



XLMedia PLC

# Annual Report and Financial Statements 2019



XLMedia PLC

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**Annual Report  
and  
Financial Statements**  
2019



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## About XLMedia plc

### Performance Publisher of Choice

XLMedia has a long track record in online performance publishing owns and operates an extensive global portfolio of websites across numerous sectors, including gambling, sports betting, personal finance and technology. The Group's core skill is to stimulate active engagement by sending paying customers to our partners and sharing the revenues associated with these activities.

Our publishing assets, proprietary technology, and data are the unmatched force that helps us serve highly valuable, engaging, timely, and relevant content to millions of users worldwide. Consumer engagement and providing an enhanced consumer experience is central to our vision.

Controlling and managing a diverse publishing portfolio puts the Group in a better position to create higher levels of engagement than other traditional performance marketing, encouraging consumers to actively choose the content they want to digest, generating both greater value and increased levels of engagement.

## What we do

### Technology-Driven Performance Marketing

Publishing, technology, and data constitute the foundation of all XLMedia's operations, allowing us to maintain our competitive edge, greater great levels of consumer engagement, and grow our business successfully.

### Digital publishing expertise

The websites, which we own and operate, rank at the top of search results. The success in dominating the Search Engine Results Pages ('SERPs') comes from our expert understanding of content creation, user experience, and website management. Such professional know-how also helps us generate maximum returns on these digital publishing assets. Our dedicated, in-house teams of expert writers, UX/UI professionals, and editors create content that resonates with consumers, fits their intent, and motivates them to act.

### Data and Programmatic Learning

We are a data driven business and as such, we make the most out of advanced machine learning algorithms, content management systems, and data platforms.

Our smart tracking tools and advanced content management systems allow for scalability, improved optimization, and help us match the best advertisers have to offer to users' preferences. On top of that, these vast technological capabilities allow us to boost our performance and generate profit margins.

Our websites produce vast amounts of data. Thanks to our statistical and data modeling tools, we can index millions of unique data points at different stages of the user journey, identify consumer activities, and spot trends in consumer behavior.

## 2019 Highlights

### Performance Publisher of Choice

### Financial summary

- Revenues of \$79.7 million (2018: \$93.5million\*)
- Gross profit of \$53.7 million (2018: \$63.4 million\*)
- Adjusted EBITDA(2) of \$33.5 million (2018: \$43.6 million\*)
- Adjusted profit before tax(1) of \$25.3 million (2018: \$36.4 million\*)
- Impairment Loss of \$81.4 million (2018: \$0.3 million)
  - Follows an independent and comprehensive review of recorded asset values at year end as required by IAS 36
  - Further reductions follow the demotion of the Group's websites by Google in January 2020
- Income (Loss) from discontinued operations of \$2.2 million (2018: (\$11.3) million)
- Reported profit (Loss) before tax of (\$57.7) million (2018: \$36.1 million)
- Cash and short-term investments of \$29.9 million (31 December 2018: \$47.6 million) – the Company has minimal debt (<\$1m) which is expected to be fully repaid by the half year

(\*) Reclassified - excluding discontinued operations

1 Excluding loss from impairment and reorganization costs

2 Earnings Before interest, Taxes, Depreciation, Amortization and excluding share-based payments, impairment and reorganisation costs

### Operating summary

■ New Executive Management Team joined late 2019/early 2020 bringing significant successful transformation experience to evolve the Company to reposition for growth markets and territories.

■ Investment areas:

- |   |  |
|---|--|
| □ Operating Model – evolution to support strategic ambition and growth through significant transformation program | □ US Sports – resources, technology and expertise to develop US presence |
| □ Data & Programmatic learning – harness data to create compelling consumer experiences                           | □ New Markets – resources to develop existing verticals into new markets |

■ On 18 January 2020, the Company became aware that a number of its casino sites had been manually de-ranked by Google

- |   |  |
|---|--|
| □ Management remains optimistic that a number of premium sites will be re-ranked and fully operational during H2 2020 | □ The Company has increased its focus and resources on premium sites, accelerating planned changes to business model |
|---|--|

■ The Company made a solid start to 2020 before the Google de-ranking and COVID 19 pandemic effects

■ The year-end exit trajectory and renewed operating platform will form a strong basis for future growth and development

■ Board will not be recommending a dividend or share buyback programme for the foreseeable future

## Our Business Model

### Driving Consumer Engagement

By controlling and managing a diverse publishing portfolio, XLMedia seeks to generate higher levels of engagement than other traditional marketing techniques by encouraging consumers to actively choose the content they want to digest, generating both greater value and increased levels of engagement.

This is what we call a performance-based business model. It assures everyone involved benefits from a win-win solution.

Such a business approach adds a level of trust between XLMedia and its partners. On top of that, it minimizes the financial risk taken on by our partners since we invest our own capital into our partners' marketing budget.

Our revenue sharing, CPA, and other business models ensure our partners only pay after users take meaningful actions.



## Improving User Journeys

### The Outcome

### From static to dynamic

Personalized content based on the full user journey

### Optimized brand exposure

Based on browsing history, click-outs, conversions, and device performance

### Maximizing player value

Optimized marketing offers based on audience segmentation

### New monetization opportunity

Cross-selling brands and verticals while optimizing advertising and content



## Wholly owned and operated sites

### Our Assets Portfolio

Our wholly owned and operated content-rich sites rank at the top of search results for thousands of high-intent keywords. The sites are in 18 languages and attract and engage more than 5 million users monthly.

#### Business Verticals

Over the years, XLMedia has exhibited impressive success in each of the verticals we operate:

#### The Ultimate Personal Finance Publisher

Our personal finance websites successfully promote a wide variety of products, such as credit cards, insurance types, loans, robo-advisors, and more.



#### The Ultimate Tech Publisher

Continuous innovation and investment in user experience enables us to provide the most immersive and valuable content for our tech product review sites. These content-rich websites feature detailed reviews of tech and utility products in areas ranging from cybersecurity and antivirus technology to selecting the right VPN.



#### The Ultimate Gaming Publisher

XLMedia has a stellar reputation in the gambling industry. Our assets serve several loyal communities of users, providing them with authentic first-hand user reviews and community generated insights to enable crowd-wisdom to flourish. The user-generated content platforms also have diversified offerings and a substantial social media presence resulting in several awards.



#### The Ultimate Sports Betting Publisher

XL Media is an authoritative publisher in the sports betting sector. Our publishing assets harbor unique content written by professional sports betting thought leaders and tipsters who specialize in areas such as horse racing, football, boxing, and more.



## Money Under 30

### Case study



moneyunder30.com

#### In 2017, XLMedia purchased Money Under 30

which has since become a top personal finance site in the United States, offering vital information on topics ranging from business and travel credit cards to balance transfer and low APR.

#### Money Under 30 now ranks first

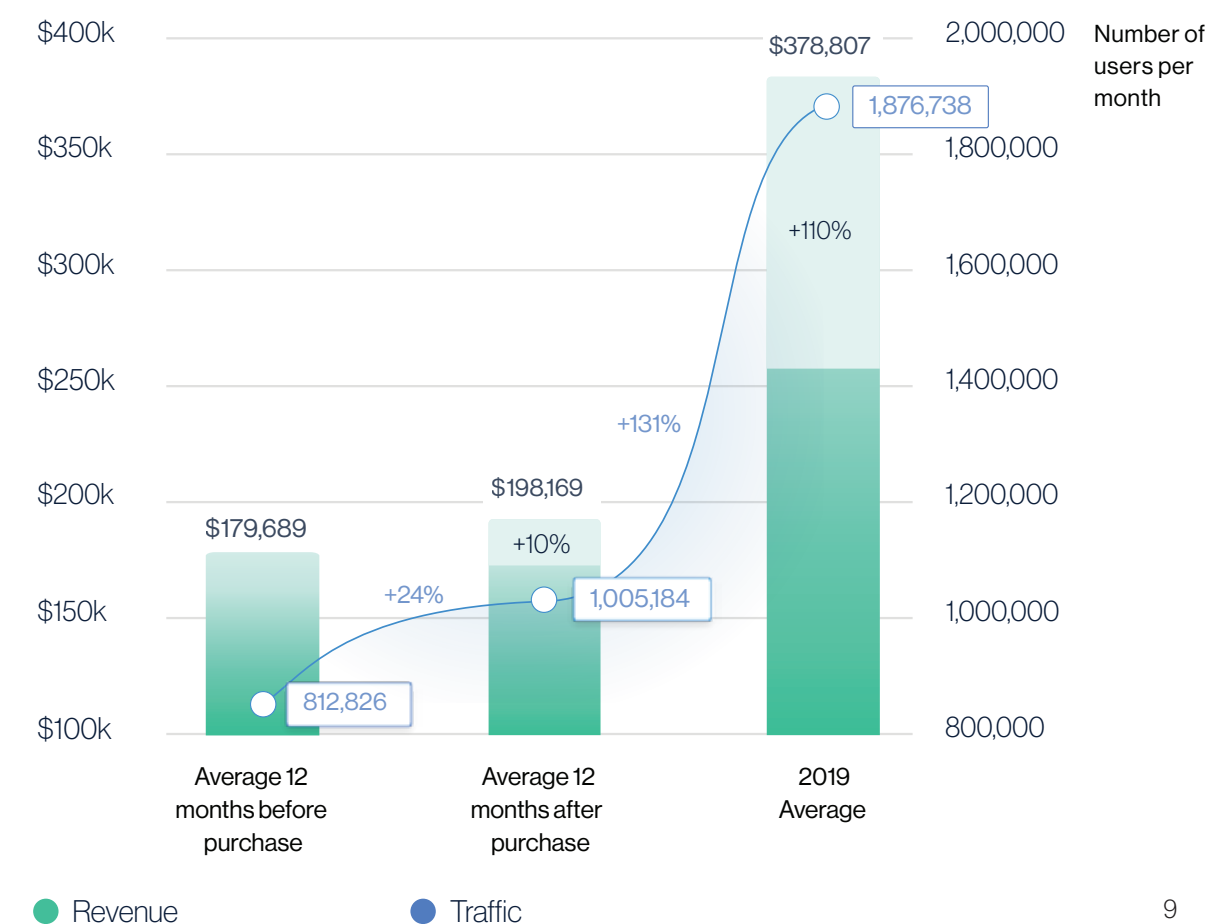
for all major credit card keywords, including on Google, and features over 100 partners.

The site has steadily grown since its purchase, in terms of both traffic and revenue.

In January 2018, we migrated the site to our internal proprietary network.

As a result, by the end of 2019, the site saw double the traffic volume as it previously had.

Money Under 30 continues to draw millions of users and be featured in top-tier global publications such as Forbes.





## Chairman's Statement

### Annual Report

2019 was a year of limited financial progress for the Group, as management sought to mitigate a number of operationally frustrating scenarios and global sector headwinds, predominantly within our online casino vertical. Greater clarity on the situation with Google is outlined in the Chief Executive review later in the document.

In February 2019, we made the decision to reduce a significant part of the Group's advertising and media activities, reflecting the Board's desire to limit our exposure to certain gambling and digital marketing sectors, with a view of becoming a pure play digital publishing operator.

This move was further consolidated with the sale of our advertising media subsidiary in August 2019, which was considered both low margin and non-core to our ongoing activities.

In addition, ongoing gambling regulatory uncertainty, specifically in Sweden and Germany remained, and therefore continued to impact our financial performance in territories which have historically been strong for the Group.

Despite these challenges, the Group delivered a credible performance in FY 2019, producing revenues of \$79.7 million (2018: \$93.5 million), gross profit of \$53.7 million (2018: \$63.4 million) and an Adjusted EBITDA of \$33.5 million (2018: \$43.6 million).

It is against this backdrop that we decided to make a number of significant Executive Management changes. Ory Weihs, who served as Chief Executive Officer since our IPO in 2014, moved to a Non-Executive Director role, with Stuart Simms appointed as Chief Executive Officer in October 2019, following an extensive executive search conducted by Egon Zehnder. Since Stuart's appointment, he has already made a significant and positive contribution in both the day to day running of the business and our strategic direction, more of which is covered in his strategic review of the business.

Also, our Chief Financial Officer, Yehuda Dahan, tendered his resignation and we were pleased to appoint Iain Balchin as Group CFO in February 2020. Iain has a wealth of transformation experience having held a number of Group CFO roles, making him ideally placed for our business. In both Stuart and Iain, we have two highly skilled and experienced senior executives who are now working tirelessly to reshape and reposition XLMedia for sustainable and long-term growth. Stuart has also completely restructured his executive team, further rejuvenating our business and positioning us well for the future.

In early 2020, the Company became aware that a number of its casino sites had been manually demoted by Google, impacting their online ranking and therefore significantly reducing their ability to generate revenues. The Company is continuing to work with Google to restore the rankings of these sites as soon as possible.

There is no question that the business is now undergoing a significant period of transformation with our new management team evaluating new geographies and end markets, alongside an improved focus upon our efforts to generate greater levels of end consumer engagement.

To that end, we remain committed to investing in the core business alongside additional organic investment initiatives and as a result the Board will not be recommending a dividend or share buyback programme for the foreseeable future.

We continue to monitor very closely the impact of the COVID-19 virus across the world in relation to our dedicated colleagues and of course our customers.

The health and safety of our staff is of paramount importance and we have implemented a number of measures to protect our global workforce aligned with the latest local government and industry recommendations.

In each of the jurisdictions we operate within, the Board and I would all like to thank all our colleagues for their persistent dedication during what has been, and continues to be a challenging period for the business and wish them all a safe and healthy future.



**Christopher Bell**  
**Non-Executive Chairman**

7 May 2020

# Chief Executive Officer Review

## Annual Report

### Introduction

I joined XLMedia in October 2019 with both optimism and a defined strategic ambition that necessitated an overhaul of the businesses working practices, executive team and organisation structure. It is clear that the Company's recent growing pains, coupled with broader industry changes mean that the Company must evolve and be able to constantly adapt to dynamic market conditions.

In addition, it is evident to the Board and I that there are significant market opportunities for performance marketing companies that can truly activate and engage consumers, whilst also cultivating strategic, tenured partnerships with brands and operators alike. Specifically, with brands increasing their direct-to-consumer marketing activities, and traditional value chains collapsing, companies like XLMedia should be thriving in many verticals and markets, offering access to consumers and players for an attractive return.

However, the historical focus of the Group has been on the European gambling segment, unregulated markets, which as the Group's FY2019 results show, include some of the most volatile markets, especially when becoming regulated, such as Sweden. Therefore, it has been paramount to shift the focus of the Company, its resources, its investment strategy and culture towards a more global, cross vertical operating model, that thrives in regulated markets, with a particular focus on the US Sports market opportunity and personal finance.

XLMedia has a strong balance sheet to power the transformation and shift required, providing both leverage and growth. This also applies to our ability to survive situations that many other companies might not, such as the Google de-ranking of a number of our websites, which we are using as a catalyst to drive and deliver change, faster than anticipated and with a renewed clarity of purpose and commitment.

