



XL MEDIA

# Monetising Online and Mobile Traffic

## 2015 ANNUAL REPORT AND FINANCIAL STATEMENTS



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## Highlights

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XLMedia and its subsidiaries (the “Group”) are a leading provider of digital performance marketing services.

The Group attracts users through online marketing techniques and subsequently seeks to channel high value “traffic” (i.e. users) to online and mobile businesses who, in turn, convert such traffic into paying customers.

Online traffic is attracted by the Group’s publications and advertisements and are then directed, by the Group, to its customers in return for a share of the revenue generated by such user, a fee generated per user acquired, fixed fees or a hybrid of any of these three models.

In 2015 the Group continued to deliver strong performance, building on the foundations that it had laid over the past two years. By setting a clear strategy and focusing on execution, the Company has continued to deliver in all key areas, namely revenues and profit growth, investment in technology and ongoing diversification of the business. The Board is confident that the Group remains well positioned to continue this strong growth and to further develop its business.

### Financial highlights

- Revenues increased 76% to \$89.2 million (2014: \$50.7 million)
- Gross profit increased 49% to \$41.1 million (2014: \$27.6 million)
- Adjusted EBITDA<sup>1</sup> increased 67% to \$28.4 million (2014: \$17.0 million)
- Profit before tax increased 84% to \$24.3 million (2014: \$13.2 million)
- Net cash from operating activities increased 68% to \$28.4 million (2014: \$16.9 million)
- Net income increased 70% to \$20.2 million (2014: \$11.9 million)
- Strong balance sheet with \$42.6 million cash and short term investments
- Maintained progressive dividend policy with total payments for 2015 of 5.091 cent per share (2014: 3.156).

### Operating highlights

- Positive impact of acquisitions continues to accelerate profit growth and strategic progress
  - Strong performance from Marmar Media acquisition, adding skills and client base in additional verticals, namely software and ecommerce
  - First phase integration of EDM now completed, second phase progressing well
  - Extension of our network through ongoing bolt on acquisitions within the Publishing division of mainly UK based websites
- Ongoing R&D has strengthened the Group’s in-house operations and enhanced our analytics capabilities
- Continued organic growth in all business segments and geographies.

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<sup>1</sup> Earnings Before Interest, Taxes, Depreciation and Amortisation and excluding share based payments, IPO expenses and expenses related to EDM acquisition agreement.

## Chief Executive Officer's Review

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### Introduction

2015 has been another record breaking year. During 2015 we continued to invest in our technology, systems and people which are the key drivers for performance and future growth. We also made significant progress regarding acquisitions, and successfully diversified our business further.

Over the last two years we have consistently reported strong financial performance, invested in organic growth opportunities, completed several successful earning enhancing acquisitions and paid \$21.25 million in dividends to shareholders.

Having completed a very thorough strategic review, the Board remains committed to AIM and to continuing to drive our business forward to maximise shareholder value.

We are focused on ensuring we maintain our market leading position, delivering a best in class service to customers whilst attracting the best people in the industry. Being a quoted company provides the best platform to deliver on that commitment and our 2015 results with record revenue and PBT growth supports this decision.

The Board would like to thank management and our employees for the excellent delivery of 2015 results. We look forward to further progress and achievements in 2016.

### Business review

During 2015 we continued to execute our strategic plan and establish our position as a dominant player in the online and mobile traffic monetisation arena.

Our strategic plan includes the following key growth initiatives: broadening our reach to additional geographies and verticals; developing our technology infrastructure to enable our growth and competitive edge; and driving organic growth.

We are proud to report progress on executing our plan in all aspects, which resulted in the delivery of record breaking revenues and profit in 2015.

Our efforts to accelerate growth through acquisitions have also progressed well during the year with the following milestones achieved:

- Addition of bolt on domains and websites through acquisition, complementing our publishing asset base and providing access to additional markets and products. The focus of these additional assets was for the UK as well as other European markets, and for diversified verticals. Additional bolt ons were targeted at mobile traffic in these markets. All of these acquired assets have been integrated into our publishing division and in house platforms.
- Completed the first phase of integration of EDM (acquired September 2014) into the Group during the period and due to EDM's strong performance in the first year following its acquisition we decided to waive performance conditions for contingent consideration to accelerate full integration into the Group. The Board believes that such integration will help to improve performance and increase scale which is important as it expects social and mobile gaming to be a strong growth driver for XLMedia over the coming years.
- On 1 July 2015 we announced the acquisition of the majority stake in Marmar Media, a performance media company for web and mobile. Marmar Media adds additional know how and scale, as well as widening the Group's customer base and adding further vertical diversification.
- All of the acquired assets and companies are performing in line with or above management's expectations.

Below is an overview of the progress in execution of our plan during 2015:

- Technology infrastructure to enable our growth and competitive edge
  - We continued to increase our investment in technology and our R&D team now has over 50 staff and continues to grow.
  - Following the launch of our Palcon system for the management of publishing assets at the end of 2014, we migrated our major assets to Palcon. Following migration we have seen continuous improvement in mobile performance of these websites.
  - In the media segment we developed tracking tools and campaign management infrastructure to enable efficient optimization and management of campaigns.
  - In December 2015 we launched Rampix – EDM's system for centralized management of social campaigns with unique targeting methodologies and dashboards.

## Chief Executive Officer's Review

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- We further enhanced our Business Intelligence (“BI”) capabilities to support information gathered from thousands of information sources, analysed and presented to our campaign managers for efficient optimization of campaigns.
- Broaden our reach to additional geographies and verticals, diversifying our client base and markets
  - We successfully broadened our business to new geographies and products, through organic growth as well as acquisitions
  - The acquired websites extended our reach and established our position in the UK market
  - We made our first acquisitions of websites in the financial services vertical in Europe. We believe there are growth opportunities within the financial services vertical, where we can use our online marketing expertise to bring further revenue growth
  - The addition of Marmar Media added more activity in software and e-commerce verticals
  - EDM continues to develop the Group’s offering for mobile apps and social gaming
  - Following the Marmar Media acquisition the largest customer in the group<sup>2</sup> represents 8% of the Group’s revenues
- Continue our organic growth
  - The Group continues to deliver strong organic growth in all of its business segments with the 2015 year-end trading performance exceeding initial market expectations
  - Organic growth continues to be strong in our core Scandinavian markets, while in other European countries as well as other English speaking countries we have increased our revenues even faster, with these countries becoming more dominant in the revenue distribution
  - With the implementation of technology and tools we see improved performance and organic growth for websites and campaigns. We expect to continue this trend into 2016 and coming years

### Strategic review

On May 12, 2016, the Group announced that the Board has completed the Strategic Review, first announced on 26 January 2016, and concluded that the interests of all shareholders are best served by remaining focused on the capital markets and maintaining the Company’s AIM listing.

It is the strong financial performance which underpins the Group’s strategic focus and has seen XLMedia establish itself as one of the dominant players in the performance marketing arena. Therefore, management remains committed to the following growth strategy:

- To continue to expand the Group’s operational reach into new geographies and verticals
- To continue developing its technology infrastructure that accelerates organic growth and further enhances XLMedia’s reputation and competitive edge
- To execute acquisition opportunities which both strengthen and expand the Group’s operational footprint in what remains a broadly fragmented market

### Current Trading and Outlook

Demand for our services has continued across our geographic footprint and the Group has made a strong start in 2016. We will continue to work to maximise shareholder value by continuing to commit to expanding the Group’s core offer through a combination of ongoing investment and product development. The Group remains focused on acquisitive growth and continues to evaluate a number of potential opportunities. It is this ongoing confidence that both underpins the Company’s progressive dividend policy and confidence in the near term trading prospects for the Group.



**Ory Weihs**

*Chief Executive Officer*

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<sup>2</sup> Revenues for the six months ending 31 December 2015.

## Financial Review

### Business Segments

	Publishing	Media	Partner Network	Total
	USD in thousands			
<b>2015</b>				
Revenues	30,297	45,777	13,145	89,219
% of revenues	34%	51%	15%	100%
Direct profit	23,855	15,411	1,810	41,076
Profit margin	79%	34%	14%	46%
<b>2014</b>				
Revenues	23,965	20,632	6,123	50,720
% of revenues	47%	41%	12%	100%
Direct profit	18,345	8,548	685	27,578
Profit margin	76%	41%	11%	54%
Revenue growth	26%	122%	115%	76%

- **Publishing**

Publishing revenues grew 26% to \$30.3 million (2014: \$24.0 million). The growth was primarily organic, with some additions from new assets acquired mainly during the second half of the year.

We invested significant amounts in technology infrastructure to support the centralised management of our assets and we have seen improvement in conversions and performance of our assets as a result, with increased improvement in mobile results.

During 2015 we invested \$7.1 million in acquiring new websites and domains and we plan to continue buying and developing more assets to further drive our growth.

- **Media**

Media revenues grew by 122% to \$45.8 million (2014: \$20.6 million). The media segment includes the activity of the Company as well as EDM acquired in September 2014 and Marmar Media acquired in July 2015. EDM and Marmar Media add diversification of our activity with additional marketing channels, products and markets. The majority of revenues from the acquired businesses, is derived from the US for marketing of social games, mobile apps, ecommerce and software.

Marmar Media has contributed \$9.1 million to 2015 revenues. Excluding Marmar Media and the EDM additions (EDM's contribution of \$6.0 in the last 4 months of 2014 compounded annually), organic growth in the media segment was 28%.

We continue to focus on performance, using our technology to improve ROI of spend in marketing campaigns.

- **Partner Network**

Partner network's revenue grew by 115% to \$13.1 million (2014: \$6.1 million). Our partner network remains an important part of our business, giving us the opportunity to provide marketing services to our clients which are not currently serviced through our existing publishing and media networks. All of the partner network growth is organic, as we continue to attract new partners to join our network and enjoy the benefits offered to them.

