XLMEDIA PLC

Consolidated Financial Statements as at 31 December 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of XLMEDIA PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of XLMedia PLC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2021 and 2020, 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 each of the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for each of the years then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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	Description of key audit matter	Description of auditor's response
Revenue recognition	Revenues which amounted to USD 66.5 million in 2021 are significant to the consolidated financial statements based on their quantitative materiality. As such, there is inherent risk that revenues may be improperly recognised, inflated or misstated. Recognition of revenues in the accounts of the Group is a highly automated process. The Group is heavily reliant on the reliability and continuity of its in-house IT platform to support automated data processing in its recognition and recording of revenues.	In 2021 in order to gain the required level of assurance, we performed substantive audit procedures relating to the recognition and recording of revenues, including tests of reconciliations from underlying data to the financial accounts. IT audit specialists were deployed to assist in understanding the design and operation of the relevant IT systems and in performing various data analyses in order to test completeness, accuracy and timing of the recognition of revenues. We also evaluated the adequacy of the disclosures provided in relation to revenues in Notes 2 and 17 to the consolidated financial statements.
Domains and Websites and other intangible assets – impairment test	As of 31 December 2021, the total net carrying amount of domains and websites with indefinite useful life and other intangible assets was approximately USD 120.3 million. In accordance with IFRS as adopted by the European Union, the Group is required to annually test these assets for impairment. As a result of the impairment test, no impairment loss was recorded in 2021.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group. In particular, we tested the Group's determination of the recoverability of these assets by reviewing management's forecasts of revenues and profitability. We assessed the reliability of these forecasts through, among others, a review of actual performance against previous forecasts. We evaluated and tested the discount rates and attribution of expenses, and we considered the reasonableness of management's other assumptions. We also verified the adequacy of the disclosure of the assumptions and other data in Note 7 to the consolidated financial statements.
Taxation	The Group's operations are subject to income tax in various jurisdictions. Taxation is significant to our audit because the assessment process is complex and judgmental, and the amounts involved are material to the consolidated financial statements as a whole.	We included in our team tax specialists to analyse and evaluate the assumptions used to determine tax provisions. We evaluated and tested the underlying support, such as transfer price studies, for the calculation of income taxes in the various jurisdictions. We also assessed the adequacy of the Group's disclosures in Note 15 to the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the board of directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The consolidated financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

The partner in charge of the audit resulting in this independent auditor's report is Eli Barda.

Kost Forer Gabbay & Kasierer

Tel-Aviv, Israel
28 March 2022

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Consolidated statements of financial position

as at 31 December 2021

	Notes	2021 $000	2020 $000
Assets			
Non-current assets			
Intangible assets and goodwill	7	**120,284**	63,866
Property and equipment	6	**2,401**	1,072
Other assets		**247**	497
Long-term deposits	4	**83**	1,478
		123,015	66,913
Current assets			
Short-term deposits	4	**2,158**	1,228
Trade receivables	5	**8,701**	5,792
Other receivables	5	**6,119**	5,578
Cash and cash equivalents		**22,437**	12,648
		39,415	25,246
Total assets		**162,430**	92,159
Equity and liabilities			
Equity			
Share capital	12	***) -**	*) -
Share premium	12	**122,071**	86,022
Capital reserve		**14**	(258)
Accumulated deficit		**(12,869)**	(18,510)
Total equity		**109,216**	67,254
Non-current liabilities			
Lease liabilities	10	**1,242**	366
Deferred taxes	15	**1,372**	1,243
Deferred consideration	7	**7,737**	-
Contingent consideration	16	**808**	-
		11,159	1,609
Current liabilities			
Trade payables		**2,333**	2,000
Deferred consideration	7,16	**18,401**	-
Consideration payable on intangible assets	7	**3,000**	-
Other liabilities and accounts payable	8	**7,820**	8,769
Income tax provision		**10,190**	11,899
Financial derivatives	11	**-**	304
Current maturities of lease liabilities	10	**311**	324
		42,055	23,296
Total liabilities		**53,214**	24,905
Total equity and liabilities		**162,430**	92,159

*) Less than $1,000.

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

28 March 2022	Julie Markey		Rowan Ellis
Date of approval of the financial statements	Julie Markey Interim Chairman of the Board of Directors	Stuart Simms Chief Executive Officer	Rowan Ellis Interim Chief Financial Officer

Consolidated statements of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	**2021 $000**	2020 $000
Revenue	17	**66,487**	54,839
Expenses:			
Operating	14	**(40,740)**	(36,222)
Sale and marketing		**(14,837)**	(9,819)
Depreciation and amortisation	6,7	**(6,970)**	(7,720)
Impairment loss	7	**-**	(955)
Operating profit		**3,940**	123
Finance expenses		**(549)**	(834)
Finance income		**306**	695
Other income		**318**	1,122
Profit before taxes on income		**4,015**	1,106
Income tax benefit / (expense)	15	**1,626**	(314)
Profit for the year		**5,641**	792
Other comprehensive income			
Exchange loss arising on translation of foreign operations		**(16)**	-
Total comprehensive income		**5,625**	792
Profit for the year attributable to:			
Equity owners of the Company		**5,641**	531
Non-controlling interests		**-**	261
		5,641	792
Total comprehensive income attributable to:			
Equity owners of the Company		**5,625**	531
Non-controlling interests		**-**	261
		5,625	792
Earnings per share attributable to equity holders of the Company:			
Basic and diluted earnings per share (in $)	12	**0.023**	0.004

See note 1c with respect to the presentation for the year ended 31 December 2020.