I firmly believe that we are defining and building the capabilities to support our future growth, whilst making hard decisions to restructure our operations and priorities; such as to shut down or dispose of non-core business groups, refresh the Executive team, focus on premium assets (removing legacy sites), and re-platform from legacy technology systems and processes.

### Our proposition

XLMedia has a long track record of success in online performance marketing and currently operates over 2,000 websites across numerous sectors. The Group's core skill is to stimulate active engagement by sending paying customers to our partners and sharing the revenues associated with these activities.

To date, the Group has managed an extensive portfolio of online websites ranging from content rich and highly interactive sites, such as moneyunder30.com, to less interactive domains. Typically, the Group's financial services websites utilise a qualitative approach whereby consumers are encouraged to browse and digest a highly sophisticated level of content. Conversely, the Group's gambling segment utilises a methodology based around quantity, targeting multiple sites across the same segment or geography. Going forward, we will be focused on a qualitative approach and are now prioritising the development of more engaging websites, seeking to develop the Group's publishing activities and enhancing consumer engagement.

Currently, roughly 50% of Group revenues are generated by 20 sites, underlining the need for a more consolidated and focused approach. To this end, we have been focused on closing down older, legacy sites which generate either minimal or no revenue for the Group.

Controlling and managing a diverse publishing portfolio puts the Group in a better position to create higher levels of engagement than other traditional performance marketing, encouraging consumers to actively choose the content they want to digest, generating both greater value and increased levels of engagement.

### Operational Review

Having joined the Group in October 2019, it was clear then that XLMedia was in need of transformation. It was a typical mid-sized company that had seen dramatic growth but was not fully prepared for the next phase of development, instead seeking to maximise short-term profits over investing for the future.



## Chief Executive Officer Review

### Annual Report

This is not uncommon in many companies of its size and age, and many of the problems are familiar to me from previous experience. However, there is no 'quick fix' and shareholders will have to understand that unpicking years of underinvestment will take time, but when completed, sustainable, predictable growth will again be possible. The first step for any transformation is People, and I feel confident that I am assembling a team that can lead us through the next phase of growth and beyond.

#### To that end, I have prioritised the following key areas of investment:

- Operating Model – business processes and organisation design to support future growth
- Data & Programmatic learning – using machines to harness data and create compelling Consumer experiences
- US Sports – M&A, US infrastructure and resources with Sport specific technology
- New Markets – utilise XLMedia's expertise and experience to grow existing verticals into new markets

As our FY 2019 financial performance highlights, the business needs to transform to meet the future demands of both customers and consumers, and to operate in growth verticals and markets. Therefore, management will remain focused on further developing the Group's core publishing activities, positioning XLMedia for further growth.

Within the Group's European gambling markets, well documented regulatory headwinds, specifically in Germany and Sweden, have had an impact on revenue growth in the period, although the Group has maintained its market share, albeit at lower volumes. A further update on the broader regulatory landscape is set out below.

The Group's North American personal finance assets continue to perform well and now account for 16.5% of Group revenues and continues to be a key growth market. North America as a whole (Sports and Personal Finance) represents currently 20.3 % of Group revenues.

During the period we also made the decision to focus solely on XLMedia's core publishing activities. Therefore, we terminated all media activities as of Q1 2020.

Despite these challenges, the Group delivered a very creditable performance in FY 2019, producing revenues of \$79.7 million (2018: \$93.5 million), gross profit of \$53.7 million (2018: \$63.4 million) and an adjusted EBITDA of \$33.5 million (2018: \$43.6 million).

Going forward, management is focused on becoming a 'pure play' global digital performance publisher.

## Regulation

All of XLMedia's business units in some way are controlled or impacted by regulations. We believe that, on the whole, regulation offers sustainable revenues and significant market opportunities for companies such as ourselves, who have the experience, size and maturity to support regulation, protecting the consumer, brands and operators.

Further to being sustainable, regulation offers market consolidation opportunities and therefore market share growth as with Sweden, albeit with total revenues diminishing. Therefore, as gambling markets transform into regulated territories, investors should expect short term revenue volatility as new regulation impacts volumes, though, this should be followed by more predictable revenues streams in the longer term.

It is also important to note that micro-verticals often face differences in regulation, for example slot machines are treated very differently from Bingo. We will continue to operate across a broad spectrum of micro-verticals and over time intend to provide more commentary on the revenue split and the opportunities and risks associated with each.

Our plan is to globalise our Personal Finance offering and brands, which currently only operate in North America.

## Chief Executive Officer Review

### Annual Report

A key capability in the Group will be to continue to monitor and abide by regulations worldwide, whilst also investing in technology to quickly respond to changing environments and new compliance needs.

I passionately believe that XLMedia's role is to embrace regulations, and, in some instances, help tighten and control them to further protect consumers. I believe that our future revenues will be focused predominantly on regulated markets operating in Sports, other gambling segments and Personal Finance.

### Google update

On 18 January 2020, the Company became aware that a number of its casino sites had been manually demoted by Google, impacting their online ranking and therefore significantly reducing their ability to generate revenues. The Company is continuing to work with Google to restore their rankings as soon as possible.

Currently, circa. 100 websites have been demoted, ranging from 'premium' revenue generating sites to low grade, typically legacy sites, or low commercial value domains. Of these sites demoted by Google, 23 are 'premium' sites and are predominantly within the online casino vertical. Currently, Google has not impacted personal finance.

Management understands that the large number of low-grade, typically legacy sites, operated by the Company had a collective negative impact when reviewed by Google. Therefore, we have removed or de-indexed a large number of these sites.

Separately, XLMedia has reviewed its entire online publishing assets, to focus on significantly reducing the total number of non-revenue generating sites and increasing the focus on 'premium' sites, as well as both incubating and developing new sites.

Part of this review was to analyse the Groups technology platform strategy, specifically Palcon. As

a consequence of this review and analysis, XLMedia is transferring its premium revenue generating sites impacted by the Google demotion to a new operating environment, that supports improved content management, innovative design and more commoditised resources / operational support. The broader implications for the business will be a shift to a flexible, lower operating cost model, which supports the Company's aspirations as a premium performance marketing company.

Management remains optimistic that a number of premium de-ranked sites will be fully operational during H2 2020.

As announced in February 2020, management expect a monthly reduction in Group revenues of between \$1 million and \$2 million (assuming only a minor fall in its repeat revenues) as a result of the Google demotions. In addition, management anticipates that any lengthy period of demotion could impact the rankings once restored, and that it may take a period of time to re-establish. However, based on industry experience, we do expect re-ranked sites eventually to outperform any historical results.

### Transformational strategy

Google de-ranking and COVID-19 have not changed our strategic ambition or goals for the transformation, and in some ways have amplified them, acting as a catalyst to accelerate and drive change.

I believe with the Executive team we are building – (who have the skills and experience to deliver transformation), and the balance sheet – (to survive the intense market conditions), we will come out of this period leaner, better operationally structured and driven to grow quickly.

In terms of change, as highlighted above, we are focused on shifting the emphasis of the business from 'quantity to the quality' of websites. We are a performance-based business at heart, and this will not change. We will continue to be focused on connecting brands to consumers by operating a diverse global portfolio of premium websites that deliver significant intrinsic value for consumers.

## Chief Executive Officer Review

### Annual Report

**To that end, management are focused on the following strategic goals:**

#### Consolidation of publishing assets, focusing of resources

Currently the Group operates over 450 online publishing assets globally, ranging from premium and highly interactive sites to basic, legacy sites. We have therefore decided to reduce the total number of sites operated by the Company, instead focusing on building strong brand recognition across a focused number of 'premium', highly profitable, online assets.

This process has been accelerated by the de-ranking of circa.100 casino assets by Google, which has prompted the Company to begin the process of upgrading over 20 'premium' sites.

Alongside consolidating the Group's online assets, management are enhancing the focus and capabilities on consumer experience, putting this at the heart of what we do. Using our rich data and intelligence capabilities to improve consumer engagement, segmentation and understanding. We believe this will be better for the consumer, and as importantly, the customers we represent.

Sites such as moneyunder30.com offer an initial blueprint for how the Group is seeking to develop existing assets going forward.

#### US Sports and Personal Finance investment – targeting high growth markets

The US sports betting market represents a significant opportunity for us. As a result, we are firmly focused on building our US presence to develop organic investment opportunities, partnerships, acquisitions and use of technology. Earlier this year we opened our first US office in New York and look to expand further into regional offices.

XLMedia has already established a solid revenue foothold within personal finance and will seek to further develop growth opportunities by deploying local resources and further increasing editorial localised content. Acquisitions and partnerships remain key vehicles to deliver growth.

#### Further investment in regulated (mature) markets – stable revenue growth

We continue to invest in fully regulated gambling markets which we believe provide a solid framework from which to generate stable revenue growth, with a specific focus on developing our Sports assets and associated technology.

### Capital allocation / Dividend

Given the current cash balance and lower levels of cash generation from the Group, the Board is recommending that no final dividend is proposed for the 2019 financial year, with no dividend expected to be proposed until further notice.

In addition, while we give due consideration to capital allocation activities such as a share buyback programme or tender offer, in order to accelerate a number of strategic initiatives highlighted above, such initiatives are not expected to be offered for the foreseeable future.

### COVID-19 update

XLMedia's global workforce has been working remotely since March 2020, in line with current regulations globally and the health and wellbeing of our employees remains of the utmost importance. This required XLMedia to accelerate a dramatic change to daily operations, technology (laptops) and embracing more flexible working practices. Previously, only a limited number of staff were provided with laptops and working from home was prohibited with a clocking in and out system in place to monitor attendance.

Due to the excellent work by the HR function and IT team, to date, we have not seen any negative impact on our remote working policy and the business remains well placed to weather a prolonged period of self-isolation, with morale seeming high and the team remaining engaged. Further to this we believe that the improvements made to how we operate, will continue and evolve further when COVID-19 ends. This will provide us with a more flexible and agile workforce, supporting one of our key goals to become one of the most progressive employers in Israel and around the world.



## Chief Executive Officer Review

### Annual Report

However, Coronavirus is having an impact on a number of our key business verticals and revenue streams. Starting in February 2020, many sport events were cancelled around the world which looks likely to continue for much of the remainder of the year with major championships such as European Football Championship and the Olympics being postponed or cancelled. In addition, personal finance has also been affected with many banks and financial services organisations pulling back marketing spend in favour of a “wait and see” strategy. Both Business Groups responsible for Personal Finance and Sports have been creative in adopting new working practices, improving editorial workflow and finding new revenue sources.

This decrease should be marginally offset by increases in other verticals, such as online gambling and cyber security, but has obviously been hampered by many of the sites remaining de-ranked. The Group is actively assessing and responding to the potential impact of the outbreak, but since there is uncertainty regarding the extent of the effects and future events, there is uncertainty regarding the total effect on the Group revenue.

### Outlook

Despite making a solid start to 2020, the Company is still unable to determine the full impact of Google's demotions, although initial indications are that the previous guidance of a monthly reduction in Group revenues of between \$1 million and \$2 million (assuming only a minor fall in its repeat revenues) is accurate.

In addition, COVID-19 will continue to create uncertainty in the short to medium-term, impacting a number of our end-customers and verticals. Management continues to monitor this situation closely and will align the Company's cost base accordingly.

Therefore, as with many other companies, Q2 2020 looks likely to be a very challenging period, one during which significant change is being delivered against a background of increasing one-time costs as we further embed our transformation plans.

While the Google de-ranking impact and the direct impact of COVID 19 are expected to remain, management are confident that the impact of both taken together will not be in excess of the previous guidance over the course of the year.



**Stuart Simms**  
**Chief Executive Officer**  
**7 May 2020**

## Chief Financial Officer's Review

### Annual Report

XLMedia revenues in 2019 totalled \$79.7m (2018: \$93.5 million), a decrease of 15% compared to the previous year due to expected regulatory headwinds in key Swedish, German and Swiss markets.

Gross profit for 2019 was \$53.7 million and gross margin was 67% (2018: \$63.4 million, 68% gross margin), representing a 15% decrease, proportional to the decrease in revenues.

Operating expenses for 2019 were \$27.3 million (2018: \$26.4 million), principally in line with 2019.

Adjusted EBITDA for 2019 was \$33.5 million or 42% of revenues (2018: \$43.6 million, 47%), a decrease of 23% on the previous year. The decrease in the margin was due entirely to the reduction in revenues.

Net financing expenses for 2019 were \$1.0 million (2018: \$0.5 million). The increase in financing expenses mainly reflects the initial adoption of IFRS 16 in which the Group recognises interest and exchange rate differences on its lease liabilities.

IAS36 requires that a company ensures that its assets are carried at no more than their recoverable value. Under IAS 36, when the carrying amount of the assets exceeds its recoverable amount an impairment loss is recorded. Following an independent and comprehensive review of recorded asset values at year end and further reductions following the demotion of the Group's websites by Google in January 2020, XL Media has booked an impairment loss of \$81.4 million in its 2019 accounts (2018: \$0.3m).

\$'000	2019	2018 (*)	Change
Revenues	79,695	93,502	-15%
Gross profit	53,693	63,369	-15%
Operating profit before impairment and reorganisation costs	26,346	36,985	-29%
Adjusted EBITDA <sup>2</sup>	33,471	43,571	-23%
Impairment loss	(81,350)	(300)	
Reorganisation costs	(1,682)	—	
Adjusted <sup>1</sup> profit before tax	25,302	36,448	-31%
Income (loss) from discontinued operations	2,217	(11,284)	
Profit (loss) before tax	(57,730)	36,148	

(\*) Reclassified - excluding discontinued operations

<sup>1</sup> Excluding loss from impairment and reorganization costs

<sup>2</sup> Earnings Before interest, Taxes, Depreciation, Amortization and excluding share-based payments, impairment and reorganisation costs

## Chief Financial Officer's Review

### Directors' Report

In 2019 the Group recorded reorganisation costs of \$1.7 million following the commencement of a significant future restructuring plan of the Group. This program will complete during 2020.

Adjusted profit before tax in 2019 was \$25.3 million (2018: \$36.4 million), a decrease of 31%.

In 2019 the Group recorded income from discontinued operations of \$2.2 million (2018: loss of \$11.3 million) as result of the Company's Board decision to reduce certain parts of its Media activities which had lower profit margins. In August 2019, the Company completed the sale of Webpals Mobile Ltd which was a substantial component of the discontinued operation. The gain derived from the sale was \$1.8 million.

As at 31 December 2019, the Company had \$29.9 million in cash and short-term investments (2018: \$47.6 million). The change in cash is a reflection of \$40.1 million generated by operating activities offset by \$7.3 million used for investment activity, and \$51.0 million used for financing activities (acquisition of treasury shares of \$29.7 million, dividend payments to shareholders of \$14.2 million and repayments of bank loans of \$5.5 million).