## Financial Review

### Financial review

	2015	2014	Change
	USD in millions		
Revenues	89.2	50.7	76%
Gross Profit	41.1	27.6	49%
Operating expenses	18.1	13.0	40%
Operating income	23.0	14.2	61%
Adjusted EBITDA	28.5	17.0	68%
Financial income, net	1.7	(0.8)	N/A
Profit Before Tax	24.3	13.2	84%

2015 has been another year of strong performance for XLMedia. Revenues for the year were \$89.2 million, reflecting 76% growth compared to last year. Revenues in 2015 include the acquisition of Marmar Media, acquired in July 2015, and the consolidation of EDM, acquired in September 2014, as well as strong organic growth in all business segments during the period.

Gross profit reached \$41.1 million or 46% of revenues, representing 49% growth compared to last year (2014: \$27.6 million, 54%). Over the course of 2015, the media segment has grown to be the largest segment in XLMedia and generating 51% of FY 15 revenues. As we continue implementing our strategy to further increase and develop our media business, the Group's revenue mix will shift further towards media, lowering gross margins. As such we expect total gross margins (in terms of percentage) to decrease further across the Group however profit before tax will continue to increase.

Operating expenses during 2015 were \$18.1 million, an increase of 40% compared to last year (2014: \$13.0 million). As expected, recruiting pace was stronger in the second half of the year as we worked hard to recruit additional staff to support our growing operations.

Operating expenses included \$1.4 million of research and development costs, reflecting an increase of 43% compared to last year (2014: \$1.0 million). These expenses are in addition to the \$2.0 million (2014: \$0.9 million) in investments in internal systems developed through capitalized costs during the year (increased by 123% versus 2014). The Group expects to invest further in technology as we see this a key driver to growth and profit for the coming years.

Adjusted EBITDA<sup>3</sup> reached \$28.4 million or 32% of revenues, reflecting an increase of 67% to the previous year (2014: \$17.0 million, 34%). As the mix of revenues changes towards more media, we expect adjusted EBITDA to decrease in terms of margins but to grow in absolute numbers.

Net financial income for the year was \$1.7 million, attributed to the Company's dynamic hedging activity to mitigate material exposure to foreign currencies. As a significant portion of the Group's revenues are denominated in Euros, the Company entered into a series of forward contracts for the sale of Euros and purchase of US Dollars. The Euro exchange rate decreased by 6.6% versus the US Dollar during this period. The Company gained financial income from its hedging activity which partially compensated for the decrease. The financial income was received in cash (when forward contracts matured) while the amounts recorded as fair value gains for forward contracts not yet matured was not material. The Company has entered into additional forward contracts which will mature over the course of the next 12 months.

As a result of the high adjusted EBITDA as well as the financial gain from changes in exchange rates, profit before tax increased by 84% to \$24.3 million (2014: \$13.2 million).

As of 31 December 2015 we had \$42.6 million cash and short term investments compared to \$44.1 million on December 31, 2014. The change in cash reflects an increase of \$28.4 million provided by operating activity, offset mainly by spending \$19.7 million on investments in technology and acquisitions and \$8.0 million of dividends paid during 2015.

Current assets at 31 December 2015 were \$60.9 million (31 Dec 2014: \$57.8 million) and non-current assets reached \$57.9 million (31 December 2014: \$42.0 million). The increase in non-current assets is attributed mainly to the acquisition of Marmar Media shares, investments in domains and websites, as well as additions to our in-house technology.

Total equity on 31 December 2015 reached \$90.0 million, or 75% (2014: 76%). This, with cash and short term investments of \$42.6 million, positions the Group well to continue executing its strategic plan.

<sup>3</sup> Earning Before Interest, Taxes, Depreciation and Amortisation and excluding share based payments, IPO expenses and expenses related to EDM acquisition agreements.

## Board of Directors

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The Board is responsible for the overall management of the Group including the formulation and approval of the Group's long term objectives and strategy, the approval of budgets, the oversight of the Group's operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. Whilst the Board may delegate specific responsibilities, there is a formal schedule of matters specifically reserved for decision by the Board; including, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions. The Board formally meets on a regular basis to review performance.

On the year of 2015, the Board met 10 times.

### **Ory Weihs – Chief Executive Officer**

Mr. Weihs is one of the founders and leads the Group's business development and key strategy, focusing on expanding the groups reach and technological abilities. Mr. Weihs is an entrepreneur who has been deeply involved in the online gambling & digital advertising industries for over ten years. He has a B.Sc. in Industrial Engineering from the Technion – Israeli Institute of Technology from 2007.

### **Chris Bell – Independent Non-Executive Chairman**

Mr. Bell joined Ladbroke Group in 1991, becoming CEO of Ladbroke Group in 1994, in 2000 he joined the board of Hilton Group PLC. Following the sale of the Hilton hotel division, in 2006, he became CEO of Ladbroke PLC, leaving in 2010. Mr. Bell is Senior Independent Director and Chairman of the Remuneration Committee at Quintain Estates & Development PLC, Non-executive Director at Spirit PLC, a member of The Responsible Gambling Strategy Board which advises the Government and The Gambling Commission in the UK, Chairman of TechFinancials PLC which listed on UK AIM in March 2015, a technology and B2C (OptionFair) provider in the Financials market and a Trustee of the Northern Racing College. Prior to 1991 Mr. Bell held various senior positions at Allied-Lyons PLC, most latterly as a Director of Victoria Wine.

### **Richard Rosenberg – Independent Non-Executive Director**

Mr. Rosenberg is a qualified chartered accountant and a partner in SRLV, a London-based multi-disciplinary accountancy and consultancy firm which he co-founded in 1988. Mr. Rosenberg is the Non-Executive Chairman of Livermore Investments Group Limited, an AIM quoted investment company and a trustee of Teenage Cancer Trust.

### **Yaron Eitan – Non-Executive Director**

Mr. Eitan is a partner of Columbus Nova Technology Partners, a technology-focused venture capital fund and joined the Board in conjunction with an investment by IVPL (a shareholder of the Company which owns approximately 9.57 per cent. of the Enlarged Share Capital) and is also the founder and managing partner of Selway Capital, an investment management firm whose portfolio includes equity holdings in private and public companies in the technology and healthcare industries. Prior to launching Selway, Mr. Eitan ran several companies including Reshef Technologies, Patlex, and Geotek Communications. He currently serves as Chairman of a number of companies including Credorax, Healthcare Corporation of America 340B Technologies, DVTel Inc, Magnolia Broadband, and Software Technology, Inc. He is also a director of LifePrint Group and Cyalume Technologies Holdings, Inc. Mr. Eitan served in the Israeli Defense Forces for six years, where he reached the rank of Major. He received his bachelor's degree in economics from Haifa University and an M.B.A. from the Wharton School of Business at the University of Pennsylvania.

On November 29th, 2015, Mrs. Alicia Rotbard, Non-Executive Director of the Company, passed away.

On March 7th, 2016, Mr. Amit Ben Yehuda was appointed as a Non-Executive Director of the Company.

### **Amit Ben Yehuda – Independent Non-Executive Director**

Mr. Ben Yehuda has over 20 years' experience across a number of high growth industries focusing on implementing strategic growth initiatives and executing significant levels of M&A. Mr. Ben Yehuda has two bachelor's degrees in economics and political science and an M.B.A, all received from the University of Tel Aviv. Currently, Mr Ben Yehuda is Chief Executive Officer of Kardan Communications and Chief Executive Officer of Kardan Technologies.

After Mr. Ben Yehuda's appointment, the Board of the Company comprises one executive Director and four non-executive Directors.



## Directors' Report

The Directors present their report and Group financial statements for the year ended 31 December 2015.

### Results and review of the business

The Directors' Report should be read in conjunction with the full 2015 annual report and financial statements.

### Dividends

The Company has historically paid dividends and intends to continue doing so. The Board's policy is to pay out at least 50 per cent of retained earnings in any financial year by way of dividend. The Directors will continue to monitor the level of cash retained within the business as well as investment opportunities available to the Group and, from time to time, review the continued appropriateness of such policy.

In respect of 2015 The Directors approved a total dividend of \$10,000,000 representing 5.091p net per Ordinary Share.

### Directors

The Directors' interests in the Ordinary Share capital of the Company were:

	Number of Ordinary Shares	
	2015	2014
Chris Bell	357,000	357,000
Richard Rosenberg	51,000	51,000
Ory Weihs*	9,909,841	8,447,339

On 31 December 2015 the company had 200,352,402 shares issued (2014: 189,643,652 shares issued).

\* At the end of 2015 Ory Weihs holds 4.81% of the Company's existing issued share capital, of which 1,462,502 ordinary shares are held directly and 8,447,339 ordinary shares are held through an indirect economic interest in (but with no control of the voting rights attaching to) such ordinary shares which are held by Webpals Enterprises Limited.

The Group has provided to all of its Directors limited indemnities in respect of costs of defending claims against them and third party liabilities. The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were available during the period and remain in force at the date of this report.

### Share capital

The authorised and issued share capital of the Company, together with details of the Shares allotted during the year are shown in note 12 of the financial statements. Pursuant to the Company's Article of Association the director are authorised to allot up to an aggregate number of 63,784,134 shares, being 33% of the issued share capital of the Company. Also, the board was authorised by the shareholders to allot and issue, wholly for cash, with disapplication of pre-emption right up to 20,035,240 shares representing 10% of the issued share capital of the Company. These authorities will expire on the date of the Annual General Meeting and approval will be sought for new authorities at the Annual General Meeting.

### Major shareholders

At 31 December 2015 the following interests of shareholders in excess of 3%, have been notified to the Company.