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

Consolidated statements of changes in equity

for the year ended 31 December 2021

	Share capital $000	Share premium $000	Capital reserve from share-based transactions $000	Capital reserve from the translation of a foreign operation $000	Capital reserve from transactions with non-controlling interests $000	Treasury shares $000	Accumulated deficit $000	Total attributable to owners of the Company $000	Non-controlling interests $000	Total equity $000
As at 1 January 2021	*) -	86,022	2,368	-	(2,626)	-	(18,510)	67,254	-	67,254
Profit for the year	-	-	-	-	-	-	5,641	5,641	-	5,641
Other comprehensive income	-	-	-	(16)	-	-	-	(16)	-	(16)
Total comprehensive income	-	-	-	(16)	-	-	5,641	5,625	-	5,625
Cost of share-based payment	-	-	520	-	-	-	-	520	-	520
Share capital issuance	*) -	35,806	-	-	-	-	-	35,806	-	35,806
Exercise of option	*) -	243	(232)	-	-	-	-	11	-	11
As at 31 December 2021	***) -**	**122,071**	**2,656**	**(16)**	**(2,626)**	**-**	**(12,869)**	**109,216**	**-**	**109,216**
As at 1 January 2020	*) -	112,624	2,276	-	(2,445)	(30,159)	(19,041)	63,255	291	63,546
Profit for the year	-	-	-	-	-	-	531	531	261	792
Cancellation of treasury shares	-	(30,159)	-	-	-	30,159	-	-	-	-
Cost of share-based payment	-	-	92	-	-	-	-	92	-	92
Share capital issuance	*) -	3,557	-	-	-	-	-	3,557	-	3,557
Acquisition of non-controlling interest	-	-	-	-	(181)	-	-	(181)	(291)	(472)
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	(261)	(261)
As at 31 December 2020	***) -**	**86,022**	**2,368**	**-**	**(2,626)**	**-**	**(18,510)**	**67,254**	**-**	**67,254**

*) Less than $1,000.

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

Consolidated statements of cash flows

for the year ended 31 December 2021

	2021 $000	2020 $000
Operating activities		
Profit for the year	**5,641**	792
Adjustments to reconcile profit for the year to net cash flows:		
Depreciation and amortisation	**6,970**	7,720
Impairment loss	-	955
Finance (income) / expense, net	**(76)**	824
Other income	**(437)**	(1,122)
Cost of share-based payment	**520**	92
Taxes on income (benefit)	**(1,626)**	314
Exchange differences on balances of cash and cash equivalents	**246**	(297)
Working capital changes:		
(Increase) / decrease in trade receivables	**(2,672)**	1,963
Decrease / (increase) in other receivables	**647**	(340)
Increase / (decrease) in trade payables	**313**	(1,028)
Decrease in other liabilities and accounts payable	**(1,681)**	(1,204)
	7,845	8,669
Interest paid	**(76)**	(544)
Interest received	**3**	99
Income tax paid	**(572)**	(799)
Income tax received	**48**	996
Net cash flows from operating activities	**7,248**	8,421
Investing activities		
Purchase of property and equipment	**(1,118)**	(319)
Acquisition of and additions to domains, websites and other intangible assets	**(23,127)**	(12,842)
Acquisition of and additions to systems, software and licenses	**(7,718)**	(6,642)
Loan to a third party	-	(500)
Adjustments of proceeds from the sale of discontinued operation	-	(270)
Acquisition of subsidiary, net of cash acquired	**(395)**	-
Short-term and long-term deposits, net	**507**	911
Net cash flows used in investing activities	**(31,851)**	(19,662)
Financing activities		
Share capital issuance	**35,806**	-
Proceeds from exercise of share options	**11**	-
Acquisition of non-controlling interest	-	(472)
Dividend paid to non-controlling interests	-	(261)
Repayment of long and short-term liability	-	(1,500)
Payment of principal portion of lease liabilities	**(1,163)**	(1,283)
Net cash flows from/ (used in) financing activities	**34,654**	(3,516)
Net increase in cash and cash equivalents	**10,051**	(14,757)
Net foreign exchange difference	**(262)**	297
Cash and cash equivalents at 1 January	**12,648**	27,108
Cash and cash equivalents at 31 December	**22,437**	12,648
Significant non-cash transactions:		
Deferred consideration payable on acquisition of and additions to domains, websites and other intangible	**28,113**	3,557
Right-of-use asset recognised with corresponding lease liabilities	**2,460**	6,819

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

1. General

a. Corporate information

XLMedia PLC ("the Company") is a global performance publisher listed on the London Stock Exchange Alternative Investment Market (AIM) since March 2014. The Company was incorporated in Jersey and commenced its operations in 2012. The Company's registered office is in 12 Castle Street St. Helier Jersey, JE2 3RT. XLMedia PLC and its consolidated subsidiaries ("the Group") owns and operates more than 100 premium branded websites across various sectors, including Personal Finance, Sports and Casino. Headquartered in the United Kingdom, with a significant presence in the United States. The Company has a long track record of success in digital publishing and performance marketing, working with some of the world's largest advertisers. XLMedia PLC is focused on regulated, high growth markets.

b. Definitions

In these financial statements

EUR	-	Euro
GBP	-	British Pound Sterling
IFRS	-	International Financial Reporting Standards as adopted by the European Union
NIS	-	New Israeli Shekel
Related parties	-	As defined in IAS 24
Subsidiaries	-	Entities controlled (as defined in IFRS 10) by the Company and whose accounts are consolidated with those of the Company. For a list of the main subsidiaries, see Note 21
U.S.	-	United States
U.K.	-	United Kingdom
USD/$	-	U.S. dollar, all values are rounded to the nearest thousand ($000), except when otherwise indicated

c. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The acquisition of Sports Betting Dime in March 2021 (Note 7).
- The acquisition of Saturday Football Inc. (Note 7) and Blueclaw Media Ltd ("Blueclaw") in September 2021 (Note 16).
- The Company elected to change the presentation of its expenses in its consolidated statement of profit or loss from a classification based on function to classification based on the nature of expense. Group management believes that this presentation provides reliable and more relevant information because due to a change in the operating model of the Group, the new presentation provides greater clarity and insight into the major categories of expenses and the key cost drivers of the Company's business. This change has been applied retrospectively to the prior year's comparative information.