Current assets as at 31 December 2019 were \$42.4 million (31 December 2018: \$69.2 million)

The decrease in current assets was predominantly as a result of the decrease in cash and cash-equivalents mentioned above and a decrease in trade receivables of \$8.4 million, mainly as a result of discontinued operations. Non-current assets as at 31 December 2019 were \$57.0 million (31 December 2018: \$127.3 million). The decrease in non-current assets is mainly from the impairment adjustment of \$81.4 million.

Current liabilities as at 31 December 2019 were \$27.2 million (31 December 2018: \$28.1 million).

Non-current liabilities as at 31 December 2019 were \$8.6 million (31 December 2018: \$1.6 million).

The increase in non-current liabilities is mainly attributable to the lease liability of \$8.1 million recognized as result of the initial adoption of IFRS 16.

Total equity as at 31 December 2019 was \$63.5 million or 64% of total assets (2018: \$166.8m or 85% of total assets). The decrease in the equity was mainly as a result of the net loss for the year of \$58.7 million, acquisitions of treasury shares of \$29.7 million and dividend payments to shareholders of \$14.2 million.

I joined the Company in February 2020 with a firm belief that under a visionary new Management team with proven turnaround experience, a right sized but strong balance sheet and no debt, the Company remains poised to deliver strong future returns for its shareholders.

2020 will undoubtedly be a testing and transformative year for the Group but I fully expect that these changes should put us in a strong position as we move into 2021 and beyond.



**Iain Balchin**  
**Chief Financial Officer**  
**7 May 2020**



## XLmedia's Board

### Company Information



### Christopher Bell

Independent Non-Executive Chairman

Mr. Bell has considerable listed board experience across a range of sectors. He has, since 2015, been Senior Independent Director for The Rank Group PLC, where he also serves on both the Audit Committee and the Nominations Committee.

Mr. Bell is Non-Executive Chairman of three AIM-listed companies: Team 17 Group PLC, TechFinancials Inc and OnTheMarket PLC, all of which he took to market and on which he serves on key governance committees.

Mr. Bell joined Ladbroke Group PLC in 1991, becoming Managing Director of its Racing Division in 1995. In 2000, he became Chief Executive of Ladbrokes Worldwide and joined the Board of the rebranded Hilton Group PLC, becoming Chief Executive of Ladbrokes PLC, following the sale of the Hilton International Hotel division, until 2010.

He has also served as Non-Executive Director at Spirit Pub Company PLC (from 2011 to 2015) and as Senior Independent Director at Quintain Estates and Development PLC (from 2010 to 2015). Prior to joining Ladbrokes PLC (formerly Hilton Group PLC and Ladbrokes Group PLC), Mr. Bell held senior marketing positions at Allied Lyons PLC.



### Stuart Simms

Group CEO

Mr. Simms joined XLMedia as Chief Executive Officer in October 2019. He brings significant experience in technology companies and specifically those in the performance marketing sector.

Mr. Simms has previously held several board and senior executive positions, including Chief Executive Officer of Rakuten Marketing, one of the largest performance marketing companies, and has also held senior executive positions with leading technology businesses including Microsoft, and Rackspace.



### Richard Rosenberg

Independent Non-Executive Director and Chairman of the Audit Committee

Mr. Rosenberg is a qualified chartered accountant and a partner in SRLV, a London-based multidisciplinary 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 firm.



### Amit Ben Yehuda

Non-Executive Director

Mr. Ben Yehuda has over twenty years' experience across a number of high-growth industries focusing on implementing strategic growth initiatives and executing significant levels of M&A.

Mr. Ben Yehuda has Bachelor's degrees in Economics and Political Science and an M.B.A., all received from Tel Aviv University. Currently, Mr. Ben Yehuda is the Chief Executive Officer of Kardan Communications and Kardan Technologies.



### Jonas Mårtensson

Independent Non-Executive Director and Chairman of the Remuneration Committee

Mr. Mårtensson has substantial experience in both corporate and capital markets and great experience with the Nordic countries.

Mr. Mårtensson is currently CEO of Mojang AB ("Mojang"), the Swedish video game developer and publisher acquired by Microsoft in 2014, that's best known for creating the popular independent game, Minecraft. Mr. Mårtensson previously founded a betting operator, Mobilbet.com, and held senior roles at Betsson, latterly at Betsson Technologies AB, as Head of Mobile.

Mr. Mårtensson holds a Master of Science in Business Administration, major in entrepreneurship from Stockholm University School of Economics and Management, and a Master of Science in Business Administration, major in Business Development from Södertörn University College, Sweden.



### Ory Weihs

Non-Executive Director

Mr. Weihs is one of the founders of XLMedia and held the role of Group CEO until October 2019. He is an entrepreneur who has been deeply involved in the online gambling and performance marketing industries for over fifteen years.

## Advisors

### Company Information

#### Registrars:

##### Link Asset Services The Registry

34 Beckenham, RoadBeckenham, Kent BR3 4TU

#### Joint Corporate Broker:

##### Joh. Berenberg, Gossler & Co.

KG 60 Threadneedle Street, London EC2R 8HP

#### Auditors to the Company:

##### Kost Forer Gabbay & Kasierer

(a member of Ernst & Young Global)

3 Aminadav Street, Tel Aviv 67067 Israel

#### Company Secretary:

##### Mr. Matan Daniely

6 Agias Marinas, Yermasogeia Limassol Cyprus, 4044

#### Jersey Law Counsel

##### Carey Olsen

47 Esplanade, St. Helier, JE1 ORD, Jersey

[www.careyolsen.com](http://www.careyolsen.com)

#### Nominated Adviser and Joint

##### Corporate Broker:

Genkos Securities plc, 6.7.8. Tokenhouse Yard London, EC2R 7AS

#### Public Relations advisor:

##### Vigo Communications

180 Piccadilly, London W1J 9HF

#### Registered Office:

12 Castle Street St. Helier Jersey, JE2 3RT

#### UK Law Counsel

##### CMS Cameron McKenna Nabarro Olswang LLP

78 Cannon Street, London, EC4N 6AF, United Kingdom

[www.cms.law](http://www.cms.law)

#### Pincent Masons LLP

30 Crown Place, Earl Street, London, EC2A 4ES, United Kingdom,

[www.pincentmasons.com](http://www.pincentmasons.com)

# Directors' Report

**The Directors present their report for the year ended 31 December 2019.**

## **Results and review of the business**

The Directors' Report should be read in conjunction with the full 2019 Annual Report and financial statements.

## **Share capital**

The authorized and issued share capital of the Company are shown in **note 13** of the financial statements.

Pursuant to the decision passed by shareholders at the last Annual General Meeting, and in accordance with the Company's Article of Association, the directors are authorised to allot up to an aggregate number of 69,967,835 shares, being 33% of the issued share capital of the Company as of the date of the Annual General Meeting.

Also, the Board was authorized by shareholders to allot and issue, wholly for cash, with disapplication of pre-emption right, up to 20,990,350 shares representing 10% of the issued share capital of the Company as if the date of the Annual General Meeting. These authorities will expire on the date of the Annual General Meeting to be held on 27 May 2020 and approval will be sought for new authorities at the Annual General Meeting.



## Major Shareholders

### Directors' Report

**As of 31 December 2019, the following interests of shareholders in excess of 3%, had been notified to the Company:**

Shareholder's Name	Number of shares held	Shares as % of issued share capital
Axxion S.A.	18,160,460	9.7%
Premier Investissement SAS	16,845,650	9.0%
Fidelity Management & Research Company	11,065,893	5.9%
Hargreaves Lansdown AM	9,368,122	5.0%
River and Mercantile Asset Management	9,214,987	4.9%
Invesco Advisers, Inc.	6,025,000	3.2%

## Buy back & Tender Offer

On 18 December 2018 the Company instigated a share buyback programme with repurchased shares being held in treasury (the "First Programme"). The First Programme was approved by the Board pursuant to the general authority to buy back shares provided by the shareholders of the Company on the annual general meeting held on 23 May 2018.

Under the First Programme the Company has repurchased 11,728,150 shares for an aggregate sum of £7.3 million,

On 4 June 2019 the Company instigated a second share buyback programme with repurchased shares being held in treasury (the "Second Programme"). The Second Programme was approved by the Board pursuant to the general authority to buy back shares provided by the shareholders of the Company on the annual general meeting held on 29 May 2019.

Under the Second Programme the Company has repurchased 1,820,593 shares for an aggregate sum of £1.1 million.

Both the First Programme and the Second Program were funded from the Company's existing cash balances.

Between 15 July 2019 and 15 August 2019, the Company held a tender offer to repurchase its own shares at a purchase price of 80 pence per share and up to a total of 19,675,000 Shares with repurchased shares being held in treasury (the "Tender Offer"). The Tender Offer was approved by the shareholders of the Company at the special general meeting of shareholders held on 16 August 2019.

The Company's issued share capital, as at 31 December 2019, consists of 220,352,402 ordinary shares of which 33,223,743 were on 31 December 2020 held by the Company as treasury shares without voting or economic rights. Therefore, the number of ordinary shares in issue as at 31 December 2019 was 187,128,659 (excluding treasury shares).

## Dividends

### Directors' Report

On 1 November 2019 the Company paid an interim dividend for H1 2019 of 5.8 million. On 4 February 2020 the Company announced that in order to accelerate a number of strategic initiatives, alongside evaluating potential acquisition opportunities, no final dividend is proposed for the 2019 financial year, with no dividend expected to be proposed until further notice.

## Senior Management Changes

On 29 July 2019, the Company announced the appointment of Stuart Simms as Chief Executive Officer with effect from 2 October 2019. On 3 October 2019, Mr. Simms was also appointed as a member of the Board.

On 23 September 2019, the Company announced that Yehuda Dahan had notified the Board of his decision to step down as Chief Financial Officer with immediate effect and Liat Hellman assumed the role of interim Chief Financial Officer. On 4 February 2020, Mr. Iain Balchin was appointed as Chief Financial Officer of the Group.

## Directors' indemnity insurance

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.

## Corporate Governance

In September 2018, the Company adopted the QCA Corporate Governance Code published by the Quoted Companies Alliance. For more information about Corporate Governance and the implementation of the QCA Code please refer to the Corporate Governance Report on pages 46-53 of this Annual Report.

## Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Risk Committee. For more information about the Audit Committee and for information about the internal and external auditors please refer to the Audit Committee Report on pages 54-63 of this annual report.

For more information about the Remuneration Committee, directors remuneration and bonus and share option schemes please refer to the Remuneration Committee Report on pages 64-75 of this Annual Report.

The Board has established a Risk Committee chaired by Ory Weihs. The other members of the Committee consist of Richard Rosenberg, Christopher Bell and Stuart Simms. The Risk Committee receives presentations from management on risk, compliance and regulatory issues and reviews the related internal control systems.

## Our Financial Instruments

The Group's financial instruments are discussed in note 12 to the financial statements.

## Our Procedures

The Group's Procedures including our Code of Business Conduct, Anti-Bribery and Corruption Policy, Disclosure Policy, dealing code, Social Media Policy, Whistle-blowing Policy and Modern Slavery Policy are determined and set out for all employees to review. The Company's management is responsible for the implementation of these procedures.

## Our 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) and in accordance with the Market Abuse Regulations. The Directors consider that the share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

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

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

### Directors' Report

**In preparing these financial statements, the Directors are required to:**

Present fairly the Group and Company financial position, financial performance and cash flows;

Select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;

Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

Make judgments that are reasonable;

Provide additional disclosures when compliance with the specific requirements in IFRS, as adopted by the EU, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and

State whether the Group and Company financial statements have been prepared in accordance with IFRS, as adopted by the EU, subject to any material departures disclosed and explained in the financial statements.

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

### Directors' Report

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 26-27. 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 recognize the value of involving employees in the business and ensuring that matters of concern to them, including the Group's aims and objectives, are communicated in an open and regular manner. Management frequently briefs employees of the Group's performance and activities and discusses matters of concern or interest. Our 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.

## 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.



## Annual General Meeting of Shareholders

**The Company will be holding its 2020 AGM on 27 May 2020.**

Shareholders should note the provisions in the notice of Annual General Meeting with regard to the holding of this year's Annual General Meeting in light of the restrictions arising from the COVID-19 outbreak

## Auditor

A resolution to reappoint Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global (EY), as auditors of the Company will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditors' remuneration. For more information about the Auditors please refer to the Audit Committee Report on pages 54-63 of this Annual Report.

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

### By Order of the Board

**Matan Daniely**

Company Secretary

12 Castle Street St Helier Jersey JE2 3RT

# Risk Factors

The Risk Committee and the Board evaluate the operational risks facing the Company on an ongoing basis to monitor for changes in risks and risk impact and to set guidelines for risk mitigation. The most significant risks identified by the Risk Committee and the Board are listed below.

## **Powerful market participants may intentionally or unintentionally stop or interrupt our operations**

### **Risk Factors**

Search engine providers as well as social networks are continuously changing their platforms. Because of their powerful market positions, any such changes may adversely affect us, including materially disrupting traffic to our websites and decreasing the amount of revenues generated by our publishing assets.

We seek to manage this risk by regularly reviewing our websites and adapting them to fully comply with the platforms' guidelines and ensure our marketing strategies focus on quality, value add services, usability, relevancy, functionality and testing.

## **Gambling laws and regulations as well as online marketing regulations are constantly evolving and becoming more stringent**

Although we do not conduct any online gambling operations, we are dependent on the online gambling industry, which comprises the majority of our customers. The laws and regulations surrounding the online gambling industry are complex, constantly changing and in some cases also subject to uncertainty and interpretation. Moreover, online gambling may become prohibited and/or highly restricted in countries we operate in.

As publishers of online gambling businesses, we are also subject to advertisement and customer protection regulations – these are also a complex set of rules which differ between markets and geographies.

If regulations or enforcement policies in the main markets we operate in change in a manner that affects us or our customers, then our ability to produce the same stream of revenues in such markets may be adversely affected. Moreover, if enforcement or other regulatory actions are brought against us or any of our customers (whether current or future), our revenue streams from such customers may be adversely affected as well.

We manage this risk by closely monitoring regulatory developments throughout the territories we operate in to allow planning, adapting and preparation of our business for the upcoming changes. We engage with external advisors in various territories to provide us with periodical regulatory reviews in such territories and their possible effects on our business.

## **Unfavourable terms and conditions**

We engage with some of our customers through online affiliate program platforms. Such platforms include terms and conditions for participation which may be unfavourable to us, or which may require us to rely heavily on the platform for information as to users and revenue streams, and which may expose us to liability and loss of revenues. We manage this risk by trying to engage with our customers through direct negotiated agreements which limit our liability and secure our revenue stream.

