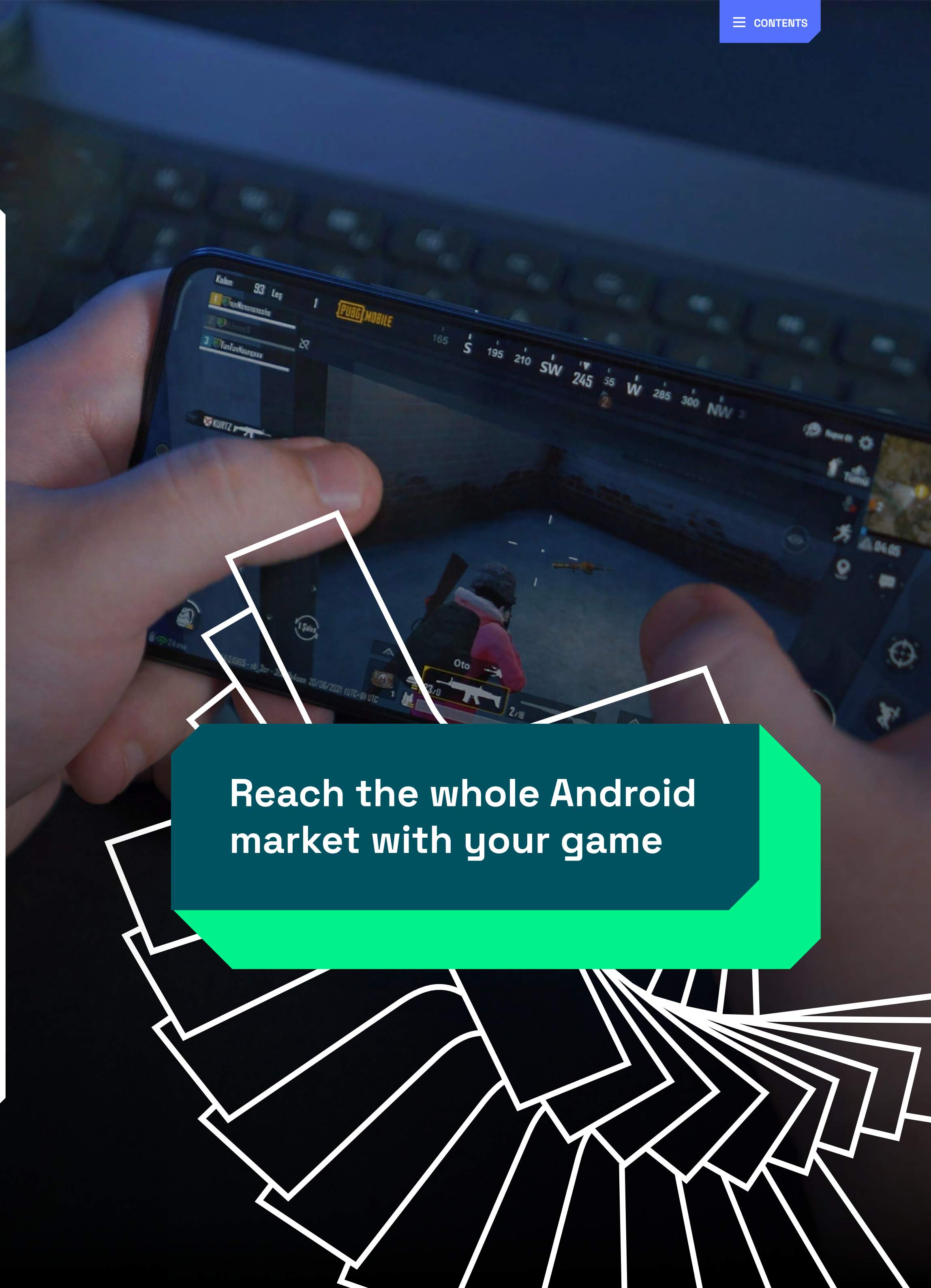
As part of its ordinary business activity, the Group may become involved in legal disputes. If the Group fails to settle any legal proceedings it is party to, the Group may be required to pay significant amounts of damages and fees and claims may arise against the Group which may not be covered in full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

Insurance

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

Key performance measures

The Directors have identified a number of key performance measures ("KPIs") which the Group is tracking and reporting to its shareholders. These KPIs can be grouped into revenue growth, profitability and cash position (See CFO statement on page 9). For revenue growth the Group is tracking divisional revenue and total revenue. For profitability the Group is tracking gross margin, adjusted EBITDA margin operating profit margin and head count. The latter is a key driver for administrative expenses in the Group. For cash position the Group is tracking operating cashflow and cash held. Please refer to the Chief Financial Officer statement for further details. The Board considers these KPIs to be the performance measures which investors on Nasdaq First North expect to see for a Group with the characteristics of Flexion Mobile.



Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a Group to act in the way he/she considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. In doing this s.172 requires a director to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the Group's employees
- The need to foster the Group's business relationships with suppliers, customers and others
- The impact of the Group's operations on the community and the environment
- The desirability of the Group maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the Group.

The Directors aim to ensure a high standard of business conduct in all dealings. The Directors are mindful of the long-term success, impact and reputation of the Group in each of their decisions and actions. The below sets out some specific examples of how the Directors have had regard to the matters in s.172:

The likely consequences of any decision in the long term

The Directors, as required by the Group's articles, set an annual budget at the beginning of each financial year. This budget reflects all material profit and loss, balance sheet and cashflow aspects of the Group's performance. The actual performance of the Group is compared to the budget and are presented to the Board on a monthly basis. The Board also produce rolling forecasts for the remainder of the financial year to follow the impact of the decisions that have been taken, or new trends seen, during the year. In addition to the yearly budgets, the Board also prepare the forecasts prepared for the next two to three year period and analyse the profit and loss, balance sheet and cash flow effects on all major investment and strategy decisions through in depth financial modelling and scenario analyses. These analyses also involve board discussions about the strategic impact of any decision taken.

Workforce engagement

The directors believe that the employees are a key ingredient to the Group's success and the board actively promotes an open work environment where the opinions of the employees are sought and factored into the decision-making process of the Group. This involves a wide set of initiatives ranging from proactive HR department to regular individual, team, office, management and Group meetings and events. Workforce status, initiatives and issues are discussed in all board meetings.

Maintaining high standards of business conduct

The Group is active in the highly regulated tele communication market, therefore, the Directors require the highest standard of business conduct as any breach could be detrimental to the success of the Group. The Board require the Group to follow all regulations and policies set for this market including but not limited to bribery, corruption, child protection, data protection, fraud and money laundering. The Board requires the management of the Group to operate with several layers of control, approvals and post reviews of relevant areas to ensure that the Group is maintaining the required business conduct. Being a software Group operating with a highly specialised and trained workforce, the Board does not consider it being exposed to modern slavery issues. The same applies to ethical sourcing, as the Group is engaging with market leading software supplies.

Shareholder engagement

The Board engage with investors through general meetings, financial reports, investor events, regular updates and press releases. The Board is also actively seeking to expand the information shared through improvements of the annual and quarterly report including in depth board discussion about how to most accurately share information to the shareholders. The Board is actively working towards sharing relevant information on a timely and equal basis to all members of the Group. In addition, the Board is actively promoting a one share class policy to treat all shareholders equally.

Client engagement

The Board has set a business strategy which requires the Group to build strong relationships with the parties that the Group works with. The aim of the strategy is to form strategic partnerships with all digital distribution channels (alternate android market app stores through which Flexion's services are made available to end users), where the Group and the channel jointly agree a course of action going forward. The same applies to the game developers (producer or publisher of mobile applications who engage Flexion to facilitate the distribution of certain applications through certain digital distribution channels), where the aim is to build stronger relationships to jointly identify and approach future opportunities and challenges. The Group is approaching this through a multi-layered account management strategy involving all related departments and divisions, with several layers of seniority within the Group. The Board get monthly updates on the progress of this strategy and is actively engaged in the formation of strategic relationships.

Environmental impact

Being primarily a software company, the Board deem the Groups operations to have limited impact on the environment. However, the Board is working towards implementing an environmental policy in 2023 to reduce its impact on the environment.

For and on behalf of the Board:

Per Lauritzson
Director
10 June 2024

Per Lauritzson
Director

Directors' Report

The Directors present their report and the financial statements for the financial year ended 31 December 2022.

Results and dividends

The profit for the financial year ended 31 December 2022 amounted to GBP 554,208 (31 December 2021: GBP 537,831). The Directors are not recommending payment of a final dividend for the year (31 December 2021: GBP Nil).

Directors

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

- **Carl Palmstierna**
- **Jens Lauritzson**
- **Per Lauritzson**
- **Christopher Bergstresser**
- **Jean-Marcel Nicolai**
  (Resigned 28 June 2023)
- **Mikael Pawlo**
- **Andre Robert Kuschel**
  (Appointed 29 June 2022, Resigned 28 June 2023)
- **Benjamin Crawford**
  (Appointed 6 July 2023)

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, and stress tested available cash and cash forecasts for the Group's operations for the 12 months from the date of approval of the financial statements. The Directors of the Group are satisfied, having reviewed the performance of the Group and forecasts for the forthcoming year, the Group can cover all of its obligations as they fall due.

Events after the reporting period

On 10/01/2023 and 11/01/2023, 442,956 ordinary shares were allotted, and EUR 583,563 was paid respectively as part of the third tranche of the deferred consideration for the Audiencly acquisition.

On 04/04/2023, 911,236 ordinary shares were allotted as part of the fourth tranche of the deferred consideration for the Audiencly acquisition.

In June 2023, two invoices from the Key Customer referred to in the Chairman's Statement, totalling EUR 455,463, were novated to one of the Sellers under the Audiencly SPA at par value. This novation resulted in an equivalent reduction in the amount payable to the Seller under the Audiencly purchase agreement. Notably, the Seller was a related party to Flexion at the time of the novation, as one of its two jointly controlling parties also held a directorship in Flexion.

Director's interests

The interests of those Directors serving as at 31 December 2022, all of which are beneficial, in the share capital of the Group were as follows:

	Number of ordinary shares	Percentage of issued share capital
Jens Lauritzson1	5,595,091	10.2%
Per Lauritzson[1]	5,521,091	10.1%
Carl Palmstierna[2]	3,674,980	6.7%
Andre Robert Kuschel[3]	374,429	0.7%
Mikael Pawlo	118,535	0.2%
Christopher Bergstresser	-	0.0%
Jean-Marcel Nicolai	-	0.0%
Total	**15,284,126**	**27.9%**

1. Through a Group which is jointly owned by Jens Lauritzson and Per Lauritzson
2. Through an investment Group and related entities
3. Through an investment Group

On 18/05/2021 Carl Palmstierna acquired 50,000 ordinary shares through Palmstierna Invest AB increasing his total interest in the share capital of the Group to 6.7%.

On 25/08/2022 Jens Lauritzson acquired 74,000 ordinary shares increasing his total interest in the share capital of the Group to 10.2%.

On 23/09/2022, 29/11/2022 and 30/11/2022 Jens Lauritzson and Per Lauritzson together acquired 25,000 ordinary shares, 10,000 ordinary shares and 10,000 ordinary shares respectively through Mobile Sensations Ltd increasing their combined total interest in the share capital of the Group to 20.2%.

Substantial shareholdings

As at 31 December 2022, the following interests in 5% or more of the issued ordinary share capital had been notified to the Group:

	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,042,181	20.2%	20%
BNY Mellon NA	3,584,293	6.6%	27%
Palmstierna Invest AB	3,405,280	6.2%	33%
Others	36,622,819	67.0%	100.0%
Total	**54,654,573**	**100%**	

Overseas branches

The Group has one overseas branch in Budapest, Hungary.

Subsidiaries

The Group has one overseas subsidiary in Dusseldorf, Germany.