The spread of Coronavirus continues to impact the Group's operations. The Group has a well-balanced portfolio of assets. The Group is continually monitoring and responding to the outbreak's potential impact.

2. Significant accounting policies

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

2. Significant accounting policies *continued*

a. Basis of presentation of the consolidated financial statements

i. Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. And as issued by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Companies (Jersey) Law 1991.

ii. Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and certain property, plant and equipment – measured at fair value or revalued amount, and
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell.

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.

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. A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10.

c. Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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.

2. Significant accounting policies *continued*

Contingent consideration is recognised at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. 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.

d. Functional currency, presentation currency and foreign currency

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
ii. income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
iii. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net

2. Significant accounting policies *continued*

investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

e. Cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents are highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

f. Short-term and long-term deposits

Short-term bank deposits are deposits with an original maturity of more than three months from the investment date and do not meet the definition of cash equivalents. Long-term deposits are deposits with a maturity of more than twelve months from the reporting date. The deposits are presented according to their terms of deposit.

g. Revenue recognition

The Group generates revenues mainly from referred players who visit the Group's premium branded websites. The main revenue streams are: cost per acquisition ("CPA"), revenue-share fees or a combination of both, which is referred to as a hybrid.

CPA fees are fixed-rate fees owed for each player who registers and usually deposits a minimum balance on the operator's site, and they are recognised when earned upon acceptance of the referral by the operator. Revenue-share fees represent a set percentage of net revenues generated over the lifetime of the referred player. The Group has no material obligations for discounts, incentives or refunds of commissions subsequent to completion of performance obligations.

Deferred revenues are recorded when payments are received from customers in advance of the Company's rendering of services.

h. Taxes on income

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

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.

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

2. Significant accounting policies *continued*

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. Deductible 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 current tax liability, and the deferred taxes relate to the same taxpayer and the same taxation authority.

i. Leases

The Group accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition of assets and liabilities

For leases in which the Group is the lessee, the Group recognises on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Group has elected to recognise the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Group has elected to apply the practical expedient and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract. On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate. After the commencement date, the Group measures the lease liability using the effective interest rate method. The right-of-use asset is recognised in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term (see j below). The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

Variable lease payments that depend on an index

The Group uses the index rate prevailing on the commencement date to calculate the future lease payments. For leases in which the Group is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

2. Significant accounting policies *continued*

Lease extension and termination options

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Group remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognised in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognised in profit or loss.

Lease modifications

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Group remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset. If a lease modification reduces the scope of the lease, the Group recognises a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Group subsequently remeasures the carrying amount of the lease liability according to the revised lease terms at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

j. 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
Right of use leased assets and leasehold improvement (over the lease term)	10 - 15

Right of use leased assets, and leasehold improvements are depreciated on a straight-line basis over the shorter lease term (including any extension option held by the Group and intended to be exercised) and the asset's expected life. 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.

k. 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.

2. Significant accounting policies *continued*

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. 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 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 completed 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.

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.

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

l. 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 the cash-generating unit of the 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.

2. Significant accounting policies *continued*

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.

Goodwill - The Company reviews goodwill and intangible assets with indefinite useful life that are not systematically amortised (domains and websites) for impairment annually on 31 December, or more frequently if events or changes in circumstances indicate that there is a need for such review.

m. Financial instruments

i. Financial assets

Financial assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- the Company's business model for managing financial assets; and
- the contractual cash flow terms of the financial asset.

Debt instruments measured at amortised cost

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortised cost using the effective interest rate method, less any provision for impairment.

Financial assets held for trading

Financial assets held for trading (derivatives) are measured through profit or loss unless they are designated as effective hedging instruments.

ii. Impairment of financial assets

The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are measured at amortised cost. The Company has short-term trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. An impairment loss on debt instruments measured at amortised cost is recognised in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

iii. Derecognition of financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

2. Significant accounting policies *continued*

iv. Financial liabilities

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest rate method, except for:

- financial liabilities at fair value through profit or loss such as derivatives; and
- contingent consideration recognised by the buyer in a business combination within the scope of IFRS 3.

At initial recognition, the Company measures financial liabilities that are not measured at amortised cost at fair value. Transaction costs are recognised in profit or loss. After initial recognition, changes in fair value are recognised in profit or loss.

v. Derecognition of financial liabilities

A financial liability is derecognised only when it is extinguished, that is when the obligation is discharged or cancelled or expires.

n. Fair value measurement

Fair value is the price to sell an asset or pay 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. 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 that use inputs that are not based on observable market data).

o. 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, and 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.

p. Employee benefit liabilities

Short-term employee benefits include salaries, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. 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. Significant accounting policies *continued*

Post-employment benefits 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 the performance of the employee's services.

q. Share-based payment transactions

The Group's employees and officers are entitled to remuneration in the form of equity-settled share-based payment transactions. The cost of equity-settled transactions is measured at the fair value of the equity instruments granted at the grant date. The fair value is determined using an acceptable option pricing model (also see 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. 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, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

r. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted average 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.

3. Significant accounting judgements, estimates and assumptions

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.

3. Significant accounting judgements, estimates and assumptions *continued*

Impairment of domains and websites

The Group reviews 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 units to which the assets are allocated and also to choose a suitable discount rate for those cash flows (see Note 7).

Income taxes

The Group is subject to income tax in various jurisdictions, and judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises tax liabilities based on assumptions supported by, among others, transfer price studies. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors, including past experience and interpretations of tax law (see Note 15).