## **Protracted expansion into new sectors and markets**

We are seeking to expand our activities into areas such as personal finance and other new markets in order to both increase and diversify our revenue streams. In many of these sectors and markets the Company does not have an established brand or presence which may result in our expansion taking longer than expected or increased costs as we build market share. We seek to manage these risks by ensuring a deep understanding of the market and customer base we are seeking to address and delivering a strong and robust product offering.

## **Reliance on a clear value proposition to our clients**

We engage with some of our customers through online affiliate program platforms. Such platforms include terms and conditions for participation which may be unfavourable to us, or which may require us to rely heavily on the platform for information as to users and revenue streams, and which may expose us to liability and loss of revenues. We manage this risk by trying to engage with our customers through direct negotiated agreements which limit our liability and secure our revenue stream.

## **Protracted expansion into new sectors and markets**

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## Reliance on a clear value proposition to our clients

### Risk Factors

We are reliant on establishing a competitive advantage in a highly competitive and fragmented market. We seek to manage this risk by ensuring we have a market leading product offering and value proposition and by increasing presence in high growth markets.

### Revenues mainly derive from top 10 customers

In 2019, \$38.7 million of our revenues derived from our top 10 customers.

We seek to manage this risk by diversifying our business to reduce reliance on key customers and by attempting to win more customers in existing and new territories.

### Large portion of gambling revenues deriving from non-regulated gambling markets

Large portion of our gambling revenues derive from non-regulated gambling markets, where the future of regulation and enforcement is uncertain. Regulatory changes and increased enforcement may result in volatility and unpredictable revenues and may result in loss of business and revenues.

We seek to mitigate this risk by diversifying into regulated markets, non gambling markets, and by keeping up with regulatory developments.

### Heavy reliance on third party systems to validate commission payments

We engage with some of our customers through online affiliate program platforms. Such platforms include terms and conditions for participation which may be unfavourable to us, or which may require us to rely heavily on the platform for information as to users and revenue streams, and which may expose us to liability and loss of revenues. We manage this risk by trying to engage with our customers through direct negotiated agreements which limit our liability and secure our revenue stream.

### Failure to adapt to changing business practices, competitors and client behaviour and changing technology may result in becoming less competitive

Our continued success will partly depend on our ability to enhance and improve our websites and the marketing of such sites. We need to respond to technological advancements in digital marketing and the development of alternative platforms for gambling used by operators such as Mobile and Social. If we were unable to adapt and enhance our content and marketing skills to meet market demand in a timely manner, we could lose existing customers and struggle to attract new customers.

To mitigate this risk we seek to ensure our innovation and evolution by designing and implementing a structure that follows the developments of business practices and supports innovation, we ensure core capabilities are present to harness data, and ensure structures and roles are well documented and we acquire new technologies through M&A, internal developments, or sourcing and acquiring.

### Coronavirus/COVID-19

While the COVID-19 pandemic is not directly affecting the ability to conduct online advertisement, it has led to the cancellation of major sporting events around the world and a reduction in advertising spending by many banks and financial services organisations. As a result, our sports betting and personal finance businesses are likely to see less activity until there is some degree of re-opening of economies and events. We seek to manage the risks posed by the COVID-19 pandemic through continuous monitoring of the markets and adapting to the resulting effects, seeking alternative revenue sources, improving editorial content and adopting improved working practices.



# Corporate Governance Report

As an AIM listed company working within highly regulated markets, our Board recognizes the importance of applying sound and consistent governance principles appropriate to the nature, scale and business of the Company and the need to apply best practices wherever possible to help manage risk within the business. Our Board is committed to upholding high standards of corporate governance throughout the Group. Our Board acknowledges its role in setting the culture, values and ethics of the Group and in ensuring good corporate governance principles are maintained for the long-term benefit of the Group.

In line with the requirement in the AIM Rules requiring all AIM quoted companies to adopt and comply with a recognized corporate governance code and detail how they comply with that code, in September 2018 the Board formally adopted the QCA Corporate Governance Code (the “Code”) and reports annually on the Company’s compliance with the Code and any exceptions.

The Code is constructed around ten key governance principles that the QCA has identified as focusing on the pursuit of medium to long-term value for shareholders. We have set out in the

report below how we apply the ten principles of the Code, using the disclosures indicated by the Code.

The Board believes that the Group complies with the principles of the Code as far as possible and has explained below where it does not comply. The Board will continue to monitor how the Code is interpreted in practice to ensure we can continue to comply with the principles of the Code as far as possible.

# Deliver Growth

## Corporate Governance Report

### Principle 1

#### Establish a strategy and business model which promote long-term value for shareholders

Our strategy and business operations are set out in pages 4-21 of this annual report. That section covers our business model, our strategy and how we aim to drive long-term value for shareholders. The risk sections of this Annual Report are on pages 40-45 of this Annual Report and deal with the major challenges the business faces and how these challenges are addressed and mitigated. For more information about our strategy please see: <https://www.xlmedia.com/what-we-do/>.

### Principle 2

#### Seek to understand and meet shareholders' needs and expectations

We are committed to listening and communicating openly with our shareholders to ensure that our strategy, business model and performance are understood. One or more senior representatives of the Company and the Board are present in the Annual General Meetings of the Company to answer questions from shareholders who attend the meetings. Additionally, our Chairman of the Board and the Chief Executive Officer meet and talk regularly with shareholders and potential investors directly and through analysts and brokers in order to receive feedback on market expectations or

other matters. We nominated our CEO, Mr. Stuart Simms and our CFO, Mr. Iain Balchin as the responsible officers for shareholder engagement and have in place a mailbox to address investor feedback ([ir@xlmedia.com](mailto:ir@xlmedia.com)). We also operate a free newsletter tool on our website, which allows subscribers to receive breaking news about the Company and the Group via e-mail. Registration to the newsletter can be made here: <https://www.xlmedia.com/investor-relations/rns-news-alerts/#alerts>. Additional information about the ways in which the Group is communicating with its shareholders is available on our website: <https://www.xlmedia.com/investor-relations/significant-shareholders/> and on <https://www.xlmedia.com/about-us/corporate-governance/>

### Principle 3

#### Take into account wider stakeholder and social responsibilities and their implications for long-term success

We are mindful of our corporate social responsibilities and the need to build and maintain strong relationships across a range of stakeholder groups. Our key stakeholders are our shareholders, customers and their end customers, suppliers, employees and regulators. We nominated our CEO, Mr. Stuart Simms, as the responsible officer for stakeholder engagement and set up a mailbox to address stakeholders' feedback ([ir@xlmedia.com](mailto:ir@xlmedia.com)). The specific needs of each stakeholder group are considered when the Company reviews and responds to that

feedback. We are committed to ensuring a high level of customer service. We frequently correspond with, and seek feedback from, key customers to improve our services. All customer feedback and requests are handled carefully and promptly. Our executives also regularly meet with key customers at professional conventions and other events to improve customer relations and to better understand customers' needs. We are catering our end customers' needs and always endeavor to provide them with highest quality services and products to tailor fit their needs and expectations. We view highly trained and satisfied employees as another essential part of business growth. As such, we strive to train and develop our employees to ensure professionalism, excellence and personal development and progression. We recruit employees who fit our open and dynamic working environment and our employees are encouraged to provide feedback on ongoing matters through informal discussions with managers and executives at all levels and during their annual meetings with their managers. Managers are simultaneously encouraged to act on the feedback received. We have established an anonymous mailbox and telephone line handled by Mr. Richard Rosenberg, chair of the audit committee of the Board, to allow employees to provide feedback to the Board in a discreet manner. We believe that excellent suppliers are key to providing long term excellency in services and are therefore essential for supporting our long-term success. Many of our suppliers rank at the top of their services category. Suppliers are asked by the relevant functions in our Group to provide feedback about their services and expertise. Any feedback is discussed by us and further action, if required, is considered.

### Principle 4

#### Embed effective risk management, considering both opportunities and threats, throughout the organization

The Board has embedded an effective risk management framework to identify, evaluate, manage and mitigate risks, in order to ensure the Company is well positioned to execute its strategy and achieve its business objectives. The Company's risk register is compiled with input from our executives and other employees. The Risk Committee of the Board is responsible for reviewing the risk register and other risks facing the Company and discussing all compliance issues and regulatory developments based on the risk register and other periodical management updates designed to highlight any new or developing risks. In addition, we have an internal audit function performed by Chaikin Cohen Rubin & Co. which conducts audits periodically pursuant to an internal audit plan. The specific internal audit plan is established each year based on the issues identified by the Audit Committee and the Board as most relevant to such year. Each report published by the internal auditors is discussed by the Audit Committee and action items identified in such reports are handled by the Company. Further details on the risk management process, the key risks and challenges facing the business and how they are mitigated are set out in pages 40-45 of this Annual Report.



# Maintain a Dynamic Management Framework

## Corporate Governance Report

### Principle 5

#### Maintain the board as a well-functioning, balanced team led by the chair

The Board is charged with the responsibility of directing and governing the Company's affairs, including: the formulation and approval of the Company's long-term objectives, mission and strategy; the approval of budgets; the oversight of the Company's operations and delegation of authority to management; the establishment and monitoring of sound internal controls and risk management systems; and the evaluation of the implementation of the Company's policies and business plan.

The Board operates formally through meetings of both the full Board and of its sub-committees, and informally through regular contact between Directors. The Board convenes at least once every quarter to review and monitor the implementation of the Company's strategy, budgets and progress and more frequently if necessary.

Whilst the Board may delegate responsibilities, there are formal matters specifically reserved for decision by the Board. Such reserved matters include, amongst other things, the approval of significant capital expenditures, material business contracts and major corporate transactions. A formal schedule of Matters Reserved for the Board was adopted by the Company.

The Board comprises six directors, one of whom is an Executive Director and five of whom are Non-executive Directors, including the Chairman. The Board views Christopher Bell, Richard Rosenberg, and Jonas Mårtensson as independent directors. Members of the Board

must be re-elected by the shareholders of the Company at the Company's annual general meeting at least once every three years. The Board consists of directors presenting an appropriate balance of skills and experience to effectively operate and control the business and, where deemed necessary, the Board also consults with external advisors or with executive officers of the Company. The Board is an independent unit acting for the benefit of the Company and its composition ensures that no individual (or a small group of individuals) can dominate its decision making.

The Board has established an Audit Committee, a Remuneration Committee and a Risk Committee, each with formally delegated duties and responsibilities. More information about the composition and the duties and responsibilities of each Board Committee is available in the Company's website on:

<https://www.xlmedia.com/about-us/corporate-governance/>.

At this stage of the Company's development the Board does not consider it necessary to establish a Nominations Committee and the Board will take decisions regarding the appointment of new directors and senior employees following a thorough assessment of a potential candidate's skill and suitability for the role.

Non-executive directors are expected to devote as much time as is necessary for the proper performance of their duties. Executive directors are full-time employees or services providers and expected to devote as much time as is necessary for the proper performance of their duties.

During 2019 the Board held ten (10) meetings. all directors attended all ten (10) meetings other than Jonas Martensson and Amit Ben Yehuda who attended 9 meetings each. Additionally, the board also passed 16 unanimous written Resolutions.

### Principle 6

#### Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The Board considers its current composition to be appropriate and suitable with the adequate and up-to-date experience, skills and capabilities to make informed decisions.

Each member of the Board brings a different set of skills, expertise and experience, making the Board a diverse unit equipped with the necessary set of skills required to create maximum value for the Company.

The Board is fully committed to ensuring its members have the right skills. Members of the Board must be re-elected by the shareholders of the Company if they have not been re-elected at the previous two annual general meetings in accordance with the Company's Articles of Association, thereby providing shareholders the ability to decide on the election of the Company's Board.

The Directors' biographical details and relevant experience can be found on pages 26-27 of This Annual Report and on the following URL: <https://www.xlmedia.com/about-us/board-management/#board>

Throughout the year, members of the Board receive updates on corporate governance matters from either the General Counsel, the Company Secretary and/or the Company's Nominated Advisor.

During the year the Directors receive regular updates of our business from the CEO and CFO and regular comprehensive regulatory updates from the General Counsel.

More information about the Group's management and the relevant internal functions can be found here: <https://www.xlmedia.com/about-us/board-management/#management>. The Board also consults with external advisors and with executives of the Company on various matters as deemed necessary and appropriate by the Board.

# Maintain a Dynamic Management Framework

## Corporate Governance Report

### Principle 7

#### Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

In order to ensure that the Board as a whole and its members collectively function in an efficient and productive manner, a formal external Board evaluation was carried out in November 2018 by Board Eventuation Ltd., a company with vast experience in evaluating boards of UK public companies. Evaluation questionnaires were circulated to and completed by all Board members and a thorough analysis of members' responses conducted by Board Evaluation. The evaluation took into consideration various criteria such as the effectiveness of the composition of the Board, the Board's approach to its work, its culture and dynamics, its structure and processes, its accessibility to information, its ongoing training, its success in achieving its goals and the need for succession planning. The Board evaluation characterized discussions at the Board level as an open boardroom culture, with good level of debate and without conflict of interests and found that the Board and its committees work well. The evaluation further found the Board members to be highly qualified, experienced and with the right set of skills to lead the Group, noting that while legal and HR skills were not represented within skills of current members of the Board, the Company does seek advice as needed in relation to such and other areas. Some issues were identified as requiring improvement, such as improving communication and Board information. The learnings from this process have been and will continue to be addressed on a regular basis.

Given the thoroughness of the 2018 process, no external review was carried out in 2019 but one is expected to be carried out during calendar year 2020. The method of assessing Board effectiveness and performance will be reviewed on a continuing

### Principle 8

#### Promote a corporate culture that is based on ethical values and behaviors

We are committed to acting ethically and with integrity. We expect all employees, officers, directors and other persons associated with us to conduct their day-to-day business activities in a fair, honest and ethical manner. For that purpose, we have adopted a Code of Business Conduct ("Code") which applies to all our workforce personnel. Pursuant to the Code, employees, directors and other relevant stakeholders are required to comply with all laws, rules and regulations applicable to us. These include, without limitation, laws covering anti-bribery, copyrights, trademarks and trade secrets, data privacy, insider trading, illegal political contributions, antitrust prohibitions, rules regarding the offering or receiving of gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. The Code also includes provisions for disclosing, identifying and resolving conflicts of interest of employees and Board members. The Code includes provisions requiring all employees to report any known or suspected violation and ensures that all reports of violations of

the Code will be handled sensitively and with discretion. We also recognize the benefits of a diverse workforce and are committed to providing a working environment that is free from discrimination.

We have also adopted a share dealing code, regulating trading by persons discharging managerial responsibility and persons closely associated with them ("PDMRs").

We take all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of the Dealing Code.

### Principle 9

#### Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board Committees are comprised of a majority of independent Board members to ensure that resolutions adopted are conflict-free. Further details of the composition and meetings of these Committees can be found on pages 34-35 and 54-75 of this Annual Report. Each of the Board Committees has the ability to use external advisors as it sees fit in the furtherance of its duties.

