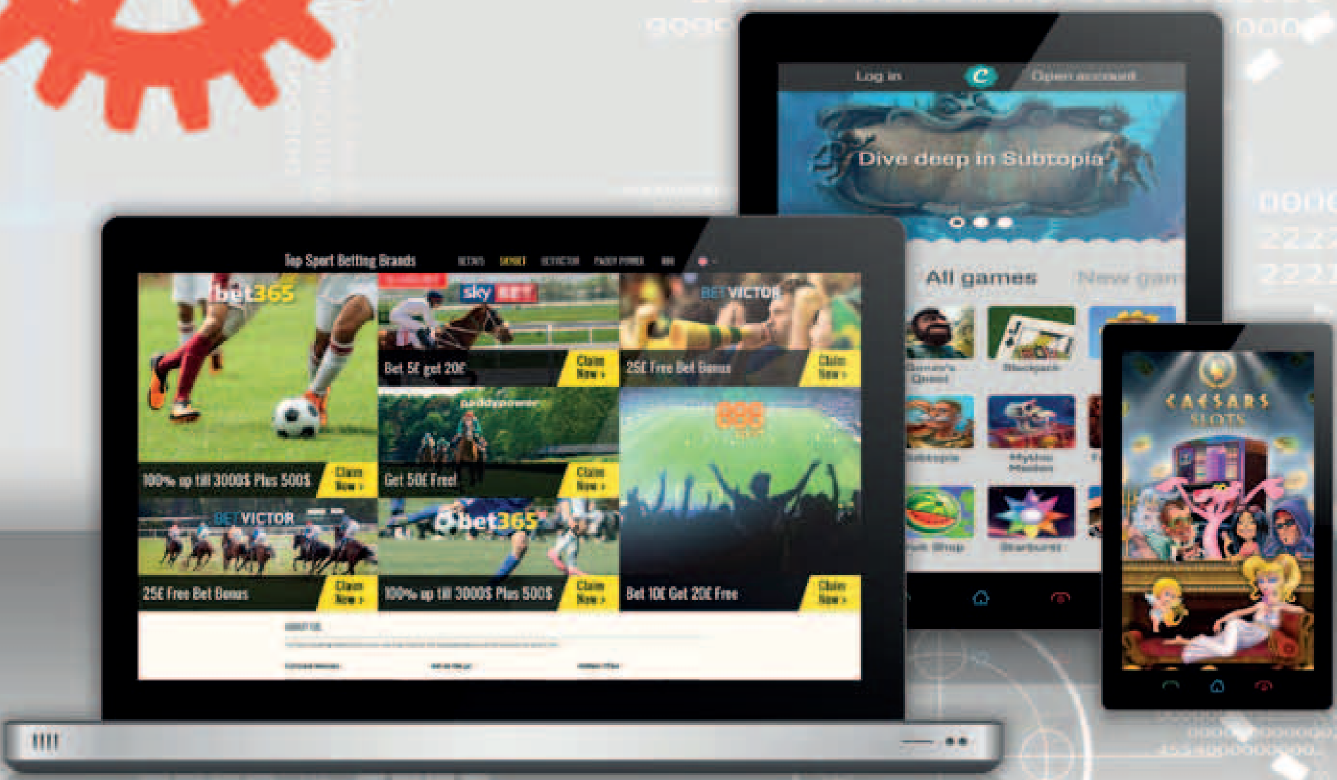
XLMEDIA

Monetising Online and Mobile Traffic

2014 ANNUAL REPORT AND FINANCIAL STATEMENTS



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Highlights

XLMedia and its subsidiaries (the "Group") are an online performance marketing Group. The Group attracts paying users from multiple online and mobile channels and directs them to online businesses.

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.

Financial highlights

- Revenues increased 47% to $50.7 million (2013: $34.5 million)
- Revenues include 30% organic growth as well as additional $6 million from EDM
- Gross profit increased 35% to $27.6 million (2013: $20.5 million)
- Adjusted EBITDA[1] increased 28% to $17.0 million (2013: $13.3 million)
- Profit before tax increased 14% to $13.2 million (2013: $11.7 million)
- Net cash from operating activities increased 42% to $16.9 million (2013: $11.9 million)
- Cash and short term investments of $44.1 million (2013: $15.9 million)

Maintained progressive dividend policy with payment of 1.576 cent per share and total 2014 dividend payment of 3.156 cent per share

Business highlights

- A year of significant strategic progress for the Group
  - Successful IPO on AIM in March 2014
  - Key strategic targets of organic and acquisitive growth achieved
- Acquisitive progress during 2014
  - Publishing – acquired a UK sports betting information website, a Danish focused network of information website and bolt on acquisitions of websites and domains targeted at the North American markets
  - Media – acquired EDM, a leading social and mobile gaming marketing company
  - By 31 December 2014 XLMedia had completed the planned integration of acquired businesses into our operations, and the acquisitions are performing as expected or above expectations
- Increase of presence in regulated markets including the U.S and the U.K through a combination of acquisitions and organic growth
- Expansion into new product verticals with the addition of social gaming which has extended the Groups' customer base and further diversified our marketing channels
- Invested in talent, management systems and infrastructure to create a platform capable of supporting the next phase of growth

1 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

Introduction

2014 has been a truly transformational year for the Group in which we've expanded our operational footprint and delivered growth with revenue up 47% and Gross Profit up 35% compared with FY 2013, underpinned by a combination of the positive impact from acquisitions and strong levels of organic growth across segments.

As a result of our strategic progress, we have significantly increased our presence in regulated markets including the UK and the US whilst expanding into the high growth social gaming market which is already yielding positive results for the Group.

The demand for performance based marketing services remains strong and we feel confident in our ability to execute our growth plans. Following our strong 2014 performance we announced a further interim dividend of 1.576 cent per share. This totals full year 2014 dividends of 3.156 cent per share, an increase of 14% (2013: 2.768).

Business Summary

During 2014 we delivered strong growth, enjoying the substantial market opportunities that exist for performance based marketing services. We continued to diversify our revenue base as we expanded both the Group's operational footprint and successfully targeted new market verticals. The Group is pleased to report the following progress:

- ***Regions*** [2]
  We currently generate approximately 21% of our revenues from the U.S, mainly through EDM customers (FY 2014: 11% and FY 2013: 1%). Additionally, we strengthened our position in the UK market with a UK sports betting informational website acquisition, and made bolt on acquisitions and increased our marketing efforts in other regions. We grew revenues in our core Scandinavian markets by 30%, to $28.2 million (2013: $21.7 million). We have also further diversified the regional revenues and current revenue run rate for the Scandinavian market has reduced to approximately 51% of our revenues (FY 2014: 63% and FY 2013: 79%).

- ***Verticals and customers*** [3]
  We entered new verticals such as social gaming and financial services, which has enabled us to diversify our revenues and extend our customer base. Currently our largest customer represents just 11% of the Group's revenues (FY 2014: 15%, 2013: 25%), with the majority of our customers at 5% or below. The acquisition of EDM added a strong US customer base, mainly social gaming developers and studios.

- ***Marketing channels***
  As an online performance marketing company we have expanded our marketing methods to reach more online and mobile traffic to drive our growth. The acquisition of EDM boosted our social and mobile activity, and we expect these channels to become more and more significant going forward.

- ***Building our infrastructure***
  We have built an infrastructure that will support our rapid growth. In 2014 we invested $1.65 million (2013: $0.6million) in our in-house developed technologies, in addition to our ongoing R&D expenses of $1.0 million (2013: $0.9 million). We have also doubled the size of our R&D team. We plan to continue this trend and increase our efforts further in 2015 focusing investment on our Business Intelligence ('BI') systems, tracking, mobile enhancements, content management tools and other enhancements to further drive efficiency and analysis to support strong operating margins. We also increased headcount across all other departments in 2014, bringing total Group employees to 200 at 31 December 2014.