4. Short-term and long-term deposits as at 31 December

	2021 $000	2020 $000
Short-term deposits		
Held in USD	**500**	850
Held in NIS	**1,653**	373
Held in EUR	**5**	5
	2,158	1,228
Long-term deposits		
Held in NIS	**-**	1,478
Held in EUR	**83**	-
	83	1,478

Short-term deposits carried a weighted average interest rate of 0.01% for 2021 and 2020.

Short-term deposits have fixed liens in relation to bank guarantees for the Israel office lease and the financial derivatives (Note 11). The long-term deposits have a fixed lien in relation to a bank guarantee for the Cyprus office lease.

5. Trade and other receivables

Trade receivables as at 31 December

	2021 $000	2020 $000
Receivables from third party customers	**9,046**	6,867
Allowance for expected credit losses	**(345)**	(1,075)
	8,701	5,792

As at 31 December 2021, the Group has no material amounts that are past due and are not impaired. Changes in the allowance for expected credit losses are included in administrative expenses, decreased by $730,000 (2020: $164,000 increase). See Note 11b(ii) on the credit risk of trade receivables.

5. Trade and other receivables *continued*

Other receivables as at 31 December

	2021 **$000**	2020 $000
Government authorities	**3,024**	2,357
Prepaid expenses	**1,969**	2,721
Assets held for sale[i]	**391**	-
Loan to a third party[ii]	**234**	500
Financial derivatives (Note 11)	**84**	-
Other receivables	**417**	-
	6,119	5,578

i. Asset held for sale relates to upcoming termination of the Israel office lease.
ii. In December 2020, the Company lent $500,000 to a third party which is repayable in the next 12 months. Due to the short-term nature of the loan, the carrying amount of the loan is considered to be the same as the fair value. The loan carries an interest rate of 5%.

6. Property and equipment

	Computers, furniture, office equipment and others $000	**Leasehold improvements $000**	**Right of use leased assets – Offices (see note 10) $000**	**Total $000**
Cost				
At 1 January 2020	2,816	538	9,671	13,025
Additions	-	-	472	472
Acquisitions during the year	309	21	-	330
Adjustments for indexation	-	-	(12)	(12)
Decreases during the year:				
Termination of leases	-	-	(6,806)	(6,806)
At 31 December 2020	**3,125**	**559**	**3,325**	**7,009**
Acquisitions during the year	775	371	5,922	7,068
Adjustments for indexation	-	-	191	191
Decreases during the year:				
Termination of leases	-	-	(4,643)	(4,643)
Other disposals[i]	(3,215)	(589)	-	(3,804)
At 31 December 2021	**685**	**341**	**4,795**	**5,821**
Accumulated depreciation				
At 1 January 2020	2,008	259	1,327	3,594
Depreciation during the year	723	300	1,320	2,343
At 31 December 2020	**2,731**	**559**	**2,647**	**5,937**
Depreciation during the year	366	19	1,498	1,883
Termination of leases	-	-	(990)	(990)
Other disposals[i]	(2,847)	(563)	-	(3,410)
At 31 December 2021	**250**	**15**	**3,155**	**3,420**
Net book value				
At 31 December 2021	**435**	**326**	**1,640**	**2,401**
At 31 December 2020	**394**	**-**	**678**	**1,072**

i. In September 2021, the Company announced the migration of all audience-centric functions, except Casino to outside Israel, moving closer to target audiences. Following this announcement, all the relevant fixed assets were disposed.

7. Intangible assets and goodwill

	Goodwill $000	Domains and websites $000	Agencies Relationships $000	Systems, software and licenses $000	Total $000
Cost or valuation					
At 1 January 2020	30,052	94,366	-	33,694	158,112
Additions	-	16,681	232	1,472	18,385
Additions – internally developed	-	-	-	5,170	5,170
At 31 December 2020	**30,052**	**111,047**	**232**	**40,336**	**181,667**
Additions	-	51,240	-	3,400	54,640
Acquisition of a subsidiary (Note 16)	2,063	-	484	-	2,547
Additions – internally developed	-	-	-	4,318	4,318
At 31 December 2021	**32,115**	**162,287**	**716**	**48,054**	**243,172**
Accumulated amortisation and impairment:					
At 1 January 2020	30,052	54,151	-	27,266	111,469
Amortisation	-	-	8	5,369	5,377
Impairment loss	-	955	-	-	955
At 31 December 2020	**30,052**	**55,106**	**8**	**32,635**	**117,801**
Amortisation	-	-	193	4,894	5,087
At 31 December 2021	**30,052**	**55,106**	**201**	**37,529**	**122,888**
Net book value					
At 31 December 2021	**2,063**	**107,181**	**515**	**10,525**	**120,284**
At 31 December 2020	**-**	**55,941**	**224**	**7,701**	**63,866**

Main additions during the year

The Company acquired domains and websites, including Sports Betting Dime and Saturday Football inc. and accounted for these as an asset acquisition since substantially all of the fair value of the intangible assets acquired was in a group of similar identifiable assets. The Company recognises a liability for the intangible assets acquired for contingent consideration only when there is sufficient certainty that the liability will be settled. Total domains and websites acquired were $51,240,000 (2020: $16,681,000), including $3,000,000 related to CB Sports and Warwick Gaming contingent payment for the year ended 31 December 2021. The potential future contingent consideration, for these assets is up to an additional $8,500,000 (2020: $10,500,000) payable for the period of 2022-2024. the acquisition cost also includes deferred consideration of $25,091,000 which is payable in the period of 2022-2024.