Associates

The Group has one overseas associate in Hamburg, Germany.

Future developments

The Group will continue to expand its distribution platform and service offerings by utilising the momentum built up in the current period. This will involve signing up more game developers, expanding relationships with existing channels and signing up new channels. In addition, the Group will work on developing new product features, service offerings and new distribution methods to capture new market opportunities and consequently increase the scope for growth beyond what is currently feasible.

Risks

Risks associated with the Group's use of financial instruments are disclosed in note 2 and note 20.

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 18,058 of research and development expenditure during the period in the statement of profit or loss. The Group has recognised GBP 237,485 of development expenditure during the period in intangible assets.

Annual General Meeting (AGM)

Details of business to be conducted at the 2024 AGM is aimed to be held on 26 June 2024 at the Group's offices in Harbour Yard Unit G5, Chelsea Harbour, London, England, SW10 0XD are contained in the Notice of the Annual General Meeting which will be communicated to shareholders through mail and also presented on the Group's webpage.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law, including FRS 101 'Reduced Disclosure Framework'.

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 Group and Company and of the profit or loss for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK-adopted international accounting standards have been followed, 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 will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that they face.

Disclosure of information to the auditor

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'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's auditors are aware of that information.

For and on behalf of the Board:

Per Lauritzson
Director
10 June 2024

Financial Statements

Independent auditors' report

Independent auditor's report to the members of Flexion Mobile Plc

DISCLAIMER OF OPINION

We were engaged to audit the consolidated and company financial statements of Flexion Mobile Plc ('Flexion', or the 'parent company' and collectively with its subsidiary, the 'Group') for the year ended 31 December 2022, which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company statement of financial position, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying group and parent company financial statements. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

Corporate governance failings

As referred to in the Chairman's Statement and Note 1 to the Financial Statements, in the course of performing our audit, we identified that a contract between Audiencly and the Key Customer referred to in the Chairman's statement (the 'Key Customer'), purporting to be originally signed in 2021, was in fact created and signed in June 2023. This misrepresentation and the circumstances surrounding it were the subject of a legal investigation conducted by the Board, which found that the agreement between Audiencly and the Key Customer was signed by two members of the Group's key management personnel; one member of the senior management team at Audiencly, and an executive of the Key Customer, who was also a director of Flexion Mobile plc during 2022, and who held joint control of one of the two parties that sold Audiencly to Flexion during 2022 (the 'Selling Party').

This conclusion leads to a significantly heightened risk of material misstatement due to fraud in respect of the activities of Audiencly and brings into question the authenticity of books and records within that subsidiary and the reliability of information emanating from it, given the apparent management override of controls over the activities within that business.

Given the position of authority that the relevant individuals held during the year under audit, this matter brings into question the reliability of audit evidence obtained in respect of Audiencly, including that obtained in respect of revenues earned from the Key Customer. Further, we conclude that assertions made to us in respect of Audiencly cannot be relied upon, and that given the seniority of the relevant individuals, this has a pervasive effect on our audit of the consolidated financial statements. We have been unable to reduce the risk of material misstatement to an acceptable level by performing alternative procedures in these circumstances.

We consider that the effects of the aforementioned inability to obtain sufficient appropriate audit evidence on which to base our opinion are material and pervasive to the consolidated financial statements of the Group. Audiencly is a significant component for the purposes of the group audit of the consolidated financial statements, and subject to a group significant risk of material misstatement due to fraud in respect of revenue. The majority of the Group's profits for the year were derived from this component. As such, we have concluded that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of the activities of Audiencly included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and notes to the consolidated financial statements.

As we have identified an issue that is so pervasive and is therefore unable to conclude on the financial statements as a whole, it is not appropriate for us to conclude on whether the use of the going concern basis of accounting is appropriate.

Management-imposed limitation of scope

In determining the impact of the above matters on the parent company financial statements and the associated audit opinions, we sought to perform further audit procedures to determine whether the governance failings identified were isolated to the activities of Audiencly, and whether sufficient appropriate audit evidence could be obtained over the parent company financial statements, alongside concluding other audit procedures in support of the group and parent company audit opinion. Management directed us to cease further procedures after concluding that the interests of the Group and parent company's stakeholders were best served by the immediate approval and publication of the Annual Report, rather than a further delay to allow for the completion of the audit. This constituted a management-imposed limitation in our scope. In accordance with the requirements of Auditing Standards, we requested that the Board remove management's limitation, which they did not. We were therefore unable to reduce the risk of material fraud or error to an acceptable level and obtain sufficient and appropriate audit evidence over the parent company's financial statements.

In performing our audit procedures prior to the imposition of a limitation in our scope by management, the following matters were identified:

Trade Receivables due from the Key Customer

Trade receivables in relation to a number of invoices due from the Key Customer were held by Audiencly as at 31 December 2022. Of these, two invoices totalling €455,000 remained unpaid prior to the Key Customer entering into insolvency in June 2023. The overdue status of the majority of outstanding receivables due from the Key Customer as at 31 December 2022, which we understand to reflect underlying commercial pressures in the Key Customer's business in late 2022, and the subsequent insolvency proceedings of the business in 2023, indicate that the Key Customer was credit-impaired at 31 December 2022.

For the reasons stated above in the basis for our disclaimer, we are unable to obtain sufficient appropriate audit evidence over the activities of Audiencly, and by extension, over these trade receivables. However, if it were the case that these receivables are accurately reflected in the financial statements we consider that a provision of at least €455,000 should be recorded against them at 31 December 2022.

Management have not made any such provision in the financial statements against these trade receivables. Had we not disclaimed our audit opinion, this matter would have required a modification to the opinion.

Impact on earn-out liability
As disclosed in note 25 to the consolidated financial statements, the two invoices that were unpaid at the point of the Key Customer's insolvency were assigned, just prior to the Key Customer entering insolvency proceedings in June 2023, to the Selling Party. The Selling Party is a related party of Flexion Mobile plc, by virtue of being jointly controlled by an individual who was a director of Flexion Mobile plc during 2022. The consideration for this assignment was a commensurate reduction in the earn-out liability due to the Selling Party in respect of the sale of Audiencly, at the full unprovided value of the invoices. Management consider the assignment of the receivables in June 2023 to be reflective of a lack of impairment in the aforementioned trade receivables at 31 December 2022. We consider the assignment of the receivables to be a non-adjusting post balance sheet event, to be accounted for in 2023.

Management have recognised a liability of £1.2m in respect of the 2022 element of the earn-out. For the reasons stated above in the basis for our disclaimer, we are unable to obtain sufficient appropriate audit evidence over the earnings of Audiencly, and by extension, over the accuracy of the provision for earn-out payments based on Audiencly's earnings. However, had management provided against these receivables at 31 December 2022, the relevant earnings for Audiencly would fall below the threshold that triggers a liability for the 2022 element of the Audiencly earn-out, and no such liability would be incurred at 31 December 2022.

Had we not disclaimed our audit opinion, this matter would have required a modification to the opinion.

Recognition of earn-out in goodwill
As disclosed in Notes 2 and 24 to the Financial Statements, management have recognised the expected earn-out payments due under the Audiencly share purchase agreement as part of the consideration payable under IFRS3. The share purchase agreement included a "good leaver/bad leaver" clause which tied the payment of £6.9m of the earn-out liability recognised at 31 December 2022 to post-acquisition employment for the selling parties. Under IFRS3, such payments should not be included within the fair value of consideration in the business combination, but instead should be recognised as an IAS19 employee benefit. Later in 2022, subsequent to the completion of the acquisition, management amended the SPA to remove the good leaver/bad leaver clause, and thus the obligation for ongoing employment on the part of the sellers. This amendment is considered by management to be reflective of circumstances that existed at the date of the acquisition, and as a result, it is management's judgement that the clause should not be factored into the accounting for the acquisition and its consideration, and that amounts payable as earn-out should be included within the fair value of consideration paid for Audiencly.

We do not agree with this judgement and consider the aforementioned portion of the earn-out to meet the requirements to be treated as post-acquisition remuneration for employment services. For the reasons stated above, we are unable to obtain sufficient appropriate evidence over the accuracy of the provision for earn-out payments based on Audiencly's earnings. However, if the liability to make these payments is present at 31 December 2022, the relevant amounts should not be recognised as a component of the consideration for Audiencly under IFRS3, but as an expense in the income statement during 2022.

Had we not disclaimed our audit opinion, this matter would have required a modification to the opinion.

OUR APPROACH TO THE AUDIT AND OUR APPLICATION OF MATERIALITY

In planning our audit, we set our group materiality at £468,000, which represents approximately 0.68% of the group's revenue, and our parent company materiality at £421,000, which represents approximately 0.69% of the parent company's revenue, and was capped at 89% of the group materiality.

As a consequence of the matters described in the basis for disclaimer of opinion section of our report, we would have likely needed to revise these materiality levels in order to complete further audit procedures in respect of matters unrelated to that leading to our disclaimer of opinion. However, as a result of management's imposition of a limitation in our scope, we have not completed this revision of materiality.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- Obtaining an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and

- Obtaining an understanding of the group's organisational structure and considered its effect on the scope of the audit; this included how the organisational structure led to identified risks of material misstatement, where management had engaged third party experts and service organisations, and how their use impacted the scope of our work.

Identifying significant components

- The group's significant components were identified through assessing the relative share of the group's revenue and total assets. If any of the individual metrics above were greater than 15% of the group's total, then that component was classified as 'individually financially significant to the group' and an audit of the financial statements of the component using component materiality (full-scope audit procedures) was performed;

- If the above metrics were not met, then the presence of significant or other risks of material misstatement to the group were considered, and the component's activities and were included in the scope of our group audit procedures to address those significant risks and to provide sufficient coverage over the group's results.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- The parent company was determined as an individually financially significant component to the group, and full-scope audit procedures were performed; we included audit procedures to address in-app purchases revenue and the acquisition of Audiencly GmbH, including the valuation of goodwill and acquired intangible assets;

- Audiencly GmbH was determined to be a significant component due to the presence of significant risks to the group financial statements, and an audit of one or more account balances or class of transactions was performed by a component auditor.

Performance of our audit

- As a consequence of the matters described in the basis for disclaimer section of our report, we have not performed all the audit procedures which may have been required in respect of any of the components of the group.

Communications with component auditor

- The group engagement team held pre-scheduled and ad hoc conference calls with the component auditor throughout the audit fieldwork, and we increased the frequency of our communications with the component auditor as the matters described in the basis for disclaimer section of our report were identified.

Changes in approach from previous period

- As a result of the acquisition of Audiencly GmbH, the scope of our work changed to include engaging a component audit team in Germany to perform an audit of one or more classes of transaction, account balance or disclosure over that component.

OTHER INFORMATION

The other information comprises the information included in the Consolidated Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Consolidated Annual Report. We do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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.

As a consequence of the matters described in the basis for disclaimer section of our report, we are unable to form an opinion on whether we have anything to report regarding 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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion as to whether, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit performed, and subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

As a consequence of the matters described in the basis for disclaimer of opinion:

- we were unable to determine whether returns adequate for our audit have been received from branches not visited by us;

- we have not received all the information and explanations that we considered necessary for the purpose of our audit;

- we were unable to determine whether the group and parent company financial statements are in agreement with the accounting records and returns; and

- we were unable to determine whether adequate accounting records have been kept.