The Company's CEO is responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval and then executing the approved strategy. The Chairman's main responsibility is the leadership and management of the Board's business and its governance and acting as its facilitator. He meets regularly and separately with

the CEO and the directors to discuss matters for the Board.

We will continue to review our governance structures with the QCA Code in mind and are committed to the evolution of our corporate governance in line with best practices, to the extent the directors judge it appropriate considering the Company's size, stage of development and resources.

## Build Trust

### Principle 10

#### Communicate how the group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

We are committed to an open communication and dialogue with our stakeholders. Our main stakeholder groups are our shareholders, our customers, our suppliers and our employees. We communicate with stakeholders inter alia through the Annual Report, the annual general meeting of shareholders, the full-year, half-year and other regulatory market announcements, investor roadshows and through the Group's website.

Our website is regularly updated, and users can register to be alerted via email when announcements are posted on the website. Annual reports and notices of annual general meetings from admission can be found on our website.

As of 2019 we publish on the Company's website in a clear and transparent manner the outcomes of the general meetings of shareholders, including a breakdown of votes cast.



# Audit Committee Report



## General and Composition of the Audit Committee

The Audit Committee is a sub-committee of the Board. The Audit Committee chairman reports formally to the Board on all matters within the Committee's duties and responsibilities and on how the Audit Committee discharges its responsibilities. The Audit Committee members are Christopher Bell, Richard Rosenberg and Amit Ben Yehuda. The Committee is chaired by Mr. Rosenberg.

All members of the Audit Committee are independent directors. For further information about the qualifications of the Audit Committee members please refer to pages 26-27 of this Annual Report and the Company's website on <https://www.xlmedia.com/about-us/board-management/>.

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 internal and external auditors.

## Purpose and Responsibilities of Audit Committee

### Audit Committee Report

**The purpose of the Audit Committee is to assist the Board to carry out the following functions:**

Oversight of the integrity of the Group's formal reports, statements and announcements relating to the Group's financial performance;

Reviewing compliance with internal guidelines, policies and procedures and other prescribed internal standards of behaviour;

To achieve such purposes, the Audit Committee has been assigned with the following responsibilities;

Reviewing the half-year and full-year financial statements with management and with the external auditors as necessary prior to their approval by the Board;

Reviewing financial results announcements of the Group and any other formal announcements relating to the Group's financial performance and recommending them to the Board for approval;

Reviewing recommendations from the CFO and the external auditors on the key financial and accounting principles to be adopted by the Group in the preparation of the financial statements;

Reviewing the Group's systems for internal financial control;

Approving the appointment and termination of appointment of the Group's internal auditors, reviewing and approving the Group's internal audit plan and ensuring the internal auditors have the necessary resources and access to information to enable them to fulfil their mandate;

Considering and making recommendations to the Board, to put to shareholders for approval at the AGM, the appointment, re-appointment and removal of the Company's external auditors and oversee the relationship with the external auditors;

Reviewing and approving the external audit plan and regularly monitoring the progress of implementation of the plan

Determining and monitoring the effectiveness and independence of the internal and external auditors;

Monitoring the level of resources related to the management of audit functions across the Group.

## Main Activities in 2019

### Audit Committee Report

**25****March 2019**

The Audit Committee reviewed and approved the financial statements for FY2018 and discussed the internal auditors report.

**8****May 2019**

The Audit Committee reappointed Ernst & Young as the external auditors and discussed the internal auditors' reports.

**3****June 2019**

The Audit Committee reviewed the financial results of the Company for Q1 2019.

**22****September 2019**

The Audit Committee reviewed and approved the financial statements of the Company for H1 2019

**18****December 2019**

The Audit Committee reviewed the external auditors' plans for the annual report of FY2019 and reviewed the financial results of the Company for Q3 2019.

## Internal Auditors

### Audit Committee Report

The internal auditors of the Company are Chaikin Cohen Rubin & Co. The internal auditors provide their audit based on an audit plan. Each year specific topics are identified by the Audit Committee for audit during such year. Each report of the internal auditors is discussed by the Audit Committee and if necessary by the Board and its results are learned and implemented as required.

## External Auditors

The external auditors of the Company are Kost Forer Gabbay & Kasierer (Ernst & Young Israel) ("EY"). The appointment of EY as auditors by the Audit Committee was based on their performance during past years and their offer for auditing the reports for 2019. The Audit Committee review of the external auditors confirmed the appropriateness of their reappointment and included assessment of their independence, qualification, expertise and resources, and effectiveness of their audit process.

Both the Board and the external auditors have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. The services provided by the external auditors include the Audit-related services and tax consulting. In recognition of public concern over the effect of consulting services on auditors' independence, the external auditors are not invited to provide general consulting work which can affect their independence as external auditors.

**The total remuneration of the external auditors for 2019 and for 2018 was as listed in the table below**

**USD in thousands**

External Auditors' remuneration	2019	2018
Audit services	184	186
Acquisition and assurance services	—	35
Tax compliance	112	168

The Audit Committee and the auditors found that the external audit plan for 2019, the work of the external auditors for 2019 and the remuneration of the external auditors for 2019 did not undermine the independence of the external auditors.

## Whistleblowing

The Group has a Whistleblowing Policy permitting each employee of the Group to raise concerns in confidence about possible impropriety in various aspects and matters. Issues raised will be handled appropriately by the management of the Group.



## Financial Reporting

### Audit Committee Report

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 constantly and internal management and financial accounts are prepared monthly. The results are compared to budget and prior year performance.

The Audit Committee has taken and will continue to take further steps to ensure the Group's control environment is working effectively and efficiently.

**Richard Rosenberg**  
**Chairman of the Committee**



# Remuneration Committee Report

## General

The Remuneration Committee is responsible for determining and recommending to the Board the framework for the remuneration of the Board chairman, executive directors 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 Committee consists of three members, all of whom are independent non-executive directors. Currently the Remuneration Committee comprises Christopher Bell, Richard Rosenberg and Jonas Mårtensson. Until 3 June 2019 Mr. Ben Yehuda was a member of and chaired the committee and since then Mr. Jonas Mårtensson has been a member of and the chairman of the committee. The Remuneration Committee meets at least twice a year and otherwise as required.

## Key Elements in Remuneration

### Remuneration Committee Report

**As an AIM-listed company, the Company is not required to comply with the remuneration reporting requirements applicable to fully listed companies in the UK. However, set out below are certain disclosures relating to directors' remuneration:**

The remuneration of executive directors and certain other senior executives is set by comparison to market rates at levels aimed to attract, retain and motivate the best staff, recognizing that they are key to the ongoing success of the business.

The remuneration of non-executive directors is a matter for the Chairman and the CEO to determine.

No Director is involved in any decision as to his or her own remuneration.

The remuneration and grant of bonuses to senior management are linked to their performance and to their achievement of predefined targets.

The remuneration of senior management includes equity-based payments vested over time to retain their employment.

## Responsibilities of the Remuneration Committee

### Remuneration Committee Report

**The responsibilities of the Remuneration Committee include the below and other responsibilities as set forth in the Charter of the Committee:**

Setting the remuneration policy for all executive directors, including pension rights, and compensation payments;

Recommending and monitoring the level and structure of remuneration for senior management personnel;

Approving the design of, and determining targets for, any performance-related pay schemes operated by the Group and approving the total amount of payments made under such schemes;

Reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determining each year whether award will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other designated senior executives and the performance targets to be used; and working and liaising, as necessary, with all other Board committees.



## Share Option Schemes

### Remuneration Committee Report

**The Company operates a Global Share Incentive Plan (the “GSIP”) approved by the Board which deals with the grant of options to Group employees. IBI Capial (formally known as Tamir Fishman Management Ltd.), is the appointed trustee under the GSIP (the “Trustee”).**

In connection with the share options granted to date, on 21 January 2015 and on 14 July 2017, the Trustee has subscribed for 14,000,000 ordinary shares of US\$0.000001 each in the Company at par. The shares held by the Trustee will be used to satisfy future obligations of the Company under the GSIP. Under the terms of the agreement entered into by the Company and the Trustee, the Trustee has agreed to waive its voting rights and all entitlements to dividends paid 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 31 December 2019 the balance of the Trustee's shares was 3,315,521.

A new Share Incentive Plan (the “LTIP”) is being put forward for shareholder approval. The LTIP is a discretionary share plan that will be administered by the Remuneration Committee and will allow awards to take the form of share options with an exercise price determined by the Remuneration Committee, contingent rights to acquire shares for no consideration (Restricted Stocks Units or RSUs), contingent rights to acquire shares for no consideration subject to the achievement of performance conditions (Performance Stocks Units or PSUs), other share-based awards or contingent awards of cash. Deferred bonus awards may also be granted in the form of contingent rights to acquire shares for no consideration or options with an exercise price equal to the par value of a share or nil.

## Non-Executive Directors’ Interests in Share Options and Shares

**As of 31 December 2019, the Directors’ interests in the Ordinary Share capital of the Company were:**

Number of Ordinary Shares		
	31.12.2019	31.12.2018
Christopher Bell	357,000	357,000
Richard Rosenberg	51,000	51,000
Ory Weihs	7,012,444	4,556,735



# Non-Executive Directors' Interests in Share Options and Shares

## Remuneration Committee Report

As of 31 December 2019, non-executive directors' interests in the Company's share options were as follows:

	Options granted	Exercise price		Expiry date	Vested at the end of 2019	Cancelled
Amit Ben Yehuda	180,000	69.7p		27/07/2024	180,000	—
Christopher Bell	270,000	57.75p		21/01/2023	270,000	—
Richard Rosenberg	180,000	57.75p		21/01/2023	180,000	—
Ory Weihs	900,000	196.8p		31/1/2026	225,000	—
As of 31 December 2019, <b>executive directors'</b> interests in the Company's share options were as follows:						
Stuart Simms*	920,223	nominal value per share		31/1/2026	0	—

\*The options are subject to performance conditions.

For further information, see note 14 to the consolidated financial statements.

## Directors' Remuneration in 2019

### Remuneration Committee Report

The Directors' remuneration for the year ended 31 December 2019 is set out in the table below.

	Management fees/salary and related	Costs of share bonus-based payments		Total 2019
USD				
Stuart Simms	158,770	35,082		193,852
Christopher Bell	139,307	—		139,307
Richard Rosenberg	61,636	—		61,636
Amit Ben Yehuda	92,484	3,308		95,792
Jonas Mårtensson	62,000	—		62,000
Ory Weihs	302,612	-159,556		143,056

## Historical Pay and Share Performance

### Remuneration Committee Report

For historical pay and share performance please see our previous annual reports and on our website: <https://www.xlmedia.com/investor-relations/share-price-information/.price-information/>.

The Committee remains committed to a fair and responsible approach to executive pay whilst ensuring it remains in line with best practice and appropriately incentivizes executive directors over the longer term to deliver the Group's strategy.

**Jonas Mårtensson,**  
**Chairman of the Committee**

# 2019 Audited Financial Statements



# Independent Auditor's Report

To the Shareholders of XLMedia PLC



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## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of XLMedia PLC and its subsidiaries (the Group), which comprise the consolidated statements of financial position as of 31 December 2019 and 2018 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2019 and 2018 and its financial performance and its cash flows for each of the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

### Basis for opinion

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

# Independent Auditor's Report

## To the Shareholders of XLMedia PLC *continued*

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

	Description of Key Audit Matter and why a matter of most significance in the audit	Description of Auditor's Response
Revenue recognition	<p>Revenues which amounted to 79.7 million in 2019 are significant to the consolidated financial statements based on their quantitative materiality. As such, there is inherent risk that revenues may be improperly recognised, inflated or misstated</p> <p>Recognition of revenues in the accounts of the Group is a highly automated process. The Group is heavily reliant on the reliability and continuity of its in-house IT platform to support automated data processing in its recognition and recording of revenues.</p>	<p>In 2019 in order to gain the required level of assurance, we performed substantive audit procedures relating to the recognition and recording of revenues, including tests of reconciliations from underlying data to the financial accounts. IT audit specialists were deployed to assist in understanding the design and operation of the relevant IT systems and in performing various data analyses in order to test completeness, accuracy and timing of the recognition of revenues.</p> <p>We also evaluated the adequacy of the disclosures provided in relation to revenue in Notes 2 and 17 to the consolidated financial statements.</p>

Goodwill Domains and Websites and other intangible assets – impairment test	<p>As of 31 December 2019, the total net carrying amount (before impairment) of goodwill, domains and websites with indefinite useful life and other intangible was approximately USD 128 million. In accordance with IFRSs as adopted by the European Union, the Group is required to annually test these assets for impairment. As result of the impairment test the Group recorded an impairment loss for the amount of USD 81,350 thousands, which is included in the statement of profit or loss.</p>	<p>Our audit procedures included, among others evaluating the assumptions and methodologies used by the Group. In particular, we tested the Group's determination of the recoverability of these assets by reviewing management's forecasts of revenues and profitability. We assessed the reliability of these forecasts through, among others, a review of actual performance against previous forecasts. We evaluated and tested the discount rates and attribution of expenses, and we considered the reasonableness of management's other assumptions. We also verified the adequacy of the disclosure of the assumptions and other data in Note 8 to the consolidated financial statements.</p>
Taxation	<p>The Group's operations are subject to income tax in various jurisdictions. Taxation is significant to our audit because the assessment process is complex and judgmental and the amounts involved are material to the consolidated financial statements as a whole.</p>	<p>We included in our team tax specialists to analyse and evaluate the assumptions used to determine tax provisions. We evaluated and tested the underlying support, such as transfer price studies, for the calculation of income taxes in the various jurisdictions. We also assessed the adequacy of the Group's disclosures in Note 16 to the consolidated financial statements.</p>

# Independent Auditor's Report

## To the Shareholders of XLMedia PLC *continued*

### Emphasis of matter – Subsequent event

We draw attention to Note 22 of the consolidated financial statements, which describes the uncertainties of the potential impact of Coronavirus on the Company's operation subsequent to the reporting period. Our opinion is not modified in respect of this matter.

### Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## Independent Auditor's Report

### To the Shareholders of XLMedia PLC *continued*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

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

21 April 2020  
Beer Sheva, Israel

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



# Consolidated Statements

## of Financial Position

		As of 31 December	
		2019	2018
	Note	USD in thousands	
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		27,108	44,627
Short-term investments	5 (a)	2,785	2,996
Trade receivables	6 (a)	7,755	16,112
Other receivables	6 (b)	4,522	4,697
Financial derivatives	12(b)	222	805
		42,392	69,237
<b>Non-current assets:</b>			
Long-term investments	5 (b)	682	633
Property and equipment	7	9,431	1,296
Goodwill	8	–	23,652
Domains and websites	8	40,215	92,053
Other intangible assets	8	6,428	9,146
Deferred taxes	15	–	99
Other assets		278	435
		57,034	127,314
		99,426	196,551

		As of 31 December	
		2019	2018
	Note	USD in thousands	
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Trade payables		3,028	6,416
Other liabilities and accounts payable	9	9,625	6,967
Income tax payable	15	11,874	9,049
Financial derivatives	12 (b)	79	91
Current maturities of long-term bank loans	10	1,465	5,585
Current maturities of lease liabilities	11	1,161	–
		27,232	28,108
<b>Non-current liabilities:</b>			
Long- term bank loans	10	–	1,380
Lease liability	11	8,067	–
Deferred taxes	15	516	–
Other liabilities		65	248
		8,648	1,628
<b>Total liabilities</b>		35,880	29,736

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

## Consolidated Statements

of Financial Position *continued*

		As of 31 December	
		2019	2018
	Note	USD in thousands	
<b>Equity</b>	13		
Share capital		*)	*)
Share premium		112,624	112,224
Capital reserve from share-based transactions		2,276	2,590
Capital reserve from transaction with non-controlling interests		(2,445)	(2,445)
Treasury shares		(30,159)	(468)
Retained earnings (accumulated deficit)		(19,041)	54,623
Equity attributable to equity holders of the Company		63,255	166,524
Non-controlling interests		291	291
<b>Total equity</b>		<b>63,546</b>	<b>166,815</b>
		99,426	196,551

\*) Lower than USD 1 thousand.

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

21 April 2020			
Date of approval of the financial statements	Chris Bell Chairman of the Board of Directors	Stuart Simms Chief Executive Officer	Iain Balchin Chief Financial Officer

## Consolidated Statements

of Profit or Loss and other Comprehensive Income

		Year ended 31 December	
		2019	2018 (*)
	Note	USD in thousands	
Revenues	17	79,695	93,502
Cost of revenues		26,002	30,133
Gross profit		53,693	63,369
Research and development expenses		1,554	1,043
Sale and marketing expenses		4,579	5,044
General and administrative expenses		21,214	20,297
		27,347	26,384
Operating profit before Impairment and Reorganisation costs		26,346	36,985
Impairment loss	8	81,350	300
Reorganisation costs	2(a)	1,682	–
Operating profit (Loss)		(56,686)	36,685
Finance expenses		(1,879)	(837)
Finance income		835	300
Finance expenses, net		(1,044)	(537)
Profit (loss) before taxes on income		(57,730)	36,148
Taxes on income	15	3,188	4,089
Income (loss) from continuing operations		(60,918)	32,059
Income (loss) from discontinued operations, net	16	2,217	(11,284)
<b>Net income (loss)</b>		<b>(58,701)</b>	<b>20,775</b>

## Consolidated Statements

of Profit or Loss and other Comprehensive Income *continued*

		Year ended 31 December	
		2019	2018 (*)
	Note	USD in thousands	
Net income (loss) and other comprehensive income		(58,701)	20,775
Attributable to:			
Equity holders of the Company		(59,474)	19,818
Non-controlling interests		773	957
		(58,701)	20,775
Earnings per share attributable to equity holders of the Company:	13 (e)		
Basic and Diluted earnings (loss) per share from continuing operation (in USD)		(0.31)	0.14
Basic and Diluted earnings (loss) per share from discontinued operation (in USD)		0.01	(0.05)

(\*) Reclassified for discontinued operations – See Note 16.

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	Treasury shares	Retained earnings (losses)	Total	Non-controlling interests	Total Equity
	USD in thousands								
Balance as of 1 January 2019	*)	112,224	2,590	(2,445)	(468)	54,623	166,524	291	166,815
Net loss and other comprehensive income	–	–	–	–	–	(59,474)	(59,474)	773	(58,701)
Acquisition of treasury shares	–	–	–	–	(29,691)	–	(29,691)	–	(29,691)
Cost of (income from) share-based payment	–	–	(218)	–	–	–	(218)	–	(218)
Dividend to equity holders of the Company	–	–	–	–	–	(14,190)	(14,190)	–	(14,190)
Exercise of options	*)	400	(96)	–	–	–	304	–	304
Dividend to non-controlling interests	–	–	–	–	–	–	–	(773)	(773)
Balance as of 31 December 2019	*)	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546

## Consolidated Statements

of Changes in Equity *continued*

	Attributable to equity holders of the Company							Non-controlling interests	Total	Total Equity
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings	Total			
	USD in thousands									
Balance as of 1 January 2018	*)	68,417	1,227	(2,445)	–	49,167	116,366	291	116,657	116,657
Net income and other comprehensive income	–	–	–	–	–	19,818	19,818	957	20,775	20,775
Share capital issuance (Net of issue cost of USD 1.6 million)	–	42,618	–	–	–	–	42,618	–	42,618	42,618
Acquisition of treasury shares	–	–	–	–	(468)	–	(468)	–	(468)	(468)
Cost of share-based payment	–	–	1,667	–	–	–	1,667	–	1,667	1,667
Dividend to equity holders of the Company	–	–	–	–	–	(14,362)	(14,362)	–	(14,362)	(14,362)
Exercise of options	*)	1,189	(304)	–	–	–	885	–	885	885
Dividend to non-controlling interests	–	–	–	–	–	–	–	(957)	(957)	(957)
Balance as of 31 December 2018	*)	112,224	2,590	(2,445)	(468)	54,623	166,524	291	166,815	166,815

\*) 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	
	2019	2018
	USD in thousands	
<b>Cash flows from operating activities:</b>		
Net income (loss)	(58,701)	20,775
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Adjustments to the profit or loss items:		
Depreciation and amortisation	7,511	6,203
Impairment loss	81,350	300
Finance expense (income), net	1,976	(1,577)
Gain from sale of property	–	(10)
Loss (gain) from discontinued operation	(1,811)	9,938
Cost of (income from) share-based payment	(218)	1,667
Taxes on income	3,228	4,387
Exchange differences on balances of cash and cash equivalents	(661)	954
	91,375	21,862
<b>Changes in asset and liability items:</b>		
Decrease in trade receivables	6,465	2,838
Decrease (increase) in other receivables	371	(509)
Decrease in trade payables	(2,239)	(3,397)
Increase (decrease) in other accounts payable	4,482	(4,571)



# Consolidated Statements

## of Cash Flows *continued*

	Year ended 31 December	
	2019	2018
	USD in thousands	
Increase (decrease) in other long-term liabilities	(183)	47
	8,896	(5,592)
<b>Cash received (paid) during the year for:</b>		
Interest paid	(752)	(469)
Interest received	101	196
Taxes paid	(2,859)	(5,544)
Taxes received	2,061	557
	(1,449)	(5,260)
Net cash provided by operating activities	40,121	31,785

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

	Year ended 31 December	
	2019	2018
	USD in thousands	
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(260)	(553)
Proceeds from sale of assets and property	–	270
Acquisition of and additions to domains, websites and other intangible assets	(406)	(47,306)
Acquisition of and additions to technology	(8,447)	(8,210)
Proceeds from the sale of discontinued operation *)	1,547	–
Short- term and long-term investments, net	281	1,735
Net cash used in investing activities	(7,285)	(54,064)
<b>Cash flows from financing activities:</b>		
Dividend paid to equity holders of the Company	(14,190)	(14,362)
Share capital issuance, net of issuance costs	–	42,618
Acquisition of treasury shares	(29,691)	(468)
Dividend paid to non-controlling interests	(652)	(1,285)
Exercise of options	270	976
Repayment of long and short-term liability	(5,500)	(4,000)
Repayment of lease liabilities	(1,253)	–
Receipt of long-term loan from bank	–	5,965
Net cash provided by (used in) financing activities	(51,016)	29,444
Exchange differences on balances of cash and cash equivalents	661	(954)
Increase (decrease) in cash and cash equivalents	(17,519)	6,211
Cash and cash equivalents at the beginning of the year	44,627	38,416
Cash and cash equivalents at the end of the year	27,108	44,627

\*) net of cash balance of discontinued operation.

# Notes to the Consolidated Financial Statements

## Note 1: General

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

The Group is a leading global digital performance publisher. The Group attracts traffic from multiple online channels and directs them to online businesses who, in turn, convert such traffic into paying customers.

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

The Company is incorporated in Jersey and commenced its operations in 2012.

Since March 2014, the Company's shares are traded on the London Stock Exchange's Alternative Investment Market (AIM).

### (b) Definitions:

In these financial statements:

- The Company – XLMedia PLC.
- The Group – The Company and its consolidated subsidiaries
- Subsidiaries – Entities that are controlled (as defined in IFRS 10) by the Company and whose accounts are consolidated with those of the Company.
  - For a list of the main subsidiaries see Note 23.
- Related parties – as defined in IAS 24
- Dollar/USD – U.S. dollar

### (c) Assessment of going concern:

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Forecasts of operating results and cash flow projections have been prepared for 2020 and 2021 which show that the Group's will have sufficient liquidity for its operations during the period. The Directors have determined that the Group is likely to continue in business for at least 12 months from the date of the consolidated financial statements. Accordingly, the Board of Directors applied the going concern basis of accounting in preparing the consolidated financial statements.

## 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 (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 2019 new Standards and amendments became effective, regarding the effect on the consolidated financial statements, see Note 2(t).

## Notes to the Consolidated Financial Statements *continued*

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

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

Research and development and sale and marketing- includes primarily compensation of personnel.

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

Reorganisation costs – includes primarily termination benefits to former key management personnel and various consulting fees.

### (b) Consolidated financial statements:

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

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

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. 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.

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

### (c) Business combinations and goodwill:

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

Direct acquisition costs are expensed as incurred.

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

## Notes to the Consolidated Financial Statements *continued*

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.

(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 ("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 and long-term deposits:

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

(g) Revenue recognition:

On January 1, 2018, the Company first adopted IFRS 15, "Revenue from Contracts with Customers" ("the Standard").

Revenue from contracts with customers is recognised when the control over the services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms.

*Revenue from rendering of services:*

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company charges its customers based on payment terms agreed upon in specific agreements.



## Notes to the Consolidated Financial Statements *continued*

In determining the amount of revenue from contracts with customers, the Group evaluates whether it is a principal or an agent in the arrangement. The Group is principal when the Group controls the promised services before transferring them to the customer. In these circumstances, the Group recognises revenue for the gross amount of the consideration. When the Group is an agent, it recognises revenue for the net amount of the consideration, after deducting the amount due to the principal.

### (h) 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. Deductible temporary differences for which deferred tax assets had not been recognised are reviewed at each reporting date and a respective deferred tax asset is recognised to the extent that their utilisation is probable.

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

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

### (i) Leases:

As detailed in paragraph 2 (t) below regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Group elected to apply the provisions of the Standard using the modified retrospective approach (without restatement of comparative data).

The accounting policy for leases applied effective from 1 January 2019, is as follows:

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

#### 1. Recognition of assets and liabilities:

For leases in which the Group is the lessee, the Group recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Group has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

## Notes to the Consolidated Financial Statements *continued*

In measuring the lease liability, the Group has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate. After the commencement date, the Group measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term (see Note 2(j) below). The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

### 2. Variable lease payments that depend on an index:

On the commencement date, the Group uses the index rate prevailing on the commencement date to calculate the future lease payments.

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

### 3. Lease extension and termination options:

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

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

### 4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Group remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Group recognises a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Group subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

## Notes to the Consolidated Financial Statements *continued*

The accounting policy for leases applied before 1 January 2019 is as follows:

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.

#### (j) Property and equipment:

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

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

	mainly %
Office furniture and equipment	10
Computers and peripheral equipment	33
Right of use leased assets and leasehold improvement (over the lease term)	10–15

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

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

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

#### (k) Intangible assets:

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

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

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

## Notes to the Consolidated Financial Statements *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 Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

### *Software:*

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

Systems and software (purchased and in-house development cost) are amortised on a straight-line basis over the useful life of three years

Non-competition is amortised on a straight-line basis over the agreement term (between 2 to 3 years).

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

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

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

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

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

#### 1. Goodwill

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



## Notes to the Consolidated Financial Statements *continued*

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

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

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

### (m) Financial instruments:

On January 1, 2018, the Company first adopted IFRS 9, "Financial Instruments" ("the Standard"). The Company elected to adopt the provisions of the Standard retrospectively without restatement of comparative data.

The accounting policy for financial instruments applied commencing from January 1, 2018, is as follows:

#### 1. Financial assets:

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

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

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

#### a) Debt instruments are measured at amortized cost when:

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

#### b) Financial assets held for trading:

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

### 2. Impairment of financial assets:

The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are measured at amortized cost. The Company has short-term trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

## Notes to the Consolidated Financial Statements *continued*

### 3. Derecognition of financial assets:

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

### 4. Financial liabilities:

#### a) Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for:

- Financial liabilities at fair value through profit or loss such as derivatives;
- Contingent consideration recognized by the buyer in a business combination within the scope of IFRS 3.

#### b) Financial liabilities measured at fair value through profit or loss:

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

After initial recognition, changes in fair value are recognized in profit or loss.

### 5. Derecognition of financial liabilities:

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

### (n) Fair value measurement:

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

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

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

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

# Notes to the Consolidated Financial Statements *continued*

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

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

(o) Provisions:

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

(p) Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

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

2. Post-employment benefits:

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

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

## Notes to the Consolidated Financial Statements *continued*

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

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

#### Equity-settled transactions:

The cost of equity-settled transactions with employees and officers is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model - additional details are given in Note 14.

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

The cost of equity-settled transactions is recognised in profit or loss together with a corresponding increase in equity during the period which the performance is to be satisfied ending on the date on which the relevant employees or officers become entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

### (r) Discontinued operations:

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation (including comparative data) are presented separately in profit or loss, net of the tax effect.

### (s) Earnings (loss) per share:

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

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

### (t) Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

#### 1. Initial adoption of IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the Standard"), which supersedes IAS 17, "Leases" ("the old Standard"), IFRIC 4, "Determining Whether an Arrangement Contains a Lease", and SIC-15, "Operating Leases - Incentives".

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Group elected to adopt the provisions of the Standard using the modified retrospective method whereby the carrying amount of the right-of-use assets is identical to the carrying amount of the lease liability.



# Notes to the Consolidated Financial Statements *continued*

According to this approach, comparative data has not been restated. The carrying amount of the lease liability as of the date of initial adoption of the Standard is calculated using the Group's incremental borrowing rate on the date of initial adoption of the Standard.

- a) Following are data relating to the initial adoption of the Standard as of 1 January 2019, in respect of existing leases as of that date:

	According to the previous accounting policy	The change	As presented according to IFRS 16
	USD in thousands		
Non-current assets:			
Property and equipment:			
Right-of-use assets	–	10,470	10,470
Current liabilities:			
Lease liabilities	–	1,223	1,223
Non-current liabilities:			
Lease liabilities	–	9,247	9,247

Reconciliation of total commitment for future minimum lease payments to lease liability as of 1 January 2019:

	USD in thousands
Total future minimum lease payments for non-cancellable leases as per IAS 17 according to the financial statements as of 31 December 31 2018	13,008
Effect of discount of future lease payments at the Group's incremental borrowing rate on initial date of adoption	(2,538)
Total lease liabilities as per IFRS 16 as of 1 January 2019	10,470

- b) The Group determined the appropriate interest rate for discounting its leases based on credit risk, the weighted average term of the leases and other economic variables. A weighted average incremental borrowing rate of 6% was used to discount future lease payments in the calculation of the lease liability on the date of initial adoption of the Standard.
- c) Practical expedients applied in the initial adoption of the Standard- The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

## 2. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation has been initially applied in these financial statements.