	Number of shares held	Shares as % of issued sharecapital
Webpals Enterprises Limited Partnership	85,040,327	42.45
Israeli VC Partners LP	19,166,487	9.57
River and Mercantile Asset Management LLP	10,972,926	5.46
Investec Limited	9,709,977	4.85
Slater Investments Ltd	8,803,000	4.39
Hargreave Hale Ltd	8,588,150	4.29
Tamir Fishman Asset Management*	6,905,248	3.45
Inflection Point Investments, LLP	6,481,252	3.23

\* Tamir Fishman is the appointed trustee (the "Trustee") for the purposes of the Company's Global Share Incentive Plan (the "GSIP"). The shares will be used to satisfy future obligations of the Company under the GSIP. Under the terms of the trust agreement, the Trustee has agreed to waive its voting rights and all entitlements to dividends issued by the Company, in each case, in respect of such shares prior to the transfer of those shares to satisfy the exercise of options pursuant to the terms of the GSIP.

## Directors' Report

### Corporate Governance

Although there are no specific corporate governance guidelines which apply generally to companies incorporated in Jersey, the Directors are subject to various general fiduciary duties and duties of skill and diligence under Jersey company laws and statute. In addition, the Directors recognise the value and importance of high standards of corporate governance. Accordingly, whilst the UK Corporate Governance Code does not apply to AIM companies, the Directors observe the requirements of the UK Corporate Governance Code to the extent they consider appropriate in light of the Group's size, stage of development and resources. So far as practicable, the Board also follows the recommendations set out in the Corporate Governance Code for Small and Mid-Size Quoted Companies, published in May 2013 by the Quoted Companies Alliance.

The Board has established a Remuneration Committee, an Audit Committee and a Risk Committee.

### Remuneration Committee

The remuneration committee is responsible for determining and agreeing with the Board the framework for the remuneration of the chairman, the executive director and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of non-executive directors is a matter for the chairman and the executive director to determine. No Director will be involved in any decision as to his or her own remuneration.

The remuneration committee comprises Chris Bell, Richard Rosenberg and Amit Ben Yehuda who chairs the committee since he joined the board. The remuneration committee meets at least twice a year and otherwise as required.

### Share option schemes

The Company operates the Global Share Incentive Plan (the "GSIP") in which employees participate. The GSIP committee, appointed by the Board, determines the grant of options for employees.

In connection with the share options granted to date, on 21 January 2015<sup>4</sup>, the appointed trustee (the "Trustee") for the purposes of the GSIP, has subscribed for 10,000,000 ordinary shares of US\$0.000001 each in the Company at par. The shares will be used to satisfy future obligations of the Company under the GSIP. Under the terms of the agreement entered by the Company with the Trustee, the Trustee has agreed to waive its voting rights and all entitlements to dividends issued by the Company, in each case, in respect of such shares prior to the transfer of those shares to satisfy the exercise of options pursuant to the terms of the GSIP.

On 21 January 2015 the Company granted, pursuant to the GSIP, share options over 630,000 ordinary shares of US\$0.000001 each in the capital of the Company to certain directors of the Company.

	Options granted	Exercise price	Expiry date	Vested at the end of 2015	Canceled
Chris Bell	270,000	57.75p	07/12/2023	67,500	–
Richard Rosenberg	180,000	57.75p	07/12/2023	45,000	–
Alicia Rotbard <sup>4</sup>	180,000	57.75p	29/11/2015	45,000	135,000

Mr. Weihs' interests in share options as follows:

	Option granted	Exercise price	Expiry date	Vested at the end of 2015	Exercised
Ory Weihs	1,540,000	15.4c	25/2/2022	96,250	962,500
Ory Weihs	1,000,000	49p	25/2/2022	83,333	500,002

For further information, see note 13 to the consolidated financial statements

<sup>4</sup> According to the GSIP, the vested option of a deceased optionee shall remain exercisable for 12 month.

## Directors' Report

### Directors' remuneration

The Directors' remuneration for the year ended 31 December 2015 is set out in the table below.

	Management fees	Bonus	Cost of share based payments	Total 2015
USD in thousands				
Chris Bell	107	–	39	146
Richard Rosenberg	61	–	26	87
Alicia Rotbard	61	–	10	71
Yaron Eitan	31	–	–	31
Ory Weihs	240	*200	195	635

\* According to services agreement.

### Audit Committee

The audit committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems, monitoring the effectiveness of the internal audit function and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit committee comprises of Chris Bell, Richard Rosenberg and Amit Ben Yehuda, since he joined the board, and is chaired by Mr. Rosenberg. The audit committee meets at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee also meets regularly with the Company's external auditors.

### Internal controls

The Directors are responsible for the Group's internal controls, and have established a framework intended to provide reasonable assurance against material financial misstatement or loss. The Company engaged an external auditor from BDO who conducted an audits and presented its finding to the audit committee according to the multiple year audit plan.

### Financial reporting

The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The budget is reviewed and approved by the Board. The key trading aspects of the business are monitored daily and internal management and financial accounts are prepared monthly. The results are compared to budget and prior year performance.

### Procedures

The Group's procedures are documented and set out for all employees review. The Company's management is responsible for the implementation of these procedures and compliance is monitored.

### Financial instruments

The Group's financial instruments are discussed in note 11 to the financial statements.

### Risk committee

The Board has established a risk committee chaired by Chris Bell. The other members consist of Richard Rosenberg and Ory Weihs. The risk committee receives presentations from management on risk, compliance and regulatory issues and reviews the related internal control systems. From time to time, representatives of the Company's lawyers are invited to attend risk committee meetings and/or present at them.

### Share dealing code

The Company has adopted a share dealing code for Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, Rule 21 of the AIM Rules). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company continues to take appropriate steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM Rules (including Rule 21).

## Directors' Report

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### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual reports and the Group and Company financial statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare accounts for each financial period. Under that law, and as required by the AIM Rules for Companies, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In preparing these financial statements, the Directors are required to:

- present fairly the Group and Company financial position, financial performance and cash flows;
- select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS, as adopted by the EU, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- state whether the Group and Company financial statements have been prepared in accordance with IFRS, as adopted by the EU, subject to any material departures disclosed and explained in the financial statements.

### Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow Directors and of the Company's auditors each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### Employees

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's aims and objectives, are communicated in an open and regular manner. Management frequently briefs employees of the Group's performance and activities and discusses matters of concern or interest. Our employee initiatives include a confidential employee helpline. The Group's employees participate in the Global Share Incentive Plan. Recruitment gives equal opportunity to all employees regardless of age, sex, color, race, religion or ethnic origin. Training programs are held for all levels of staff. These are aimed at increasing skills and contribution.

### Annual general meeting

The Group will be holding its AGM on 31st May 2016.

### Events after the reporting period

For significant events after the reporting period please refer to note 21 to the financial statements.

### Going concern

The Board is satisfied that the Group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

## Directors' Report

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### Auditor

A resolution to reappoint Kost Forer Gabbay & Kasierer, A Member of Ernst & Young Global (EY), as auditors of the Company will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditors' remuneration.

During the year the auditors undertook certain specific pieces of non-audit work (including work in relation to tax matters and the evaluation of potential acquisition targets). EY were selected to undertake these tasks due to their familiarity with the online industry and, as regards tax, their alignment with work carried out under the audit. In order to maintain EY's independence and objectivity, EY undertook its standard independence procedures in relation to those engagements.

Auditor's remuneration	2015	2014
Audit services	165	128
Acquisition and assurance services	90	61
Taxation compliance	77	75

By Order of the Board



### Yehuda Dahan

*Company Secretary*

12 Castle Street  
St Helier  
Jersey  
JE2 3RT

## Independent Auditors Report

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**Kost Forer Gabbay & Kasierer**  
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### To the Shareholders of XLMedia PLC.

We have audited the accompanying consolidated financial statements of XLMedia PLC and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of 31 December 2015 and 2014, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the each of the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and 2014, and its financial performance and cash flows for the each of the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

**A. PEREZ**

Albert Perez

Beer Sheva, Israel  
29 March 2016

For and on behalf of  
KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

## Consolidated Statements of Financial Position

		As of 31 December	
		2015	2014
		USD in thousands	
	Note		
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		<b>35,741</b>	27,351
Short-term investments	6	<b>6,866</b>	16,714
Trade receivables	7 (a)	<b>16,088</b>	11,548
Other receivables	7 (b)	<b>2,042</b>	1,895
Financial derivatives	11 (b)	<b>165</b>	264
		<b>60,902</b>	57,772
<b>Non-current assets:</b>			
Long-term investments	6(b)	<b>1,102</b>	333
Other receivables		<b>332</b>	456
Property and equipment	8	<b>1,190</b>	864
Goodwill	9	<b>26,302</b>	19,586
Domains and websites	9	<b>23,897</b>	16,728
Other intangible assets	9	<b>4,837</b>	4,014
Deferred taxes	14	<b>256</b>	–
		<b>57,916</b>	41,981
		<b>118,818</b>	99,753

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Financial Position

		As of 31 December	
		2015	2014
		USD in thousands	
	Note		
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Trade payables		<b>11,146</b>	9,073
Contingent consideration payable	5(b),(c)	<b>5,373</b>	3,396
Other liabilities and accounts payable	10	<b>12,151</b>	7,764
		<b>28,670</b>	20,233
<b>Non-current liabilities:</b>			
Contingent consideration payable	5(b)	–	3,233
Deferred taxes	14	<b>317</b>	332
Other liabilities		<b>155</b>	42
		<b>472</b>	3,607
<b>Equity attributable to equity holders of the Company:</b>			
	12		
Share capital		*	*
Share premium		<b>64,447</b>	62,271
Capital reserve from share-based transactions		<b>1,390</b>	1,784
Capital reserve from transaction with non-controlling interests		<b>(506)</b>	(506)
Retained earnings		<b>22,774</b>	12,072
		<b>88,105</b>	75,621
Non-controlling interests		<b>1,571</b>	292
Total equity		<b>89,676</b>	75,913
		<b>118,818</b>	99,753

\* Lower than USD 1 thousand.