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

- certain disclosures of directors' remuneration specified by law are not made.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the group and the parent company financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and parent company. We determined that the most significant frameworks that are directly relevant to the financial statements are those related to the financial reporting framework, being UK-adopted international accounting standards, Companies Act 2006 and the listing requirements of the Nasdaq First North Growth Market;
- We identified those frameworks and understood how the group is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes;
- We enquired of management and the board of directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud;
- In respect of the matters described in the basis for disclaimer of opinion section of our report, we requested the Board to conduct a legal investigation, the findings of which we reviewed and discussed with management, the Board and the parties that conducted the investigation;
- We assessed the susceptibility of the group's and parent company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team in relation to this included:
  - » inquiring of management, the finance team and the Board about the risks of fraud at the group and parent company level, and the controls implemented to address those risks;
  - » assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of non-standard entries used to record non-recurring, unusual transactions or other non-routine adjustments;
  - » identifying and testing journal entries selected based on risk profiling;
  - » undertaking specific keyword searches (including searches for related parties) over the journal entry population to identify descriptions that could indicate fraudulent activity or management override of controls;
  - » evaluating journal entries by user to identify entries posted that were not in line with the expectations of their role; unusual entries noted from these searches were agreed to supporting documentation to corroborate the appropriateness of the posting;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation and knowledge of the industry in which the client operates;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We requested the component auditor to report to us instances of non-compliance with laws and regulations that give rise to a risk of material misstatement of the group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Osborne
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 June 2024

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

GBP	Notes	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Revenue	4, 5	68,529,614	26,076,493
Cost of sales		(57,463,846)	(22,632,925)
Gross profit		**11,065,768**	**3,443,568**
General and administrative expenses	6	(9,893,424)	(2,879,340)
Adjusted EBITDA*		**4,481,776**	**509,663**
Depreciation	12	115,140	56,070
Amortisation	13	2,460,915	198,797
Impairment writeback		-	(392,574)
Foreign exchange loss		509,803	83,143
Corporate acquisition related costs		223,574	-
Fair value gains	21,24	527,546	-
Operating profit		**1,699,890**	**564,228**
Share of loss from associate		(47,407)	-
Finance expenses	9	(960,753)	(6,167)
Profit before tax for the year		**691,730**	**558,061**
Tax	10	(137,522)	(20,230)
Profit after tax for the year		**554,208**	**537,831**

GBP	Notes	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Attributable to:			
Equity holders of the parent		554,208	537,831
Profit for the year		**554,208**	**537,831**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign exchange differences		665,514	-
Total comprehensive income net of tax for the year		**1,219,722**	**537,831**
Attributable to:			
Equity holders of the parent		1,219,722	537,831
Total comprehensive income for the year		**1,219,722**	**537,831**
Earnings per share:			
Earnings per share from continuing operations			
– basic, attributable to ordinary equity holders of the parent (p)	11	2.36	1.08
– diluted, attributable to ordinary equity holders of the parent (p)	11	2.21	1.01
Amount of weighted average shares outstanding for period	11	51,740,827	49,955,905

The notes on pages 25 to 40 form part of these financial statements.

* The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses, corporate acquisitions costs and fair value gains. The definition was updated in June 2022 with the exclusion of foreign exchange gains/losses and, therefore, historical adjusted EBITDA figures have been updated accordingly.

Consolidated statement of financial position
as at 31 December 2022

Company registration number 04306881

GBP	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	12	78,560	74,753
Intangible assets	13	22,496,308	7,758,858
Investments	14	352,920	-
Deferred tax assets	10	-	52,002
Total non-current assets		**22,927,788**	**7,885,613**
Current assets			
Trade and other receivables	15	11,522,384	5,466,910
Cash and cash equivalents	22	13,801,593	14,458,346
Total current assets		**25,323,977**	**19,925,257**
Total assets		**48,251,765**	**27,810,870**

GBP	Notes	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	16	109,309	100,049
Share premium	16	17,252,671	14,917,283
Other reserves	17, 18	3,461,394	397,197
Retained earnings	18	(1,960,356)	(2,333,859)
Total equity		**18,863,018**	**13,080,670**
Non-current liabilities			
Deferred tax liabilities	10	2,805,013	-
Lease liabilities	20	22,303	-
Contingent consideration	21,24	5,795,451	-
Total non-current liabilities		**8,622,767**	**-**
Current liabilities			
Trade and other payables	19	17,566,225	14,664,546
Lease liabilities	20	29,397	65,654
Deferred consideration	21,24	2,056,064	-
Contingent consideration	21,24	1,114,294	-
Total current liabilities		**20,765,980**	**14,730,200**
Total liabilities		**29,388,747**	**14,730,200**
Total equity and liabilities		**48,251,765**	**27,810,870**

The notes on pages 25 to 40 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2024 and were signed on its behalf by:

Per Lauritzson
Director

Consolidated statement of cash flows
for the year ended 31 December 2022

GBP	Notes	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Cash flow from operating activities			
Profit for the year before tax		691,730	558,061
Profit for the year before tax		**691,730**	**558,061**
Adjustments for:			
Effect of exchange rate fluctuations		(149,205)	180,092
Impairment writeback		-	(392,574)
Share based payments	17	57,840	34,771
Depreciation of tangible assets	12	115,140	56,070
Amortization of intangible assets	13	2,460,915	198,797
Share of loss from associate		47,407	-
Fair value gains		(527,546)	-
Finance expenses		920,907	5,877
Working capital:			
Change in trade and other receivables		(6,401,216)	(2,229,829)
Change in trade and other payables		8,863,727	2,544,724
Net cash flow from operating activities		**6,079,699**	**955,988**
Cash flow used in investing activities			
Investment	14	(400,327)	-
Acquisition of a subsidiary, net of cash acquired	24	(2,884,905)	-
Expenditure on property, plant and equipment		(7,895)	-
Capitalised game distribution rights	13	(5,962,049)	(803,743)
Capitalised development cost	13	(237,485)	(230,283)
Net cash flow used in investing activities		**(9,492,661)**	**(1,034,026)**
Cash flow from financing activities			
Proceeds from issue of shares	16	2,341,464	75,987
Payment of lease liabilities	20	(96,556)	(68,063)
Net cash flow from financing activities		**2,244,908**	**7,924**
Net change in cash and cash equivalents		**(1,168,054)**	**(70,113)**
Cash and cash equivalents at beginning of year		14,458,346	14,708,551
Effect of exchange rate fluctuations on cash held		511,301	(180,092)
Cash and cash equivalents at end of year		**13,801,593**	**14,458,346**

The notes on pages 25 to 40 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2022

GBP	Notes	Share capital	Share premium	Other Reserves	Retained earnings	Total
Balance at 1 April 2021		99,849	14,841,496	364,602	(2,871,691)	12,434,256
Profit for the period		-	-	-	537,831	537,831
Total comprehensive income for the period		**99,849**	**14,841,496**	**364,602**	**(2,333,859)**	**12,972,088**
Transactions with owners, recorded directly in equity						
Share based payments	17	-	-	34,771	-	34,771
Deferred tax on share options		-	-	(2,175)	-	(2,175)
Issue of share capital	16	200	75,787	-	-	75,987
Balance at 31 December 2021		**100,049**	**14,917,283**	**397,197**	**(2,333,859)**	**13,080,670**
Balance at 01 January 2022		100,049	14,917,283	397,197	(2,333,859)	13,080,670
Adjustments to opening retained earnings		-	-	-	18,992	18,992
Acquisition of Audiencly		-	-	-	(199,697)	(199,697)
Profit for the year		-	-	-	554,208	554,208
Other comprehensive income		-	-	665,514	-	665,514
Total comprehensive income for the year		**100,049**	**14,917,283**	**1,062,711**	**(1,960,356)**	**14,119,687**
Transactions with owners, recorded directly in equity						
Share based payments	17	-	-	57,840	-	57,840
Deferred tax on share options		-	-	(136,506)	-	(136,506)
Issue of share capital	16, 18	9,260	2,335,388	2,477,349	-	4,821,997
Balance at 31 December 2022		**109,309**	**17,252,671**	**3,461,934**	**(1,960,356)**	**18,863,018**

The notes on pages 25 to 40 form part of these financial statements.

Notes to the consolidated financial statements

1 - Corporate governance failings

As Mr Palmstierna has noted in his Chairman's Statement, during 2023 certain information relating to Audiencly was misrepresented to the auditors. The misrepresentation was also made to the Company's management and its Board.

As a result of that misrepresentation, the Board set out to establish what had happened, who was involved, whether the Company has suffered any losses from the misrepresentation including whether revenue was genuine, whether there had been any breaches of law or regulation, and whether the misrepresentation event might potentially compromise the reliability of the Company's financial records and these financial statements.

The Board commissioned an external law firm, in conjunction with forensic accountants, to undertake a wide-ranging review. The review included a deep-dive into the events surrounding the misrepresentation as well as a forensic examination of the related accounting records. In parallel, the Board has conducted a number of other reviews internally to ensure that it has as full an understanding as possible.

The Board's conclusions from these reviews are as follows:

a. The misrepresentation was a single event.
b. The misrepresentation related exclusively to Audiencly. Accordingly, Flexion's other activities, representing 88% of the group when measured by the size of its revenue in 2022, is unaffected.
c. The misrepresentation involved the creation in June 2023 of a Master Service Agreement signed by Audiencly and the Key Customer referred to in the Chairman's statement. Although it had only just been created, this written agreement was misrepresented to the auditors and to Flexion as having been in existence over two years earlier. The written document fairly reflected the existing agreement between Audiencly and the Key Customer, which had only been an oral agreement up until that point.
d. The document was initiated and signed by one member of the senior management at Audiencly, within the knowledge of another Audiencly employee, and signed by an executive of the Key Customer, who at the time held an unrelated Directorship in Flexion.
e. None of the individuals involved in, or who had knowledge of, the misrepresentation were part of the Flexion group before the acquisition of Audiencly. Furthermore, none of these individuals were in a position to or had any material influence over the group's decisions made in response to the misrepresentation.
f. The written agreement set out the terms and conditions of future sales. It itself did not generate any additional accounting transactions or in any way alter those already arising from the existing oral agreement.
g. For nearly all the revenue from the Key Customer recognised in the Company's financial statements, the Board has been able to obtain persuasive evidence that the revenue and related cost of sales are correctly recorded, backed up by objective and factual evidence that the sale and related cost of sales have occurred and were correctly recorded. The remaining amounts, which amount to less than £30,000, have not been investigated further due to their immateriality. For non-Key Customer related revenues, of which 99% have been invoiced and paid correctly, the Board has obtained persuasive evidence covering 97% of the sales and related cost of sales with the remaining amounts not being investigated due to their immateriality.
h. All of Audiencly's accounting records are maintained by an external firm, and none of the individuals responsible for, or who had knowledge of, the misrepresentation in practice influenced the accounting entries reflected in the financial statements or altered Flexion's financial statements in any way.
i. None of the financial information subsequently received by the Board, covering a period of over 17 months from the year end, including the various year-end journals has suggested that these December 2022 financial statements might be misstated in any respect, even at an immaterial level.
j. The accounting treatment of receivables due from the Key Customer, earnout calculations and goodwill have been highlighted by Grant Thornton UK LLP in their audit report and are discussed further in the section below on judgments. The Board reflected carefully on the most appropriate accounting treatment for each item, drawing on external technical advice from, a leading accountancy firm that the Company is using for technical IFRS accounting support. This advice includes the assessment that the June 2023 Key Customer insolvency was not known at the end of 2022 and hence should not be reflected in the 2022 accounts, and the assessment that the amendment to the SPA was deemed to be non-substantive, with no impact on the intent of any party, and therefore the SPA and the amendment can be treated as a single unit. The Board is therefore satisfied that the accounting treatment reflected in these financial statements for each of these items is fair and appropriate.
k. As a result, the Board is confident that these financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year.

Nevertheless, the Board remains concerned that such a misrepresentation had taken place. As a result, the Board has commenced a control and governance improvement programme, which is in progress.