Carrying amounts of intangible assets with an indefinite useful life

In 2021, due to changes in the Company's operational model, the Company re-evaluated its cash generating units ("CGU's") and how those should be reported. The table below summarises the carrying amounts of goodwill and domains and websites as at 31 December 2021:

	Goodwill		Domains and websites	
	2021 $000	2020 $000	**2021 $000**	2020 $000
Sports U.S.	**-**	-	**67,102**	15,862
Sports Europe	**-**	-	**12,539**	12,539
Personal finance	**-**	-	**13,835**	13,835
Casino	**-**	-	**13,705**	13,705
Performance agency	**2,063**	-	**-**	-
	2,063	-	**107,181**	55,941

7. Intangible assets and goodwill *continued*

In January 2020, 107 of the Group's sites were demoted in search results by Google, of which 23 were premium sites. The demotion of the sites had a material impact on the Group's future revenues. The Company recorded an impairment loss of $955,000, which is included in the statement of profit or loss.

The Group tests goodwill and intangible assets with indefinite useful life for impairment annually. Intangible assets are grouped into CGUs to determine their value in use and compared that to their carrying value to assess if impairment exists. The key assumptions used in calculating the value in use:

- The calculations use cash flow projections based on financial budgets approved by management covering a four-year period. Revenues and the profit rate assumptions are based on management expectations and forecasts for the coming years. These forecasts included an evaluation of those specific sites that suffered a demotion or other factors which could adversely affect revenues and profitability.
- Cash flows beyond the four-year period are extrapolated using the estimated terminal growth rate of 3%. This growth rate is based on the long-term average growth rate as customary in similar industries.
- The discount rate reflects management's assumptions regarding the Group's specific risk premium.
- The pre-tax discount rate that was applied for the cash flow projection was 15%.

The Group concluded that the recoverable amount is in excess of the asset's carrying amount. Consequently, the Group concluded that no impairment exists as of 31 December 2021. Regarding the Personal finance vertical, an increase of 1% in the pre-tax discount rate will create an impairment loss.

8. Other liabilities and accounts payable as at 31 December

	2021 **$000**	2020 $000
Employees and payroll accruals	**3,311**	4,776
Accrued expenses	**2,264**	3,108
Deferred revenues	**2,031**	185
Government authorities	**199**	435
Other liabilities	**15**	265
	7,820	8,769

9. Loans from the bank

In June 2018, a subsidiary of the Company received a loan from a bank for $6,000,000. Fixed charges have been placed on the subsidiary's share capital and goodwill and floating charges on the subsidiary's assets. The loan is repayable in 24 equal instalments and carries an interest rate of USD Libor +4.4%. The loan was repaid in full on 30 June 2020.

10. Lease liabilities as at 31 December

	2021 **$000**	2020 $000
Lease liabilities	**1,553**	690
Less – current maturities	**311**	324
	1,242	366

The Group recorded fixed liens on bank deposits in connection with these agreements (see Note 4).

10. Lease liabilities as at 31 December *continued*

In 2020, the Company decided not to exercise an option to renew a lease, which renewal period was originally included in the determination of the lease liabilities and corresponding right-of-use assets in the 2019 consolidated financial statements. Accordingly, the Company derecognised the lease liabilities by $7,695,000 and the related right-of-use and other assets by $6,573,000. The impact on the profit before taxes on income was $1,122,000 and recorded as other income.

In December 2020, the Company signed three new real estate lease agreements. The leases commencement dates were 31 December 2020, 1 January 2021 and 15 February 2021. The impact for 2020 is an increase in the Group's total assets and liabilities of $500,000.

In December 2021, the Company decided to terminate two of three signed leases from 2020. Accordingly, the Company remeasured the U.K. lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognised in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognised in profit or loss. And for the Israeli lease, the Company derecognised the remaining balances of the lease right-of-use asset and lease liability in December 2021. The impact of profit and loss is a profit of $437,000.

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 as follows as at 31 December:

	2021 **$000**	2020 $000
Financial assets		
Financial assets at fair value through profit or loss:		
Financial derivatives	**84**	-
Financial assets measured at amortised cost:		
Cash and cash equivalents	**22,437**	12,648
Short-term and long-term deposits	**2,241**	2,706
Trade receivables	**8,701**	5,792
Other receivables	**1,100**	500
Total financial assets	**34,563**	21,646
Total non-current	**83**	1,478
Total current	**34,480**	20,168
Financial liabilities		
Financial assets at fair value through profit or loss:		
Financial derivatives	**-**	304
Contingent consideration	**808**	-
Financial liabilities measured at amortised cost:		
Trade payables	**2,333**	2,000
Deferred consideration	**26,138**	-
Consideration payable on intangible assets	**3,000**	-
Other liabilities and account payables	**5,588**	7,594
Lease liabilities	**1,553**	690
Total financial liabilities	**39,420**	10,588
Total non-current	**9,787**	366
Total current	**29,633**	10,222

11. Financial instruments *continued*

b. Financial risks factors

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

i. Market risk - Foreign exchange risk

A significant portion of the Group's revenues is received in EUR. The Group also has revenues that are received in GBP. A significant portion of the Israeli subsidiaries` expenses are paid in NIS. Therefore, the Group is exposed to fluctuations in the foreign exchange rates in EUR, GBP and NIS against the USD.