The accompanying notes are an integral part of the consolidated financial statements.

29 March 2016

Date of approval of the  
financial statements



Chris Bell  
Chairman of the Board of  
Directors



Ory Weihs  
Chief Executive Officer



Yehuda Dahan  
Chief Financial Officer



## Consolidated Statements of Profit and Loss and Other Comprehensive Income

		Year ended 31 December	
		2015	2014
		USD in thousands (except per share data)	
	Note		
Revenues	15	<b>89,219</b>	50,720
Cost of revenues		<b>48,143</b>	23,142
Gross profit		<b>41,076</b>	27,578
Research and development expenses		<b>1,438</b>	1,008
Selling and marketing expenses		<b>3,038</b>	2,239
General and administrative expenses		<b>13,640</b>	9,732
		<b>18,116</b>	12,979
Operating income before expenses in connection with IPO		<b>22,960</b>	14,599
Expenses in connection with IPO		–	361
Operating income after expenses in connection with IPO		<b>22,960</b>	14,238
Finance expenses		<b>(523)</b>	(1,001)
Finance income	11(b)(1)	<b>2,259</b>	231
Income before other expenses		<b>24,696</b>	13,468
Other expenses, net		<b>(403)</b>	(229)
Profit before taxes on income		<b>24,293</b>	13,239
Taxes on income	14	<b>4,093</b>	1,329
Net income and other comprehensive income		<b>20,200</b>	11,910
Attributable to:			
Equity holders of the Company		<b>18,719</b>	9,821
Non-controlling interests		<b>1,481</b>	2,089
		<b>20,200</b>	11,910
Earnings per share attributable to equity holders of the Company:	12(d)		
Basic earnings per share (in USD)		<b>0.10</b>	0.06
Diluted earnings per share (in USD)		<b>0.10</b>	0.05

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Changes in Equity

Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total Equity
USD in thousands								
Balance as of 1 January 2015	*	62,271	1,784	(506)	12,072	75,621	292	75,913
Net income and other comprehensive income	–	–	–	–	18,719	18,719	1,481	20,200
Cost of share-based payment	–	–	839	–	–	839	–	839
Non-controlling interests arising from initially consolidated company	–	–	–	–	–	–	492	492
Dividend to equity holders of the Company	–	–	–	–	(8,017)	(8,017)	–	(8,017)
Exercise of options	*	2,176	(1,233)	–	–	943	–	943
Dividend to non-controlling interests	–	–	–	–	–	–	(694)	(694)
<b>Balance as of 31 December 2015</b>	<b>*</b>	<b>64,447</b>	<b>1,390</b>	<b>(506)</b>	<b>22,774</b>	<b>88,105</b>	<b>1,571</b>	<b>89,676</b>
Balance as of 1 January 2014	*	14,311	479	106	10,494	25,390	1,130	26,520
Net income and other comprehensive income	–	–	–	–	9,821	9,821	2,089	11,910
Issue of share capital (net of issue costs of USD 6.2 million)	*	47,936	–	–	–	47,936	–	47,936
Cost of share-based payment	–	–	1,317	–	–	1,317	–	1,317
Increase of non-controlling interests	–	–	–	–	–	–	57	57
Acquisition of non-controlling interests (Note 5(a))	–	–	–	(612)	–	(612)	(878)	(1,490)
Dividend to equity holders of the Company	–	–	–	–	(8,243)	(8,243)	–	(8,243)
Exercise of options	*	24	(12)	–	–	12	–	12
Dividend to non-controlling interests	–	–	–	–	–	–	(2,106)	(2,106)
Balance as of 31 December 2014	*	62,271	1,784	(506)	12,072	75,621	292	75,913

\* Lower than USD 1 thousand.

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Cash Flows

	Year ended 31 December	
	2015	2014
	USD in thousands	
<b>Cash flows from operating activities:</b>		
Net income	20,200	11,910
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Adjustments to the profit or loss items:		
Depreciation and amortisation	3,775	1,296
Finance expense income, net	231	25
Finance income from financial derivatives	99	(264)
Loss from sale of assets	–	9
Cost of share-based payment	839	1,042
Taxes on income	4,093	1,329
Exchange differences on balances of cash and cash equivalents	310	482
	<b>9,347</b>	<b>3,919</b>
<b>Changes in asset and liability items:</b>		
Decrease (increase) in trade receivables	(3,580)	994
Increase in other receivables	(432)	(608)
Decrease in related parties	–	142
Increase (decrease) in trade payables	1,155	(256)
Increase in other accounts payable	3,892	782
Increase in other long-term liabilities	99	18
	<b>1,134</b>	<b>1,072</b>
<b>Cash received (paid) during the period for:</b>		
Interest paid	(2)	–
Interest received	72	46
Taxes paid	(2,352)	(421)
Taxes received	–	417
	<b>(2,282)</b>	<b>42</b>
<b>Net cash provided by operating activities</b>	<b>28,399</b>	<b>16,943</b>

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Cash Flows

	Year ended 31 December	
	2015	2014
	USD in thousands	
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(644)	(350)
Acquisition of initially consolidated companies	(4,459)	(9,950)
Payment of contingent consideration in respect of acquired company	(3,500)	–
Acquisition of domains, websites and other intangible assets	(12,326)	(11,528)
Proceeds and collection of receivable from sale of assets	300	328
Short- term and long-term investments, net	9,625	(16,315)
Net cash used in investing activities	(11,004)	(37,815)
<b>Cash flows from financing activities:</b>		
Issue of share capital (net of issue costs)	–	48,917
Dividend paid to equity holders	(8,017)	(8,243)
Acquisition of non-controlling interests	–	(1,490)
Dividend paid to non-controlling interests	(694)	(2,287)
Repayment of liabilities to related parties	–	(3,512)
Exercise of options	943	12
Financing by non-controlling interests	–	57
Payments of liabilities to former shareholders of acquired subsidiary	(927)	–
Repayment of long-term and short-term liabilities	–	(204)
Net cash provided by (used in) financing activities	(8,695)	33,250
Exchange differences on balances of cash and cash equivalents	(310)	(482)
Increase in cash and cash equivalents	8,390	11,896
Cash and cash equivalents at the beginning of the year	27,351	15,455
Cash and cash equivalents at the end of the year	35,741	27,351
<b>Significant non-cash transactions:</b>		
Payables for acquisitions of domains and websites	–	1,712

The accompanying notes are an integral part of the consolidated financial statements.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 1: GENERAL

#### (a) General description of the Group and its operations:

The Group is an online performance marketing company. The Group attracts paying users from multiple online and mobile channels and directs them to online businesses who, in turn, convert such traffic into paying customers.

Online traffic is attracted by the Group's publications and advertisements and are then directed, by the Group, to its customers in return for mainly a share of the revenue generated by such user, a fee generated per user acquired, fixed fees or a hybrid of any of these models.

For further information regarding online marketing and the Group's business segments see Note 15.

The Company commenced its operations in 2012. The Company's registered office is located in 12 Castle Street, St Helier, Jersey.

On 21 March 2014 the Company completed an Initial Public Offering ("IPO") on the London Stock Exchange's Alternative Investment Market (AIM), see Note 12 (b) (1).

#### (b) Definitions:

In these financial statements:

Company	– XLMedia PLC.
Group	– the Company and its consolidated subsidiaries
Subsidiary	– Entity that is controlled (as defined in IFRS 10) by the Company and whose accounts are consolidated with those of the Company. For a list of main subsidiaries companies see Note 20.
Related parties	– as defined in IAS 24
Dollar/USD	– U.S. dollar

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

#### (a) Basis of presentation of the consolidated financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU") and in accordance with the requirements of the Companies (Jersey) Law 1991.

The financial statements have been prepared on a cost basis, except for financial assets and liabilities (including derivatives) that are presented at fair value through profit or loss.

The Company has elected to present profit or loss items using the function of expense method.

In 2015 new Standards and amendments became effective but they had no effect on the consolidated financial statements.

#### *Classification of expenses in profit or loss*

Cost of revenues – includes mainly compensation and related costs of personnel, media buying costs, affiliates network costs and websites promotion and content.

Research and development and Selling and marketing – includes primarily compensation and related costs of personnel.

General and administrative – includes primarily compensation and related costs of personnel, amortisation and depreciation expenses, costs related to the Group's facilities and fees for professional services.

#### (b) Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (b) Consolidated financial statements: continued

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

#### (c) Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the date of acquisition or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are expensed as incurred.

Contingent consideration is recognised at fair value on the acquisition date and classified as a financial asset or liability in accordance with IAS 39. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognises the resulting gain on the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of evaluation of impairment of goodwill, goodwill purchased in a business combination is evaluated and attributed to the cash-generating units to which it had been allocated.

Non-controlling interests of an entity represent the non-controlling shareholders' share of the net income and comprehensive income of the entity and their share of the net assets at fair value upon the acquisition of the entity. The non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company.

Business combinations in which the Company acquires an entity that is under the common control of the Parent Company is accounted for in a manner similar to a pooling of interests. The effect of this accounting is to reflect the financial position, results of operations and cash flows of the acquiree as if it had been a subsidiary of the Company for the entire period in which the acquiree had been under the control of the Parent Company. Accordingly, the assets acquired and liabilities assumed are recorded based on their carrying amounts as reflected in the financial statements of the acquiree prior to the business combination. The excess of the consideration paid by the Company over the carrying amount of the net assets acquired is recorded as a reduction of equity in the statement of changes in equity.