2 - Accounting policies

DESCRIPTION OF THE BUSINESS

Flexion Mobile PLC, the Group's ultimate parent company, is a publicly listed company incorporated and domiciled in England and Wales. Its registered office and principal place of business is Harbour Yard Unit G5, Chelsea Harbour, London, England, SW10 0XD. The registered number of the Group is 04306881. Flexion's shares are listed on the Nasdaq First North Growth Market in Stockholm. The principal activity of the Group is to offer marketing services within gaming.

BASIS OF PREPARATION

The financial statements of the Group are prepared in accordance with applicable UK law and UK-adopted international accounting standards (IFRS) 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 of the Group. The financial statements have been prepared on a historical costs basis, except for deferred liabilities, contingent liabilities and investments, which have been prepared on a fair value through profit or loss basis. Monetary amounts are expressed in GBP.

The accounting policies adopted in the preparation of the financial statements are consistent with those for the previous financial year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

Subsidiaries are all entities over which the group has control. The Group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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, and stress tested available cash and cash forecasts for the Group's operations for the 12 months from the date of approval of the financial statements. The Directors of the Group are satisfied, having reviewed the performance of the Group and forecasts for the forthcoming year, the Group can cover all of its obligations as they fall due.

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 Group operates (the functional currency). The financial statements are presented in Pounds Sterling ("GBP"), which is the Group's functional currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. Non-monetary items are not retranslated at the year end. They are measured at historical cost (translated using the exchange rates at the transaction date).

NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

There were a number of standards and interpretations which were in issue at 31 December 2022 but were not effective at 31 December 2022 and have not been early adopted for these financial statements.

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

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

The new standards and amendments include:

IFRS 17	Insurance Contracts[1]
IAS 1	Presentation of Financial Statements (amendment)[1]
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (amendment)[1]
IAS 12	Income Taxes (amendment)[1]

1. Effective for annual periods beginning on or after 1 January 2023

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

NEW STANDARDS AND AMENDMENTS ISSUED

Changes to existing standards

IAS 16	Property, Plant and Equipment (amendment)
IFRS 3	Conceptual Framework (amendment)
IAS 37	Onerous Contracts (amendment)

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

REVENUE RECOGNITION

The Group has three revenue streams being In-App purchases (IAP) revenue, Non-IAP revenue and Marketing Services revenue.

IAP revenue includes all in-game purchases made by end-users within live games published by the Group on various distribution channels that the Group has contractual agreements with.

Non-IAP revenue includes revenue from integration fees which are non-recurring and recurring revenue share from in-game advertising.

Marketing services revenue include all marketing campaigns generated as part of the influencer marketing service offered.

Management has considered various factors including type of virtual goods, geographical region and disaggregated revenue as disclosed in note 4 and note 5. Management believes this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

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

IAP revenue is accounted for as a single performance obligation ("PO") which is the award of virtual goods to end-users. The PO is considered fulfilled when the virtual goods have been awarded and the end-users obtain control of the virtual goods. Revenue is recognised at the point in time once the PO is fulfilled. End-users obtain control of the virtual goods immediately after they have made payment to the distribution channel and the virtual goods have been awarded to the end-users by the Group. At this point the distribution channel reports transactions as successful to the Group which in return recognises them as unbilled receivables (accrued income) until billed.

The amount of consideration receivable by Flexion is dependent upon the number of items sold to end-users. The Group offers various discounts to sales prices during certain times which are accounted for as variable consideration and deducted from the transaction price which is recognised as revenue at point in time.

For in-game advertising, the Group has determined it acts as agent to the advertising networks and records its own revenue share as revenue when impressions of ads to end-users took place. For integration fees, the Group records fees receivable in return for integrations as revenue when a successful integration has been confirmed by the Group's partner. Historical subscription revenue and legacy revenue has the same characteristics as IAP revenue and is therefore accounted for in the same way.

For marketing services revenue, the Group has determined that it acts as principal and revenue is therefore recorded on a gross basis meaning that influencer costs will be shown in cost of sales rather than as a reduction of revenue. The revenue is accounted for as a performance obligation with the majority is allocated at launch of the campaign and the remaining amount is allocated during the life of the campaign and therefore is recognised over time. The life of a campaign is deemed to end in the same month as its launch as the effects of a campaign is seen immediately after launch even through the campaign video is live for much longer.

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 one right-to-use asset. Depreciation is charged on a straight-line basis to reflect the economic life of the lease.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of leasehold improvements, right of use assets and office equipment. The following useful lives are applied:

- leasehold improvements: 5–10 years
- right of use assets: 2–5 years
- office equipment: 3–10 years.

The assets residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

INTANGIBLE ASSETS

Intangible assets currently consist of capitalised development cost and game distribution rights.

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

Examples of such intangible assets include, but are not limited to; Flexion software components added by Flexion's customers to games; Flexion's enabling technology and associated interfaces; features to enable distribution, operation and monitoring of distributed games; business logic, interfaces and integrations encapsulated in Flexion's main service platform; features to store and utilise operational data, features created from 3rd party software integrations; features to ingest, store, process, present and distribute performance data and information.

Development expenditure is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over 5 years to reflect the estimated useful economic life of the assets. Subsequent relevant costs, which are not enhancements to the existing product, but rather are generating new revenues are included as carrying amount of the asset or as a separate asset if appropriate.

The Group capitalises development costs for R&D projects in accordance with its continuing policy. The Group carries out detailed analyses of its development management tool and development hours recorded in its system to identify costs that meet recognition requirements. Once management are satisfied that policy criteria are met, the development costs are carried as assets and amortised over the estimated useful life of 5 years. Capitalisation of costs cease, and amortisation commences from the end of the month following the date at which an intangible asset is available for use, unless recognition criteria in IAS 38 are met.

As at 31 December 2022, the carrying value of internally generated software assets was GBP 937,245 and the amount of research and development costs expensed was GBP 18,058.

The Group capitalises material development and integration fees paid to developers for the right to distribute their applications. As the Group acts as principal in the distribution of the applications to the end user, the Group acquires the right of use of the application and therefore meets the definition of an intangible asset per IAS 38. The asset (i.e. the development and integration fees) is not capable of being sold separately and therefore is not separable. The asset provides the Group with the right to substantial revenues generated from the application. Where the amount of the development and integration fees are immaterial, the fees are expensed to profit and loss in the period they are paid. Amortisation is charged on a straight-line basis over approximately 4 years from the launch date of the application to reflect the estimated useful economic life of the assets.

As at 31 December 2022, the carrying value of game distribution rights was GBP 5,228,112.

EQUITY

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

INCOME TAX

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

CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable profit for the year. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period.

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

DEFERRED TAX

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

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

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

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

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

SHARE BASED COMPENSATION

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

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

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which was determined by management to be the most appropriate valuation model. It takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience. The assumptions used are disclosed in note 17.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

COST OF SALES

The Group's cost of sales is a combination of a percentage of revenue paid out to game developers and distribution channels as per contractual terms and separate agreements with influencers used in marketing campaigns. Costs are recognised in the same period as the related revenue.

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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

Classification and initial measurement of financial assets

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

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

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

In the periods presented the Group does not have any financial assets classified as FVOCI.

The classification is determined by both:

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

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

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The group have no such derivative financial instruments during the year.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in LiteUp Media UG and equity securities at FVOCI. The fair value was determined in line with the requirements of IFRS 13 'Fair Value Measurement'.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

NON-DERIVATIVE FINANCIAL INSTRUMENTS
Non-derivative financial instruments have fixed or determinable payments and are not quoted in an active market. They are trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

TRADE PAYABLES AND OTHER NON-DERIVATIVE FINANCIAL LIABILITIES
Trade payables and other creditors are non-interest bearing and are initially recognised at fair value. They are subsequently carried at amortised cost using the effective interest method and are categorised as other financial liabilities.

DEFERRED CONSIDERATION
Deferred considerations are initially recognised at fair value. They are subsequently recognised at FVTPL using the effective interest method and are categorised as other financial liabilities.

CONTINGENT CONSIDERATION
Contingent considerations are initially recognised at fair value. They are subsequently recognised at FVTPL using the effective interest method and are categorised as other financial liabilities.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

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

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

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

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

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

FINANCIAL INSTRUMENTS – RISK MANAGEMENT
In common with all other businesses, the 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. The Group does not currently use derivative financial instruments to hedge foreign exchange exposures.

GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

FOREIGN EXCHANGE RISK

Foreign exchange risk arises because the Group has operations and customers located in various parts of the world where the local currency and the revenue collection currency are not the same as the functional currency with which the Group operates. The Group has a policy to secure medium-term needs in operational currencies using spot rates. Only in certain cases 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 and deposits, the Group only uses recognised banks with high credit ratings.

INTEREST RATES ON FINANCIAL ASSETS

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

CREDIT RISK

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Judgements include matters such as the capitalisation of internally developed software while estimates focus on areas such as carrying values, estimated useful lives of Intangible assets and potential obligations.

Key Judgements

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

Principal versus Agent

The Group provides services to its customers whereby it needs to determine if it acts as a principal or an agent. For all products and services, other than advertising revenue, the Group is considered to act as principal. For advertising (ad) revenue, the Group considers itself to be an agent. Further information on the revenue treatment of the Group can be found further above in "Revenue Recognition" accounting policy.

Capitalisation of internally developed software

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

Capitalisation of game distribution rights

Determining whether the recognition requirements for the capitalisation of game distribution rights are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In addition, management reviews its estimate of the useful lives of game distribution rights based on the expected utility of the asset.

Operating segments

Flexion's Chief Operating Decision Maker (CODM) is the Executive Management Team. Prior to the acquisition of Audiencly (note 23), Flexion was a standalone company and reported to the CODM as one operating segment. Subsequent to the acquisition, the CODM is assessing the operating segments of the business. Therefore, the Group is currently undertaking a process to reorganise the Company, analyse the most efficient and accurate operational segments and how to set up segmental transfer pricing policies and facilitate accurate reporting of financial information for each potential operating segment. When this process is completed, these operating segments will be reported externally as appropriate.

Expected Credit Losses of Receivables in Audiencly
After a thorough evaluation of the sequence of events and data available up to 31 December 2022, management have concluded that no specific expected credit losses are required for receivables from its customers. This judgment is particularly informed by the financial distress faced by one of Audiencly's clients, referred to in the Chairman's statement as the Key Customer. As of 31 December 2022, the financial difficulties of the Key Customer could not, in the view of the Directors, have been reasonably known or expected by the Group based on circumstances existing as at 31 December 2022. Consequently, these financial difficulties are classified as a 2023 adjusting event. This assessment aligns with accounting principles dictating that expected credit losses should only be made based on information, including forward-looking information, available up to the reporting date. Therefore, management deems it appropriate not to adjust the receivables for expected credit losses associated with the Key Customer's financial distress within the 2022 financial statements.

Treatment of Purchase Price Consideration in Goodwill
In the case of Audiencly, the SPA agreement originally included a good/bad leaver clause relating to certain potential payments to the previous owners. This clause was subsequently waived. Management decided to waive this clause as they deemed it to be non-substantive, with no impact on the intent of any party to the transaction, and because the clause's treatment under IFRS would result in the reporting of the transaction to be in contrast with this intent. The Group has always reported the earnout as part of the purchase price consideration, indicating a consistent approach in its financial and external reporting. In determining the accounting policy to apply to the earn-out payments, key principles such as faithful representation, substance over form, and the unit of account were carefully considered, as well as how these principles are incorporated in other IFRS Standards. Based on these principles, it is highly judgmental but management ultimately deemed it appropriate to treat the SPA and the waiver amendment as a single unit when applying IFRS 3 to the Audiencly acquisition. This approach ensures that the financial statements reflect the true substance and intent of the transaction.

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

Useful lives of intangible assets
Amortisation of intangible assets is calculated over the useful economic lives of the assets. The estimates of useful economic lives are reviewed at least annually for any changes to this estimate. There are no changes required to estimate useful economic lives during the period ended 31 December 2022 except as disclosed below.