Financial derivatives

The Company entered into forward or options contracts with the intention to reduce the foreign exchange risk of forecasted cash flows. These contracts are not designated as hedges for accounting purposes and are measured at fair value through profit or loss. For the year ended 31 December 2021, the Group recorded foreign exchange rate gains of $270,000 (2020: $318,000). As at 31 December 2021, the Group bought put option and sold call option for the sale of USD in exchange for NIS in nominal amount of totaling $2,700,000 (NIS 9,000,000) for the period until the end of March 2022.

ii. Credit risk

The Group usually extends 30-60 days 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, short-term and long-term investments in various financial institutions. These financial institutions are located in the EU, Israel and U.S.

iii. Liquidity risk

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

	Less than one year $000	**1 to 2 years $000**	**2 to 3 years $000**	**3 to 4 years $000**	**> 4 years $000**	**Total $000**
Trade payables	2,333	-	-	-	-	2,333
Other liabilities and account payables	5,588	-	-	-	-	5,588
Consideration payable on intangible assets	3,000	-	-	-	-	3,000
Contingent consideration	-	410	410	-	-	820
Deferred consideration	18,520	4,000	4,000	-	-	26,520
Lease liabilities	352	183	169	167	809	1,680
At 31 December 2021	**29,793**	**4,593**	**4,579**	**167**	**809**	**39,941**

	Less than one year $000	1 to 2 years $000	2 to 3 years $000	3 to 4 years $000	> 4 years $000	Total $000
Trade payables	2,000	-	-	-	-	2,000
Other liabilities and account payables	7,594	-	-	-	-	7,594
Financial derivatives	304	-	-	-	-	304
Lease liabilities	331	108	108	108	108	763
At 31 December 2020	**10,229**	**108**	**108**	**108**	**108**	**10,661**

c. Fair value

The carrying amounts of the Group's financial assets and liabilities approximate their fair value. The fair value of financial derivatives are categorised within level 2 of the fair value hierarchy. The fair value of the contingent consideration is categorised within level 3 of the fair value hierarchy.

11. Financial instruments *continued*

d. Sensitivity tests relating to changes in market factors

	2021	2020
Sensitivity test to changes in ERU to USD exchange rate:	**$000**	$000
Gain (loss) from the change:		
Increase of 10% in the exchange rate	**143**	(890)
Decrease of 10% in the exchange rate	**(143)**	890
Sensitivity test to changes in NIS to USD exchange rate:		
Gain (loss) from the change (net of the effect of derivates):		
Increase of 10% in the exchange rate	**138**	266
Decrease of 10% in the exchange rate	**48**	(266)
Sensitivity test to changes in GBP to USD exchange rate:		
Gain (loss) from the change:		
Increase of 10% in the exchange rate	**488**	(170)
Decrease of 10% in the exchange rate	**(488)**	170

The sensitivity tests reflect the effects of possible changes in exchange rates on the hedging position of the Group for the above currencies as of the end of the year. As described in b.i. 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.

Sensitivity tests and principal 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 the financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

The Group does not have significant exposure to interest rate risk.

11. Financial instruments *continued*

e. Changes in liabilities arising from financial activities

	Long term loans $000	Consideration payable on intangible assets $000	Contingent consideration $000	Deferred consideration $000	Lease Liabilities $000	Total $000
At 1 January 2020	1,465	-	-	-	9,228	10,693
Finance lease obligation	-	-	-	-	472	472
Cash flows	(1,500)	-	-	-	(1,635)	(3,135)
Changes in exchange rates	-	-	-	-	(12)	(12)
Termination of leases	-	-	-	-	(7,960)	(7,960)
Other changes	35	-	-	-	597	632
At 31 December 2020	-	-	-	-	**690**	**690**
Business combination	-	-	806	-	-	806
Website acquisition	-	3,000	-	26,138	-	29,138
Finance lease obligation	-	-	-	-	5,844	5,844
Cash flows	-	-	-	-	(1,163)	(1,163)
Changes in interest expense	-	-	2	-	75	77
Termination of leases	-	-	-	-	(3,783)	(3,783)
Other changes	-	-	-	-	(110)	(110)
At 31 December2021	**-**	**3,000**	**808**	**26,138**	**1,553**	**31,499**

12. Equity

Composition of share capital

	2021 Thousands	2020 Thousands
Authorised shares		
Ordinary Shares with a nominal value of $0.000001 each	**100,000,000**	100,000,000

	Thousands	$000
Ordinary shares issued and outstanding including share premium *)		
At 1 January 2020	216,862	112,624
Cancelled in April 2020, shares held in treasury	(33,223)	(30,159)
Issued in December for the consideration of the acquisition of a website	7,955	3,557
At 31 December 2020	**191,594**	**86,022**
Issued in March and April 2021 for the consideration of the acquisition of a website. The transaction costs were $1,600,000	67,500	35,806
Exercise of option and vesting of RSUs	804	243
At 31 December 2021	**259,898**	**122,071**

*) Net of treasury shares

As at 31 December 2021, IBI held 2,688,684 (2020: 3,315,521) ordinary shares in trust for the Company's share-based payment plan.

12. Equity continued

Earnings per share (EPS)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2021	2020
	$000	$000
Profit attributable to ordinary equity holders of the Company	**5,641**	792
	Thousands	Thousands
The weighted average number of ordinary shares for basic EPS	**245,710**	184,271
Effects of dilution from potential dilutive ordinary shares *)	**659**	98
	246,369	184,369

*) Options, RSUs and PSUs see Note 13.

13. Share-based payments

The expense recognised in the financial statements for services received is shown in the following table as at 31 December:

	2021	2020
	$000	$000
Total expense arising from share-based payment transactions	**520**	92

In August 2013, the Company adopted a Share Option Plan. In December 2017 and 2020, the Company adopted additional plans. According to the plans, the Company's Board of Directors are 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 plans, 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 were made in accordance with Section 102 of the Income Tax Ordinance, capital-gains track (with a trustee).

Grants

In March 2021, the Company granted, to one key manager, 470,977 Restricted Stock Units ("March PSU"). The March RSU Award is subject to a three-year performance period, with vesting subject to the achievement of performance measured by reference to total shareholder return over the performance period compared to the FTSE AIM 100, followed by a two-year holding period. The total fair value was calculated at $289,000 at the grant date (an average of $0.61 per restricted share equal to the share price at the grant date).

