



Transformation Taking Shape

Who we are

XLMedia is a global performance publisher.
We combine the power of people and machines to build valuable connections.

Our global brands



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NETTIKASINOT.COM
 Valitse luotettava nettikasino



CBWG Media

Sports Betting Dime™

Key facts & figures

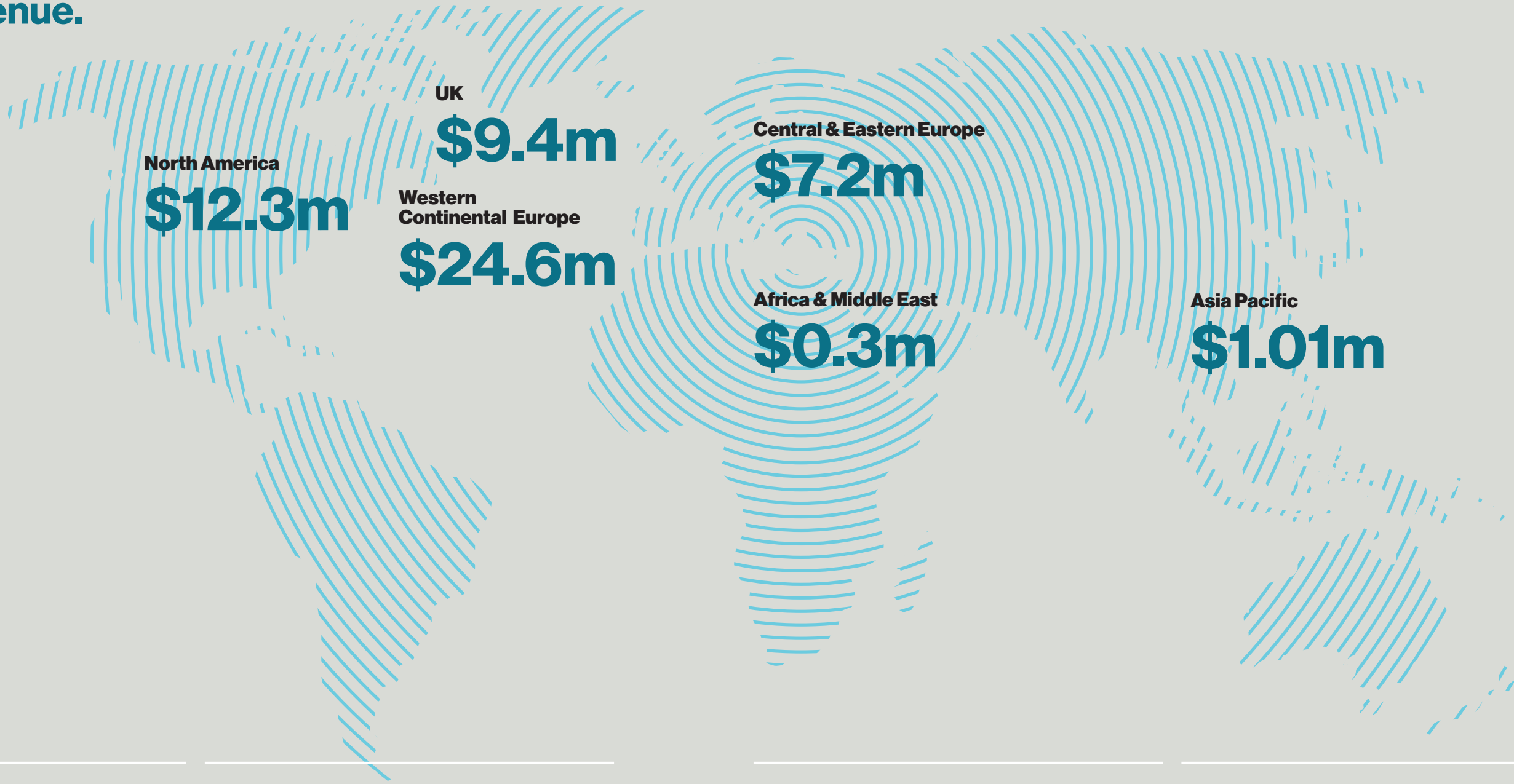
320+ people
23 countries
18 languages
600+ affiliate partners
Listed London Stock Exchange AIM

\$54.8m revenue
\$34.3m gross profit
\$12.2m adjusted EBITDA¹

¹ Adjusted EBITDA in all references is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation, and excluding any share-based payments, impairment and reorganisation costs

Where we are

XLMedia publishing brands operate in 23 countries. Here we show our presence by region in terms of revenue.



Financial summary

Revenues

\$54.8 million

(FY 2019: \$79.7 million)

- › Google search ranking penalty in January on over 100 Casino websites
- › Covid-19 measures impacted sports events globally and reduced activity in Financial Services
- › Resulted in c. \$2 million per month hit to Group revenue for a number of months from March
- › Closure of Media business reduced annual revenue by c. \$5 million

Gross profit

\$34.3 million

(FY 2019: \$53.7 million)

Adjusted EBITDA¹

\$12.2 million

(FY 2019: \$33.5 million)

Adjusted profit before tax²

\$4.5 million

(FY 2019: \$25.3 million)

Reported Profit / (Loss) before tax

\$1.1 million

(FY 2019: (\$57.7) million)

Cash and short-term investments

\$13.9 million

(31 December 2019: \$29.9 million)

Operating summary

- + Significant progress in US Sports market through the acquisition of CBWG, a high-growth sports gaming and betting publisher and affiliate
- + After period end:
 - Strengthened US Sports position through the acquisition of Sports Betting Dime, a multichannel sports betting affiliate, including the national branded website sportsbettingdime.com
- + Good progress on the business transformation
 - Initial restructure of the organisation, resulting in headcount reduction of around 20%
 - Ongoing asset portfolio upgrade focussing on revenue sustainability and future growth
 - Strengthened Executive Team with the appointment of Iain Balchin as Chief Financial Officer and Ken Dorward as President, North America
- + Good progress made on restructuring the organisation to align with refreshed strategy, resulting in annualised cost savings of approximately \$5 million from second half of 2020
- + Corporation tax residence moved to the UK – minimal impact on effective tax rate

¹ Adjusted EBITDA in all references is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation, and excluding any share-based payments, impairment and reorganisation costs

² Excluding loss from impairment and reorganisation costs

Want to go digital?