The useful life of game distribution rights is approximately 4 years, from the launch date of the relevant titles.

The customer relationships were acquired as part of a business combination (see note 24 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a slightly adjusted (concave) curve over 10 years to match the forecasted earnings from the existing customers acquired.

The brand was acquired as part of a business combination (see note 24 for details). It was recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line over 10 years based on the estimated life of the brand.

Goodwill has an indefinite useful life and as such is not amortised.

Contingent consideration
As part of the acquisition of Audiencly, the purchase agreement included an additional maximum consideration (contingent consideration) of EUR 10.73m, payable only if the EBITDA of Audiencly for the financial years ending 2022, 2023 and 2024 achieve the threshold agreed by both parties. The contingent consideration will be paid in three separate instalments in the second quarter of 2023, 2024 and 2025 respectively. The EUR 7.36m of contingent consideration liability recognised represents the present value of the Group's estimate of the cash outflow which has been discounted using an interest rate of 16.4%, equivalent to the valuation's assessed project IRR. The book value of the contingent consideration liability (ie without NPV adjustment) is EUR 10.47m. As at 31 December 2022, there has been a changes in the estimate of the probable cash outflow but the liability has increased to EUR 7.81m due to the change in fair value.

Deferred tax asset on tax losses
The Group has not recognised a deferred tax asset in respect of tax losses as there is currently insufficient evidence of taxable profits being available to utilise the asset against. This will be reassessed in the next financial year.

Impairment of non-financial assets and goodwill
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2022, the Group did not recognise any impairment losses.

Business combinations
Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 24). In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 24).

Discount rates
The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.

The directors do not believe there are any key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year.

LEASES
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset, which is included within property, plant and equipment, and a corresponding lease liability on the statement of financial position, at the commencement date.

Right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any dilapidation costs and any lease payments made in advance of the lease commencement date. Subsequent measurement is at cost less any accumulated depreciation and accumulated impairment losses, if applicable. The right-of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments.
Lease liabilities are subsequently measured at amortised cost using the effective interest rate method and remeasured when there is a change in future lease payments.

In case the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and lease liabilities separately from other liabilities in the statement financial position.

Short-term leases and leases of low-value assets

The Group applied the practical expedients permitted by IFRS 16 not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Instead, the Group is recognising the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 - Changes in accounting policy

The Group has consistently applied the accounting policies to all periods presented in these financial statements. This is the first set of published consolidated financial statements.

4 - Revenue

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

(GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
IAP revenue	60,608,555	25,983,466
Non-IAP revenue	167,212	93,027
Marketing Services	7,753,847	-
Total revenue	**68,529,614**	**26,076,493**

5 - Operating segments

The Group has a single reportable operating segment which is games marketing services.

Geographical information (GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Asia	34,009,114	10,116,890
Europe excl. United Kingdom	11,633,998	7,537,310
N. America	17,769,107	6,713,906
United Kingdom	2,644,913	1,018,355
Middle East Africa	1,240,162	467,679
S. America	1,232,320	222,354
Total Revenue	**68,529,614**	**26,076,493**

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

The Group is domiciled in United Kingdom and produces its income primarily in Asia, Europe and North America.

6 - General and administrative expenses

(GBP)	Notes	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Total staff costs	7	4,534,798	2,242,988
Low value or short-term lease expense	20	54,039	28,956
Other premises costs		152,724	75,536
Administrative costs		400,545	77,996
Corporate acquisition related costs		223,574	-
Impairment writeback		-	(392,574)
Other overheads		342,166	125,674
Computer software		97,103	42,827
Corporate insurance		92,257	37,242
Hosting fees		204,000	112,437
Listing fees		41,209	76,373
User Acquisition		144,841	-
Audit fees*		462,470	79,105
Depreciation	12	115,140	56,070
Amortisation	13	2,460,915	198,797
Share based payments	16	57,840	34,771
Foreign exchange differences		509,803	83,143
General and administrative expenses		**9,893,424**	**2,879,340**

***Audit fees:**		
Audit of the Group accounts by group auditors	328,570	-
Audit of the Company accounts by group auditors	118,450	79,105
Audit of the Company subsidiary accounts by component auditors	15,450	-
	462,470	**79,105**

7 - Staff costs (including executive Directors)

(GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Employee salaries	3,217,878	1,464,051
Contractor fees	362,207	172,042
Social security costs	490,145	241,116
Employer pension costs - defined contribution	74,621	54,009
Employee benefit expenses	76,101	50,684
Other staff related costs	313,846	261,086
Total staff costs	**4,534,798**	**2,242,988**

Average number of employees (including executive Directors)	**12 months to 31 Dec 2022**	**9 months to 31 Dec 2021**
Total average employees employed in the United Kingdom	32	32
Total average employees employed through Hungarian branch	40	25
Total average employees employed through Audiencly	32	-
Total average number of people employed during the year	**104**	**57**

8 - Directors' remuneration

(GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Directors' emoluments	344,478	238,375
Pension contributions	8,125	6,000
Share based payments	5,696	5,867
Total Directors' remuneration	**358,299**	**250,242**

One of the Directors exercised 74,000 share options during the year to 31 December 2022. The aggregate gains on these exercised options were GBP 93,970.

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

Remuneration for highest paid Director (GBP)	**12 months to 31 Dec 2022**	**9 months to 31 Dec 2021**
Directors' emoluments	112,750	91,500
Pension contributions	4,063	3,000
Share based payments	-	171
Total	**116,813**	**94,671**

9 - Finance costs

(GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Fair value adjustments:		
- Deferred consideration	26,389	-
- Contingent consideration	890,688	-
Interest on lease liabilities	3,830	5,877
Other interest expense	39,846	290
Total finance costs	**960,753**	**6,167**

10 - Income tax expense

(GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Overseas corporation tax	333,149	-
Overseas withholding tax	16,143	14,696
Deferred tax	(211,770)	5,534
Total income tax expense	**137,522**	**20,230**

(GBP)	2022	2021
Deferred tax brought forward	(52,002)	(59,712)
Origination and reversal of temporary differences	2,857,015	7,710
Total deferred tax liability / (asset)	**2,805,013**	**(52,002)**

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

(GBP)	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Profit on ordinary activities before taxation	691,730	558,061
Tax at the UK corporation tax rate of 19% (31 December 2021: 19%)	131,429	106,032
Effects of:		
Disallowable expenditures	(56,653)	(8,832)
R&D deduction	-	(57,757)
Loss brought forward	(1,433,263)	(1,454,595)
Unutilised tax loss	1,358,487	1,429,848
Double tax relief	-	(14,696)
Current tax charge for the period	**-**	**-**
Differences in overseas taxation rates	349,292	14,696
Deferred tax effect	(211,770)	5,534
Other items	-	-
Total tax charge for the period	**137,522**	**20,230**

The Group has estimated tax losses of GBP 7,119,033 to carry forward against future taxable profits.

11 - Earnings per share

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

	12 months to 31 Dec 2022	9 months to 31 Dec 2021
Profit after tax attributable to equity holders of the parent (GBP)	1,219,722	537,831
Weighted average number of ordinary shares in issue	51,740,827	49,955,905
Fully diluted weighted average number of ordinary shares in issue	55,177,341	53,260,967
Basic earnings per share (GBP)	**2.36**	**1.08**
Diluted earnings per share (GBP)	**2.21**	**1.01**

The number of share options outstanding as at 31 December 2022 totalled 2,731,062 and are potentially dilutive.

12 - Property, plant and equipment

(GBP)	Leasehold improvement	Right-to -use asset	Office equipment	Total
Cost		(Note 20)		
At 1 Apr 2021	-	224,273	-	224,273
At 31 Dec 2021	**-**	**224,273**	**-**	**224,273**
Accumulated depreciation				
At 1 Apr 2021	-	93,450	-	93,450
Depreciation during the year	-	56,070	-	56,070
At 31 Dec 2021	**-**	**149,520**	**-**	**149,520**
Carrying value at 31 Dec 2021	**-**	**74,753**	**-**	**74,753**
Cost				
At 1 Jan 2022	-	224,273	-	224,273
Additions	9,325	-	-	9,325
Acquisition through business combination	-	78,772	27,407	106,179
At 31 Dec 2022	**9,325**	**303,045**	**27,407**	**339,777**
Accumulated depreciation				
At 1 Jan 2022	-	149,520	-	149,520
Depreciation during the year	777	105,048	9,315	115,140
Exchange differences		(2,652)	(791)	(3,443)
At 31 Dec 2022	**777**	**251,916**	**8,524**	**261,217**
Carrying value at 31 Dec 2022	**8,548**	**51,129**	**18,883**	**78,560**

13 - Intangible Assets

(GBP)	Goodwill	Software development	Game distribution rights	Brand	Customer relationships	Total
Cost						
At 1 Apr 2021	-	1,309,837	-	-	-	1,309,837
Additions	-	230,283	6,765,792	-	-	6,996,075
At 31 Dec 2021	**-**	**1,540,120**	**6,765,792**	**-**	**-**	**8,305,912**
Accumulated amortisation						
At 1 Apr 2021	-	348,257	-	-	-	348,257
Amortisation during the period	-	198,797	-	-	-	198,797
At 31 Dec 2021	**-**	**547,054**	**-**	**-**	**-**	**547,054**
Carrying value at 31 Dec 2021	**-**	**993,066**	**6,765,792**	**-**	**-**	**7,758,858**
Cost						
At 1 Jan 2022	-	1,540,120	6,765,792	-	-	8,305,912
Additions	-	237,485	-	-	-	237,485
Acquisition through business combination	7,242,550	-	-	5,345,213	3,800,792	16,388,555
At 31 Dec 2022	**7,242,550**	**1,777,605**	**6,765,792**	**5,345,213**	**3,800,792**	**24,931,952**
Accumulated amortisation						
At 1 Jan 2022	-	547,053	-	-	-	547,053
Exchange differences	(331,156)	-	-	(140,087)	(101,081)	(572,325)
Amortisation during the year	-	293,307	1,537,680	401,948	227,980	2,460,915
At 31 Dec 2022	**(331,156)**	**840,360**	**1,537,680**	**261,860**	**126,899**	**2,435,644**
Carrying value at 31 Dec 2022	**7,573,706**	**937,245**	**5,228,112**	**5,083,353**	**3,673,893**	**22,496,308**

14 - Investments

Set out below are the associates of the group as at 31 December 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest		Measurement method	Carrying amount	
		31 Dec 2022	31 Dec 2021		31 Dec 2022	31 Dec 2021
LiteUp Media UG	Germany	20%	-	Equity method	352,920	-
					352,920	**-**

On 31 January 2022 and 22 August 2022, the Company invested 10% in Liteup Media UG for USD 250,000 respectively, through a directed share issue, bringing the total ownership to 20%. The Group has determined that it has significant influence over LiteUp Media.

15 - Trade and other receivables

(GBP)	31 Dec 2022	31 Dec 2021
Trade receivables	2,503,586	9
Other receivables	92,633	33,202
Prepayments	325,124	379,126
Accrued income	8,601,041	5,054,573
Trade and other receivables	**11,522,384**	**5,466,910**

Other receivables include recoverable VAT of GBP 38,745, advances of GBP 37,614 and GBP 16,274 of other non-material items.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Management considers the counterparty risk to be acceptable due to the very large size of its counterparties (Note 22).

16 - Share capital

Details of ordinary shares of 0.2p each issued are in the table below:

Date	Details	Number of shares	Nominal value	Total share capital	Total share premium
At 01 Apr 2021		**49,924,672**	**0.002**	**99,849**	**14,841,496**
	Shares issued	100,000	0.002	200	75,787
At 31 Dec 2021		**50,024,672**	**0.002**	**100,049**	**14,917,283**
	Shares issued	4,629,901	0.002	9,260	4,812,737
At 31 Dec 2022		**54,654,573**	**0.002**	**109,309**	**19,730,020**

During the period ending 31 December 2022 836,500 options were exercised and converted to ordinary shares of the Group.