- ***Acquisitions***
  The online marketing industry is a fragmented market and we believe there are opportunities to acquire more businesses that will complement our core capabilities. We continue to consider and engage with prospective targets which we evaluate based on carefully selected criteria. Acquisitions remain a core part of our growth strategy, having delivered considerable value from the ones completed in 2014.

Our markets

We see strong growth in our core markets and expect these trends to continue in the short and medium term. This growth is underpinned by the following dynamics:

2 Revenues per region refer to identified revenues, see also note 16 (d) to our consolidated financial statements.

3 See also note 16 (c) to the consolidated financial statements.

Chief Executive Officer's Review

- Mobile and tablet growth – Mobile advertising is expected to grow by an average of 38% from 2014 to 2017; Mobile is the main driver of global adspend and is expected to account for 51% of all new advertising during 2014 to 2017, growing by $42 billion[4].
- Social games are also expected to benefit from the strong growth of mobile devices use, with expected CAGR in the US of 24%[5] between 2012 and 2016. This strong growth is driven by the tremendous demand in the mobile and smartphone markets and the free availability of many of these games.
- Mobile users have also become a significant part of the online gambling industry, with an anticipated 44% share of the global interactive gambling market by 2018[6].
- Internet advertising consistently grows, with CAGR for US market of 18% over the past 10 years to a total of $45.8 billion[7] in 2014. The growth comprises 12% CAGR for non-mobile revenues and 123% CAGR for mobile advertising during 2010 to 2013.

We see strong demand for marketing services in our markets, and believe the above mentioned trends will continue to drive these markets to further growth.

Outlook
We continue to develop our business to further capitalise on the substantial market opportunities that exist for performance based marketing services. Our growth strategy includes expansion into new markets, adding more channels and verticals. We continue to invest in technology, offering a 'best of breed' service to our clients. While we maintain our strong organic growth we continue to evaluate acquisition opportunities.

The Board remains confident that through a combination of XLMedia's market leading position in performance based marketing, our proprietary technology platforms and broad customer base, we will continue to generate further value for our shareholders.

Ory Weihs

Chief Executive Officer

4 ZenithOptimedia.

5 Technavio.

6 H2GC.

7 IAB.

Financial Review

Business Segments

	Publishing	Media	Partner Network	Total
		USD in thousands		
2014				
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	77%	41%	11%	54%
2013				
Revenues	18,840	10,071	5,592	34,503
% of revenues	55%	29%	16%	100%
Direct profit	14,234	5,583	632	20,449
Profit margin	76%	55%	11%	59%
Revenue growth	27%	105%	9%	47%

- ***Publishing***

  Publishing revenues grew 27% to $24.0 million (2013: $18.8). The growth was mainly organic, with some additions from new assets acquired during the second half of 2014.

  We see strong demand in our core Scandinavian markets, as well as in newer markets such as the UK and other European countries.

  In November 2014 we launched "Palcon", our proprietary content management system, which enables improved day to day operation of our network of over 2,000 specialist content websites, as well as enhanced mobile and social features in our websites. We believe our well established operation allows us to scale our business and we continue to develop our in-house systems.

  During 2014 we invested $11.5 million in new websites and domains and we plan to continue buying and developing more assets to further drive our growth.

- ***Media***

  Media revenues grew 105% to $20.6 million (2013: $10.1 million). The growth included the acquisition of EDM which contributed $6.0 million to 2014 revenues. Excluding EDM, Media revenues grew 45% compared to 2013, enjoying the strong demand for digital advertising and growth of these services as mentioned above.

  Our revenue model is performance based – either through revenue share, cost per acquisition, cost per installation or other models. Customers pay for performance only, avoiding the risk of applying funds to media campaigns that don't deliver a return on investment ("ROI"). We use our expertise, in-house proprietary systems, trained staff and own funds to run thousands of simultaneous campaigns which yield positive ROI for us and for our customers.

  EDM specialises in social and mobile advertising specifically targeted at 'user acquisition' for social gaming applications. EDM's principal geographical market is the US, in addition to other English and German speaking markets. EDM provides marketing services primarily to game developers in social and mobile platforms, primarily for a performance based fee. The acquisition of EDM enhanced the Group's presence in the US, adding new customers and complementary social and mobile capabilities. With the strong demand in these markets, and the performance of EDM since acquisition, the Board believes social gaming will be a strong driver of the Group's growth in the coming years.

  New media activities are more mass media oriented and are intended to reach a large audience by mass communication. Such activities have usually lower margins but can reach high volumes rapidly. As already outlined in 2014, we expect a further decrease in the media margins, in line with industry trends, but expect this trend to be compensated through higher volumes generated from these activities.

Financial Review

- ***Partner Network***
  Partner network revenues grew 9% to $6.1 million (2013: $5.6 million). Our partner network remains an important part of our business, allowing us flexibility to provide marketing services in new markets we do not operate in through publishing and media.

Financial review

	2014	2013	Change
	USD in thousands		
Revenues	50,720	34,503	47%
Gross Profit	27,578	20,449	35%
Operating expenses	12,979	8,447	54%
Operating income	14,599	12,002	22%
Adjusted EBITDA	16,982	13,275	28%

We had a record year in 2014, with strong growth in both revenues and adjusted EBITDA. Revenues grew 47% to $50.7 million (2013: $34.5 million), and adjusted EBITDA grew 28% to $17.0 million (2013: $13.3 million). We saw strong growth in both key business segments, publishing and media, as shown in our financial statements:

Gross profit increased to $27.6 million or 54% gross margin (2013: $20.5 million, 59% gross margin). Gross margin has decreased due to the change in revenue mix, as expected. The increase in gross profit was a result of revenue growth.

We have seen a change in our mix of revenues over the period, which is even more pronounced since the acquisition of EDM. In 2014, publishing revenues contributed 47% of the Group's revenues compared to 55% in 2013, while media revenues in 2014 were 41% in 2014 compared to 29% in 2013.

Current revenue run rate includes 48% of media revenues and 40% of publishing revenues. As this trend in revenue mix continues, and as we continue to grow our media business, the Group's profit margins will reflect this shift and will decrease in percentage but overall profit will grow.

Operating expenses grew 54% to $13.0 million (2013: $8.5 million) reflecting our investment in infrastructure, as well as becoming a public company in March 2014, which added additional general and administration costs to our cost base.

Adjusted EBITDA grew 28% to $17.0 million (2013: $13.3 million) as a result of revenue growth.

Finance expenses for 2014 were $1.0 million (2013: $0.5 million), offset by $0.2 million of finance income (2013: $0.1 million). Finance expenses include mainly exchange rates differences. The group's functional currency is the US Dollar. The Group is exposed to changes in the Euro and New Israeli Shekel against the US Dollar.

Cash flow from operating activities grew 42% to $16.9 million (2013: $11.9 million), reflecting the cash generative nature of our business. During 2014 we concluded our IPO raising $48.9 million (net of issue costs). We used some of these proceeds for the EDM acquisition ($10.0 million) and for website acquisitions ($11.5 million). As of 31 December 2014 we had cash, cash equivalents and short term investments of $44.1 million.

With our cash balance and strong balance sheet of 76% equity to total assets ratio, the Board remains comfortable with the Group's growth plans and believes the Group is well positioned to execute its plans.

During 2014 we paid dividends of $8.2 million in line with our dividend policy of distributing at least 50% of net profit. The Board declared a further interim dividend of 1.576 cent per share, payable on 8 May 2015 to shareholders on the register at 10 April 2015. The ex-dividend date is 9 April 2015.

Board of Directors

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.

Between listing on AIM, on 21st March 2014 and 31st December 2014, the Board met 7 times.