Access more detailed and interactive content while helping to reduce our carbon footprint and save paper.

You'll receive a more dynamic report than in years past and help XLMedia to reduce its impact on the environment.

To register, simply visit: www.signalshares.com, a secure platform provided by our Registrar, Link Group. From the home page select XLMedia plc as the company, click 'Register an account' and follow the on-screen instructions. You will need your shareholder reference number to register.

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Strategic Review



Christopher Bell
Non-Executive
Chair



Most importantly, the business transformation has progressed well and revenue delivery is more diverse, enabling us to deal better with any future uncertainties and to take full advantage of opportunities as they arise.



Stuart Simms
Chief Executive
Officer



We have made important progress in producing a more sustainable business that is fit for the future and fundamentally rationalised the publishing portfolio. The Company set out some time ago its ambition to achieve meaningful scale in the US Sports vertical—we have pursued this ambition with vigour in 2020.

Chair's Introduction

“
Most importantly, the business transformation has progressed well and revenue delivery is more diverse



Forward looking statement

2020 was a year of challenge and opportunity for our Company, colleagues, clients and partners. The Covid-19 pandemic is well documented and left no industry or company untouched. I am delighted at the way XLMedia handled the operational impacts of the pandemic, and want immediately to express my gratitude to all our colleagues in Israel, Cyprus, the UK and North America for rising to the challenges it presented and showing total commitment during an extremely difficult time. We are not quite out the other side yet, but we can, I believe, now see light at the end of the tunnel.

Unfortunately, the short-term opportunities presented by Covid-19 in the Casino vertical were all but extinguished by the penalty imposed by Google on many of our assets in this space. The Board and Executive team are very aware of the impact of this on recent financial performance and are working tirelessly to deal with this issue and put it behind us.

In tandem with dealing with these unforeseen challenges, the refreshed Executive team has been executing on the strategic transformation of the business we laid out last year. In response to shifting priorities for major search engines and an increasingly uncertain regulatory backdrop in our foundational European casino markets, we detailed our intention to focus the business on fewer high-quality websites and to take advantage of opportunities in high-growth regulated markets. Under the leadership of our Chief Executive, Stuart Simms and

the Chief Financial Officer we appointed early in 2020, Iain Balchin, the business is being steadily restructured and repositioned. Although no transformation is ever complete, we have made excellent progress on improving our websites, significantly reducing the number and upgrading the content and focus, and restructuring and streamlining the organisation to align with our strategic direction.

As an important part of our transformation, as Stuart deals with in detail in his statement, we made two significant acquisitions in the US Sports market (one within the period and the later one in early 2021), which gives the Company immediate scale in a huge vertical, that is growing rapidly. In March 2021, to fund the second of these transactions the Company raised £27 million (gross) through a placing and open offer, both of which were significantly oversubscribed. The Board was delighted to see the faith that our shareholders placed in us through this equity issuance and share their excitement for the prospects of XLMedia going forward.

Governance and Dividend

There were two changes to the Board in 2020. In July, Iain Balchin joined the Board, having been appointed as Chief Financial Officer in February 2020. In August, Amit Ben Yahuda stepped down from the Board and left XLMedia after four years of valuable contribution to the development of the business.

At the start of July, the Company moved its Corporation Tax residence from Cyprus to the UK. This change reflected the increasing senior management presence and the governance concentration in the UK.

As announced in April 2020, we remain committed to completing the transformation of the Company, which requires further investment in the core business and may include taking advantage of additional inorganic opportunities. With this in mind, the Board does not intend to recommend a dividend or share buyback programme for the foreseeable future.

Outlook

The Company has entered 2021 with optimism and confidence, underpinned by a strong balance sheet and improving financial performance. Most importantly, the business transformation is well progressed and revenue delivery is more diverse, enabling us to deal better with any future uncertainties and to take full advantage of opportunities as they arise.

Christopher Bell
Non-Executive Chair

Chief Executive Officer Review

Forward looking statement

“We have made important progress in producing a more sustainable business that is fit for the future



Business Performance

At the end of 2019, we laid out our priorities for the business to maximise opportunities from evolving regulation and consumer demands, and better align our assets with the structure and standards demanded by major internet search engines. Even with this renewed clarity and focus, 2020 proved to be one of the most challenging years in the history of XLMedia. The challenges were both macro and Company specific. As it did for many sectors and businesses, Covid-19 created operational challenges, which the Company handled very well, and financial impacts through the cancellation of major sporting events and the reduction in marketing activities in our major financial services partners. Specific to XLMedia, in January, Google applied a search ranking penalty to a number of Casino websites which made generating new revenue in this vertical difficult.

Against this backdrop, the Group delivered revenue of \$54.8 million (FY 2019: \$79.7 million), gross profit of \$34.3 million (FY 2019: \$53.7 million) and adjusted EBITDA of \$12.2 million (FY 2019: \$33.5 million). By the end of March monthly revenue was running approximately \$2 million behind the expectations at the start of the year. Revenue in the first half was \$27.7 million (H1 2019: \$42.5 million), with the low point reached in the second quarter of the year. Financial performance stabilised in the middle of the year and improved gradually through the second half, and the Company exited the year and entered 2021 with an encouraging trajectory.

We entered the year with clear strategic priorities, underpinned by a refreshed technology infrastructure, incorporating both proprietary and open-source platforms, and a renewed focus on fully exploiting proprietary data. This will be supported by a slimmer refocused central support and operating structure.

Progress in 2020 in transforming the business performance was slower than I would have hoped. This was hampered by the immediate requirement to address the Google manual penalty issue and by an inability to engage face-to-face across the Company due to the restrictions caused by Covid-19. However, we have made important progress in producing a more sustainable business, fit for the future, and have begun to reshape the organisation. In May, we announced the streamlining of a number of functions, which has simplified the structure, aligning it better to the strategic direction of the Company and creating around \$5 million of operating cost headroom to support investment in driving future growth.

We have also reduced the number of sites we own and manage from over 3,000 to fewer than 100. Much of this portfolio has now been upgraded to drive maximum sustainable returns from every asset, with a focus on better serving consumer needs through high-quality, engaging content.