#### (d) Functional currency, presentation currency and foreign currency:

1. *Functional currency and presentation currency:*

The functional and presentation currency of the Company and of its subsidiaries is the U.S. dollar ("Dollar" or "USD").

2. *Transactions, assets and liabilities in foreign currency:*

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalised to qualifying assets or recorded in equity in hedges, are recognised in profit or loss. Non-monetary assets and liabilities measured at cost in foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (e) Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

#### (f) Short-term and Long-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months and less than twelve months from the date of acquisition. Long-term deposits are deposits with maturity of more than twelve months from the reporting date. The deposits are presented according to their terms of deposit.

#### (g) Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. The Company did not recognise an allowance in respect of groups of customers that are collectively assessed for impairment since it did not identify any groups of customers which bear similar credit risks. Impaired debts are derecognised when they are assessed as uncollectible.

#### (h) Revenue recognition:

Revenues are recognised in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Group acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. When the Group acts as an agent and is not exposed to the risks and rewards associated with the transaction, revenues are presented on a net basis. Revenues are measured at the fair value of the consideration received.

The Group usually works with its customers on performance basis, and recognises revenues according to revenue share model or one-time payment per user acquisition.

#### (i) Taxes on income:

Current or deferred taxes are recognised in profit or loss, except to the extent that they relate to items which are recognised in other comprehensive income or equity.

##### 1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

##### 2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilised. Temporary differences for which deferred tax assets had not been recognised are reviewed at each reporting date and a respective deferred tax asset is recognised to the extent that their utilisation is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Group's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (j) Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

##### *Operating leases – the Group as lessee:*

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### (k) Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	mainly %
Office furniture and equipment	10%
Computers and peripheral equipment	33%
Leasehold improvement (over the lease term)	12.5%

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including any extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. An asset is derecognised on disposal or when no further economic benefits are expected from its use.

#### (l) Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalised development costs, are recognised in profit or loss when incurred.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

Intangible assets (domains and websites) with indefinite useful lives are not systematically amortised and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Since the content of the domains and websites is being updated on a current basis management believes that these assets have indefinite useful lives. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortised systematically over its useful life.

##### *Research and development expenditures:*

Research expenditures are recognised in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognised if the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The asset is measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The asset is amortised over its useful life. Testing of impairment is performed annually over the period of the development project.



## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (l) Intangible assets: continued

##### Software:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property and equipment. In contrast, software that adds functionality to the hardware is classified as an intangible asset.

The useful life of intangible assets is as follows:

Systems and software (purchased and in-house development cost) are amortised on a straight-line basis over the useful life	33%
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Non-competition is amortised on a straight line basis over the agreement term (between 2 to 3 years).

#### (m) Impairment of non-financial assets:

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years, and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognised in profit or loss.

The following criteria are applied in assessing impairment of these specific assets:

##### 1. Goodwill

The Company reviews goodwill for impairment once a year as of 31 December or more frequently if events or changes in circumstances indicate that there is impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognised if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

##### 2. Domains and websites – Intangible assets with an indefinite useful life that are not systematically amortised.

The impairment test is performed annually, on 31 December, or more frequently if events or changes in circumstances indicate that there is an impairment.

#### (n) Financial instruments:

##### 1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

##### a) Financial assets at fair value through profit or loss:

This category includes financial assets held for trading (derivatives) and financial assets designated upon initial recognition as at fair value through profit or loss.

##### b) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortised cost plus directly

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (n) Financial instruments: continued

attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

#### 2. *Financial liabilities:*

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortised cost are presented less direct transaction costs.

After initial recognition, loans and other liabilities are measured based on their terms at amortised cost less directly attributable transaction costs using the effective interest method.

#### 3. *Derecognition of financial instruments:*

##### a) Financial assets:

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### b) Financial liabilities:

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the Group discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

#### 4. *Impairment of financial assets:*

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

Financial assets carried at amortised cost:

Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate.

#### (o) Derivative financial instruments:

The Group enters into contracts for derivative financial instruments such as forward currency contracts to hedge risks associated with foreign exchange fluctuations. Such derivative financial instruments that do not qualify for hedge accounting are initially recognised at fair value at the inception of the contract and are subsequently remeasured at fair value. Changes in the fair value of these instruments are recorded immediately in profit or loss.

#### (p) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (p) Fair value measurement: continued

All assets and liabilities measured at fair value or for which fair value is disclosed are categorised into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

#### (q) Provisions:

A provision in accordance with IAS 37 is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense is recognised in profit or loss net of the reimbursed amount.

#### (r) Employee benefit liabilities:

The Group has several employee benefit plans:

##### 1. Short-term employee benefits:

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

##### 2. Post-employment benefits:

The plans are financed by contributions to insurance companies or pension funds and classified as defined contribution plans.

The Israeli subsidiaries of the Group have defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the subsidiary pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognised as an expense when contributed concurrently with performance of the employee's services.

#### (s) Share-based payment transactions:

The Group's employees and officers are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions:

The cost of equity-settled transactions with employees and officers is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model - additional details are given in Note 13.

In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account.

As for other service providers, the cost of the transaction is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognised in profit or loss together with a corresponding increase in equity during the period which the performance is to be satisfied ending on the date on which the relevant employees or officers become entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### (t) Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the number of Ordinary Shares outstanding during the period. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company. If the number of Ordinary Shares outstanding increases as a result of a capitalisation, bonus issue, or share split, the calculation of earnings per share for all periods presented are adjusted retrospectively.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

### NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS.

#### (a) Judgments:

In the process of applying the significant accounting policies, the Group made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

- Business combinations:  
The Group is required to allocate the acquisition cost of entities and activities through business combinations on the basis of the fair value of the acquired assets and assumed liabilities. The Group uses external and internal valuations to determine the fair value. The valuations include management estimates and assumptions as for future cash flow projections from the acquired business and selection of models to compute the fair value of the acquired components and their depreciation period. Management estimates influence the amounts of the acquired assets and assumed liabilities and depreciation and amortisation in profit or loss.
- Share-based payments:  
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determination of the most appropriate valuation model and the inputs to the model. Management estimates influence the cost of share-based payments and the recognition in profit or loss.

#### (b) Estimations and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Impairment of goodwill, domains and websites:  
The Group reviews goodwill, domains and websites for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit to which the assets are allocated and also to choose a suitable discount rate for those cash flows.

### NOTE 4: DISCLOSURE OF NEW STANDARDS

Standards and interpretations that have been issued and are relevant to the Company's financial statements and activities, but are not yet effective, are described below.

#### (a) IFRS 15, "Revenue from Contracts with Customers":

IFRS 15 was issued by the IASB in May 2014.

IFRS 15 replaces IAS 18, "Revenue" and several other revenue recognition standards. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 4: DISCLOSURE OF NEW STANDARDS continued

#### (a) IFRS 15, "Revenue from Contracts with Customers": continued

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018 with early application permitted. Entities can choose to apply IFRS retrospectively or to use a modified transition approach.

The Group is evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

#### (b) IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if certain conditions are met.

Subsequent measurement of all other debt instruments and financial assets should be at fair value.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected. IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on 1 January, 2018. Early adoption is permitted.

The Group is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

#### (c) IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases", ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

According to the new Standard:

Lessees are required to recognise an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognise interest and depreciation expenses separately.

In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after 1 January, 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is simultaneously applied.

For leases existing at the date of transition, the new Standard permits lessees to use either a full retrospective approach, or a modified retrospective approach, with certain transition relief whereby restatement of comparative data is not required.

The Group is evaluating the possible impact of IFRS 16 but is presently unable to assess its effect, if any, on the financial statements.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 4: DISCLOSURE OF NEW STANDARDS continued

#### (d) Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities:

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", ("the amendments") which require providing additional disclosures of financial liabilities. The amendments require presenting the movement between the opening balance and the closing balance of financial liabilities, including changes arising from cash flows from financing activities, changes arising from obtaining or losing control in investees, the effect of changes in foreign exchange rates and changes in fair value.

The amendments are effective for annual periods beginning on or after 1 January, 2017. No disclosure is required for comparative figures in previous periods before the effective date of the amendments. Earlier application is permitted.

The Group will include the necessary disclosures in the financial statements when applicable.

### NOTE 5: BUSINESS COMBINATIONS

#### (a) Publishing Joint Venture ("JV")

The Company holds the majority stake in a Joint Venture that is active in operating publishing websites in Scandinavia.

The Group elected to measure the non-controlling interests in the JV at their proportionate share of the fair value of the JV's net identifiable assets.

On 14 September 2014, the Company signed an agreement to acquire an additional 21% interest in the JV for a cash consideration of USD 1.49 million. Subsequent to the acquisition the Company holds a 93% interest in the JV.

As a result of the acquisition in 2014, the difference between the consideration and the decrease in the non-controlling interests was recorded in capital reserve from transactions with non-controlling interests in the amount of USD 612 thousands.

#### (b) Acquisition of initially consolidated company- ExciteAd Digital Marketing Ltd. ("EDM"):

On 31 August 2014, the Company acquired 100% of the shares of EDM, a leading social gaming marketing company, for a consideration of up to USD 19 million in cash and shares. The Company paid USD 12 million in cash and two additional payments of up to an aggregate USD 7 million ("Contingent Consideration") were to be made based on EDM's adjusted EBITDA during the first and second years starting 1 July 2014.

#### Total acquisition cost:

	USD in thousands
Cash paid	12,000
Payables for acquisition	66
Contingent consideration liability	6,521
<b>Total acquisition cost</b>	<b>18,587</b>

#### Acquisition cost allocation:

Fair value of identifiable net assets	1,417
Goodwill arising on acquisition	17,170
	<b>18,587</b>

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and the acquiree.