From April 2012 to March 2014 the Board of XLMedia (prior to November 2013 known as Webpals Marketing Systems Ltd.) consisted of:

- Ory Weihs Executive Director
- Alan Joseph Non-Executive Director
- Dejan Nikolic Non-Executive Director

In March 2014 in preparation for the IPO and the change to a Public Limited Company Alan Joseph and Dejan Nikolic resigned from their positions as non-Executive Directors and the current Directors were appointed.

Since the IPO in March 2014, the Board of the Company comprises one executive Director and four non-executive Directors.

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 Ladbrokes 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.

Alicia Rotbard – Independent Non-Executive Director
Ms. Rotbard is an experienced entrepreneur, founding and managing technology companies. Ms. Rotbard serves on a number of boards including; POINTER, a fleet management company traded on NASDAQ; AIG-Israel, an insurance company fully owned by AIG USA; KAMADA and RED-HILL-BIO, two pharmaceutical companies traded on NASDAQ; Ms. Rotbard served as the deputy General Manager of the Tel Aviv Stock Exchange from 1980 – 1985 and founded and managed DOORS Information Systems, a communications company offering data services to international banks, between 1990-2002.

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 10.11 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.

Directors' Report

The Directors present their report and Group financial statements for the year ended 31 December 2014.

Results and review of the business
The Directors' Report should be read in conjunction with the full 2014 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 to 2014 The Directors approved a total dividend of $6,000,000 representing 3.156p net per Ordinary Share (1.576p with 10 April 2015 as record date and 1.58p with 26 September 2014 as record date).

Directors
The Directors who served since IPO and their interests in the Ordinary Share capital of the Company were:

	Number of Ordinary Shares	
	2014	2013
Chris Bell	357,000	–
Richard Rosenberg	51,000	–
Ory Weihs*	8,447,339	9,968,681

On 31 December 2014 the company had 189,643,652 shares issued (2013: 120,160,000 shares issued).

* Mr. Weihs has an indirect economic interest in (but no control of the voting rights attaching to) Ordinary Shares held by Webpals Enterprises Limited. Mr. Weihs has 9.9% interest in 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 13 of the financial statements. Pursuant to the Company's Article of Association the director are authorised to allot up to an aggregate number of 63,187,881 shares, being 33% of the issued share capital of the Company immediately following Admission. Also, the board was authorised by the shareholders to allot and issue, wholly for cash, with disapplication of pre-emption right up to 18,956,364 shares representing 10% of the issued share capital of the Company immediately following Admission. 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 2014 the following interests of shareholders in excess of 3%, have been notified to the Company.

	Number of shares held	Shares as % of issued share capital
Webpals Enterprises Limited Partnership	85,040,327	44.84
Israeli VC Partners LP	19,166,487	10.11
River and Mercantile Asset Management LLP	11,311,689	5.96
Investec Limited	11,090,000	5.85
Slater Investments Ltd	10,208,000	5.38
Inflection Point Investments, LLP	6,120,000	3.23
BlackRock Investment Management (UK) Ltd	6,044,616	3.19
Hargreave Hale Ltd	5,957,500	3.14

Directors' Report

Corporate Governance
There are no specific corporate governance guidelines which apply generally to companies incorporated in Jersey. However, 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 of Chris Bell, Richard Rosenberg and Alicia Rotbard who chairs the committee. 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, 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
Chris Bell	270,000	57.75p	07/12/2022
Richard Rosenberg	180,000	57.75p	07/12/2022
Alicia Rotbard	180,000	57.75p	07/12/2022

For further information, see note 21 (a) to the consolidated financial statements.

Mr. Weihs' interests in share options as follows:

	Option granted	Exercise price	Expiry date
Ory Weihs	1,540,000	15.4c	25/2/2022
Ory Weihs	1,000,000	49p	29/3/2022

For further information, see note 14 (b) to the consolidated financial statements

Directors' Report

Directors' remuneration

The Directors' remuneration for the year ended 31 December 2014 is set out in the table below.

	Management fees	Bonus	Cost of share based payments	Total 2014
	USD in thousands			
Chris Bell*	91	**95	–	186
Richard Rosenberg*	51	**15	–	66
Alicia Rotbard*	53	–	–	53
Yaron Eitan*	27	–	–	27
Ory Weihs	229	***200	621	1,050

* Appointed on 11th March 2014.

** IPO success bonus.

*** 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 Alicia Rotbard 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 audit from BDO who conducted a risk survey upon which the audit committee approved a 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 12 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

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 (IFRSs) 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 IFRSs, 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 IFRSs, 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 staff 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 21 May 2015.

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

Auditor
A resolution to reappoint Kost Forer Gabbay & Kasierer, A Member of Ernst & Young Global, 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.

By Order of the Board

Yehuda Dahan
Company Secretary

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Independent Auditors Report

EY
Building a better working world

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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 2014 and 2013, 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 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 2014 and 2013, and its financial performance and cash flows for 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

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

29 March 2015
Tel-Aviv, Israel

Consolidated Statements of Financial Position

	Note	As of 31 December 2014	2013
		USD in thousands	
Assets			
Current assets:			
Cash and cash equivalents		**27,351**	15,455
Short-term investments	6	**16,714**	428
Trade receivables	7 (a)	**11,548**	4,498
Other receivables	7 (b)	**1,895**	2,121
Financial derivatives	12 (b)	**264**	–
		57,772	22,502
Non-current assets:			
Long-term investments	6(b)	**333**	340
Other receivables	7(b)(1)	**456**	552
Property and equipment	8	**864**	738
Goodwill	9	**19,586**	2,416
Domains and websites	9	**16,728**	5,495
Other intangible assets	9	**4,014**	1,358
		41,981	10,899
		99,753	33,401

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

Consolidated Statements of Financial Position

		As of 31 December	
		2014	2013
	Note	USD in thousands	
Liabilities and equity			
Current liabilities:			
Trade payables	10	**9,073**	1,536
Contingent consideration payable	5(a)(i),(d)	**3,396**	2,867
Other liabilities and accounts payable	11	**7,764**	2,251
		20,233	6,654
Non–current liabilities:			
Contingent consideration payable	5(d)	**3,233**	–
Deferred taxes	15	**332**	–
Other liabilities		**42**	227
		3,607	227
Equity attributable to equity holders of the Company:	13		
Share capital		*	*
Share premium		**62,271**	14,311
Capital reserve from share–based transactions		**1,784**	479
Capital reserve from transaction with non–controlling interests		**(506)**	106
Retained earnings		**12,072**	10,494
		75,621	25,390
Non–controlling interests		**292**	1,130
Total equity		**75,913**	26,520
		99,753	33,401

* Lower than USD 1 thousand.