Casino rebuild

As disclosed in January 2020, a number of our high revenue premium Casino websites were penalised by Google through a ranking penalty, which pushes the websites lower in key search results. After a thorough review, we focussed our efforts on ten of the penalised websites and a small number of other high-performing assets to minimise duplication in each target country.

We now believe our remaining Casino sites are high-quality assets, relative to other industry sites successfully addressing the Casino vertical globally. Through the second half of 2020, we submitted the penalised sites to Google for reconsideration on a number of occasions. We have had a degree of success, which resulted in the removal of the penalty for three websites, Casino.pt, Casino.gr and CasinoKiwi.co.nz, and an immediate improvement in their search rankings – although these will take some time to return to historical levels. Based on the development efforts to this point and the quality of the content we have produced, we are disappointed not to have received more successful reconsiderations.

Forward looking statement

From this point, we are concentrating our resources on growing the new revenue in the Casino vertical from the current lower base. This includes driving further growth from our unpenalised sites and seeking to re-establish the performance of the penalised assets, through partnerships, to successfully remove the penalties or develop new sites. Alongside this, we continue to assess the option of disposing of elements of this business, where we feel the value to another party may exceed that to XLMedia over the longer term.

Regulation

All of XLMedia’s business units are subject to regulatory oversight. Even where regulatory change negatively impacts revenue in the short term, I believe that, on the whole, a fully regulated market is better over the longer term for large enterprises like XLMedia, when we factor in the reduced risk of shocks or unforeseen change.

The process of achieving the relevant regulatory permissions and operating within clear regulatory parameters is a core competency of XLMedia, as we have shown in recent developments in North American Sports. Our approach of developing high-quality, educational and engaging websites also positions the business well from a sustainability perspective.

US Sports gaming

The opportunity in US sports gaming has become increasingly clear, as more states in the US have regulated and opened up to legalised sports betting.

In December, we completed the acquisition of the sports gaming and sports betting business of CBWG Sports (“CBWG”). CBWG is a highly successful and fast-growing digital media publishing group, based in the northeast United States. The business owns and operates the sports and gaming assets CrossingBroad.com, PASportsBooks.com, BetNewJersey.com, EliteSportsNY.com, and PromoCodeKings.com and has agreements in place with leading regulated online sportsbooks in the United States. The business also has an agency arm, which partners with leading sports media brands in the regulated betting markets of Colorado, Illinois, and Tennessee. CBWG has so far significantly outperformed the acquisition case, with unaudited revenues in the first two months of 2021 of \$2.67 million compared to \$1.11 million in the acquisition case, capitalising on market growth trends and the very strong Q1 seasonality in the US that results from the timing of certain major sporting events.

After the year end, in March 2021, we completed the acquisition of the business and assets of Sports Betting Dime (“SBD”). SBD was a multichannel offshore sports betting digital media platform with a national footprint website, sportsbettingdime.com, which had over 1.2 million visitors in January 2021.

Following the acquisition, SBD is leveraging XLMedia’s regulatory licences and deals with regulated operators to rapidly monetise its traffic in the nine regulated US states where XLMedia already operated. In due course, revenue is expected to grow as the wider US market regulates state by state and enables the remaining traffic to be monetised.

I believe these acquisitions are very significant steps in rebalancing the Group, with a greater focus on regulated high-growth markets. The Company has now established immediate scale in US Sports, including acquiring an excellent team with the skills required to drive growth, both organically and through targeted acquisition, assisted by the tailwind of increasing regulation across the US.

Outlook

Overall, 2021 has started well. In North America, the assets of CBWG are delivering ahead of expectations, SBD has made an encouraging start and our personal finance assets continue to perform well, and in Europe our sports assets have benefitted from a full events calendar. As mentioned earlier, the Casino vertical is being rebuilt from a lower base. The combination of these factors should lead to revenue materially ahead of the previous year.

Completing the transformation of the business, including the overhaul of the systems supporting it, and delivering the long-term operating structure to maximise growth will involve further significant investment in 2021. The positive impact this will bring, along with improving financial performance and a strong balance sheet, gives us confidence in the future prospects for the Company.



Stuart Simms
Chief Executive Officer

XLMedia is a global performance publisher

Our business model is consumer-centric and designed to bring together consumers and our customers through captivating editorial content and shared interests, underpinned by data-driven behavioural insight.

We combine the power of people and machines to build valuable connections

Our customers expect us to have an effect upon their audience: on their knowledge, on their feelings and to impact their behaviour. Our output is expected not only to drive deep engagement but to sell specific services.

Online innovation has further empowered people to choose when and where they consume information, build knowledge and seek out entertainment. Consumption habits are continuously evolving, alongside both regulation and the ever-shifting algorithms of the major internet search engines. It's no surprise that there has been a significant reappraisal of the user purchase journey and how best to reach consumers.

It used to be that marketing and sales leaders thought of the classic funnel, which represents the buying process as an ever-narrowing array of decisions and choices until purchase. The user moves from the top of the funnel (awareness) to the bottom (purchase) progressively and

predictably. In reality, for the channel-surfing consumer of today, the journey is much more complex, less organised and less predictable. It looks more like a circle than a line – users can come in at any point, jump in, jump out.

At XLMedia, our most important competitive advantage in a less linear world is being able to respond to our customers' needs with a combination of organic search, editorial creativity and data that can makes sense of complex user journeys and deeply engage our consumers at the moment where their interests and a customer's product or service meet.

We believe this approach builds deeper relationships between consumers and XLMedia publishing brands, yields indispensable data and insights that inform strategic business decisions, and presents a new opportunity: the development of rich, long term relationships with our consumers that provide greater, sustainable value to our customers over the long term.