EDM achieved the first year performance condition (target of adjusted EBITDA) and the Company paid the first installment of contingent consideration of USD 3.5 million. Given the high earning visibility of EDM, the Company has decided to waive the performance condition related to the second contingent payment of USD 3.5 million due in August 2016 in order to accelerate integration of EDM into the Group.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 5: BUSINESS COMBINATIONS continued

#### (c) Acquisition of initially consolidated company- Marmar Media Ltd:

On 1 July 2015 the Company acquired a controlling interest (54%) in Marmar Media Ltd ("Marmar"), a performance media company for web and mobile.

The total consideration for the acquisition is up to \$7.36 million in cash, comprised of an initial payment of \$5.36 million and additional contingent consideration of up to \$2 million based on Marmar's EBITDA performance during the year ending 31 March 2016.

#### Consideration for acquisition:

	USD in thousands
Cash paid	5,360
Contingent consideration liability	1,934
Total acquisition cost	7,294

The fair value of the identifiable assets and liabilities of Marmar Media on the acquisition date:

	Fair value
	USD in thousands
Cash and cash equivalents	901
Short- term investments	513
Trade and other receivable	967
Property and equipment	51
Intangible assets:	
Non-competition agreement <sup>(1)</sup>	474
	2,906
Trade and other payables	1,696
Deferred tax liability	126
Non-current liabilities	14
	1,836
Goodwill arising on acquisition	6,716
Non- controlling interest <sup>(2)</sup>	(492)
Total acquisition cost	7,294

Acquisition costs that are directly attributable to the transaction of approximately USD 386 thousands were charged to other expenses in profit or loss.

(1) The fair value of the non- competition agreement was based on a non- competition period of 18 months commencing three years after the acquisition date.

(2) The non-controlling interests are measured at their proportionate share of the fair value of the subsidiary's net identifiable assets.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and the acquiree.

The goodwill recognised is not expected to be deductible for income tax purposes.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 5: BUSINESS COMBINATIONS continued

#### (c) Acquisition of initially consolidated company- Marmar Media Ltd: continued

##### Cash outflow on the acquisition:

	USD in thousands
Cash and cash equivalents acquired	901
Cash paid	(5,360)
Net cash	(4,459)

From the acquisition date, Marmar has contributed USD 1.7 million to the consolidated net income and USD 9.1 million to the consolidated revenues, in the year 2015. If the business combination had taken place at the beginning of 2015, the consolidated net income would have increased by USD 3.6 million and the consolidated revenues would have increased by USD 18.1 million.

### NOTE 6: SHORT-TERM AND LONG-TERM INVESTMENTS

#### Short-term investments:

	Annual interest rate *	As of 31 December	
		2015	2014
USD in thousands			
<b>Short-term bank deposits (a):</b>			
In USD	1.08	6,000	8,508
In NIS	0.02	853	203
In EURO		13	–
		<b>6,866</b>	8,711
<b>Financial assets designated at fair value through profit and loss:</b>			
US Government bonds		–	8,003
		<b>6,866</b>	16,714
<b>Long-term investment (b)</b>			
Bank deposit- in NIS		<b>1,102</b>	333

\* The above interest rates are the weighted average rates as of 31 December 2015.

(a) Includes- deposits with fixed liens recorded as security for credit card transactions in connection with advertising campaigns and other online purchasing over the internet. The total amount of deposits with fixed liens as of 31 December 2015 was USD 853 thousands (2014 – USD 504 thousands).

(b) The Group recorded fixed liens on long-term bank deposits, against bank guarantee provided in connection with its lease agreement on property, in the amount of USD 622 thousands and USD 480 thousands for credit card transactions (2014 – USD 333 thousands) (see Note 16 (a)).

### NOTE 7: TRADE AND OTHER RECEIVABLES

#### a. Trade receivables:

	As of 31 December	
	2015	2014
USD in thousands		
Open accounts	16,761	11,888
Less – allowance for doubtful accounts	673	340
Trade receivables, net	<b>16,088</b>	11,548

As of 31 December 2015 the Group has no material amounts that are past due and not impaired.

See Note 11(b) (2) on credit risk of trade receivables.



## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 7: TRADE AND OTHER RECEIVABLES continued

#### b. Other receivables:

	As of 31 December	
	2015	2014
	USD in thousands	
Prepaid expenses	1,256	907
Government authorities	227	75
Current maturity of long-term receivables	228	534
Other receivables	331	379
	<b>2,042</b>	1,895

### NOTE 8: PROPERTY AND EQUIPMENT

	Computers, furniture, office equipment and others	Leasehold improvements	Total
	USD in thousands		
<b>Cost:</b>			
Balance as of 1 January 2014	876	122	998
Acquisitions during the year	337	13	350
Acquisition of initially consolidated company	50	19	69
Disposals during the year	(59)	–	(59)
<b>Balance as of 31 December 2014</b>	<b>1,204</b>	<b>154</b>	<b>1,358</b>
Acquisitions during the year	516	128	644
Acquisition of initially consolidated company *	51	–	51
<b>Balance as of 31 December 2015</b>	<b>1,771</b>	<b>282</b>	<b>2,053</b>
<b>Accumulated depreciation:</b>			
Balance as of 1 January 2014	206	54	260
Disposals during the year	(22)	–	(22)
Depreciation during the year	247	9	256
Balance as of 31 December 2014	431	63	494
Depreciation during the year	350	19	369
<b>Balance as of 31 December 2015</b>	<b>781</b>	<b>82</b>	<b>863</b>
<b>Depreciated cost as of 31 December 2015</b>	<b>990</b>	<b>200</b>	<b>1,190</b>
Depreciated cost as of 31 December 2014	773	91	864

Depreciation expense of property and equipment is recorded in general and administrative expenses.

\* See Note 5 (c).

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 9: GOODWILL AND OTHER INTANGIBLE ASSETS

#### a. Composition and movement:

	Goodwill	Domains and websites	Non- competition	Systems, software and other	Total
USD in thousands					
<b>Cost:</b>					
Balance as of 1 January 2014	2,416	5,495	1,401	877	10,189
Acquisition of initially consolidated company *	17,170	–	721	968	18,859
Acquisitions during the year	–	11,233	358	734	12,325
Costs capitalised during the year (in-house development cost)	–	–	–	915	915
<b>Balance as of 31 December 2014</b>	<b>19,586</b>	<b>16,728</b>	<b>2,480</b>	<b>3,494</b>	<b>42,288</b>
Acquisition of initially consolidated company *	6,716	–	474	–	7,190
Acquisitions during the year	–	7,169	251	1,461	8,881
Costs capitalised during the year (in-house development cost)	–	–	–	2,043	2,043
<b>Balance as of 31 December 2015</b>	<b>26,302</b>	<b>23,897</b>	<b>3,205</b>	<b>6,998</b>	<b>60,402</b>
<b>Accumulated amortisation:</b>					
Balance as of 1 January 2014	–	–	790	130	920
Amortisation during the year	–	–	528	512	1,040
<b>Balance as of 31 December 2014</b>	<b>–</b>	<b>–</b>	<b>1,318</b>	<b>642</b>	<b>1,960</b>
Amortisation during the year	–	–	552	2,854	3,406
<b>Balance as of 31 December 2015</b>	<b>–</b>	<b>–</b>	<b>1,870</b>	<b>3,496</b>	<b>5,366</b>
<b>Amortised cost as of 31 December 2015</b>	<b>26,302</b>	<b>23,897</b>	<b>1,335</b>	<b>3,502</b>	<b>55,036</b>
Amortised cost as of 31 December 2014	19,586	16,728	1,162	2,852	40,328

Amortisation expenses of USD 2,981 thousands (2014- USD 1,040 thousands) is classified in general and administrative expenses of USD 425 thousands (2014- nil) is classified in cost of revenue.

\* See Note 5(b) and 5(c).

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 9: GOODWILL AND OTHER INTANGIBLE ASSETS continued

#### b. Impairment of goodwill and intangible assets with an indefinite useful life:

Following are the carrying amounts of goodwill, domains and websites allocated to cash generating units ("CGU"):

	Goodwill	Domains and websites	Total
USD in thousands			
Publishing segment <sup>(1)</sup>	2,416	23,897	26,313
Media segment <sup>(2)</sup>	23,886	–	23,886
	26,302	23,897	50,199

#### (1) Publishing segment

The recoverable amounts of domains and websites were determined based on a value in use calculation using estimated cash flow projections. The recoverable amount of the publishing segment CGUs to which the goodwill was allocated, was determined based on a value in use calculation using estimated cash flow projections. The pre-tax discount rate applied to the cash flow projections is 24% (2014- 24%). The projected cash flows are estimated using a fixed growth rate of 3% (2014 - 3%).

The key assumptions used in calculating the value in use:

**Revenues and operational profit** – the revenues and the profit rate assumptions are based on management expectations as reflected in the Group's budget for the coming year approved by the Company's board.

**Discount rate** – the discount rate reflects management's assumptions regarding the CGU's specific risk premium.

**Growth rate** – the growth rate applied for the four years period beyond the budget period is based on the long-term average growth rate as customary in similar industries.

#### (2) Media segment

The media segment goodwill was generated from EDM and Marmar acquisitions.

The recoverable amount of the media segment CGU's was determined based on a value in use calculation using estimated cash flow projections. The pre-tax discount rate applied to the cash flow projections is 24%. The projected cash flows are estimated using a fixed growth rate of 3%.

The key assumptions used in calculating the value in use:

**Revenues and operational profit** – the revenues and the profit rate assumptions are based on management expectations as reflected in the Group's budget for the coming year approved by the Company's board.