On 08 March 2022 the Group issued 50,000 ordinary shares at an average price of GBP 0.5665 per share. These shares have been authorised and relate to share based payments, refer to note 17 below.

On 05 April 2022 the Group issued 441,343 ordinary shares at an average price of GBP 1.1338 per share. These shares have been authorised and relate to the acquisition of Audiencly GbmH.

On 05 July 2022 the Group issued 804,338 ordinary shares at an average price of GBP 1.2227 per share. These shares have been authorised and relate to the acquisition of Audiencly GbmH.

On 25 August 2022 the Group issued 349,000 ordinary shares at an average price of GBP 0.3322 per share. These shares have been authorised and relate to share based payments, refer to note 17 below.

On 11 October 2022 the Group issued 692,316 ordinary shares at an average price of GBP 1.4388 per share. These shares have been authorised and relate to the acquisition of Audiencly GbmH.

On 12 December 2022 the Group issued 1,855,404 ordinary shares at an average price of GBP 1.0793 per share. These shares have been authorised and relate to the retail fund raise held during the year.

On 12 December 2022 the Group issued 437,500 ordinary shares at an average price of GBP 0.5521 per share. These shares have been authorised and relate to share based payments, refer to note 17 below.

17 - Share based payments

The Group has a single 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 Group.

Each share option converts into one ordinary share of Flexion Mobile Plc upon exercise. The option holder shall pay for the exercise price in cash. The options carry neither rights to dividends nor voting rights at shareholders meetings.

(GBP)	Number of share options Dec 2021	Weighted average exercise price GBP Dec 2021	Weighted average date of issue Dec 2021
Balance at 1 April	3,327,062	0.65	22 Mar 2017
Lapsed during the year	275,000	0.79	06 Dec 2019
Issued during the year	353,000	1.44	22 Aug 2021
Exercised during the year	100,000	0.76	09 Feb 2018
Balance at 31 December	**3,305,062**	**0.72**	**16 Jun 2017**
Exercisable at 31 December	**2,658,312**		

(GBP)	Number of share options Dec 2022	Weighted average exercise price GBP Dec 2022	Weighted average date of issue Dec 2022
Balance at 1 January	3,305,062	0.72	16 Jun 2017
Lapsed during the year	87,500	1.45	30 Jan 2021
Issued during the year	350,000	1.41	18 May 2022
Exercised during the year	836,500	0.46	11 Apr 2015
Balance at 31 December	**2,731,062**	**0.86**	**29 Aug 2018**
Exercisable at 31 December	**1,959,312**		

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

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

The calculated fair value of share options, included in the profit or loss is GBP 57,840. Other reserves comprise the movements in share based payments.

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

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

	Share options 31 Dec 2022	Share options 31 Dec 2021
Grant date fair value in GBP	0.559 - 0.666	0.600 - 0.660
Exercise price	GBP 1.25 - 1.51	GBP 1.11 - 1.54
Expected life	6.25 years	6.25 years
Expected volatility	54.5% - 62.9%	61.3% - 69.9%
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.31% - 4.15%	0.57% - 1.04%

In 2019 the expected life used in the valuation has been adjusted due to listing the shares based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Those assumptions have not changed for 2022. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

18 - Retained earnings & Other reserves

(GBP)	31 Dec 2022	31 Dec 2021
Retained earnings		
Opening balance	(2,333,859)	(2,871,691)
Adjustments to opening retained earnings	18,992	-
Acquisition of Audiencly	(199,697)	-
Profit for the year	554,208	537,831
Closing balance	**(1,960,356)**	**(2,333,860)**
Other reserves		
Share based payments reserve	224,002	166,162
Deferred tax reserve	94,529	231,035
Translation reserves	665,514	-
Merger reserve	2,477,349	-
	3,461,394	**397,197**

The merger reserve represents the share premium of shares issued in relation to the acquisition of subsidiaries.

19 - Trade and other payables

(GBP)	31 Dec 2022	31 Dec 2021
Trade payables	1,906,779	7,299,393
Social security and other taxes	142,734	83,779
Accrued expenses	13,821,766	7,248,802
Corporation tax payable	504,892	-
Other payables	1,190,054	32,572
Trade and other payables	**17,535,325**	**14,664,546**

20 - Leases

Right-of-use assets

(GBP)	Property	Vehicles	Total
Carrying value at 1 April 2021	130,823	-	130,823
Depreciation charge during the period	(56,070)	-	(56,070)
Additions	-	-	-
Carrying value at 31 December 2021	**74,753**	**-**	**74,753**
Carrying value at 1 January 2022	74,753	-	74,753
Depreciation charge during the period	(97,440)	(7,608)	(105,048)
Additions	47,923	30,849	78,772
Exchange differences	1,479	1,173	2,652
Carrying value at 31 December 2022	**26,715**	**24,414**	**51,129**

Lease liabilities

(GBP)	31 Dec 2022	31 Dec 2021
Maturity analysis - contractual undiscounted cash flows		
Within one year	30,376	68,063
Within two to five years	22,703	-
Total undiscounted lease liabilities at period end	**53,079**	**68,063**
Lease liabilities included in the statement of financial position at period end		
Non-Current	22,303	-
Current	29,397	65,654

Amounts recognised in profit or loss

(GBP)	31 Dec 2022	31 Dec 2021
Interest on lease liabilities	3,830	5,877
Expenses relating to short-term leases	54,039	28,956

Amounts recognised in the statement of cash flows

(GBP)	31 Dec 2022	31 Dec 2021
Total cash outflow for leases	96,556	68,063

21 - Deferred and Contingent considerations

(GBP)	Deferred consideration	Contingent consideration
Fair value at acquisition 5 April 2022	7,867,185	6,233,654
Payments in cash	(3,405,434)	-
Payments in equity	(2,481,225)	-
Finance expenses – Unwinding of discount	26,389	890,688
Fair value gain	-	(527,546)
Exchange differences	49,149	312,949
Fair value at 31 December 2022	**2,056,064**	**6,909,745**

Deferred consideration included in the statement of financial position at period end

(GBP)	31 Dec 2022	31 Dec 2021
Non-Current	-	-
Current	2,056,064	-

Contingent consideration included in the statement of financial position at period end

(GBP)	31 Dec 2022	31 Dec 2021
Non-Current	5,795,451	-
Current	1,114,294	-

22 - Financial instruments

This note represents quantitative information about the Group's exposure to risk arising from financial instruments, specifically credit risk, liquidity risk and foreign exchange risk. Qualitative information about aforementioned risk exposure has been explained in note 2 under the Group's accounting policies. The Group does not currently use derivative financial instruments to hedge foreign exchange exposures.

Financial instruments by category

(GBP)	Amortised cost	FVTPL	Total
31 December 2022			
Financial assets			
Investments			
Cash and cash equivalents	13,801,593	-	13,801,593
Trade and other receivables	11,197,260	-	11,197,260
Total financial assets	**24,998,853**		**24,998,853**
Financial liabilities			
Trade and other payables	16,180,731	-	16,180,731
Lease liability	51,700	-	51,700
Deferred consideration	-	2,056,064	2,056,064
Contingent consideration	-	6,909,746	6,909,746
Total financial liabilities	**16,232,430**	**8,965,810**	**25,198,240**
31 December 2021			
Financial assets			
Cash and cash equivalents	14,458,346	-	14,458,346
Trade and other receivables	4,814,057	-	4,814,057
Total financial assets	**19,272,403**	**-**	**19,272,403**
Financial liabilities			
Trade and other payables	14,307,320	-	14,307,320
Lease liability	65,654	-	65,654
Total financial liabilities	**14,372,974**	**-**	**14,372,974**

Credit risk

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

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

(GBP)	31 Dec 2022	31 Dec 2021
Cash and cash equivalents[1]	13,801,593	14,458,346
Trade receivables	2,503,585	9
Other receivables[2]	9,018,799	5,193,173
Total	**25,323,977**	**19,651,528**

1. At 31 December 2022, GBP 4,551,109 are held in USD, GBP 2,842,711 are held in EUR, GBP 1,677,385 are held in SEK and GBP 55,092 are held in HUF. The majority of the remainder is held in GBP with a few smaller other currency balances.

2. Other receivables consist of GBP 8,601,041 of accrued income that meets the definition of a financial asset.

The Group performs an expected credit loss assessment for all trade and other receivables to calculate a provision for expected credit loss, based on historical credit loss information, current conditions and forecasts of future economic conditions. The simplified approach is used in accordance with IFRS 9.

On the above basis the expected credit loss for trade receivables as at 31 December 2022 (31 December 2021: N/A) was determined as follows:

Year ended 31 December 2022		Trade receivables				
(GBP)	Current	Less than 30 days	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0.20%	0.36%	1.18%	2.05%	3.63%	
Gross carrying amount	1,312,486	670,295	253,305	159,713	123,620	2,519,419
Loss allowance	2,661	2,437	2,978	3,275	4,481	15,832

Liquidity risk

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

Year ended 31 December 2022

(GBP)	On demand	Within 1 year	Within 2 to 5 years
Trade payables	1,906,779	-	-
Accrued expenses & other payables	3,379,898	10,894,054	-
Lease liability	-	29,397	22,303
Deferred consideration	-	2,056,064	-
Contingent consideration		1,114,294	5,795,451
Total	**5,286,677**	**14,093,809**	**5,817,754**

Year ended 31 December 2021 (GBP)	**On demand**	**Within 1 year**	**Within 2 to 5 years**
Trade payables	1,389,153	5,910,240	-
Accrued expenses & other payables	1,525,182	5,482,745	-
Lease liability	-	65,654	-
Total	**2,914,335**	**11,458,639**	**-**

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

Currency (GBP)	**31 Dec 2022**	**31 Dec 2021**
USD	803,347	7,275,810
EUR	1,058,136	1,287
Other	45,295	6,619
	1,906,778	**7,283,716**

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

Monetary position at 31 December 2022	**USD rate**	**EUR rate**	**SEK rate**	**KRW rate**	**HUF rate**
Change in rate	+ 10%	+ 10%	+ 10%	+ 10%	+ 10%
Effect on profit before tax in GBP	(745,209)	(1,132,686)	(172,866)	(147,513)	(4,649)
Change in rate	- 10%	- 10%	- 10%	- 10%	- 10%
Effect on profit before tax in GBP	677,462	1,029,715	157,151	134,103	4,226

Monetary position at 31 December 2021	**USD rate**	**EUR rate**	**SEK rate**	**KRW rate**	**HUF rate**
Change in rate	+ 10%	+ 10%	+ 10%	+ 10%	+ 10%
Effect on profit before tax in GBP	(1,006,399)	(859,322)	(18,567)	(54,483)	(54,959)
Change in rate	- 10%	- 10%	- 10%	- 10%	- 10%
Effect on profit before tax in GBP	914,908	781,202	16,880	49,530	49,963

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

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

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

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

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

23 - Related party transactions

Related party transactions with respect to Directors' emoluments have been disclosed in note 8.

On 18/05/2021 Carl Palmstierna acquired 50,000 ordinary shares through Palmstierna Invest AB increasing his total interest in the share capital of the Group to 6.7%.

On 23/09/2022, 29/11/2022 and 30/11/2022 Jens Lauritzson and Per Lauritzson together acquired 25,000 ordinary shares, 10,000 ordinary shares and 10,000 ordinary shares respectively through Mobile Sensations Ltd increasing their combined total interest in the share capital of the Group to 20.2%.

On 05/04/2022, 05/07/2022, 11/11/2022 and 09/12/2022 Adrian Kotowski acquired 441,343, 402,669, 346,158 and 8,000 ordinary shares respectively, increasing his total interest in the share capital of the Group to 2.2%.