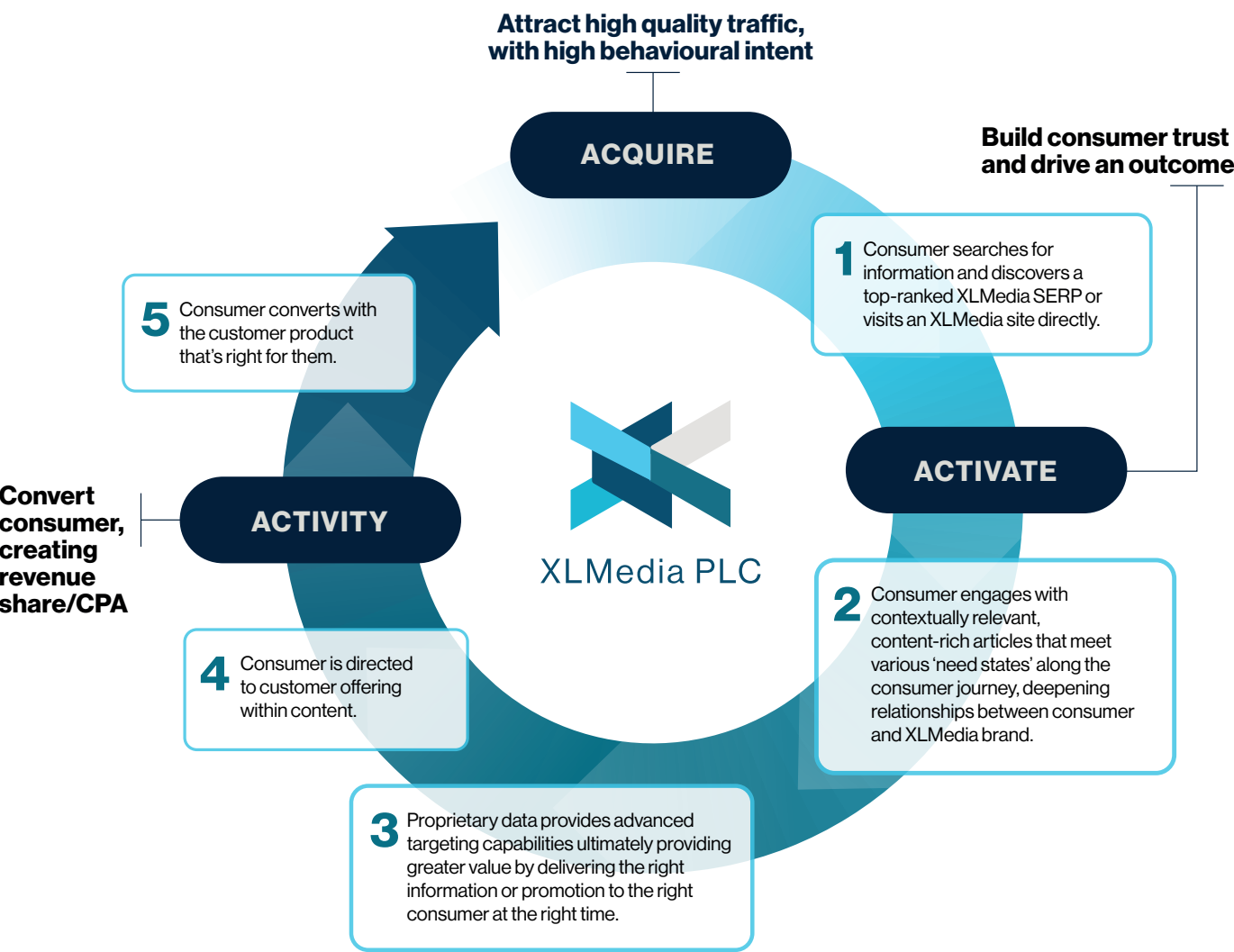
Performance publishing defined

As a leading performance publisher, we create captivating editorial content that is intended to further consumers along three strategically important phases of their purchase journey: curiosity, counsel, and finally, conversion. Underpinned by real-time, data-driven decision making, our content and its delivery is designed to provide the right information or promotion, to the right consumer, at the right time.

To do this, we combine the power of creative storytelling and technology to build valuable connections with our consumers and our customers. It's simple. We start with the consumer, focus on building lasting, meaningful relationships, and in doing so nurture greater lifetime value—a value we can pass on to our customers.

- + **Performance** drives revenue by delivering against our customers' desired results with advanced data and targeting technology
- + **Publishing** drives consumer relationships with high-quality content that meets 'needs states' along the consumer journey

Growing and monetising connections



Towards a 21st-century publishing group

Over the last ten years we've experienced a steady shift in the relationship between brands and their consumers, particularly in the online space. Driven by an ongoing re-evaluation of Big Tech, and in a greater sense the tools of the internet itself, consumers have put added emphasis on ethics, corporate values, and overall social responsibility when choosing from an ever-growing list of brands. This is also born out in the push toward trustworthy, high-quality content seen across online media, search engines, and hosting platforms like Google or Facebook.

At its outset XLMedia prioritised growth over retention. The strategy successfully led to a fast-growing group, but one that prioritised conversion over the cultivation of deep relationships with its consumers – deep relationships that inevitably drive up the lifetime value of that same group. Perhaps even more important than that, in the current climate this conversion-based approach is looked upon less favourably by savvy consumers, customers, and structural players like Google who now place a premium on brand integrity and the legitimate user value a brand provides to consumers.

The most effective way to manage stakeholder reputation is through stating your values and practicing them in an ethical, authentic way. In a practical sense, this means making it a priority to check business strategies and tactics against your stated priorities and beliefs. For us at XLMedia, that means choosing to invest in the production and smart distribution of premium branded assets and high-quality content that accurately represents what our customers can provide to our consumers.

This new approach doesn't just speak to the current zeitgeist, it deepens the relationship between our brands, customers, and consumers, and engenders greater trust among all parties, which in turn equates to healthier, more sustainable and more durable revenue streams for our customers and brands.

Strategic clarity for transformational growth

Our strategy is rooted in two fundamental corporate objectives to evolve the XLMedia Group business, speed transformational progress and drive global growth.

Proactive management of our online publishing portfolio of assets together with branded, content-rich, engaging websites are XLMedia's twin growth drivers.