The performance conditions to be achieved such that RSUs are capable of vesting are as follows:

Company's ranking relatively to the comparator group	**% of PSUs capable of vesting**
Upper quartile or better	100%
Between upper quartile and median	The straight-line basis between 100% and 25% based on the Company's rank
Median	25%
Lower than median	-

13. Share-based payment *continued*

In April 2021, the Company granted 1,190,476 and 769,231 Performance Stock Units ("April PSU") to the CEO and CFO, respectively. The Company announced that the CFO had left the Company on 22 July 2021 and accordingly his PSUs were forfeited. The remaining award will vest on the fourth anniversary of the grant date if and to the extent that the performance target will be satisfied. The total fair value was calculated at $408,000 and $264,000 at the grant date for the CEO and the CFO, respectively (an average of $0.34 per restricted share equal to the share price at the grant date).

The performance target relating to the performance of the Company's share price is as follows:

Average share price	% of PSUs capable of vesting
GBP 1.5 or higher	100%
Between GBP 1.35 and GBP 1.50	On a straight-line basis, between 50% and 100%
Between GBP 1.20 and GBP 1.35	On a straight-line basis, between 25% and 50%
Less than GBP 1.20	0%

The April PSU award is a contingent right to acquire shares for no consideration. It is subject to a four-year vesting period followed by a one-year holding period and the achievement of performance targets measured by the increase in the Company's share price between 1 January 2021 and 31 December 2024.

In May 2021, the Company granted 910,000 Restricted Stock Units to key management personnel subject to three years vesting period. The total fair value was calculated at $626,000 at the grant date (an average of $0.69 per restricted share equal to the share price at the grant date).

In July 2020, the Company granted 3,982,848 Restricted Stock Units to the Company's CFO ("CFO's RSUs") and other key management personnel. The CFO's RSUs are subject to a three-year performance period with vesting subject to a performance target comparing the average net return achieved by the Company relative to the net return achieved by the constituents of the FTSE AIM 100 during the three-year period ending in July 2023, followed by a two-year holding period. The other key management personnel's restricted shares are subject to three years vesting period. The total fair value of the other key management personnel's restricted shares was calculated at $821,000 at the grant date (an average of $0.29 per restricted share equal to the share price at the grant date).

The following tables list the inputs to the models used for the plans for the years ended 31 December 2021 and 2020, respectively:

	2021 March PSU	2021 April PSU	2020 CFO's RSUs
Weighted average fair values at the measurement date ($)	0.61	0.32	0.22
Dividend yield (%)	-	-	-
Expected volatility (%)	73.94	68.6	67.49
Risk-free interest rate (GBP curve)	0.29	0.5	0.21
Expected life of share options (years)	3	4	3
Weighted average share price (GBP)	0.54	0.52	0.23
Model used	Monte Carlo	Monte Carlo	Monte Carlo

13. Share-based payment *continued*

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding RSUs and PSUs):

	2021	**2021**	2020	2020
	Number in thousands	**WAEP**	Number in thousands	WAEP
Outstanding at 1 January	**3,334**	**$0.37**	5,526	$0.99
Forfeited during the year	**(957)**	**$1.11**	(2,192)	$1.48
Exercised during the year	**(18)**	**$0.66**	-	-
Outstanding at 31 December	**2,359**	**$0.90**	3,334	$0.37
Exercisable at 31 December	**1,383**	**$0.93**	2,196	$0.97

Movement during the year of RSUs and PSUs:

	2021	2020
	Number in thousands	Number in thousands
Outstanding at 1 January	**3,066**	-
Granted during the year	**3,341**	3,983
Forfeited during the year	**(2,286)**	(917)
Vested during the year	**(786)**	-
Outstanding at 31 December	**3,335**	3,066

These restricted shares unit does not have an exercise price.

The weighted average remaining contractual life for the options outstanding as at 31 December 2021 was 5.9 years (2020: 6.7 years).

The range of exercise prices for options outstanding (not including the RSUs and PSUs) as at 31 December 2021 was $0.66-1.81 (2020: $0.67-1.83).

14. Operating expenses for the years ended 31 December

	2021	2020
	$000	$000
Staff costs	**26,171**	25,066
Technology expenses	**3,943**	2,547
Professional services	**2,153**	3,487
Administrative expenses	**1,969**	1,851
Transformation costs		
Consulting services	**3,124**	1,088
Hiring and settlements	**2,342**	1,393
Acquisition costs	**1,557**	790
Lease termination	**(437)**	-
Sale of property	**(82)**	-
	40,740	36,222

15. Taxes on income

Starting 2018, the Company was subject to Cyprus tax at the standard corporate income tax rate of 12.5%. In July 2020, the Company changed its tax residency to the U.K. and since then is subject to U.K. tax at the standard corporate income tax rate of 19%.

15. Taxes on income continued

Tax law applicable to the Company's Israeli subsidiaries is the Israeli tax law - Income Tax Ordinance (New Version) 1961. The Israeli corporate income tax rate was 23% in 2021 and 2020. Amendment 73 to the law for the Encouragement of Capital Investments, 1959 also prescribes special tax tracks for technological enterprises, which became effective in 2017, as follows:

- Technological preferred enterprise – an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A preferred technological enterprise, as defined in the law, which is located in the center of Israel, will be subject to tax at a rate of 12% on profits deriving from intellectual property.
- Any dividends distributed to "foreign companies", as defined in the law, deriving from income from the technological enterprises will be subject to a withholding tax at a rate of 4%.

The above amendments apply to one of the Group's Israeli subsidiaries.

The applicable U.S. federal statutory income tax rate for the Company's subsidiary for 2021 is 21% (2020: same). In addition, state and city taxes are applicable in certain states and cities.

Losses carried forward for tax purposes

As at 31 December 2021, carry-forward tax losses of the Group are $6,100,000. The tax benefit in respect of losses (excluding $416,000) has not been recorded in the financial statements due to the uncertainty of their utilisation.