During the year a prepayment was made to LiteUp Media UG for services to be rendered, as at 31 December 2022 no services had been rendered, therefore EUR 50,000 is included in trade an other receivables at year end.

Included in trade and other payables in EUR 98,733.74 payable to Audiencly GbmH for services rendered during the year.

Compensation of key management personnel (incl. executive Directors): (GBP)	**12 months to 31 Dec 2022**	**9 months to 31 Dec 2021**
Short-term employee benefits	614,983	478,737
Share based payments	11,055	17,120

There are no other related party transactions.

24 - Acquisitions

On 5 April 2022, Flexion completed the acquisition of the entire issued capital of Audiencly GmbH, an influencer marketing agency registered in Germany, thereby obtaining control.

With this acquisition Flexion improves its competitive advantage in the gaming market. The company benefits from the acquisition with the expansion into the influencer marketing sector and potential synergies between the companies.

The Group has undertaken a valuation with a leading global accounting firm to determine the purchase price and its asset allocations. The purchase price of the acquired company was fair valued at EUR 16.66m. The purchase price allocation, based on the fair value of the net assets at the acquisition date, results in the recognition of intangible assets such as customer relationships, brand value and goodwill.

The details of the business combination as follows:

(GBP)	**Fair Value**
Fair value of consideration transferred	
Amount settled in cash	3,405,434
Amount settled in equity	500,374
Deferred consideration	3,961,376
Contingent consideration	6,233,655
Total	**14,100,839**
Acquired net assets	
Fixed Assets	20,313
Working capital	407,959
Net (debt)/cash	245,453
Total acquired net assets	**673,725**
Excess consideration for allocation	**13,427,114**
Identified intangible assets	
Customer relationships	3,736,807
Brand	5,255,229
Intangible assets	**8,992,036**
Deferred tax on intangible assets	**(2,807,472)**
Residual goodwill	**7,242,550**
Consideration settled in cash	3,405,434
Cash and cash equivalents acquired	(520,529)
Net cash outflow from acquisition	**2,884,905**
Acquisition costs charged to expenses	223,574

The fair value of the 441,343 shares issued as part of the consideration paid for Audiencly GmbH (GBP 0.5m) was based on the 30-day Volume Weighted Average Price of GBP 1.1338 per share.

According to the valuation, residual goodwill arising from the acquisition totals GBP 7.24m which includes, but is not limited to values from new sales, influencer management and synergies with the Company.

The fair value of the deferred consideration at acquisition was EUR 3.96m which represents the present value of the Group's estimate of the cash outflow which has been discounted using an interest rate of 16.4%, equivalent to the valuation's assessed project IRR. The book value of the deferred consideration liability at acquisition (ie without NPV adjustment) is EUR 9.3m. As at 31 December 2022, the liability has decreased to EUR 2.3m due to the payments made, equity issued and offset by the change in fair value.

The purchase agreement included an additional maximum consideration of EUR 10.73m, payable only if the EBITDA of Audiencly for the financial years ending 2022, 2023 and 2024 achieve the threshold agreed by both parties. The additional consideration will be paid in three separate instalments in April 2023, April 2024 and April 2025. The EUR 7.36m of contingent consideration liability recognised represents the present value of the Group's estimate of the cash outflow which has been discounted using an interest rate of 16.4%, equivalent to the valuation's assessed project IRR. The book value of the contingent consideration liability (ie without NPV adjustment) is EUR 10.47m. As at 31 December 2022, there has been a change in the estimate of the probable cash outflow but the liability has increased to EUR 7.81m (EUR 1.26m is current and EUR 6.55m is non-current) due to the change in fair value.

The customer relationships intangible asset will be amortised on a slightly adjusted (concave) curve over 10 years to match the forecasted earnings as per the undertaken valuation. The brand value intangible asset will be amortised over 10 years as per the undertaken valuation. Goodwill has an indefinite useful life and as such is not amortised according to IFRS.

Costs arising directly from the acquisition of Audiencly (such as legal fees) amount to GBP 0.2m, which form part of general and administrative expenses, however, have been excluded from Adjusted EBITDA due to the nature of the costs.

Total acquired net assets
The fair value of the trade and other receivables acquired as part of the business combination amounted to EUR 1.7m, with a gross contractual amount of EUR 1.7m. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to EUR Nil.

Revenue and profit contribution
Audiencly contributed revenue of GBP 7.8m and net profit of GBP 0.7m to the group for the period 1 April to 31 December 2022. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been GBP 70.5m and GBP 0.3m respectively.

25 - Events after the reporting period

On 10/01/2023 and 11/01/2023, 442,956 ordinary shares were allotted, and EUR 583,563 was paid respectively as part of the third tranche of the deferred consideration for the Audiencly acquisition.

On 04/04/2023, 911,236 ordinary shares were allotted as part of the fourth tranche of the deferred consideration for the Audiencly acquisition.

In June 2023, two invoices from the Key Customer referred to in the Chairman's Statement, totalling EUR 455,463, were novated to one of the Sellers under the Audiencly SPA at par value. This novation resulted in an equivalent reduction in the amount payable to the Seller under the Audiencly purchase agreement. Notably, the Seller was a related party to Flexion at the time of the novation, as one of its two jointly controlling parties also held a directorship in Flexion.

Parent company statement of financial position
for the year ended 31 December 2022

Company registration number 04306881

(GBP)	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3	8,548	74,753
Intangible assets	4	6,165,356	7,758,858
Investments	5	14,453,759	-
Deferred tax assets		-	52,002
Total non-current assets		**20,627,663**	**7,885,613**
Current assets			
Trade and other receivables	6	8,967,787	5,466,910
Cash and cash equivalents		13,178,610	14,458,346
Total current assets		**22,146,397**	**19,925,257**
Total assets		**42,774,060**	**27,810,870**

(GBP)	Notes	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	7	109,309	100,049
Share premium	7	17,252,671	14,917,283
Other reserves		2,795,880	397,197
Retained earnings	8	(2,006,992)	(2,333,859)
Total equity		**18,150,868**	**13,080,670**
Non-current liabilities			
Deferred tax liabilities		72,752	-
Lease liabilities	10	-	-
Contingent consideration	11	5,795,451	-
Total non-current liabilities		**5,868,203**	**-**
Current liabilities			
Trade and other payables	9	15,584,631	14,664,546
Lease liabilities	10	-	65,654
Deferred consideration	11	2,056,064	-
Contingent consideration	11	1,114,294	-
Total current liabilities		**18,754,989**	**14,730,200**
Total liabilities		**24,623,192**	**14,730,200**
Total equity and liabilities		**42,774,060**	**27,810,870**

The Company reported a profit for the year to 31 Dec 2022 of GBP 307,875 (9-months to 31 Dec 2021: GBP 537,831). As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own statement of profit and loss for the period.

These parent company financial statements were approved and authorised for issue by the Board of Directors on 10 June 2024 and were signed on its behalf by:

Per Lauritzson
Director

Parent company statement of changes in equity
for the year ended 31 December 2022

(GBP)	Notes	Share capital	Share premium	Other Reserves	Retained earnings	Total
Balance at 1 April 2021		99,849	14,841,496	364,602	(2,871,690)	12,434,257
Profit for the period		-	-	-	537,831	537,831
Total comprehensive income		**99,849**	**14,841,496**	**364,602**	**(2,333,859)**	**12,972,088**
Transactions with owners, recorded directly in equity						
Shares based payments		-	-	34,771	-	34,771
Deferred tax on share options		-	-	(2,175)	-	(2,175)
Issue of share capital	7	200	75,787	-	-	75,987
Balance at 31 December 2021		**100,049**	**14,917,283**	**397,197**	**(2,333,859)**	**13,080,670**
Balance at 1 January 2022		100,049	14,917,283	397,197	(2,333,859)	13,080,670
Adjustments to opening retained earnings		-	-	-	18,992	18,992
Profit for the period		-	-	-	307,875	307,875
Total comprehensive income		**100,049**	**14,917,283**	**397,197**	**(2,006,992)**	**13,407,537**
Transactions with owners, recorded directly in equity						
Shares based payments		-	-	57,840	-	57,840
Deferred tax on share options		-	-	(136,506)	-	(136,506)
Issue of share capital	7	9,260	2,335,388	2,477,349	-	4,821,997
Balance at 31 December 2022		**109,309**	**17,252,671**	**2,795,880**	**(2,006,992)**	**18,150,868**

Notes to the parent company financial statements

1 - Accounting policies

BASIS OF PREPARATION

The financial statements of Flexion Mobile PLC are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosures requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

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

The parent company financial statements have been prepared on a going concern basis as set out in note 2 in the notes to the consolidated financial statements.

The Company financial statements are presented in Pounds Sterling ("GBP"), which is also the Company's functional currency.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, related party transactions, and share-based payments. Where required, equivalent disclosures are given in the consolidated financial statements.

PROFIT FOR THE FINANCIAL PERIOD

The Company reported a profit for the year to 31 December 2022 of GBP 338,775 (9-months to 31 December 2021: GBP 537,831). The audit fees of the company are disclosed in note 6 in the notes to the consolidated financial statements and are borne by the Company.

IMPACT OF AMENDMENTS TO ACCOUNTING STANDARDS

The accounting policies used in the preparation of the parent company financial statements have been consistently applied to all the periods presented.

No standards and interpretations effective for the year ended 31 December 2022 have had a material impact on the Company.

No standards and interpretations have been early adopted.

The Company has applied the exemption available under FRS 101 in relation to paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued and is not yet effective).

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 one right-to-use asset. Depreciation is charged on a straight-line basis to reflect the economic life of the lease.

The assets residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

INTANGIBLE ASSETS

Intangible assets currently consist of capitalised development cost and game distribution rights.

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

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

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

As at 31 December 2022, the carrying value of internally generated software assets was GBP 937,244 (December 2021: GBP 993,066).

The Company capitalises material development and integration fees paid to developers for the right to distribute their applications. As the Company acts as principal in the distribution of the applications to the end user, the Company acquires the right of use of the application and therefore meets the definition of an intangible asset per IAS 38. The asset (i.e. the development and integration fees) is not capable of being sold separately and therefore is not separable. The asset provides the Company with the right to substantial revenues generated from the application. Where the amount of the development and integration fees are immaterial, the fees are expensed to profit and loss in the period they are paid. Amortisation is charged on a straight-line basis over approximately 4 years from the launch date of the application to reflect the estimated useful economic life of the assets.

As at 31 December 2022, the carrying value of game distribution rights was GBP 5,228,112 (December 2021: GBP 6,765,792).

EQUITY

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company reviews the carrying amounts of its non-financial assets periodically to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

DEFERRED TAX

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

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

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

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

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

SHARE BASED COMPENSATION

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

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

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which was determined by management to be the most appropriate valuation model. It takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience. The assumptions used are disclosed in note 18 in the notes to the consolidated financial statements and are borne by the Company.

PROVISIONS

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

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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

CLASSIFICATION AND INITIAL MEASUREMENT OF FINANCIAL ASSETS

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

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

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

In the periods presented the Group does not have any financial assets classified as FVOCI.

The classification is determined by both:

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

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

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets held within a different business model other than ‘hold to collect’ or ‘hold to collect and sell’ are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The group have no such derivative financial instruments during the year.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in LiteUp Media UG and equity securities at FVOCI. The fair value was determined in line with the requirements of IFRS 13 ‘Fair Value Measurement’.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments have fixed or determinable payments and are not quoted in an active market. They are trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

TRADE RECEIVABLES

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

TRADE PAYABLES AND OTHER NON-DERIVATIVE FINANCIAL LIABILITIES

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

DEFERRED CONSIDERATION

Deferred considerations are initially recognised at fair value. They are subsequently recognised at FVTPL using the effective interest method and are categorised as other financial liabilities.