1. Portfolio Management	2. Premium Branded Assets
<p>Proactive management of our publishing portfolio Ensuring exposure to a diverse range of territories, and verticals with different stages in their lifecycle/maturity.</p>	<p>Cultivating premium publishing brands Developing household brands with a shared belief in quality.</p>
<p>Achieved through: Realigning the weighting of our publishing assets and moving towards more regulated markets (the US) and verticals (Sports), with a more data-driven, conscious business model selection.</p>	<p>Achieved through: Focused consolidation of our portfolio and our resources to concentrate only on those publishing assets which are optimised for our chosen markets.</p>
<p>Delivering: Sustainable revenue growth for our Company and our customers, alongside improved data-driven intelligence to inform investment cases.</p>	<p>Delivering: Content-rich, consumer centric sites which provide tangible user value while benefiting and extending the capabilities of our customers.</p>
<p>Supported by Group drivers:</p> <ul style="list-style-type: none">• Technology—Increased use of proprietary data and deployment of data science• People—Improved engagement and productivity of colleagues	

Strengthening performance capability

The success of our strategic objectives depends to a significant extent on the steps we take to strengthen the resilience and capability of our key drivers; People and Technology.

People

In 2020 we made 80 redundancies to exit legacy capabilities in slow-growth areas of the business. We then introduced a Company-wide initiative to build greater accountability, clearly define roles and responsibilities, and better align individual performance targets and incentives with our strategic intentions. These fundamental changes to working practices are aimed at fostering an open and responsible culture, and will enable us to embrace a talent model where high-performing and critical talent is cultivated in-house, supported by a trusted, flexible workforce - for example, expert writers - that share our focus on quality. As a result, XLMedia is enabled to develop and nurture priority talent alongside drawing from the contingent workforces' highest performers, scale at pace and drive significant efficiencies. This agile state means that we can be quick to adapt to future changes in market dynamics.

Technology and machines

In line with our strategy to focus on a smaller number of publishing assets and drive maximum sustainable returns from every site, we launched a comprehensive site upgrade programme in 2020. This involved migrating publishing assets to a third party, open-source platform, giving us access to a broader expertise base to continually enhance customer experience. In 2020 we evaluated and refocused resources, capabilities and core competencies, identifying optimal deployment. It is our intention to continue refreshing our technology infrastructure, incorporating both proprietary and open-source platforms, with a renewed focus on programmatic AI-based advances.

A transparent, confident and forward-looking company

When we launched our new strategy in early 2020, we reset around a bold ambition to become what we described as a world-leading performance publisher. Performance because we need to drive Company revenue by delivering against our clients' desired results; publisher because ours is a high-quality content and community-driven business.

We are committed to a programme of transformation to transform quality at deliberate pace – taking consumers and clients with us on the journey - to unlock breakthrough value, drive new growth and deliver new efficiencies.

In 2019, we laid the groundwork by making strategic and structural changes to align with current and future industry trends. In 2020, we made good progress in reshaping our organisation and acquired new publishing assets in high-growth, regulated markets.

Change brings short term pain but as we continue to drive this evolution, there is an extraordinary opportunity ahead and we intend to emerge as a more productive Company with broader reach and sharper execution.

How we are delivering against our strategy

Our strategy is predicated on agile reinvention to ensure that XLMedia fulfils its potential and delivers long-term sustainable, profitable growth to investors, colleagues and customers in the markets in which we operate. We are one year into that commitment.

Reshaping our business

In 2020, we laid the foundations for success by initiating major changes to the Company's organisational design and working practices; reviewing the relationship between structure, process and people to best support the implementation of the Group's transformational strategy. This has already reduced complexity, flattened unnecessary hierarchies (reducing layers of management by 50%) and is beginning to bring in the complementary skills required as we reshape for the future.

We expect this organisational redesign to continue at pace in 2021 with the objective of better matching the design of the Company with its strategic intentions in order to more effectively execute and deliver them. Changes made during 2020 have created approximately \$5 million of operating cost headroom, which will help drive further growth.

Taking control of our future

Major internet search engines' common focus on the user experience across various updated, algorithms and ranking systems runs in line with our own strategic direction to cultivate consumer-centric sites. We are committed to reducing the number of publishing sites we operate and growing the business more rapidly with a concentrated set of premium publishing assets which are branded, content-rich and engaging experiences. In 2020, we made strong progress in fundamentally rationalising our portfolio, reducing publishing assets to fewer than 100 from more than 3,000. This business case was strongly supported in 2020 by the origination of revenue, with approximately 50% of Group revenue being generated by 17 publishing assets.

Google's manual action to penalise approximately 160 of our casino publishing assets in late 2019 has not changed our goals for transformation but amplified them, acting as a catalyst to accelerate the changes we have identified as necessary. During 2020 we removed more than 90% of affected sites, significantly overhauled content quality and fundamentally redeveloped 10 chosen sites (one single, high-quality publishing asset per target country). Three sites have been successfully restored, with an immediate improvement in their search rankings. We will continue to consider options for the Casino business based on its ability to yield long-term value for the Group.

To reduce risk and volatility, we have prioritised radically rationalising and upgrading the broader publishing asset portfolio. This decision has produced a revenue delivery which is significantly more diverse, enabling us to cope

better with future uncertainty. We are committed to ongoing assessment of our publishing asset portfolio to optimise the balance between short-term revenue generation, sustainability and future growth potential.



Unregulated volatile markets with limited growth

High-growth, regulated and more predictable markets

Targeting high growth markets: US sports and personal finance

US Sports

Our publishing portfolio is diverse and operates in major global markets, offering a range of services across a variety of verticals including online gambling, personal finance and more.

We are firmly focused on building our presence in North America and earlier this year we opened our first US-based office. Inside the last six months, the Group has achieved immediate scale and reach in the burgeoning US sports market through two successful acquisitions, CBWG Sports (CBWG) and Sports Betting Dime (SBD). Together they provide a strong foothold in a previously closed market which is being opened by regulation and is estimated to be worth \$150bn¹, representing a significant growth opportunity.

CBWG is a successful and fast-growing digital media group focused on professional and college sports, sports gaming and sports betting. Operating currently in six states, including New Jersey and Pennsylvania, it owns and operates premium sports and gaming publishing assets including CrossingBroad.com, PASportsBooks.com, BetNewJersey.com, PromoCodeKings.com, ActionRush.com and ElisteSportsNY.com which is focused on New York – a state widely expected to legalise mobile sports betting. SBD is a premium betting affiliate brand with a national footprint website, sportsbettingdime.com, and over 1.2m users.

In the short period since CBWG was acquired, it has performed strongly, with unaudited revenues in the first two months of 2021 of \$2.67 million compared to \$1.11 million in the acquisition case.