Taxes on income included in profit or loss for the years ended 31 December:

	2021	2020
	$000	$000
Current taxes	**563**	225
Deferred taxes	**32**	727
Taxes benefit in respect of previous years	**(2,221)**	(638)
	(1,626)	314

Theoretical tax

The reconciliation between the tax expense, assuming that all the income and expenses were taxed at the statutory tax rate for the U.K., and the taxes on income recorded in profit or loss for the years ended 31 December are as follows:

	2021	2020
	$000	$000
Profit before taxes on income	**4,015**	1,106
Statutory tax rate	**19%**	19%
Tax computed at the statutory tax rate	**763**	210
Adjustment due to the difference between the Company's statutory tax rate and tax rates applicable to the subsidiaries	**(126)**	(262)
Non-deductible expenses for tax purposes	**86**	279
Tax benefit of net additional deduction	**(846)**	(408)
Taxes in respect of previous years	**(2,221)**	(638)
Increase in unrecognised tax losses in the year	**1,258**	845
Unrecognised temporary differences and others	**(540)**	288
	(1,626)	314

15. Taxes on income continued

Deferred taxes

	Consolidated statements of financial position		Consolidated statements of profit or loss and other comprehensive income	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Deferred tax liabilities				
Domains and websites	**2,072**	772	**1,300**	164
Other intangible assets	**-**	639	**(639)**	466
	2,072	1,411		
Deferred tax assets				
Property and equipment	**3**	12	**9**	(4)
Lease liability	**-**	7	**7**	115
Carry-forward tax losses	**416**	-	**(416)**	-
Other intangible assets	**270**	-	**(367)**	
Allowance for doubtful account	**-**	-	**-**	7
Employee benefits	**11**	149	**138**	(21)
	700	168		
Deferred tax expenses			**32**	727
Deferred tax liabilities, net	**1,372**	1,243		

The deferred taxes are computed at the tax rates of 19%-23% based on the tax rates that are expected to apply upon realisation (2020: 12%).

16. Business combination

In September 2021, the Company acquired 100% of the ordinary share capital of Blueclaw for the total consideration of $3,872,000. Blueclaw is a multi-award-winning agency based in Leeds, providing services ranging from search engine optimisation and pay per click management to digital Public Relationship and content marketing with significant experience in the market verticals in which the Company operates. The amount of profit recorded in the acquired company's books as of September 2021, the date of acquisition, is not material and the effect of wether the acquisition was at the beginning of the year is not material to the financial statements.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Blueclaw as at the date of acquisition were:

	2021
	$000
Assets	
Cash and cash equivalents	**1,856**
Agencies Relationships (useful life: 2 years)	**484**
Trade and other receivables	**275**
Property and equipment	**25**
Liabilities	
Trade payables and other payables	**(734)**
Deferred tax liability	**(97)**
Total identifiable net assets at fair value	**1,809**
Goodwill arising on the acquisition	**2,063**
	3,872

16. Business combination *continued*

The purchase consideration includes cash consideration paid on completion, deferred consideration payable in September 2022 and further contingent consideration payable.

Purchase consideration

	2021 $000
Cash consideration	**2,251**
Deferred consideration	**813**
Contingent consideration	**808**
	3,872

17. Revenue and operating segments

An operating segment is a part of the Group that conducts business activities from which it can generate revenue and incur costs, and for which discrete financial information is available. Identification of segments is based on internal reporting to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). The Group does not divide its operations into different segments, and the CODM operates and manages the Group's entire operations as one segment, which is consistent with the Group's internal organisation and reporting system.

Geographic information for the years ended 31 December

	2021 $000	2020 $000
North America	**32,489**	11,514
Scandinavia	**17,634**	21,387
Other European countries	**12,621**	15,473
Oceania	**834**	941
Other countries	**80**	96
Total revenues from identified locations	**63,658**	49,411
Revenues from unidentified locations	**2,829**	5,428
	66,487	54,839

Revenues by vertical

	2021 $000	2020 $000
Casino	**23,216**	31,684
Sports U.S.	**15,202**	1,992
Sports Europe	**9,982**	9,321
Third Party Network Activity	**9,367**	3,471
Personal Finance	**8,720**	8,371
	66,487	54,839

18. Balances and transactions with related parties including directors

	2021 $000	2020 $000
Balances		
Current liabilities - management fees and other short-term payables	**11**	499
Compensation of key management personnel of the Group		
Short-term employee benefits	**2,044**	1,808
Share-based payments transactions	**68**	41
	2,112	1,849

19. Post-employment benefits

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

	2021 $000	2020 $000
Expenses in respect of defined contribution plans	**1,966**	1,867

20. Subsequent events

a. In February 2022, the Company announced that Christopher Bell, Non-Executive Chair, has step down from the board of directors of the Company. Julie Markey, a non-executive Director of the Company and Chair of the remuneration committee, has been appointed Interim Chair whilst the process of appointing a replacement is undertaken.
b. In March 2022, the Company announced that Caroline Ackroyd has now joined the Company as Chief Financial Officer and as a member of the Board of Directors with immediate effect.

21. List of main subsidiaries

	2021		2020	
	Shares conferring voting rights %	**Shares conferring rights to profits**	Shares conferring voting rights %	Shares conferring rights to profits
XLMedia Finance Ltd	**100**	**100**	100	100
XLMedia Publishing Ltd	**100**	**100**	100	100
Webpals Holdings Ltd	**100**	**100**	100	100
Webpals Systems S.C Ltd	**100**	**100**	100	100
Marmar Media Ltd	**100**	**100**	100	100
Webpals, Inc.	**100**	**100**	100	100
XLMedia US	**100**	**100**	100	100
XLMedia Canada Marketing Ltd	**100**	**100**	-	-
Blueclaw Media Ltd	**100**	**100**	-	-