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

29 March 2015			
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	
		2014	**2013**
	Note	**USD in thousands (except per share data)**	
Revenues	16	**50,720**	34,503
Cost of revenues	20(a)	**23,142**	14,054
Gross profit		**27,578**	20,449
Research and development expenses	20(c)	**1,008**	907
Selling and marketing expenses	20(c)	**2,239**	1,785
General and administrative expenses	20(b)	**9,732**	5,755
		12,979	8,447
Operating income before expenses in connection with IPO		**14,599**	12,002
Expenses in connection with IPO		**361**	–
Operating income after expenses in connection with IPO		**14,238**	12,002
Finance expenses	12(b)(1)	**(1,001)**	(496)
Finance income		**231**	123
Income before other income (expenses)		**13,468**	11,629
Other income (expenses), net		**(229)**	32
Profit before taxes on income		**13,239**	11,661
Taxes on income	15	**1,329**	552
Net income and other comprehensive income		**11,910**	11,109
Attributable to:			
Equity holders of the Company		**9,821**	8,838
Non–controlling interests		**2,089**	2,271
		11,910	11,109
Net earnings per share attributable to equity holders of the Company:	13(d)		
Basic net earnings per share (in USD)		**0.06**	0.09
Diluted net earnings per share (in USD)		**0.05**	0.09

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 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(b))	–	–	–	(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**
Balance as of 1 January 2013	–	–	–	106	6,856	6,962	1,110	8,072
Net income and other comprehensive income	–	–	–	–	8,838	8,838	2,271	11,109
Issue of share capital (net of issue costs of USD 689 thousand)	*	14,311	–	–	–	14,311	–	14,311
Cost of share-based payment	–	–	479	–	–	479	–	479
Increase of non-controlling interests	–	–	–	–	–	–	10	10
Sale to non-controlling interests	–	–	–	–	–	–	31	31
Dividend to equity holders of the Company	–	–	–	–	(1,800)	(1,800)	–	(1,800)
Dividend to equity holders of the Company as a result of the acquisition of Subsidiary – Note 5(c)	–	–	–	–	(3,400)	(3,400)	–	(3,400)
Dividend to non-controlling interests	–	–	–	–	–	–	(2,292)	(2,292)
Balance as of 31 December 2013	*	14,311	479	106	10,494	25,390	1,130	26,520

* 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	
	2014	**2013**
	USD in thousands	
Cash flows from operating activities:		
Net income	**11,910**	11,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments to the profit or loss items:		
Depreciation and amortisation	**1,296**	794
Finance expense income, net	**25**	255
Finance income from financial derivatives	**(264)**	–
Loss (gain) from sale of assets	**9**	(32)
Cost of share-based payment	**1,042**	479
Taxes on income	**1,329**	552
Exchange differences on balances of cash and cash equivalents	**482**	–
	3,919	2,048
Changes in asset and liability items:		
Decrease (increase) in trade receivables	**994**	(1,546)
Increase in other receivables	**(608)**	(183)
Decrease in related parties	**142**	93
Increase (decrease) in trade payables	**(256)**	682
Increase in other accounts payable	**782**	357
Increase in other long-term liabilities	**18**	–
	1,072	(597)
Cash paid and received during the year for:		
Interest paid	**–**	(136)
Interest received	**46**	13
Taxes paid	**(421)**	(547)
Taxes received	**417**	–
	42	(670)
Net cash from operating activities	**16,943**	11,890

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

Consolidated Statements of Cash Flows

	Year ended 31 December	
	2014	2013
	USD in thousands	
Cash flows from investing activities:		
Purchase of property and equipment	**(350)**	(482)
Acquisition of initially consolidated company (a)	**(9,950)**	–
Decrease in other financial assets, net, acquired in business combination	**–**	457
Acquisition of domains, websites and other intangible assets	**(11,528)**	(936)
Proceeds and collection of receivable from sale of assets	**328**	50
Short- term and long-term investments, net	**(16,315)**	(607)
Net cash from investing activities	**(37,815)**	(1,518)
Cash flows from financing activities:		
Issue of share capital (net of issue costs)	**48,917**	13,604
Dividend paid to equity holders	**(8,243)**	(1,800)
Acquisition of non-controlling interests	**(1,490)**	–
Dividend paid to non-controlling interests	**(2,287)**	(2,055)
Repayment of liabilities to related parties	**(3,512)**	(4,381)
Sale of shares to non-controlling interests	**–**	31
Exercise of options	**12**	–
Financing by non-controlling interests	**57**	10
Dividend to equity holders as result of the acquisition of Subsidiary	**–**	(2,888)
Repayment of long-term and short-term liabilities	**(204)**	–
Net cash from financing activities	**33,250**	2,521
Exchange differences on balances of cash and cash equivalents	**(482)**	–
Increase in cash and cash equivalents	**11,896**	12,893
Cash and cash equivalents at the beginning of the year	**15,455**	2,562
Cash and cash equivalents at the end of the year	**27,351**	15,455

(a) Acquisition of initially consolidated company (Note 5(d)):		
Assets and liabilities at date of acquisition:		
Working capital (excluding cash and cash equivalents)	**(2,057)**	–
Long-term investment	**26**	–
Property and equipment	**69**	–
Intangible assets	**1,689**	–
Goodwill	**17,170**	–
Deferred taxes	**(402)**	–
Contingent consideration payable	**(6,521)**	–
Non-current liabilities	**(24)**	–
	9,950	–

(b) Significant non-cash transactions:		
Dividend payable to equity holders as result of the acquisition of Subsidiary	**–**	512
Dividend payable to non-controlling interests	**56**	237
Receivable from sale of assets	**–**	826
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 2014

NOTE 1. GENERAL

(a) General description of the Group (as defined in (b) below) 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.

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.

For further information regarding online marketing and the Group's business segments see Note 16.

The Company commenced its operations on 22 April 2012 and purchased business activity and assets, for further details see Note 5(a). The Company's registered office is 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). 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, see Note 13 (b) (3).

(b) Definitions:
In these financial statements:

Company	–	XLMedia PLC.
Parent Company	–	Webpals Enterprises Limited Partnership.
Subsidiary	–	Webpals Systems S.C. Ltd, an affiliated company (both the Company and the Subsidiary were held by the Parent Company until November 2013). In November 2013 the Company acquired 100% of the share capital of the Subsidiary.
EDM	–	Excitead Digital Marketing Ltd, an affiliated company which was acquired by the Group in September 2014 – see Note 5 (d).
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.
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 2014 new Standards and amendments became effective but they had no effect on the consolidated financial statements.

(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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(b) Consolidated financial statements: continued

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. 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.

The disposal of a subsidiary that does not result in a loss of control is recognised as a change in equity. Upon the disposal of a subsidiary resulting in loss of control, the Company:

– derecognises the subsidiary's assets (including goodwill) and liabilities.

– derecognises the carrying amount of non-controlling interests.

– recognises the fair value of the consideration received.

– recognises the fair value of any remaining investment.

– reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.

– recognises any resulting difference (surplus or deficit) as gain or loss.

(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 or in other comprehensive income. 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 (see also Note 5(c)). 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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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 deposits:
Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition. 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. 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 Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Company acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. When the Company 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 Company 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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(i) Taxes on income: continued

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 Company'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.

(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 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 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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(l) Intangible assets: continued

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 Company 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.

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, plant 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%
Non-competition is amortised over the agreement term (between 2 to 3 years).	

(m) Impairment of non-financial assets:

The Company 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 in respect of subsidiaries:*
   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 an 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 – Intangible assets with an indefinite useful life that have not yet been 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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(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 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 Company 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 debtor (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. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognised. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

(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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(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.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

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 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 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 Company's employees and officers are entitled to remuneration in the form of equity-settled share-based payment 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 14.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(s) Share-based payment transactions: continued

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.

(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 and other intangible assets:
  The Group reviews goodwill and other intangible assets 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.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

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.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 with early application permitted. Entities can choose to apply IFRS retrospectively or to use a modified transition approach.

The Company 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 January 1, 2018. Early adoption is permitted.

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

NOTE 5. BUSINESS COMBINATIONS

(a) Assets Purchase Agreements ("APA")

The Company and the Subsidiary were established in April 2012, for the purpose of entering into APA, to purchase all the business activity and the related assets and liabilities of Webpals Marketing Limited ("WPM") and Webpals Ltd ("WPS"), respectively. WPM and WPS (together "Predecessor Companies") were affiliated companies under common ownership.

The following agreements were executed on 22 April 2012:

(i) Asset Purchase Agreement by the Company:

The Company acquired the business activities and the related assets and liabilities (excluding cash and cash equivalents and certain non-trading liabilities) of WPM for the consideration of USD 4.2 million and additional contingent consideration of USD 5 million ("contingent consideration").

In January 2013 the Company paid USD 2 million on account of the contingent consideration and as of 31 December 2013 the liability was USD 2.867 million, which was paid in May 2014.