¹ Source: American Gaming Association

US Personal Finance

The Group has already established a solid revenue base within the personal finance market in the US and Canada where we will seek to further develop growth opportunities through local resources and high-quality, localised editorial content. Acquisitions and partnerships remain key vehicles to delivering on our strategy of future growth.

Across the three largest generations in North America - Millennials (born 1981-1996), Generation X (born 1965-1980) and Baby Boomers (born 1946-1964) - spending and saving patterns vary greatly.

Intergenerational differences are an area of expertise for XLMedia with several premium publishing assets dedicated to providing specialist advice with specific generations in mind, empowering them to make informed decisions about financial management. We have deep knowledge of major money trends like the growing number of people choosing to live life on their own terms, commonly referred to as the 'Financial Independence Retire Early' movement and aimed at achieving financial freedom.

Personal finance is a distinct and highly regulated, high-growth vertical market of significant geographical size and represents a valuable segment in XLMedia's portfolio. Our North American publishing assets draw an average monthly audience of more than 3.5m.

CBWG Media

- The largest independently-owned US sports betting affiliate network, across a range of markets.
- Has a growing agency network which partners with leading sports media brands



- National Sport News and Sports Betting site delivering data-driven odds, news, analysis, & advice for fans and seasoned betters



- One of the top-ranking personal finance sites in the United States
- Offers information on topics ranging from business and travel credit cards to balance transfers



- Offers information to inform investments and secure financial independence
- Features a popular weekly money podcast



- Major finance related sites in the United States
- Offers information on trending topics in the financial world from crowdfunding to personal investment



- Canada-focused credit card comparison and personal finance site
- Features reviews, guides and information to help with money management



- Personal finance site assisting Canadians with their earnings and savings
- Features tools for easy budget management and investing

Forward looking statement

\$'000	2020	2019	Change
Revenues	54,839	79,695	-31%
Gross profit	34,345	53,693	-36%
Operating expenses	(29,996)	(27,347)	+ 10%
Operating profit before impairment and reorganisation costs	4,349	26,346	-83%
Adjusted EBITDA ¹	12,161	33,471	-64%
Impairment loss	(955)	(81,350)	
Reorganisation costs	(2,481)	(1,682)	
Adjusted ² profit before tax	4,542	25,302	-82%
Income from discontinued operations	-	2,217	
Profit (loss) before tax	1,106	(57,730)	

¹ Earnings Before interest, Taxes, Depreciation, Amortisation and excluding share-based payments, impairment and reorganisation costs
² Excluding loss from impairment and reorganisation costs

XLMedia revenues in 2020 totalled \$54.8 million (2019: \$79.7 million), a decrease of 31% compared to the previous year due primarily to the closure of our remaining Media operations, the impact of a search ranking penalty imposed by Google on a large number of sites and the initial impact of the Covid-19 pandemic on the Global sporting calendar.

Gross profit for 2020 was \$34.3 million and gross margin was 63% (2019: \$53.7 million, 67% gross margin), representing a 36% decrease, broadly proportional to the decrease in revenues.

Operating expenses for 2020 were \$30 million (2019: \$27.3 million). Operating expenses increased mainly due to a change in Capitalisation policy for proprietary technology, additions to senior management to expediate the expansion of our global operations and professional fees associated with redomiciling to the UK.

Adjusted EBITDA for 2020 was \$12.2 million or 22% of revenues (2019: \$33.5 million, or 42% of revenues), a decrease of 64% on the previous year. This decrease in the EBITDA was due mainly to the reduction in revenues.

Net financing expenses for 2020 were \$0.1 million (2019: \$1.0 million). The decrease in financing expenses mainly reflects changes in lease liabilities as the Company decided not to exercise the option to renew leases.

IAS 36 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 \$1 million in its 2020 accounts (2019: \$81.3 million).

In 2020 the Group recorded reorganisation costs of \$2.5 million following the commencement of a significant future restructuring plan of the Group (2019: \$1.7 million).

Adjusted profit before tax in 2020 was \$4.5 million (2019: \$25.3 million), a decrease of 82%.

As at 31 December 2020, the Company had \$13.9 million in cash and short-term investments (2019: \$29.9 million). The change in cash is a reflection of \$9.0 million generated by operating activities offset by \$20.1 million used for investment activity, and \$3.0 million used for financing activities, with \$1.5 million of this being the repayment of bank loans. Following the placing and open offer in mid-April 2021, the Company had approximately \$38 million in cash and short-term investments.

Current assets as at 31 December 2020 were \$25.2 million (31 December 2019: \$42.4 million) The decrease in current assets was predominantly as a result of the

decrease in cash and cash-equivalents mentioned above. Non-current assets as at 31 December 2020 were \$66.9 million (31 December 2019: \$57.0 million). The increase in non-current assets is mainly from the acquisition of CBWG Sports, with an initial cash consideration of \$12.5 million.

Current liabilities as at 31 December 2020 were \$23.3 million (31 December 2019: \$27.2 million). Non-current liabilities as at 31 December 2020 were \$1.6 million (31 December 2019: \$8.6 million). The decrease in non-current liabilities is mainly attributable to the lease liability as the Company decided not to exercise the option to renew leases. Total equity as at 31 December 2020 was \$67.3 million or 73% of total assets (2019: \$63.5 million or 64% of total assets). The increase in the equity was mainly as a result of the issue of \$3.6 million new Company shares as part of the initial consideration for the acquisition of CBWG Sports.

2020 was a significant year for the Company, where we dealt with many challenges concurrently, including making significant progress in restructuring and repositioning the Company for future growth. We exited the year with a positive trajectory and concluded our first acquisition in the US Sports market. We remain optimistic and confident about the years ahead.


Iain Balchin
Chief Financial Officer



“
Our people will drive our strategy

Stuart Simms
Chief Executive Officer

People constitute a critical component and key driver in the delivery of our corporate objectives and strategic vision.

The proactive management of our publishing portfolio requires a global workforce that is both diverse in skillset and deeply knowledgeable of the markets and vertical sectors we operate within. The deliberate and focused consolidation of our publishing assets, to achieve ‘quality over quantity’, requires change in working practices, behaviours and organisational design.