**Discount rate** – the discount rate reflects management's assumptions regarding the CGU's specific risk premium.

**Growth rate** – the growth rate applied for the four years period beyond the budget period is based on the long-term average growth rate as customary in similar industries.

As of 31 December 2015 the recoverable amount of each of the segments exceeds their carrying amount.

#### Sensitivity analyses of changes in assumptions:

With respect to the assumptions used in determining the value in use of the CGUs in each of the segment, management believes that there are no reasonably possible changes in the key assumptions detailed above which might cause the carrying amount of the CGUs to exceed their recoverable amount.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 10: OTHER LIABILITIES AND ACCOUNTS PAYABLE

	As of 31 December	
	2015	2014
	USD in thousands	
Employees and payroll accruals	4,647	2,265
Income tax payable	4,129	1,511
Liability for intangible assets acquisition	–	1,712
Government authorities	992	679
Liability for EDM acquisition	–	797
Accrued expenses	1,973	677
Other liabilities (mainly advanced from customers)	410	123
	<b>12,151</b>	<b>7,764</b>

### NOTE 11: FINANCIAL INSTRUMENTS

#### (a) Classification of financial assets and liabilities:

The financial assets and financial liabilities in the statement of financial position are classified by groups of financial instruments pursuant to IAS 39:

	As of 31 December	
	2015	2014
	USD in thousands	
<b>Financial assets</b>		
Financial assets at fair value through profit or loss:		
Investments in US Government bonds	–	8,003
Financial derivatives	165	264
Total financial assets at fair value through profit or loss	165	8,267
Financial assets measured at amortised cost:		
Cash and cash equivalents	35,741	27,351
Short-term and long-term investments	7,968	9,044
Trade receivables	16,088	11,548
Other receivables	559	988
Non-current account receivable	332	456
Total financial assets measured at amortised cost	60,688	49,387
Total financial assets	60,853	57,654
Total current	59,419	56,865
Total non-current	1,434	789

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 11: FINANCIAL INSTRUMENTS continued

#### (a) Classification of financial assets and liabilities: continued

	As of 31 December	
	2015	2014
USD in thousands		
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
Trade payables	11,146	9,073
Other liabilities and account payables	7,030	6,186
Contingent consideration payable	5,373	6,629
	<b>23,549</b>	21,888
Total current	<b>23,549</b>	18,655
Total non-current	–	3,233

#### (b) Financial risks factors:

The Group's activities expose it to various financial risks.

##### 1. Market risk – Foreign exchange risk:

A significant portion of the Group's revenues are received in EURO. A significant majority of the Israeli subsidiaries expenses are paid in New Israeli Shekels ("NIS"). Therefore, the Group is exposed to fluctuations in the foreign exchange rates in EURO and NIS against the USD.

For the year ended 31 December, 2015 the Group recorded foreign exchange rate differences expenses, net in the amount of USD 2,486 thousands (includes gain on forward transactions, see below) (2014 – USD 675 thousands).

The Company entered into forward contracts with the intention to reduce the foreign exchange risk of forecasted revenues and expenses. These contracts are not designated as hedges for accounting purposes and are measured at fair value through profit or loss.

The open positions as of 31 December 2015:

Forward transactions for the sale of EURO in exchange for USD totaling EURO 13.1 million (USD 14.5 million) at forward rate range of EURO 1.07 – 1.14 per USD 1, to be exchange starting January 2016 until December 2016.

Forward transactions for the sale of USD in exchange for NIS totaling USD 15.4 million at forward rate range of NIS 3.75 – 3.99 per USD 1, to be exchange starting from January 2016 until November 2016.

As of 31 December 2015 the total fair value (asset) of the above forward transactions amounted to USD 165 thousands.

##### 2. Credit risk:

The Group usually extends 30-day term to its customers. The Group regularly monitors the credit extended to its customers and their general financial condition but does not require collateral as security for these receivables.

The Group maintains cash and cash equivalents and short-term investments and long-term investments in various financial institutions. These financial institutions are located in the EU and Israel. The Group's policy is to diversify its investments among various institutions with a credit ranking of (-A) and above.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 11: FINANCIAL INSTRUMENTS continued

#### (b) Financial risks factors: continued

##### 3. Liquidity risk:

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

#### As of 31 December 2015:

	Less than one year	1 to 2 years	Total
<b>USD in thousands</b>			
Trade payables	11,146	–	11,146
Other payables	12,151	–	12,151
Contingent consideration payable	5,500	–	5,500
	<b>28,797</b>	<b>–</b>	<b>28,797</b>

#### As of 31 December 2014:

	Less than one year	1 to 2 years	Total
<b>USD in thousands</b>			
Trade payables	9,073	–	9,073
Other payables	6,186	–	6,186
Contingent consideration payable	3,500	3,500	7,000
	18,759	3,500	22,259

#### (c) Fair value:

The carrying amounts of the Group's financial assets and liabilities approximate their fair value.

The fair value of contingent consideration payable upon initial recognition was based on the computation of the present value of future cash flows using an interest rate of 5% that was currently available for loans with similar terms and categorised within level 3 of fair value hierarchy.

The fair value of financial derivatives is categorised within level 2 of fair value hierarchy.

#### (d) Sensitivity tests relating to changes in market factors:

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>USD in thousands</b>		
<b>Sensitivity test to changes in Euro to Dollar exchange rate *:</b>		
Gain (loss) from the change:*		
Increase of 10% in exchange rate	<b>(1,708)</b>	(1,977)
Decrease of 10% in exchange rate	<b>1,708</b>	1,977
<b>Sensitivity test to changes in NIS to Dollar exchange rate *:</b>		
Gain (loss) from the change:*		
Increase of 10% in exchange rate	<b>(1,485)</b>	(980)
Decrease of 10% in exchange rate	<b>1,794</b>	1,211

\* The above mainly reflects effects of reasonably possible changes in exchange rates on open forward contracts as of the end of the year. As described in (b) 1 above, these contracts are intended to reduce the Group's exposure to fluctuations in exchange rates on future revenues and expenses. Therefore, although it is expected the above effects will be offset by contra effects upon the recording of the revenues and expenses, the timing of these effects may not coincide in the same reporting period.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 11: FINANCIAL INSTRUMENTS continued

#### (d) Sensitivity tests relating to changes in market factors: continued

##### Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Group has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the effects (before tax) on profit or loss and equity in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

The Group is not exposed to interest rate risk.

### NOTE 12: EQUITY

#### (a) Composition of share capital:

	As of 31 December 2015	
	Authorised	Issued and outstanding
	Number of shares	
Ordinary Shares of USD 0.000001 par value	100,000,000,000	193,447,154

  

	As of 31 December 2014	
	Authorised	Issued and outstanding
	Number of shares	
Ordinary Shares of USD 0.000001 par value	100,000,000,000	189,643,652

In addition to the above issued share, as of 31 December 2015, 6,905,248 Ordinary Shares are held in trust to satisfy the Company's share based payment plan.

#### (b) Movement in share capital:

- On 21 March 2014 the Company completed an Initial Public Offering ("IPO") on the London Stock Exchange's Alternative Investment Market (AIM). The Company issued 67,026,152 Ordinary shares at a price of 49 pence per Ordinary share. The total gross funds raised in the IPO were GBP 32.8 million (USD 54.2 million) and IPO related costs amounted to approximately USD 6.6 million. The issued share capital of the Company immediately following the IPO was 189,563,652 Ordinary shares.
- In June 2014 the Company issued 80,000 Ordinary shares upon the exercise of 80,000 options.
- In 2015 the Company issued 3,803,502 Ordinary shares upon the exercise of 3,803,502 options.

#### (c) Dividends paid to shareholders:

Date	Total amount	Per share
	USD in million	USD
12 June 2014	5.25	0.030
31 October 2014	3.0	0.016
8 May 2015	3.0	0.016
30 October 2015	5.0	0.026

As for dividend declared subsequent to the reporting date see Note 21.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 12: EQUITY continued

#### (d) Net earnings per share:

Details of the number of shares and income used in the computation of earnings per share:

	Year ended 31 December			
	2015		2014	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	USD in thousands	In thousands	USD in thousands
Number of shares and income for the computation of basic net earnings	191,977	18,719	174,398	9,821
Effect of potential dilutive Ordinary shares *	3,945	–	4,405	–
For the computation of diluted net earnings	195,922	18,719	178,803	9,821

\* Options, see Note 13.

### NOTE 13: SHARE-BASED PAYMENT

The expense recognised in the financial statements for services received is shown in the following table:

	Year ended December 31	
	2015	2014
	USD in thousands	
Total expense arising from share-based payment transactions	839	1,042

- (a) In August 2013 the Company adopted a Share Option Plan. According to the plan, the Company's Board of Directors is entitled to grant certain employees, officers and other service providers (together herein "employees") of the Group remuneration in the form of equity-settled share-based payment transactions.

Pursuant to the plan, the Company's employees may be granted options to purchase the Company's Ordinary shares. These options may be exercised, subject to the continuance of engagement of such employees with the Company, within a period of eight years from the grant date, at an exercise price to be determined by the Company's Board of Directors at the grant date.

All grants to Israeli employees through 2015 were made in accordance with Section 102 of the Income Tax Ordinance, capital-gains track (with a trustee).



## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 13: SHARE-BASED PAYMENT continued

#### 2014 grants

In 2014, the Company granted options to employees (including the CEO and other officers). The options vest in varying amounts over a period of up to four years from the grant date.