(ii) Asset Purchase Agreement by the Subsidiary:

The Subsidiary, which was established shortly prior to the APA, acquired the business activities and the related assets and liabilities (excluding certain non-trading liabilities) of WPS for consideration of USD 800 thousands. In addition, the Subsidiary undertook to enter into employment or service agreements with WPS's employees.

(b) Publishing Joint Venture ("JV")

In the framework of the Asset Purchase Agreement as described in (a) above, the Company acquired a 72% interest in the Content and Search Joint Venture that is active in promoting websites in Finland.

NOTE 5. BUSINESS COMBINATIONS continued

(b) Publishing Joint Venture ("JV") continued

The Group has elected to measure the non-controlling interests in the JV at their proportionate share of the non-controlling interests 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, 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.

(c) Acquisition of the Subsidiary

In November 2013 the Company signed an agreement to acquire the Subsidiary from the Parent Company for the consideration of USD 3.4 million. As of 31 December 2014 all the consideration was paid. Since the acquisition of the Subsidiary is a business combination involving entities under common control, this acquisition is not a business combination within the scope of IFRS 3, Business Combinations. The Company accounted for the acquisition in a manner similar to a pooling of interests and accordingly, the excess cash paid over the carrying amount of the net assets acquired of the Subsidiary was recorded as a reduction of equity.

(d) Acquisition of initially consolidated company – 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 has paid USD 12 million in cash and two additional payments of up to an aggregate USD 7 million ("EDM Contingent Consideration") will be made based on EDM's adjusted EBITDA during the first and second years starting 1 July 2014, 71% of which may (at the Company's discretion) be paid by the issue of the Company's shares.

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

	Fair value
	USD in thousands
Cash and cash equivalents	2,050
Trade receivables	8,044
Other account receivables	449
Long term investments	26
Property and equipment	69
Intangible assets:	
Non-competition agreement *	721
Systems and software	968
	12,327
Trade payables	7,793
Other accounts payable	2,691
Deferred tax liability	402
Non-current liabilities	24
	10,910
Net identifiable assets	1,417
Goodwill arising on acquisition	17,170
Total acquisition cost	18,587

Acquisition costs that are directly attributable to the transaction of approximately USD 180 thousands were charged to other expenses in profit or loss.

* The fair value of the non-competition agreement was based on a non-competition period of two years commencing two years after the acquisition date.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 5. BUSINESS COMBINATIONS continued

(d) Acquisition of initially consolidated company – EDM: continued

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.

Total acquisition cost:

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

Cash outflow on the acquisition:

	USD in thousands
Cash and cash equivalents acquired with the acquiree at the acquisition date	2,050
Cash paid	(12,000)
Net cash	(9,950)

From the acquisition date, EDM has contributed USD 0.9 million to the consolidated net income and USD 6 million to the consolidated revenues. If the business combination had taken place at the beginning of 2014, the consolidated net income would have increased by USD 3.9 million and the consolidated revenue would have increased by USD 18 million.

NOTE 6. SHORT-TERM AND LONG-TERM INVESTMENTS

Short-term investments:

	Annual interest Rate *	As of 31 December 2014	As of 31 December 2013
		USD in thousands	USD in thousands
Short-term bank deposits[(a)]:			
In USD	0.42	**8,508**	200
In NIS	0.02	**203**	228
		8,711	428
Financial assets designated at fair value through profit and loss:			
US Government bonds	0.25	**8,003**	–
		16,714	428
Long-term investment[(b)]			
Bank deposit – in NIS	1.85	**333**	340

* The above interest rates are the weighted average rates as of 31 December 2014.

(a) The balance includes – on short-term bank deposits with fixed liens recorded against bank credit 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 2014 was USD 504 thousands (2013 – USD 428 thousands).

(b) The Group recorded a fixed lien on long-term bank deposit, against bank guarantee provided in connection with its lease agreement on property, in the amount of USD 333 thousands (see Note 17 (a)).

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 7. TRADE AND OTHER RECEIVABLES

a. Trade receivables:

	As of 31 December	
	2014	2013
	USD in thousands	
Open accounts	**11,888**	4,636
Less – allowance for doubtful accounts	**340**	138
Trade receivables, net	**11,548**	4,498

As of 31 December 2014 the Company has no material amounts that are past due and not impaired.

b. Other receivables:

	As of 31 December	
	2014	2013
	USD in thousands	
Government authorities	**75**	206
Prepaid costs for share capital issuance	**–**	707
Prepaid expenses	**907**	613
Current maturity of long-term receivables(1)	**534**	353
Related parties(2)	**–**	147
Other receivables	**379**	95
	1,895	2,121

(1) In October 2013 the Company sold certain assets and business activity (the "Sale Agreement"), for consideration of USD 1.5 million to be paid in 60 monthly installments beginning November 2013.

As a result of the Sale Agreement the Company recognised a gain in an amount of USD 32 thousands. As of 31 December 2014 the carrying amount of the consideration receivable was USD 990 thousands, (2013 – USD 905 thousands) comprised of USD 534 thousands (2013 – USD 353 thousands) and USD 456 thousands (2013 – USD 552 thousands) which are included in current and non-current other receivables respectively.

In addition the Company entered into a Service Agreement under which the Company will provide certain services including marketing and IT services to the purchaser for consideration of USD 150 thousands per quarter. The Service Agreement will be in force for at least 60 months commencing from the closing date. However, following a change of control in the Company, the purchaser will have the right to immediately terminate the service agreement within a period of 60 days following such change of control. In September 2014 the Service Agreement was amended and the consideration for the services provided by the Company was fixed at USD 75 thousands per quarter.

(2) See Note 18.

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 8. PROPERTY AND EQUIPMENT

	Computers, furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	USD in thousands			
Cost:				
Balance as of 1 January 2013	403	60	53	516
Acquisitions during the year	413	–	69	482
Balance as of 31 December 2013	816	60	122	998
Acquisitions during the year	337	–	13	350
Disposals during the year	–	(60)	–	(60)
Acquisition of initially consolidated company*	50	–	19	69
Balance as of 31 December 2014	**1,203**	**–**	**154**	**1,357**
Accumulated depreciation:				
Balance as of 1 January 2013	50	8	4	62
Depreciation during the year	137	11	50	198
Balance as of 31 December 2013	187	19	54	260
Depreciation during the year	243	4	9	256
Disposals during the year	–	(23)	–	(23)
Balance as of 31 December 2014	**430**	**–**	**63**	**493**
Depreciated cost as of 31 December 2014	**773**	**–**	**91**	**864**
Depreciated cost as of 31 December 2013	629	41	68	738

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

* See Note 5 (d).

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition and movement:

	Goodwill	Domains and websites	Non-competition	Systems and software	Total
			USD in thousands		
Cost:					
Balance as of 1 January 2013	2,416	5,922	1,401	286	10,025
Acquisitions during the year	–	345	–	591	936
Disposal during the year	–	(772)	–	–	(772)
Balance as of 31 December 2013	2,416	5,495	1,401	877	10,189
Acquisition of initially consolidated company(1)	17,170	–	721	968	18,859
Acquisitions during the year(2)	–	11,233	358	734	12,325
Costs capitalised during the year (in-house development cost)	–	–	–	915	915
Balance as of 31 December 2014	**19,586**	**16,728**	**2,480**	**3,494**	**42,288**
Accumulated amortisation:					
Balance as of 1 January 2013	–	–	322	2	324
Amortisation during the year	–	–	468	128	596
Balance as of 31 December 2013	–	–	790	130	920
Amortisation during the year	–	–	528	512	1,040
Balance as of 31 December 2014	**–**	**–**	**1,318**	**642**	**1,960**
Amortised cost as of 31 December 2014	**19,586**	**16,728**	**1,162**	**2,852**	**40,328**
Amortised cost as of 31 December 2013	2,416	5,495	611	747	9,269

(1) See Note 5 (d).