In 2020, we laid the foundations for a leaner and more agile organisation by initiating major changes to the Company’s organisational design and working practices; reviewing the relationship between structure, process and people to better match the strategic ambition.

Our ongoing focus is to streamline and simplify our business. In 2020, we reduced the number of leadership layers from more than eight down to four—creating refocused teams with clear accountabilities and aligned incentives. Regrettably, this also resulted in around 80 redundancies as we reprioritised our efforts. It has been very important to us to support affected people through a dedicated placement programme.

We have also sought to address historic and unacceptably high attrition rates and their root causes, with the aim of supporting workforce productivity and engagement. In 2020, we introduced a Company-wide initiative to build greater accountability and better align individual performance targets with our strategic intentions.

The Objectives and Key Results (OKR) programme was implemented to sharpen roles and responsibilities, foster collaborative goal setting and to produce challenging, ambitious targets, with measurable results. This important initiative is rooted in ensuring that our colleagues feel motivated and empowered to drive radical change.

These fundamental changes to working practices are aimed at fostering an open, responsible culture and lean organisation where in-house expertise can be supported by a trusted flexible workforce—for example, expert writers, designers and developers—that share our focus on quality. As a result, XLMedia can develop and nurture colleagues alongside drawing from the contingent workforces’ highest performers, scale at pace and achieve significant efficiencies. This agile state means that we can be quick to adapt to future changes in market dynamics.

- Progress in 2020**
- Improved organisational design and operating model
 - Sharpened performance with more defined roles and supported career paths
 - Reinvigorated recruitment and onboarding experience
 - Initiated the foundations for a refocused Global workforce, building operations in the UK and North America
 - Developed more inclusive policies, and benefits and rewards for employees
- Focus for 2021**
- Increase productivity and efficiency, further using technology to automate manual processes
 - Operate a blended talent model, utilising outsourced capabilities such as agencies and contractors, to offer scale and efficiency
 - Increase learning and development opportunities to drive quality output
 - Continue to develop a global talent pool, focusing on target growth markets and territories
 - Create flexible working environments to support a genuinely flexible, collaborative, global workforce

A global culture of freedom and responsibility

Remote working became a daily reality for our global workforce from March 2020, in line with local regulations relating to Covid-19. This forced change promoted us to become more efficient and progressive in our working practices and capabilities. We have introduced a new hybrid workforce model that combines remote work and office collaboration to increase productivity and improve colleague satisfaction.

As we transform, the calibre of our people is increasingly integral to delivering operational and strategic objectives. Flexible working makes work accessible to a broader pool of specialist talent, as well as parents and people with caring responsibilities, helping to create a more diverse and engaged workforce. It also provides the secondary benefit of lowering business costs and reducing our carbon footprint.

Engagement and representation

We are committed to making XLMedia a great place to work, with a culture that promotes diversity, inclusivity, personal development and respect. We use formal and informal mechanisms to assess and improve employee engagement and satisfaction.

In December 2019 our Company-wide colleague survey identified a distinct and encouraging shift towards a culture widely recognised to be more autonomous and where behaviours of learning, improvement and accountability are increasingly important.

We are working hard to become a global, ever-more inclusive and diverse organisation. Our people are selected and promoted based on their qualifications and merit, without discrimination or concern for race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age, or disability.

Values

Our core values are being woven into the fabric of our organisation, enabling XLMedia to attract and retain the best talent to speed our long-term growth.

We cultivate a progressive culture

We nurture a positive and inclusive culture that allows each member of our corporate family to thrive. We support both the professional and personal growth of each colleague and encourage everyone to find a healthy work-life balance.

We put the customer at the heart of everything we do

Our audiences trust our content to help them make confident decisions. We earn their trust by listening and learning at a local market level, to shape and serve the content they need, where and when they need it most.

We believe transparency is a necessary

We stand by what we publish and do not compromise when it may seem easier or more profitable to do so. We work in the light and publish with pride.

We grow by being bold

Our ambition is sustainable growth. We achieve it by thinking bigger. We invest in emergent growth markets, we find new insights, we imagine new ideas, we embrace new technologies. We are unafraid to think bold and to act bold.

We work together at pace

We are an agile organisation. We thrive in cross-functional teams that are empowered and accountable. We iterate rapidly, and continually learn from what works and what doesn't. Together we go further, faster.

Corporate Governance

Our Board

XLMedia’s Board is a highly skilled team with breadth of capability and discipline

The Board is collectively responsible for promoting the success of XLMedia by directing and supervising policy and strategy and is responsible to shareholders for the Company’s financial and operational performance and risk management.



Christopher Bell
Non-Executive Chair

Appointed: March 2014
Nationality: British



Key strengths and expertise:

- Extensive retail and hospitality industry leadership experience
- Substantial knowledge of the gambling industry

Other current appointments:

- Chair, Team17 plc
- Chair, OnTheMarket plc
- Senior Independent Director, The Rank Group plc
- Non-Executive Director, Royal Air Force Charitable Trust Enterprises

Christopher is an experienced Chair, chief executive, senior independent director and non-executive director, with over 20 years’ experience in publicly traded companies. He has deep knowledge of the betting, gaming, retail and hospitality sectors, gained from 27 years’ executive leadership experience. Christopher was previously a Non-Executive Director of Gaming Realms plc, Spirit Pub Company plc and Quintain Estates and Development plc, where he was the Senior Independent Director. He was chief executive at Ladbrokes Worldwide and a Board Director at Hilton Group plc, then made chief executive of Ladbrokes plc following the sale of the Hilton International Hotel division. XLMedia is one of four AIM listed companies he has successfully taken to market, alongside Team17 plc, TechFinancials plc and OnTheMarket plc.



Stuart Simms
Chief Executive Officer

Appointed: October 2019
(as Chief Executive Officer)
Nationality: British



Key strengths and expertise:

- Track record of value creation and transformation at international companies
- Very extensive in-depth commercial and performance marketing experience

Other current appointments:

- Board Director, Digital Media Distribution Ltd

Stuart joined XLMedia in October 2019 as chief executive officer from Rakuten Marketing, one of the world’s largest digital advertising businesses, where he was global CEO and led a global transformation programme - strengthening the company’s balance sheet, simplifying the business and returning the company to double digit growth. Stuart brings over 29 years of experience of technology companies, with the last 14 years in executive leadership positions at companies including Microsoft, Rackspace, Venda (Netsuite) and Rakuten.