CONTINGENT CONSIDERATION

Contingent considerations are initially recognised at fair value. They are subsequently recognised at FVTPL using the effective interest method and are categorised as other financial liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

FAIR VALUES

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. The Company does not currently use derivative financial instruments to hedge foreign exchange exposures.

GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

FOREIGN EXCHANGE RISK

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

LIQUIDITY RISK

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

INTEREST RATES ON FINANCIAL ASSETS

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

CREDIT RISK

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Judgements include matters such as the capitalisation of internally developed software while estimates focus on areas such as carrying values, estimated useful lives of Intangible assets and potential obligations.

Key Judgements

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

Capitalisation of internally developed software

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

Capitalisation of game distribution rights

Determining whether the recognition requirements for the capitalisation of game distribution rights are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In addition, management reviews its estimate of the useful lives of internally developed software at each reporting date, based on the expected utility of the asset. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software.

Key estimates

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

Useful lives of intangible assets

Amortisation of intangible assets is calculated over the useful economic lives of the assets. The estimates of useful economic lives are reviewed at least annually for any changes to this estimate. There are no changes required to estimate useful economic lives during the period ended 31 December 2022 except as disclosed below.

The useful life of game distribution rights is approximately 4 years, from the launch date of the relevant titles.

Contingent consideration
As part of the acquisition of Audiencly, the purchase agreement included an additional maximum consideration (contingent consideration) of EUR 10.73m, payable only if the EBITDA of Audiencly for the financial years ending 2022, 2023 and 2024 achieve the threshold agreed by both parties. The contingent consideration will be paid in three separate instalments in the second quarter of 2023, 2024 and 2025 respectively. The EUR 7.36m of contingent consideration liability recognised represents the present value of the Group's estimate of the cash outflow which has been discounted using an interest rate of 16.4%, equivalent to the valuation's assessed project IRR. The book value of the contingent consideration liability (ie without NPV adjustment) is EUR 10.47m. As at 31 December 2022, there has been a changes in the estimate of the probable cash outflow but the liability has increased to EUR 7.8 due to the change in fair value.

The directors do not believe there are any key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Deferred tax asset on tax losses
The Company has not recognised a deferred tax asset in respect of tax losses as there is currently insufficient evidence of taxable profits being available to utilise the asset against. This will be reassessed in the next financial year.

Impairment of non-financial assets and goodwill
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2022, the Group did not recognised any impairment losses.

Business combinations
Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 24 of the consolidated financial statements). In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 24 of the consolidated financial statements).

Discount rates
The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.

LEASES
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee
At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognises a right-of-use asset, which is included within property, plant and equipment, and a corresponding lease liability on the statement of financial position, at the commencement date.

Right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any dilapidation costs and any lease payments made in advance of the lease commencement date. Subsequent measurement is at cost less any accumulated depreciation and accumulated impairment losses, if applicable. The right-of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method and remeasured when there is a change in future lease payments.

In case the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and lease liabilities separately from other liabilities in the statement financial position.

Short-term leases and leases of low-value assets
The Company applied the practical expedients permitted by IFRS 16 not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Instead, the Company is recognising the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 - Changes in accounting policy

The Company has consistently applied the accounting policies to all periods presented in these financial statements.

3 - Property, plant and equipment

(GBP)	Leasehold improvement	Right-to-use asset	Total
Cost		(Note 10)	
At 1 April 2021	-	224,273	224,273
At 31 December 2021	**-**	**224,273**	**224,273**
Accumulated depreciation			
At 1 April 2021	-	93,450	93,450
Depreciation during the period	-	56,070	56,070
At 31 December 2021	**-**	**149,520**	**149,520**
Carrying value at 31 December 2021	**-**	**74,753**	**74,753**
Cost			
At 1 January 2022	-	224,273	224,273
Additions	9,325	-	9,325
At 31 December 2022	**9,325**	**224,273**	**233,598**
Accumulated depreciation			
At 1 January 2022	-	149,520	149,520
Depreciation during the period	777	74,753	75,530
At 31 December 2022	**777**	**224,273**	**225,050**
Carrying value at 31 December 2022	**8,548**	**-**	**8,548**

4 - Intangible Assets

(GBP)	Software development	Game distribution rights	Total
Cost			
At 1 April 2021	1,309,837	-	1,309,837
Additions	230,283	6,765,792	6,996,075
At 31 December 2021	**1,540,120**	**6,765,792**	**8,305,912**
Accumulated amortisation			
At 1 April 2021	348,257	-	348,257
Amortisation during the period	198,797	-	198,797
At 31 December 2021	**547,054**	**-**	**547,054**
Carrying value at 31 December 2021	**993,066**	**6,765,792**	**7,758,858**
Cost			
At 1 January 2022	1,540,120	6,765,792	8,305,912
Additions	237,485	-	237,485
At 31 December 2022	**1,777,605**	**6,765,792**	**8,543,397**
Accumulated amortisation			
At 1 January 2022	547,053	-	547,053
Amortisation during the period	293,308	1,537,680	1,830,988
At 31 December 2022	**840,361**	**1,537,680**	**2,378,041**
Carrying value at 31 December 2022	**937,244**	**5,228,112**	**6,165,356**

5 - Investments

Name of entity	Country of incorporation	% of ownership interest		Measurement method	Carrying amount	
		31 Dec 2022	31 Dec 2021		31 Dec 2022	31 Dec 2021
Audiencly GmbH	Germany	100%	-	Equity method	14,100,839	-
LiteUp Media UG	Germany	20%	-	Equity method	352,920	-
					14,453,759	**-**

On 5 April 2022, the Company completed the acquisition of the entire issued capital of Audiencly GmbH, an influencer marketing agency registered in Germany, thereby obtaining control.

On 31 January 2022 and 22 August 2022, the Company acquired 10% of Liteup Media UG for USD 250,000 respectively, through a directed share issue, bringing the total ownership to 20%. The Company has determined that it has significant influence over LiteUp Media, therefore this investment has been recognised using the equity method.

6 - Trade and other receivables

(GBP)	31 Dec 2022	31 Dec 2021
Trade receivables	-	9
Other receivables	46,572	33,202
Prepayments	320,174	379,126
Accrued income	8,601,041	5,054,573
Trade and other receivables	**8,967,787**	**5,466,910**

Other receivables include advances of 37,614 (December 2021: n/a) and GBP 8,958 (December 2021: GBP 8,958) of other non-material items.

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

7 - Share capital

Date	Details	Number of shares	Nominal value (GBP)	Total share capital (GBP)	Total share premium (GBP)
At 1 Apr 2021		**49,924,672**	**0.002**	**99,849**	**14,841,496**
	Shares issued	100,000	0.002	200	75,787
At 31 Dec 2021		**50,024,672**	**0.002**	**100,049**	**14,917,283**
	Shares issued	4,629,901	0.002	9,260	4,812,737
At 31 Dec 2022		**54,654,573**	**0.002**	**109,309**	**19,730,020**

During the period ending 31 December 2022 836,500 options were exercised and converted to ordinary shares of the Company.

On 08 March 2022 the Company issued 50,000 ordinary shares at an average price of GBP 0.5665 per share. These shares have been authorised and relate to share based payments, refer to note 17 of the consolidated financial statements.

On 05 April 2022 the Company issued 441,343 ordinary shares at an average price of GBP 1.1338 per share. These shares have been authorised and relate to the acquisition of Audiencly GbmH.

On 05 July 2022 the Company issued 804,338 ordinary shares at an average price of GBP 1.2227 per share. These shares have been authorised and relate to the acquisition of Audiencly GbmH.

On 25 August 2022 the Company issued 349,000 ordinary shares at an average price of GBP 0.3322 per share. These shares have been authorised and relate to share based payments, refer to note 17 of the consolidated financial statements.

On 11 October 2022 the Company issued 692,316 ordinary shares at an average price of GBP 1.4388 per share. These shares have been authorised and relate to the acquisition of Audiencly GbmH.

On 12 December 2022 the Group issued 1,855,404 ordinary shares at an average price of GBP 1.0793 per share. These shares have been authorised and relate to the retail fund raise held during the year.

On 12 December 2022 the Group issued 437,500 ordinary shares at an average price of GBP 0.5521 per share. These shares have been authorised and relate to share based payments, refer to note 17 of the consolidated financial statements.

8 - Retained earnings

(GBP)	31 Dec 2022	31 Dec 2021
Opening balance	(2,333,859)	(2,871,690)
Adjustments to opening retained earnings	18,992	-
Profit for the year	338,775	537,831
Closing balance	**(1,976,092)**	**(2,333,859)**

9 - Trade and other payables

(GBP)	31 Dec 2022	31 Dec 2021
Trade payables	944,024	7,299,393
Social security and other taxes	101,713	83,779
Accrued expenses	13,522,582	7,248,802
Other payables	1,016,312	32,572
Trade and other payables	**15,584,631**	**14,664,546**

10 - Leases

Right-of-use assets

(GBP)	Property	Total
Carrying value at 1 April 2021	130,823	130,823
Depreciation charge during the period	(56,070)	(56,070)
Additions	-	-
Carrying value at 31 December 2021	**74,753**	**74,753**
Carrying value at 1 January 2022	74,753	74,753
Depreciation charge during the period	(74,753)	(74,753)
Additions	-	-
Carrying value at 31 December 2022	**-**	**-**

Lease liabilities (GBP)	**31 Dec 2022**	**31 Dec 2021**
Maturity analysis - contractual undiscounted cash flows		
Within one year	-	68,063
Within two to five years	-	-
Total undiscounted lease liabilities at period end	**-**	**68,063**
Lease liabilities included in the statement of financial position at period end		
Non-Current	-	-
Current	-	65,654

Amounts recognised in profit or loss (GBP)	**31 Dec 2022**	**31 Dec 2021**
Interest on lease liabilities	2,409	5,877
Expenses relating to short-term leases	48,545	28,956

Amounts recognised in the statement of cash flows (GBP)	**31 Dec 2022**	**31 Dec 2021**
Total cash outflow for leases	68,063	68,063

11 - Deferred and Contingent considerations

(GBP)	**Deferred consideration**	**Contingent consideration**
Fair value at acquisition 5 April 2022	7,867,185	6,233,654
Payments in cash	(3,405,434)	-
Payments in equity	(2,481,225)	-
Fair value adjustments	26,389	363,142
Exchange differences	49,149	312,949
Fair value at 31 December 2022	**2,056,064**	**6,909,745**

Deferred consideration included in the statement of financial position at period end	**31 Dec 2022**	**31 Dec 2022**
Non-Current	-	-
Current	2,056,064	-

Contingent consideration included in the statement of financial position at period end	**31 Dec 2022**	**31 Dec 2022**
Non-Current	5,795,451	-
Current	1,114,294	-

12 - Related party transactions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to related party transactions. Transactions with related parties are disclosed in note 23 of the consolidated financial statements.

Compensation of key management personnel (incl. executive Directors)

Compensation of key management personnel is disclosed in note 23 of the consolidated financial statements.

There are no other related party transactions.

13 - Events after the reporting period

On 10/01/2023 and 11/01/2023, 442,956 ordinary shares were allotted, and EUR 583,563 was paid respectively as part of the third tranche of the deferred consideration for the Audiencly acquisition.

On 04/04/2023, 911,236 ordinary shares were allotted as part of the fourth tranche of the deferred consideration for the Audiencly acquisition.

In June 2023, two invoices from the Key Customer referred to in the Chairman's Statement, totalling EUR 455,463, were novated to one of the Sellers under the Audiencly SPA at par value. This novation resulted in an equivalent reduction in the amount payable to the Seller under the Audiencly purchase agreement. Notably, the Seller was a related party to Flexion at the time of the novation, as one of its two jointly controlling parties also held a directorship in Flexion.

FLEXION