(2) Material acquisitions during the year:

- On 1 June 2014 the Company acquired a leading Scandinavian website network within the online gaming sector for a cash consideration of USD 2.3 million. The network reviews a large number of online casino and poker websites, mainly in Denmark, and refers visitors in its websites to its partner brands.
- On 14 August 2014, the Company signed an agreement to acquire a leading UK Sports betting content websites for a cash consideration of GBP 3.9 million (USD 6.4 million). The website is focused on UK web and mobile traffic, specialising in sports betting content. The initial consideration of GBP 2.9 million (USD 4.8 million) was paid in September 2014, and the remaining balance is payable within 12 months.
- On 31 August 2014, the Company signed an agreement to acquire an informational website network within the sports betting sector for a cash consideration of EURO 1.7 million (USD 2.2 million). The website is focused on Scandinavian web, social and mobile traffic, specialising in sports betting content. The initial consideration of EURO 1.6 million (USD 2.1 million) was paid in September 2014, and the remaining EURO 0.1 million (USD 0.1 million) is payable in 2015.

The total amount of the acquisitions described above is USD 10,932 thousands (including non-competition agreements in the amount of USD 358 thousands).

b. Amortisation expense

Amortisation expense of intangible assets is classified in profit or loss in general and administrative expenses.

NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS continued

c. Impairment of goodwill and intangible assets with an indefinite useful life:
Following are the carrying amounts of goodwill and domains allocated to cash generating units:

	Goodwill	Domains and websites	Total
	USD in thousands		
Publishing segment (1)	2,416	16,728	19,144
Media segment (2)	17,170	–	17,170
	19,586	16,728	36,314

(1) Publishing segment

The recoverable amounts of domains and websites were determined based on a value in use calculation (royalty relief method) using royalty rates as acceptable rate in similar transactions. The recoverable amount of the publishing segment CGU 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% (2013 – 26%). The projected cash flows are estimated using a fixed growth rate of 3% (2013 – 3%).

The key assumptions used in calculating the value in use:

Revenues and direct profit – the revenues and the profit rate assumptions are based on management expectations as reflected in the Group's budget 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 is based on the long-term average growth rate as customary in similar industries.

Sensitivity analyses of changes in assumptions:
With respect to the assumptions used in determining the value in use of the CGU, management believes that there are no reasonably possible changes in the key assumptions detailed above which might cause the carrying amount of the CGU to exceed its recoverable amount.

(2) Media segment

The goodwill arose in the acquisition of the EDM business in August 2014 – see Note 5 (d). The recoverable amount of the goodwill is based on the fair value derived from the transaction price. As there were no unusual conditions surrounding the acquisition, and no significant changes with an adverse effect on the CGU have taken place since the acquisition, management believes that the transaction price represents a reliable basis.

NOTE 10. TRADE PAYABLES

	As of 31 December	
	2014	2013
	USD in thousands	
Open accounts	**8,832**	954
Notes payable	**241**	582
	9,073	1,536

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 11. OTHER LIABILITIES AND ACCOUNTS PAYABLE

	As of 31 December	
	2014	2013
	USD in thousands	
Employees and payroll accruals	**2,265**	859
Income tax payable	**1,511**	–
Liability for intangible assets acquisition	**1,712**	–
Government authorities	**679**	136
Liability for EDM acquisition	**797**	–
Accrued expenses	**677**	233
Dividend payable to non-controlling interest	**56**	237
Related parties (Note 18)	**–**	605
Other liabilities	**67**	181
	7,764	2,251

NOTE 12. 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	
	2014	2013
	USD in thousands	
Financial assets		
Financial assets at fair value through profit or loss:		
Investments in US Government bonds	**8,003**	–
Financial derivatives	**264**	–
Total financial assets at fair value through profit or loss	**8,267**	–
Financial assets measured at amortised cost:		
Cash and cash equivalents	**27,351**	15,455
Short-term and long-term investments	**9,044**	768
Trade receivables	**11,548**	4,498
Other receivables	**988**	595
Non-current account receivable	**456**	552
Total financial assets measured at amortised cost	**49,387**	21,868
Total financial assets	**57,654**	21,868
Total current	**56,865**	20,976
Total non-current	**789**	892

Notes to Consolidated Financial Statements
For the year ended 31 December 2014

NOTE 12. FINANCIAL INSTRUMENTS continued

(a) Classification of financial assets and liabilities: continued

	As of 31 December	
	2014	2013
	USD in thousands	
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**9,073**	1,536
Other liabilities and account payables	**6,186**	2,095
Contingent consideration payable	**6,629**	2,867
Other liabilities	**–**	227
	21,888	6,725
Total current	**18,655**	6,498
Total non-current	**3,233**	227

(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 Company'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, 2014 the Group recorded foreign exchange rate differences expenses, net in the amount of USD 675 thousands (includes forward transactions profit, see below) (2013 – USD 59 thousands).

   In November 2014 the Company entered into forward contracts with the intention to reduce the foreign exchange risk of expected sales 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 2014:

   Forward transactions for the sale of Euro against USD totaling Euro 19.6 million (USD 23.8 million) at an exchange rate range of 1.22-1.24 per USD, to be carried out starting January 2015 till November 2015.

   Forward transactions for the sale of USD against NIS totaling USD 11.4 million at an exchange rate range of 3.76-3.92 per USD, to be carried out starting January 2015 till November 2015.

   As of 31 December 2014 the total fair value of the above forward transactions total was USD 264 thousands.

2. *Credit risk:*
   The Group has one major customer (2013 – three), see Note 16.

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

   The Company maintains cash and cash equivalents and short-term investments in various financial institutions. These financial institutions are located in different geographical areas around the world. The Company's policy is to diversify its investments among the various institutions. According to the Company's policy, the relative credit stability of the various financial institutions is evaluated on a regular basis.

NOTE 12. 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 2014:

	Less than one year	1 to 2 years	>2 years	Total
	USD in thousands			
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**

As of 31 December 2013:

	Less than one year	1 to 2 years	>2 years	Total
	USD in thousands			
Trade payables	1,536	–	–	1,536
Other payables	2,251	–	–	2,251
Other non-current liabilities	165	165	83	413
Contingent consideration payable	3,000	–	–	3,000
	6,952	165	83	7,200

(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 and other non-current liability 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 investment in US government bonds is categorised within level 1 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:

	As of 31 December	
	2014	2013
	USD in thousands	
Sensitivity test to changes in Euro to Dollar exchange rate:		
Gain (loss) from the change:*		
Increase of 10% in exchange rate	**(1,977)**	328
Decrease of 10% in exchange rate	**1,977**	(328)
Sensitivity test to changes in NIS to Dollar exchange rate:		
Gain (loss) from the change:*		
Increase of 10% in exchange rate	**(980)**	(12)
Decrease of 10% in exchange rate	**1,211**	15

* 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.

NOTE 12. 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 Company 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 profit or loss (before tax) 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 13. EQUITY

(a) Composition of share capital:

	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**

	As of 31 December 2013	
	Authorised	Issued and outstanding
	Number of shares	
Ordinary Shares of USD 0.000001 par value	100,000,000,000	120,160,000

(b) Movement in share capital:

1. In June 2013 the Company's shareholders authorised and approved the effectuation of a 1:100 share split of the authorised share capital of the Company ("Split I"), so that all the Company's shares, were subject to the Split I (i.e. each share, USD 1.00 par value, was split into 100 shares, USD 0.01 par value each). Following the Split I the Company's authorised share capital consisted of 10,000,000 Ordinary Shares par value USD 0.01, of which 10,000 shares were issued and outstanding.