The initial adoption of the Interpretation did not have a material effect on the Group's financial statements.

## Notes to the Consolidated Financial Statements *continued*

### Note 3: Significant Accounting Judgments, Estimates and Assumptions used in the Preparation of the Financial Statements

Estimations and assumptions:

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

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

– Impairment of goodwill, domains and websites:

The Group reviews goodwill, domains and websites for impairment at least once a year.

This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating units to which the assets are allocated and also to choose a suitable discount rate for those cash flows. See also Note 8.

– Income taxes

The Group is subject to income tax in various jurisdictions and judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain.

The Group recognises tax liabilities based on assumptions supported by, among others, transfer price studies. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. See also Note 15.

### Note 4: Disclosure of New Standards in the Period Prior to their Adoption

IFRS 3, “Business Combinations”:

In October 2018, the IASB issued an amendment to the definition of a “business” in IFRS 3, “Business Combinations” (“the Amendment”). The Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset.

The Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted.

### Note 5: Short-Term and Long-Term Investments

	Annual interest rate <sup>(1)</sup>	As of 31 December	
		2019	2018
		USD in thousands	
<b>(a) Short-term investments:</b>			
Short-term bank deposits <sup>(2)</sup> :			
In USD	0.8	1,308	1,307
In NIS	0.4	1,470	1,497
In EURO		7	192
		2,785	2,996
<b>(b) Long-term financial assets:</b>			
Bank deposits- in NIS <sup>(2)</sup>	0.6	682	633

(1) The above interest rates are the weighted average rates as of 31 December 2019.

(2) Includes deposits for the amount of USD 3,467 thousand with fixed liens recorded as security for credit card transactions in connection with advertising campaigns and other online purchasing over the internet as well as for financial derivative transactions and bank guarantee provided in connection with a lease agreement on property.

# Notes to the Consolidated Financial Statements *continued*

## Note 6: Trade and Other Receivables

### a. Trade receivables:

	As of 31 December,	
	2019	2018
	USD in thousands	
Open accounts	8,666	17,800
Less - allowance for doubtful accounts	911	1,688
Trade receivables, net	7,755	16,112

- As of 31 December 2019, the Group has no material amounts that are past due and not impaired.
- Doubtful accounts expenses included in general and administrative expenses USD 211 thousands (2018- USD 530 thousands).
- See Note 12 (b) (2) on credit risk of trade receivables.

### b. Other receivables:

	As of 31 December	
	2019	2018
	USD in thousands	
Prepaid expenses	2,391	2,407
Government authorities	2,012	1,536
Other receivables	119	754
	4,522	4,697

## Note 7: Property and Equipment

	Computers, furniture, office equipment and others	Leasehold improvements	Right of use leased assets – Offices <sup>(2)</sup>	Total
	USD in thousands			
<b>Cost:</b>				
Balance as of 1 January 2018	2,530	442	–	2,972
Acquisitions during the year	489	64	–	553
Disposals during the period	(27)	–	–	(27)
Balance as of 31 December 2018	2,992	506	–	3,498
Initial application of IFRS 16	–	–	10,470	10,470
Acquisitions during the year	208	52	47	307
Adjustments for indexation	–	–	33	33
Decreases during the year:				
Discontinued operation <sup>(1)</sup>	(384)	(20)	–	(404)
Termination of leases	–	–	(879)	(879)
Balance as of 31 December 2019	2,816	538	9,671	13,025
<b>Accumulated depreciation:</b>				
Balance as of 1 January 2018	1,584	158	–	1,742
Depreciation during the year	425	52	–	477
Disposals during the period	(17)	–	–	(17)
Balance as of 31 December 2018	1,992	210	–	2,202
Depreciation during the year	337	59	1,402	1,798
Decreases during the year:				
Discontinued operation <sup>(1)</sup>	(321)	(10)	–	(331)
Termination of leases	–	–	(75)	(75)
Balance as of 31 December 2019	2,008	259	1,327	3,594
Depreciated cost as of 31 December 2019	808	279	8,344	9,431
Depreciated cost as of 31 December 2018	1,000	296	–	1,296

(1) See Note 16.

(2) See Note 11.

# Notes to the Consolidated Financial Statements *continued*

## Note 8: Intangible Assets

### a. Composition and movement:

	Goodwill	Domains and websites	Non-competition	Systems, software and other	Total
	USD in thousands				
<b>Cost:</b>					
Balance as of 1 January 2018	30,052	47,367	4,240	17,037	98,696
Acquisitions during the year	–	46,591	715	1,195	48,501
Costs capitalised during the year (in-house development cost)	–	–	–	7,015	7,015
Balance as of 31 December 2018	30,052	93,958	4,955	25,247	154,212
Acquisitions during the year	–	408	–	1,342	1,750
Costs capitalised during the year (in-house development cost)	–	–	–	7,105	7,105
Balance as of 31 December 2019	30,052	94,366	4,955	33,694	163,067
<b>Accumulated amortisation and impairment:</b>					
Balance as of 1 January 2018	–	1,605	3,467	9,225	14,297
Amortisation during the year	–	–	733	4,993	5,726
Impairment loss from discontinued operation <sup>(1)</sup>	6,400	–	174	2,464	9,038
Other impairment loss	–	300	–	–	300
Balance as of 31 December 2018	6,400	1,905	4,374	16,682	29,361
Amortisation during the year	–	–	477	5,236	5,713
Impairment loss <sup>(2)</sup>	23,652	52,246	104	5,348	81,350
Balance as of 31 December 2019	30,052	54,151	4,955	27,266	116,424
Amortised cost as of 31 December 2019	–	40,215	–	6,428	46,643
Amortised cost as of 31 December 2018	23,652	92,053	581	8,565	124,851

(1) See Note 16.

(2) See Note b below.

### b. Additional information on impairment:

In January 2020, 107 of the Group's sites were demoted in search results by Google, of which 23 were premium sites. The demotion of the sites is expected to have a material impact on the Group's future revenues.

Based on the value in use of the Publishing operations of the Group performed by an independent valuation specialist, the carrying amount of the goodwill was written down to nil. The remaining amount of the impairment loss was allocated to the other intangible assets based on their relative carrying amounts.

As result the Company recorded an impairment loss for the amount of USD 81,350 thousands, which is included in the statement of profit or loss.

The pre-tax discount rate applied to the cash flow projection is 15.5% (2018-13.1%). The projected cash flows are estimated using mainly fixed growth rate of 4.5% for the years 2021-2024 and terminal growth rate of 3% (2018-3%).

The key assumptions used in calculating the value in use:

Revenues and operational profit - the revenues and the profit rate assumptions are based on management expectations and forecasts for the coming year and the management's forecasted cash flows for the following three years. These forecasts included an evaluation of those specific sites that suffered a demotion or other factors which could adversely affect revenues and profitability

Discount rate - the discount rate reflects management's assumptions regarding the Group's specific risk premium.



## Notes to the Consolidated Financial Statements *continued*

Growth rate - the growth rate applied for the period beyond the four-year forecasted period 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, management believes that a significant change in key assumptions, in particular, a decrease in forecasted revenues, would result in a further impairment of the intangible assets.

### Note 9: Other Liabilities and Accounts Payable

	As of 31 December	
	2019	2018
	USD in thousands	
Employees and payroll accruals	5,073	3,750
Government authorities	724	741
Accrued expenses	3,043	1,513
Other liabilities	785	963
	9,625	6,967

### Note 10: Loans From Bank

#### a. Composition:

	As of 31 December	
	2019	2018
	USD in thousands	
Long-term bank loans	1,465	6,965
Less - current maturities	1,465	5,585
	–	1,380

#### b. Loan terms:

In December 2017, a subsidiary of the Company received a loan from a bank for the amount of USD 5 million. The loan was repayable in 24 equal instalments and carried an interest rate of USD Libor +4.45%.

The loan was repaid fully in 2019.

In June 2018, a subsidiary of the Company received a loan from a bank for the amount of USD 6 million. The loan is repayable in 24 equal instalments and carries an interest rate of USD Libor +4.4% (as of 31 December 2019 – 6.36 %).

The Company's subsidiary committed towards the bank, amongst others, to maintain financial covenants, which will be measured on a quarterly basis.

As of 31 December 2019, the Company's subsidiary is meeting the financial covenants.

#### c. Liens- see Note 18.

# Notes to the Consolidated Financial Statements *continued*

## Note 11: Lease Liabilities

### a. Composition:

	31 December 2019
	U.S. dollars in thousands
Lease liabilities	9,228
Less - current maturities	1,161
	8,067

Group companies (as lessee) have entered into commercial real estate lease agreements. The leases include an exit point in December 2020 (with extension option periods) with annual lease fees of approximately USD 1.6 million. As of 31 December 2019, these extension options have been taken into consideration in the determination of the lease liabilities.

The Group recorded fixed liens on long-term bank deposit in connection with these agreements (see Note 5).

As more fully described in Note 2(t), on adoption of IFRS 16 the Group recognised lease liabilities in relation to these leases which previously were classified as operating leases under IAS 17. See Note 7 for the related right of use assets and Note 12b for details of lease liability maturities.

In September 2019 the Company terminated, without penalty, a lease of office space which was originally leased till 2028 with an annual lease payment of USD 83 thousand. As a result, the Company derecognised the right-of-use leased asset for the net amount of USD 804 thousand and the related liability for the amount of USD 893 thousands.

### b. Information on leases in which the Company is a lessee:

	Year ended December 31 2019
	U.S. dollars in thousands
Depreciation expense for right-of-use assets	1,402
Finance expense (including exchange rate differences) for lease liability	1,310
Total cash outflow for leases	1,697

## 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 as follows:

	As of 31 December	
	2019	2018
Financial assets	USD in thousands	
Financial assets at fair value through profit or loss:		
Financial derivatives	222	805
Financial assets measured at amortised cost:		
Cash and cash equivalents	27,108	44,627
Short-term and long-term investments	3,467	3,629
Trade receivables	7,755	16,112
Other receivables	25	754
Total financial assets measured at amortised cost	38,355	65,122
Total financial assets	38,577	65,927
Total current	37,895	65,294
Total non-current	682	633

# Notes to the Consolidated Financial Statements *continued*

	As of 31 December	
	2019	2018
Financial liabilities	USD in thousands	
Financial assets at fair value through profit or loss:		
Financial derivatives	79	91
Financial liabilities measured at amortised cost:		
Trade payables	3,028	6,416
Other liabilities and account payables	8,480	5,637
Lease liabilities	9,228	–
Bank loan	1,465	6,965
Total financial liabilities measured at amortised cost	22,201	19,018
Total financial liabilities	22,280	19,109
Total current	14,213	17,729
Total non-current	8,067	1,380

## b. Financial risks factors:

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

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

A significant portion of the Group's revenues are received in EURO. The Group also has revenues that are received in GBP. A significant portion 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, GBP and NIS against the USD.

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

For the year ended 31 December 2019 the Group recorded foreign exchange rate differences income, net for the amount of USD 619 thousand (net of gain on forward transactions, see below) (2018- expenses of USD 95 thousand).

The open positions as of 31 December 2019, all for period until end of June 2020:

Forward transactions for the sale of EURO in exchange for USD totaling EURO 9.3 million (USD 10.7 million).

Forward transactions for the sale of GBP in exchange for USD totaling GBP 2.6 million (USD 3.4 million).

As of 31 December 2019, the total fair value of the above forward transactions amounted to USD 79 thousand (liabilities) and USD 222 thousand (assets).

### 2. Credit risk:

The Group usually extends 30-60 day term to its customers. The Group regularly monitors the credit extended to its customers and their general financial condition but does not require collateral as security for these receivables.

The Group maintains cash and cash equivalents and short-term investments and long-term investments in various financial institutions. These financial institutions are located in the EU, Israel, Europe and US.

## Notes to the Consolidated Financial Statements *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 2019:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	Above 4 years	Total
Trade payables	3,028	–	–	–	–	3,028
Other liabilities and account payables	8,480	–	–	–	–	8,480
Financial derivatives	79	–	–	–	–	79
Lease liabilities	1,586	1,650	1,650	1,676	4,629	11,191
Bank loan	1,465	–	–	–	–	1,465
	14,638	1,650	1,650	1,676	4,629	24,243

#### As of 31 December 2018:

	Less than one year	1 to 2 years	Total
	USD in thousands		
Trade payables	6,416	–	6,416
Other liabilities and account payables	5,637	–	5,637
Financial derivatives	91	–	91
Bank loan	5,786	1,529	7,315
	17,930	1,529	19,459

### c. Fair value:

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

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	
	2019	2018
	USD in thousands	
<b>Sensitivity test to changes in Euro to Dollar exchange rate:</b>		
Gain (loss) from the change:		
Increase of 10% in exchange rate	(295)	(765)
Decrease of 10% in exchange rate	295	765
<b>Sensitivity test to changes in NIS to Dollar exchange rate:</b>		
Gain (loss) from the change:		
Increase of 10% in exchange rate	299	(1,318)
Decrease of 10% in exchange rate	(299)	1,421
<b>Sensitivity test to changes in GBP to Dollar exchange rate:</b>		
Gain (loss) from the change:		
Increase of 10% in exchange rate	(184)	583
Decrease of 10% in exchange rate	184	(583)

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



## Notes to the Consolidated Financial Statements *continued*

### Sensitivity tests and principal assumptions:

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

The Group has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the effects (before tax) on profit or loss and equity in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date.

The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

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

### e. Changes in liabilities arising from financial activities:

	Long term loans	Leases liabilities	Total liabilities arising from financing activities
	USD in thousands		
Balance as of 1 January, 2018	5,000	–	5,000
Cash flows	1,965	–	1,965
Balance as of 31 December, 2018	6,965	–	6,965
New finance lease obligation recognized	–	10,517	10,517
Cash flows	(5,500)	(1,697)	(7,197)
Effect of changes in exchange rate	–	33	33
Termination of leases	–	(893)	(893)
Other changes	–	1,268	1,268
Balance as of 31 December, 2019	1,465	9,228	10,693

### Note 13: Equity

#### a. Composition of share capital:

	As of 31 December 2019	
	Authorised	Issued and outstanding *)
	Number of shares	
Ordinary Shares of USD 0.000001 par value	100,000,000,000	183,813,138

	As of 31 December 2018	
	Authorised	Issued and outstanding *)
	Number of shares	
Ordinary Shares of USD 0.000001 par value	100,000,000,000	216,106,363

\*) Net of treasury shares, see below.