The following table lists the inputs used for the fair value measurement of the grants in 2014:

Option pricing model	Black-Scholes-Merton formula
Exercise price (USD)	0.154-0.726
Dividend yield (USD)	0.18-0.2
Expected volatility of the share prices	38.2%-44.7%
Risk-free interest rate (USD)	1.32%-2.07%
Expected life of share options (years)	4-5.3
Share price GBP (USD)	0.49 (0.808)-0.525(0.86)
Forfeiture rate	0, 12%

The total fair value of all options granted in 2014 was calculated at USD 2.5 million at the grant date (average of USD 0.26 per option).

#### 2015 grants

In 2015, the Company granted options to employees (including directors). The options vest in varying amounts over a period of up to four years from the grant date.

The following table lists the inputs used for the fair value measurement of the grants in 2015:

Option pricing model	Black-Scholes-Merton formula
Exercise price (USD)	0.856-1.041
Dividend yield (USD)	0.13-0.18
Expected volatility of the share prices	44.4%-44.7%
Risk-free interest rate (USD)	1.14%-1.3%
Expected life of share options (years)	4.75, 5.2
Share price GBP (USD)	0.577 (0.87)-0.72(1.112)
Forfeiture rate	0, 12%

The total fair value of these grants was calculated at USD 1.1 million at the grant date (an average of USD 0.25 per option).

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 13: SHARE-BASED PAYMENT continued

#### (b) Movement during the year:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	in thousands	USD	in thousands	USD
Share options outstanding at beginning of year	12,312	0.47	3,250	0.15
Share options granted during the year	4,307	0.98	9,458	0.58
Share options forfeited during the year	(1,144)	0.75	(316)	0.76
Share options exercised during the year	(3,804)	0.25	(80)	0.15
Share options outstanding at end of year	11,671	0.68	12,312	0.47
Share options exercisable at end of year	3,317	0.34	4,091	0.15

(c) The weighted average remaining contractual life for the options outstanding as of 31 December, 2015 was 6.7 years (2014- 7.1 years).

(d) The range of exercise prices for options outstanding as of 31 December 2015 was USD 0.15- USD 1.04 (2014 - USD 0.15- USD 0.76).

### NOTE 14: TAXES ON INCOME

(a) The Company is registered as a tax free corporation in Jersey.

(b) Tax law applicable to the Company's Israeli subsidiaries is the Israeli tax law- Income Tax Ordinance (new version) 1961.

- The Israeli corporate tax rate applicable in 2015 and 2014 is 26.5%.
- Amendment to the Law for the Encouragement of Capital Investments, 1959:

According to the Amendment, a flat tax rate applies to one subsidiary's entire privileged income under its status as a privileged company with a privileged enterprise. The tax rate under the Amendment: in 2015 and 2016 is- 16%.

The Amendment also prescribes that any dividends distributed to individuals or foreign residents from the privileged enterprise's earnings as above will be subject to tax at a rate of 20%.

(c) The tax rate applicable to the Cyprus branch of the Company is 12.5%.

#### (d) Final tax assessments:

Two subsidiaries in Israel have received final tax assessment through 2013.

The Company and its other subsidiaries have not received final tax assessments since their incorporation.

#### (e) Taxes on income included in profit or loss:

	Year ended 31 December	
	2015	2014
	USD in thousands	
Current taxes	4,490	1,404
Deferred taxes	(397)	(75)
Total	4,093	1,329

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 14: TAXES ON INCOME continued

#### (f) Theoretical tax:

The reconciliation between the tax expense, assuming that all the income and expenses were taxed at the statutory tax rate (in Jersey) and the taxes on income recorded in profit or loss is as follows:

	Year ended 31 December	
	2015	2014
	USD in thousands	
Profit before taxes on income	24,293	13,239
Tax at the domestic rate applicable to the profits of the Company	-	-
Tax at the domestic rates applicable to profits of the subsidiary in Israel and Cyprus branch	4,093	1,329
Total taxes	4,093	1,329

#### (g) Deferred taxes:

Composition:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2015	2014	2015	2014
	USD in thousands			
Deferred tax liabilities:				
Intangible assets	317	419	(228)	(28)
Deferred tax assets:				
Research and development costs	90	73	(17)	(45)
Allowance for doubtful account	10	-	(10)	-
Employee benefits	156	14	(142)	(2)
	256	87		
Deferred tax benefit			(397)	(75)
Deferred tax liabilities, net	(61)	(332)		

The deferred taxes are computed at the tax rates of 26.5% and 16%, based on the tax rates that are expected to apply upon realization (2014- same rates).

In January 2016, the corporate tax rate in Israel was reduced from 26.5% to 25% commencing from 2016.

The deferred tax balances included in the financial statements as of 31 December 2015 are calculated according to the tax rates that were in effect as of the reporting date and do not take into account the potential effects of the reduction in the tax rate. Such effects will be included in the financial statements for 2016.

The Company estimates that the change in tax rates will not have a material effect on the financial statements.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

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### NOTE 15: OPERATING SEGMENTS

#### (a) General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organised into operating segments based on the products and services of the business units and has operating segments as follows:

- |                  |   |
|------------------|---|
| Publishing       | – The Group owns over 2,000 informational websites in 17 languages. These websites refer potential customers to online businesses. The sites' content, written by professional writers, is designed to attract online traffic which the Group then directs to its customers online businesses.  |
| Media            | – The Group's Media division acquires online and mobile advertising targeted at potential online traffic with the objective of directing it to the Group's users. The Group buys advertising space on search engines, websites, mobile and social networks and places adverts referring potential users to the Group's customers' websites or to its own websites.  |
| Partners Network | – The Group manages marketing partners, whose role is to direct online traffic to the Group's customers for which the Group receives revenues. The Group is responsible for paying its partners. The Group's partner programme enables affiliates to have a single point of contact to direct traffic to, and receive monies from, rather than engaging in multilateral negotiation, administration and collection of revenues. |

Segment performance (segment profit) is evaluated based on revenues less direct operating costs.

Items that were not allocated are managed on a group basis.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 15: OPERATING SEGMENTS continued

#### (b) Reporting on operating segments:

	Publishing	Media	Partners Network	Total
USD in thousands				
<b>Year ended 31 December 2015:</b>				
Revenues	30,297	45,777	13,145	89,219
Segment profit	23,855	15,411	1,810	41,076
Unallocated corporate expenses				(18,116)
Other expense, net				(403)
Finance income, net				1,736
Profit before taxes on income				24,293
<b>Year ended 31 December 2014:</b>				
Revenues	23,965	20,632	6,123	50,720
Segment profit	18,345	8,548	685	27,578
Unallocated corporate expenses				(13,340)
Other income, net				(229)
Finance expense, net				(770)
Profit before taxes on income				13,239

#### (c) Geographic information:

Revenues classified by geographical areas based on internet user location:

	Year ended 31 December	
	2015	2014
Scandinavia	29,414	28,164
Other European countries	16,732	7,457
North America	19,588	4,918
Oceania	2,788	942
Other countries	2,610	3,116
Total revenues from identified locations	71,132	44,597
Revenues from unidentified locations	18,087	6,123
Total revenues	89,219	50,720

### NOTE 16: COMMITMENTS

#### (a) Leases

Group companies (as lessee) have entered into commercial real estate lease agreements. The leases are non-cancellable for periods of between 2-4 years with annual lease fees of approximately USD 950 thousands.

The Group recorded fixed liens on long-term bank deposits in connection with these agreements (see Note 6(b)).

#### (b) For agreements with related parties see Note 17.

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 17: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

#### (a) Balances:

	As of 31 December	
	2015	2014
	USD in thousands	
<b>Current liabilities:</b>		
Management fees and other short-term payables	684	370

#### (b) Benefits to key management personnel: \*

	As of 31 December	
	2015	2014
	USD in thousands	
Short-term benefits	1,495	1,410
Cost of share-based payments	107	70
	1,602	1,480

\* Includes directors.

#### (c) Transactions with related parties:

	Year ended 31 December	
	2015	2014
	USD in thousands	
Management fees to shareholders <sup>(1)</sup>	618	838
Cost of share based payments <sup>(2)</sup>	277	1,124
	895	1,962
Finance costs in respect of liabilities to shareholders, net	–	45

(1) Including fees paid in 2015 to key management personnel USD 440 thousands (2014- USD 444 thousands).

(2) 2014, includes USD 274 thousands charged to share premium as part of the IPO issue costs.

#### (d) Service Agreements

In 2013 the Group signed a consulting service agreement with one of the shareholders of the Parent Company, Webpals Enterprises Limited Partnership. The management fees for the year ended 31 December 2015 were USD 178 thousands (2014 – USD 394 thousands).

### NOTE 18: EMPLOYEE BENEFIT ASSETS AND LIABILITIES

The post-employment employee benefits are financed by contributions classified as defined contribution plan.

	Year ended 31 December	
	2015	2014
	USD in thousands	
Expenses in respect of defined contribution plans	710	540

## Notes to Consolidated Financial Statements For the year ended 31 December 2015

### NOTE 19: SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME

	Year ended 31 December	
	2015	2014
USD in thousands		
Employee benefit expenses are included in (*):		
Cost of revenues	7,829	6,264
Research and development	1,291	1,014
Selling and marketing	2,863	2,226
General and administrative	4,925	4,274
	<b>16,908</b>	13,778

\* Includes cost of share based payment.

### NOTE 20: MAIN SUBSIDIARIES

	2015		2014	
	Shares conferring voting rights	Shares conferring rights to profits	Shares conferring voting rights	Shares conferring rights to profits
	%			
	100	100	100	100
Webpals Holdings Ltd	100	100	100	100
Webpals Systems S.C Ltd	100	100	100	100
ExciteAd Digital Marketing Ltd	100	100	100	100
Marmar Media Ltd	54	54	–	–

### NOTE 21: SUBSEQUENT EVENTS

On 26 February 2016 the Company paid a dividend to its shareholders of USD 5 million (USD 0.024 per share).

## Corporate Directory

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