   In December 2013 the Company's shareholders authorised and approved the effectuation of 1:10,000 share split of the authorised share capital of the Company ("Split II"), so that all the Company's shares were subject to the Split II (i.e. each share, USD 0.01 par value, was split into 10,000 shares, USD 0.000001 par value each), and adjustment of all the Company's securities effectuated by the Split II, to correspond with the Split II. Following the Split II the Company's authorised share capital consisted of 100,000,000,000 Ordinary Shares par value USD 0.000001, of which 100,000,000 shares were issued and outstanding.

2. On 5 December 2013 the Company entered into a Share Purchase Agreement ("SPA") with a new investor under which the Company issued 20,160,000 Ordinary shares, par value USD 0.000001 each constituting 16.78% of the Company's capital for a consideration of USD 15 million. The transaction related costs in amount of USD 689 thousands were deducted from the consideration in the statement of changes in equity.

   The agreement provided for the investor to receive additional Ordinary shares for no further consideration to the extent that an IPO was completed within six months of closing at a price per share that was less than 25% higher than the price per Ordinary share (as may have been adjusted in the interim) paid by the investor under the terms of the agreement. As a consequence of this, the Company issued to the investor an additional 2,377,500 Ordinary shares following the IPO in March 2014.

3. 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.

Notes to Consolidated Financial Statements For the year ended 31 December 2014

NOTE 13. EQUITY continued

(b) Movement in share capital: continued

4. On 3 June 2014 the Company issued 80,000 Ordinary shares upon the exercise of 80,000 Options A (see Note 14). The issued share capital of the Company immediately following the exercise is 189,643,652 Ordinary shares.

(c) Dividends:

1. In August 2013 the Company declared and paid a dividend in the amount of USD 1.8 million.
2. In November 2013 the Company acquired 100% of the shares of the Subsidiary from the Parent Company for the consideration of USD 3.4 million that was recorded as a dividend to equity holders of the Company (for more details see Note 5(c)).
3. On 8 May 2014 the Company declared a dividend to shareholders on the register at 23 May 2014, of USD 5.25 million, approximately USD 0.03 per Ordinary share, which was paid on 12 June 2014.
4. On 16 September, 2014 the Company declared a dividend to shareholders on the register on 26 September 2014, of USD 3 million, approximately USD 0.016 per Ordinary share, which was paid on 31 October 2014.
5. During 2014 the Company paid dividends to the non-controlling interests in amount of USD 2.1 million (in 2013 – USD 2.3 million).

(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			
	2014		2013	
	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
	Thousands	USD in thousands	Thousands	USD in thousands
Number of shares and income for the computation of basic net earnings	**174,398**	**9,821**	101,436	8,838
Effect of potential dilutive Ordinary shares *	**4,405**	**–**	384	–
For the computation of diluted net earnings	**178,803**	**9,821**	101,820	8,838

* For options to the employees granted in 2014 and 2013 – see Note 14.

NOTE 14. SHARE-BASED PAYMENT

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

	Year ended December 31,	
	2014	2013
	USD in thousands	
Total expense arising from share-based payment transactions	**1,042**	479

(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 Company (including its present and future subsidiaries) remuneration in the form of equity-settled share-based payment transactions that are measured based on the increase in the Company's share price.

Pursuant to the plan, subject to the Company's Board of Directors' approval, the Company's employees may be granted options exercisable into a corresponding number of the Company's Ordinary shares.

Notes to Consolidated Financial Statements
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NOTE 14. SHARE-BASED PAYMENT continued

These options may be exercised, subject to the continuance of engagement of such employees with the Company, within a period of eight years, at an exercise price to be determined by the Company's Board of Directors.

In October 2013, the Company's Board of Directors resolved, within the framework of the plan, to grant certain employees, an aggregate amount of 3,250,000 options, exercisable into 3,250,000 Ordinary shares of the Company ("Options A"). The exercise price of Options A is USD 0.154 per each share.

Subject to the terms of the plan, each of the Options A optionees will be entitled to exercise the options into shares in accordance with the following vesting scheme: 25% of the options vested on 22 April 2013 ('cliff') and the remaining 75% of the options will vest on a quarterly basis over a period of 3 years, in equal portions, i.e. 6.25% each calendar quarter.

The following table lists the inputs used for the fair value measurement of equity-settled share options A:

Option pricing model	Black-Scholes-Merton formula
Dividend yield (USD)	0.194
Expected volatility of the share prices (%)	41.50
Risk-free interest rate (USD curve)	1.42%
Expected life of share options (years)	4.64
Share price (USD)	0.47

Based on the above inputs, the fair value of Options A was determined at USD 480 thousands at the grant date (per option USD 0.15), USD 1 thousands of which was recognised as an expense in 2014 (2013 – USD 479 thousands).

For details regarding exercise of part of the Options A, see Note 13(b) (4).

(b) In February 2014, the Company granted the CEO 1,540,000 options to purchase 1,540,000 Ordinary shares ("Options B"). The exercise price of Options B is USD 0.154 per share. Options B vest over a period of three years from 1 January 2014. 25% of these options are deemed to have vested on 1 January 2014 with the remaining options vesting pro rata on a quarterly basis over the three year period.

In February 2014, the Company granted 1,260,000 options to an officer of the Group to purchase 1,260,000 Ordinary shares at an exercise price of USD 0.154 ("Options C"). Options C vest over a period of 27 months from 1 January 2014. 44% of Options C are deemed to have vested on 22 January 2014 with the remaining options vesting pro rata on a quarterly basis over the 27 months period.

In February 2014, the Company granted 1,200,000 options to employees of the Group to purchase 1,200,000 Ordinary shares at an exercise price of GBP 0.49 ("Options D"). Options D vest over a period of four years from 1 January 2014. 25% of Options D shall vest on 1 January 2015 with the remaining options vesting pro rata on a quarterly basis over the remaining three year period.

In March 2014, the Company granted the CEO 1,000,000 options to purchase 1,000,000 Ordinary shares at an exercise price of GBP 0.49 ("Options E"). Options E vest over a period of three years from the date of the IPO pro rata on a quarterly basis over the three year period.

The following table lists the inputs used for the fair value measurement of equity-settled share options for the above plans (Options B, C, D, E):

Option pricing model	Black-Scholes-Merton formula
Dividend yield (USD)	0.18-0.2
Expected volatility of the share prices	38.2%-39.4%
Risk-free interest rate (USD cruve)	1.32%
Expected life of share options (years)	4-4.8125
Share price GBP (USD)	0.49 (0.808)

NOTE 14. SHARE-BASED PAYMENT continued

The total fair value of the above options (Options B, C, D, E) granted in 2014 was calculated at USD 1.7 million at the grant date (average of USD 0.33 per option) USD 1,201 thousands of which was recognised as expenses an 2014 (of which USD 927 thousands was recognised as an expense in profit and loss in 2014 and USD 274 thousands was charged to share premium as part of the issue cost of the IPO).

(c) In September 2014, the Company granted 4,457,700 options to employees of the Group to purchase 4,457,700 Ordinary shares ("Options F"). The exercise price of Options F is GBP 0.49 per share. Options F vest over a period of four years from September 2014. 25% of these options shall vest in September 2015, 25% of these options shall vest in September 2016, with the remaining options vesting pro rata on a semi-annual basis over a two year period.

The following table lists the inputs used for the fair value measurement of equity-settled share Options F:

Option pricing model	Black-Scholes-Merton formula
Dividend yield (GBP)	0.11
Expected volatility of the share prices (%)	33.9%
Risk-free interest rate (GBP curve)	2.07%
Expected life of share options (years)	5.3
Share price GBP (USD)	0.52 (0.86)

The total fair value of options F granted in September 2014 was calculated at USD 816 thousands at the grant date (USD 0.183 per option) of which USD 114 thousands was recognised as an expenses in 2014 (the Company's management estimates an employee forfeiture rate of 12% for this option grant).