In addition to the above issued shares, as of 31 December 2019, 3,315,521 Ordinary Shares are held in trust to satisfy the Company's share based payment plan.

#### b. Movement in share capital:

- In January 2018 the Company issued 16,000,000 Ordinary Shares in a placing to institutional investors at a price of 198 pence per Ordinary share. The total gross funds raised were approximately GBP 31.7 million (USD 44.2 million) and the related costs amounted to approximately GBP 1.1 million (USD 1.6 million)
- In 2018 the Company issued 1,069,010 Ordinary shares upon the exercise of options.
- In 2019 the Company issued 438,216 Ordinary shares upon the exercise of options.

# Notes to the Consolidated Financial Statements *continued*

- c. The board of the Company had approved a buyback programme (the “Programme”) to buy back up to USD 10 million of the Company’s Ordinary shares (the “Shares”).

The Programme ran from 18 December 2018 to the conclusion of the 2019 annual general meeting of the Company. At the 2019 annual general meeting another buyback programme was approved to buy back up to additional USD 10 million of the Company’s Shares.

On 16 July 2019 the Company ceased the buyback programme and published a tender offer, which was accepted on 16 August 2019. As a result, the Company purchased 19,675,000 Shares at 80 pence per share at a cost of USD 20,034 thousand including transaction expenses. During 2019 the Company acquired 32,731,441 Shares at a total cost of USD 29,691 thousands. (2018- 492,302 shares for USD 468 thousands).

- d. Dividends paid to equity holders of the Company:

	Total amount	Per share
Date	USD in millions	USD
13 March 2018	8.0	0.037
23 September 2018	6.5	0.030
5 April 2019	8.4	0.040
4 October 2019	5.8	0.031

- e. Net earnings per share:

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

	Year ended 31 December					
	2019			2018		
	Weighted number of shares	Net loss from continuing operating attributable to equity holders of the Company	Net income from discontinued operations	Weighted number of shares	Net income from continuing operating attributable to equity holders of the Company	Net loss from discontinued operations
	In thousands	USD in thousands		In thousands	USD in thousands	
Number of shares and income (loss) for the computation of basic net earnings	198,396	(61,691)	2,217	215,441	31,102	(11,284)
Effect of potential dilutive Ordinary shares *)	–	–	–	1,889	–	–
For the computation of diluted net earnings	198,396	(61,691)	2,217	217,330	31,102	(11,284)

\*) Options, see Note 14. In 2019 all options have been excluded because their effect on loss per share is antidilutive.

# Notes to the Consolidated Financial Statements *continued*

## Note 14: Share-based Payment

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

	Year ended December 31,	
	2019	2018
	USD in thousands	
Total expense (income) arising from share-based payment transactions	(218)	1,667

- a. In August 2013 the Company adopted a Share Option Plan. In December 2017 the Company adopted an additional plan. According to the plans, the Company's Board of Directors are entitled to grant certain employees, officers and other service providers (together herein "employees") of the Group remuneration in the form of equity-settled share-based payment transactions.

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

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

### 2019 grants

In March and November 2019, the Company granted 323,500 options to employees exercisable to 323,500 Ordinary shares at an exercise price subject to adjustment for dividends. The options vest over a period of 4 years from the grant date and are exercisable for a period of up to 8 years.

The following table specifies the inputs used for the fair value measurement of the grant:

Option pricing model	Black-Scholes-Merton formula
Exercise price GBP (USD)	0.6–0.63 (0.84–0.78)
Dividend yield (%)	0
Expected volatility of the share price (%)	50.67% ,52.94%
Risk-free interest rate (GBP curve)	,0.76% 0.53%
Expected life of share options (years)	5.2
Share price GBP (USD)	0.56 (0.74), 0.69 (0.89)

The total fair value of the options granted was calculated at USD 123 thousand at the grant date (average of USD 0.37 per option).

In November 2019, the Company granted the Group's CEO 920,223 options exercisable to 920,223 Ordinary shares with nil exercise price. The number of options granted was determined as 150% of the CEO's annual remuneration divided by the share price at the grant date. The vesting of the option is subject to a performance target comparing the average net return achieved by the Company relative to the net return achieved by the constituents of the FTSE AIM 100 during the three-year period ending in November 2022.

The total fair value of the options granted was calculated at approximately USD 600 thousands at the grant date.

## Notes to the Consolidated Financial Statements *continued*

### 2018 grants

In January 2018, the Company granted 3,000,000 options to employees (including to the Company's former CEO and other former key management personnel), exercisable to 3,000,000 Ordinary shares at an exercise price adjusted for dividends. The options vest over a period of 4 years from the grant date and are exercisable for a period of up to 8 years.

The following table specifies the inputs used for the fair value measurement of the grant:

Option pricing model	Black-Scholes-Merton formula
Exercise price GBP (USD)	2.0 (2.85)
Dividend yield (%)	0
Expected volatility of the share price (%)	47.3%
Risk-free interest rate (GBP curve)	1.13%
Expected life of share options (years)	5.2
Share price GBP (USD)	1.9 (2.71)

The total fair value of the options granted was calculated at USD 3,413 thousand at the grant date (USD 1.14 per option).

In September 2018, the Company granted 415,000 options to employees, exercisable to 415,000 Ordinary shares at an exercise price adjusted for dividends. The options vest over a period of 4 years from the grant date and are exercisable for a period of up to 8 years.

The following table specifies the inputs used for the fair value measurement of the grant:

Option pricing model	Black-Scholes-Merton formula
Exercise price GBP (USD)	1.1 (1.44)
Dividend yield (%)	0
Expected volatility of the share price (%)	52.0%
Risk-free interest rate (GBP curve)	1.23%
Expected life of share options (years)	5.2
Share price GBP (USD)	1.0 (1.3)

The total fair value of the options granted was calculated at USD 270 thousand at the grant date (USD 0.63 per option).

### b. Movement during the year:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	in thousands	USD	in thousands	USD
Share options outstanding at beginning of year	8,110	1.56	6,788	1.01
Share options granted during the year	1,244	0.21	3,415	2.68
Share options forfeited during the year	(3,390)	2.24	(1,024)	1.24
Share options exercised during the year	(438)	0.69	(1,069)	0.83
Share options outstanding at end of year	5,526	0.99	8,110	1.56
Share options exercisable at end of year	3,490	1.09	3,194	0.84



## Notes to the Consolidated Financial Statements *continued*

- c. The weighted average remaining contractual life for the options outstanding as of 31 December 2019 was 5 years (2018- 6 years).
- d. The range of exercise prices for options outstanding as of 31 December 2019 was USD 0.65-2.52 (2018- USD 0.66- USD 2.85).

### Note 15: Taxes on Income

- a. Starting 2018 the Company is subject to Cyprus tax at the standard corporate income tax rate of 12.5%.
- b. Tax law applicable to the Company's Israeli subsidiaries is the Israeli tax law- Income Tax Ordinance (new version) 1961.
  - The general Israeli corporate tax rate applicable in 2019 is 23% (2018- 23%).
  - Amendments to the Law for the Encouragement of Capital Investments, 1959:

According to Amendment 71 to the Law, the tax rate for certain preferred enterprises is reduced to a flat tax rate of 16%.

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

- Amendment 73 to the Law also prescribes special tax tracks for technological enterprises, which became effective in 2017, as follows:

Technological preferred enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A technological preferred enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property.

Any dividends distributed to "foreign companies", as defined in the Law, deriving from income from the technological enterprises will be subject to a withholding tax at a rate of 4%.

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

- c. The applicable U.S. federal statutory income tax rate for the Company's subsidiary for 2019 is 21% (2018- same). In addition, state and city taxes are applicable.
- d. Final tax assessments:  
In 2017 two subsidiaries in Israel reached a final tax assessment agreement with the Income Tax Authorities in Israel for the years 2012 – 2015.
- e. Losses carried forward for tax purposes:  
As of 31 December 2019, carry-forward capital tax losses of a subsidiary company total approximately USD 19 million. The tax benefit in respect of losses has not been recorded in the financial statements due to the uncertainty of their utilization.

## Notes to the Consolidated Financial Statements *continued*

### f. Taxes on income included in profit or loss:

	Year ended 31 December	
	2019	2018
	USD in thousands	
Current taxes	3,991	3,979
Deferred taxes	615	523
Taxes in respect of previous years	(1,418)	(413)
Total	3,188	4,089

### g. Theoretical tax:

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

	Year ended 31 December	
	2019	2018
	USD in thousands	
Profit (Loss) from continuing operation before taxes on income	(57,730)	36,148
Statutory tax rate	12.5%	12.5%
Tax computed at the statutory tax rate	(7,216)	4,519
Adjustment due to the difference between the Company's statutory tax rate and tax rates applicable to the subsidiaries	24	59
Non-deductible expenses for tax purposes	10,246	184
Tax benefit of net additional deduction	(1,527)	(2,371)
Taxes in respect of previous years	(1,418)	(413)
Unrecognized temporary differences and others	3,079	2,111
Total taxes	3,188	4,089

### h. Deferred taxes:

Composition:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2019	2018	2019	2018
	USD in thousands			
Deferred tax liabilities:				
Domains and websites	608	221	387	221
Other intangible assets	173	–	173	(42)
Property and equipment	–	6	(6)	6
	781	227		
Deferred tax assets:				
Property and equipment	8	–	(8)	4
Lease liability	122	–	(122)	–
Other intangible assets	–	213	213	329
Allowance for doubtful account	7	15	8	29
Employee benefits	128	98	(30)	(24)
	265	326		
Deferred tax expenses			615	523
Deferred tax assets (liabilities), net	(516)	99		

The deferred taxes are computed at the tax rates of 12% based on the tax rates that are expected to apply upon realization (2018- same).

# Notes to the Consolidated Financial Statements *continued*

## Note 16: Discontinued Operations

- a. In February 2019, the Company's board of directors decided to reduce certain parts of its Media activities (comprising one CGU) which had lower profit margins. In August 2019, the Company completed the sale of Webpals Mobile Ltd ("Mobile") which is a substantial component of the CGU. Under the terms of the agreement Mobile paid the inter-company balances to the Group on completion. The gain derived from the sale is USD 1.8 million.

Prior to the classification of the CGU as a disposal group, the recoverable amount of the assets sold was calculated as fair value less expected sale costs. Based on that calculation the Group recorded in 2018, an impairment loss for the amount of USD 9,038 thousands.

- b. Below is data of the operating results attributed to the discontinued operation:

	Year ended 31 December	
	2019	2018
	USD in thousands	
Revenues from sales	9,752	24,364
Cost of sales	7,733	19,789
Gross profit	2,019	4,575
Sale, general and administrative expenses and research and development expenses	1,610	5,573
Impairment loss and other non-recurring cost of the discontinued operation	–	9,938
Operating income (loss)	409	(10,936)
Financial income (expenses), net	37	(50)
Gain from sale of discontinued operation	1,811	–
Income (loss) before income taxes from discontinued operation	2,257	(10,986)
Taxes on income *)	40	298
Income (loss) from discontinued operation, net	2,217	(11,284)

\*) Tax on income on discontinued operation

- c. Below is data of the net cash flows provided by (used in) the discontinued operation:

	Year ended 31 December	
	2019	2018
	USD in thousands	
Operating activities	1,109	(9)
Investing activities	80	(1,407)

## Note 17: 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.

In 2019 the main part of the Group's Media activities was classified a discontinued activity and sold. Other Media activities which provided complementary activities to the Publishing activities were integrated into the Publishing segment activities. Subsequent to this integration the Group has one operating segment – Publishing, which consists the operation of over 2,300 owned informational websites in 18 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.

## Notes to the Consolidated Financial Statements *continued*

### b. Geographic information:

Revenues classified by geographical areas based on user location:

	Year ended 31 December	
	2019	2018
	USD in thousands	
Scandinavia	34,667	42,362
Other European countries	21,458	26,804
North America	16,162	14,510
Asia	224	56
Oceania	1,375	1,668
Other countries	104	2,191
Total revenues from identified locations	73,990	87,591
Revenues from unidentified locations	5,705	5,911
Total revenues	79,695	93,502

### Note 18: Liens

As collateral for subsidiary's bank loans, fixed charges have been placed on the subsidiary's share capital and goodwill and floating charges on the subsidiary's assets.

### Note 19: Balances and Transactions with Related Parties

#### a. Balances:

	As of 31 December	
	2019	2018
	USD in thousands	
<b>Current liabilities:</b>		
Management fees and other short-term payables	785	106
Non-current liability	3	185

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

	As of 31 December	
	2019	2018
	USD in thousands	
Short-term benefits	1,749	1,962
Termination benefits	739	–
Cost (income) of share-based payments	(205)	1,050
	2,283	3,012

\*) Includes directors.

## Notes to the Consolidated Financial Statements *continued*

### Note 20: Post-employment Benefits

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

	Year ended 31 December	
	2019	2018
	USD in thousands	
Expenses in respect of defined contribution plans *)	1,739	1,824

\*) Including discontinued operation for the amount of USD 95 thousand and USD 283 thousand for 2019 and 2018 accordingly.

### Note 21: Supplementary Information to the Statements of Profit or Loss

	Year ended 31 December	
	2019	2018
	USD in thousands	
Employee benefit expenses are included in: <sup>(1) (2)</sup>		
Cost of revenues	11,980	11,846
Research and development before capitalization	8,828	7,334
Sale and marketing	5,027	6,766
General and administrative	6,229	6,788
Reorganisation costs	918	–
	32,982	32,734

(1) Includes cost of share based payment.

(2) Including discontinued operation for the amount of USD 1,750 thousand and USD 4,985 thousand for 2019 and 2018 accordingly.

### Note 22: Subsequent Events

The spread of Coronavirus will have an impact on the Group's operations. The Group has a well-balanced portfolio of assets, however in February 2020 many sport events were cancelled around the world which will have a negative effect on the Group's revenue. A similar effect is expected in the Finance and Technology units. It is expected that these decreases will be offset, at least in part, by increases in other verticals, namely Casino and New Business. The Group is continually monitoring and responding to the potential impact of the outbreak, but as there is uncertainty regarding the duration of the impact and future events there is uncertainty regarding the total effect on the Group's operations.

### Note 23: List of Main Subsidiaries

	2019		2018	
	Shares conferring voting rights	Shares conferring rights to profits	Shares conferring voting rights	Shares conferring rights to profits
	%		%	
XLMedia Finance Limited	100	100	100	100
XLMedia Publishing Limited	100	100	100	100
Webpals Holdings Ltd	100	100	100	100
Webpals Systems S.C Ltd	100	100	100	100
Webpals Mobile Ltd	–	–	100	100
Marmar Media Ltd	100	100	100	100
Webpals, Inc.	100	100	100	100







XLMedia PLC

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