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

(d) Movement during the year:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	Thousands	USD	Thousands	USD
Share options outstanding at beginning of year	**3,250**	**0.154**	–	–
Share options granted during the year	**9,458**	**0.583**	3,250	0.154
Share options forfeited during the year	**(316)**	**0.76**	–	–
Share options exercised during the year	**(80)**	**0.154**	–	–
Share options outstanding at end of year	**12,312**	**0.47**	3,250	0.154
Share options exercisable at end of year	**4,091**	**0.154**	1,270	0.154

(e) The weighted average remaining contractual life for the share options outstanding as of 31 December, 2014 was 7.1 years (2013 – 7.3 years).

(f) The range of exercise prices for share options outstanding as of 31 December 2014 was USD 0.154 – USD 0.764 (GBP 0.49) (2013 – USD 0.154).

(g) As for a grant and exercise of options subsequent to the reporting date, see Note 21 (a).

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NOTE 15. TAXES ON INCOME

(a) The Company was incorporated in Seychelles under the International Business Companies Act, 1994, and was a tax-free corporation. In November 2013 the Company moved its place of incorporation to Jersey. The change in place of incorporation does not change the Company's tax status.

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

The Israeli corporate tax rate applicable in 2014 is 26.5% and 2013 is 25%.

Amendment to the Law for the Encouragement of Capital Investments, 1959:

According to the Amendment, a flat tax rate applies to the subsidiary's entire privileged income under its status as a privileged company with a privileged enterprise. The tax rate under the Amendment is: 2014 – 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:

A subsidiary company in Israel has 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	
	2014	**2013**
	USD in thousands	
Current taxes	**1,404**	552
Deferred taxes	**(75)**	–
Total	**1,329**	552

(f) Theoretical tax:

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

	Year ended 31 December	
	2014	**2013**
	USD in thousands	
Profit before taxes on income	**13,239**	11,661
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	**1,329**	552
Total taxes	**1,329**	552

NOTE 15. TAXES ON INCOME continued

(g) Deferred taxes:

Composition:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2014	2013	2014	2013
	USD in thousands			
Deferred tax liabilities:				
Intangible assets	**419**	–		
Deferred tax assets:				
Research and development costs	**73**	–		
Employee benefits	**14**	–		
	87	–		
Deferred tax benefit			**(75)**	–
Deferred tax liabilities, net	**(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 realisation.

NOTE 16. 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 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 2014

NOTE 16. OPERATING SEGMENTS continued

(b) Reporting on operating segments:

	Publishing	Media	Partners Network	Total
		USD in thousands		
Year ended 31 December 2014:				
Revenues	**23,965**	**20,632**	**6,123**	**50,720**
Segment profit	**18,345**	**8,548**	**685**	**27,578**
Unallocated corporate expenses				**(13,340)**
Other expense, net				**(229)**
Finance expense, net				**(770)**
Profit before taxes on income				**13,239**
Year ended 31 December 2013:				
Revenues	18,840	10,071	5,592	34,503
Segment profit	14,234	5,583	632	20,449
Unallocated corporate expenses				(8,447)
Other income, net				32
Finance expense, net				(373)
Profit before taxes on income				11,661

(c) Additional information about revenues:
Revenues from major customers, the revenues of whom amounted to 10% or more of total revenues reported in the financial statements:

	Year ended 31 December	
	2014	2013
Customer A – all segments	**15%**	25%
Customer B – all segments	**8%**	11%
Customer C – all segments	**7%**	10%

(d) Geographic information:
Revenues classified by geographical areas based on internet user location:

	Year ended 31 December	
	2014	2013
	USD in thousands	
Scandinavia	**28,164**	21,748
Other European countries	**7,457**	4,708
North America	**4,918**	418
Other countries	**4,058**	760
Total revenues from identified locations	**44,597**	27,634
Revenues from unidentified locations	**6,123**	6,869
Total revenues	**50,720**	34,503

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NOTE 17. COMMITMENTS

(a) Leases

- In August 2013 Group companies (as lessee) 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 517 thousands.
- In March 2014 a subsidiary (as lessee) entered into commercial real estate lease agreements. The leases are non-cancellable for periods of between 2.5-5.5 years with annual lease fees of approximately USD 114 thousands.

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

(b) For business combination agreements and commitments see Note 5.

(c) For agreements with related parties see Note 18.

NOTE 18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Balances:

	As of 31 December	
	2014	2013
	USD in thousands	
Other receivables:		
Shareholders	–	147
Current liabilities:		
Management fees payable	**370**	–
Other payable	**–**	605
Contingent consideration payable *	**–**	2,867
	370	3,472

* See Note 5 (a).

(b) Benefits to key management personnel: *

	As of 31 December	
	2014	2013
	USD in thousands	
Short term benefits	**1,410**	422
Cost of share based payments	**70**	–
	1,480	422

* Includes members of the board of directors.

(c) Transactions with related parties:

	Year ended 31 December	
	2014	2013
	USD in thousands	
Management fees to shareholders (1)	**838**	1,159
Cost of share based payments (2)	**1,124**	–
	1,962	1,159
Finance costs in respect of liabilities to shareholders, net	**45**	229

(1) Including fees paid to key management personnel USD 444 thousands (2013 – USD 299 thousands).

(2) Includes an amount of USD 274 thousands charged to share premium as part of the IPO issue costs.

NOTE 18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES continued

(d) Significant agreements with related parties:

Service Agreements

In 2013 the Group signed service agreements with the shareholders of the Parent Company, according to which they provided consultanting services in consideration for an annual fee. In March 2014 all agreements except one were canceled and the annual fee for the remaining agreement is USD 190 thousands. The management fees for the year ended 31 December 2014 were USD 394 thousands (2013 – USD 930 thousands).

Business combinations– see Note 5:

- Assets Purchase Agreement by the Company – Note 5(a)(i)
- Assets Purchase Agreement by the Subsidiary – Note 5(a)(ii)
- Acquisition agreement of the Subsidiary – Note 5(c).

NOTE 19. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

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

	Year ended 31 December	
	2014	**2013**
	USD in thousands	
Expenses in respect of defined contribution plans	**540**	355

NOTE 20. SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME

	Year ended 31 December	
	2014	**2013**
	USD in thousands	
a. Cost of revenues:		
Salaries, wages and related expenses	**6,109**	4,486
Cost of share based payment	**54**	331
Media buying costs	**9,897**	3,199
Websites promotions and content	**1,751**	1,227
Affiliates network	**5,331**	4,811
	23,142	14,054
b. General and administrative expenses		
Salaries, wages and related expenses	**3,526**	2,304
Cost of share-based payment	**748**	–
Depreciation and amortisation	**1,296**	794
Rent and office maintenance	**1,140**	699
Consulting fees	**907**	355
Other expenses	**2,115**	1,603
	9,732	5,755

c. Research and development expenses and selling and marketing expenses include wages, salaries and related expenses in the amount of USD 3,145 thousands for the year ended 31 December, 2014 (2013 – USD 2,401 thousands).

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NOTE 21. SUBSEQUENT EVENTS

(a) In January 2015, the Company granted to non-executive directors of the Company 630,000 options to purchase 630,000 Ordinary shares ("Options G"). The exercise price of Options G is GBP 0.5775 (USD 0.9) per share. Options G vest in 12 equal quarterly tranches over three years from January 2015 and are exercisable for a period of eight years from the date of grant.

(b) In January 2015 the Company issued 708,750 Ordinary shares upon the exercise of 708,750 Options C (see Note 14). The issued share capital of the Company immediately following the exercise is 190,352,402 Ordinary shares.

(c) In March 2015 the Company declared a dividend to shareholder of USD 3 million, approximately 1.576 cent per share to be paid on 8 May 2015.

Corporate Directory

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