Iain Balchin
Chief Financial Officer

Appointed: July 2020
Nationality: British



Key strengths and expertise:

- Strong international finance leadership background
- Considerable knowledge of value creation and change

Other current appointments:

- None

Iain is an experienced CFO and Board Director. He was previously CFO at Ixaris Group, World Remit Group, Wizink Bank Group and Ascot Lloyd Group, where he led the IPO process and subsequent trade sale. He has also served as a Board Director at Ixaris Group, Ascot Lloyd Wealth Management and Harvard Wealth Management. Iain is a debt and equity raise specialist, with private equity and plc experience and has helped build world class finance functions for Standard Chartered, St James Place Wealth Management plc, Credit Suisse and Lloyds TSB, leading teams based in Madrid, UAE, Zurich, Paris, the UK and Tokyo. At XLMedia he brings strong experience in creating value through change, M&A and organisational redesign.

Changes to the board during the year:

Iain Balchin – appointed to the Board on 01 July 2020.
Amit Ben Yehuda – retired from the Board on 11 August 2020.



Jonas Mårtensson
Independent Non-Executive Director

Appointed: October 2017
Nationality: Swedish



Key strengths and expertise:

- Considerable capital markets and gaming sector experience
- Extensive experience in technology and product development

Other current appointments:

- None

Committee Membership Key



Audit Committee



Remuneration Committee



Risk Committee



Committee Chair



Richard Rosenberg
F.C.A. Independent Non-Executive Director

Appointed: March 2014
Nationality: British



Key strengths and expertise:

- Significant and relevant financial accounting experience
- Considerable knowledge of the online gaming sector

Other current appointments:

- Non-Executive Chair, Livermore Investments Group Ltd
- Trustee, Teenage Cancer Trust

Jonas is currently CEO of Mojang AB, the videogame development company behind the Minecraft game, which was acquired by Microsoft in 2014. Jonas founded betting operator Mobilbet.com, which was sold to ComeOn in 2016. Prior to this, Jonas held senior roles at Betsson, an online betting and gaming company, latterly in Betsson Technologies AB, as Head of Mobile responsible for strategy and execution of all mobile activities across the 28 group brands. He has also managed start-ups in entertainment, social networking and finance. Jonas was one of the founders of Happy Socks.

Richard is a qualified chartered accountant and partner at SRLV, an independent accounting practice, which he co-founded in 1988. He has a strong finance background and specific knowledge of the online marketing sector. XLMedia is the second AIM listed company he has successfully taken to market, having previously advised Empire Online when it became the first digital marketing business for the gaming industry to be publicly traded in 2005. Richard has been a member of the Academy of Experts since 2011.



Ory Weihs
Non-Executive Director

Appointed: April 2012
Nationality: Israeli



Key strengths and expertise:

- Extensive knowledge of XLMedia having founded the business
- Significant understanding of performance marketing

Other current appointments:

- Founder, Team Odeon
- Non-Executive Director, Mews

Ory co-founded XLMedia and served as CEO from 2008 to 2019, prior to which he worked across all areas of the business as it successfully scaled from the affiliate network he first established in 2003. He brings considerable entrepreneurial and digital business leadership experience. Ory is also the founder of Team Odeon, a performance marketing company focused on higher education. He is an active investor and advisor to companies operating in SAAS, Gaming and performance marketing.

Results and review of the business

Advisors

Registered Office:
12 Castle Street
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Company Secretary:
Ms. Michal Bahav
8 Hamada Street
Herzliya,
Israel

Registrars:
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Nominated Adviser & Joint Corporate Broker:
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6-8 Tokenhouse Yard
London
EC2R 7AS

Joint Corporate Broker:
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KG 60 Threadneedle Street
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EC2R 8HP

Auditors to the Company:
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(a member of Ernst & Young Global)
3 Aminadav Street
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Jersey Law Counsel
Carey Olsen
47 Esplanade
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Public Relations advisor:
Vigo Consulting
180 Piccadilly
London
W1J 9HF

The Directors' Report should be read in conjunction with the full 2020 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 resolution passed by the shareholders at the last Annual General Meeting, and in accordance with the Company's Article of Association, the directors were authorised to allot up to an aggregate number of 62,376,220 shares, being one third of the issued share capital of the Company as of the date of the Annual General Meeting.

Also, at the AGM the Board was authorized by the shareholders to allot and issue, wholly for cash, with disapplication of pre-emption rights, up to 61,912,853 shares representing 10% of the issued share capital of the Company as of the date of the Annual General Meeting. These authorities expire, to the extent not already used, on the date of the Annual General Meeting to be held on 27 May 2021 and approval will be sought for new authorities at the Annual General Meeting.

At an extraordinary general meeting of the Company held on 6 April 2021, the Board was authorised by the shareholders to allot and issue, wholly for cash, with disapplication of pre-emption rights, up to an additional

The Directors present their report for the year ended 31 December 2020.

48,790,334 shares in respect of the placing, subscription and open offer referred to below and a further 25,508,320 shares representing 10% of the enlarged issued share capital of the Company following such placing, subscription and open offer. These authorities expire, to the extent not already used, on the date of the Annual General Meeting to be held on 27 May 2021 and approval will be sought for new authorities at the Annual General Meeting.

Approval will be sought for new authorities at the Annual General Meeting.

Private Placement & Subscription
On 22 March 2021, the Company issued 18,712,866 shares pursuant to a placing and subscription under the authority given to the Board at the last AGM and on 7 April 2021, the Company issued a further 48,790,334 shares pursuant to a placing, subscription and open offer under the authority given to the Board at the extraordinary general meeting of the Company held on 6 April 2021.

Issuance of Shares to CBWG shareholders
On 15 December 2020 the Company allotted 3,977,273 Shares to CB Sports LLC and 3,977,273 Shares to Warwick Gaming as part of the consideration for the acquisition of the CBWG business (for more details kindly see page 31 of this Annual Report).

Cancellation of Treasury Shares
On 16 April 2020, the Board has resolved to cancel 33,223,743 shares then held in treasury. Following the cancellation, the Company does not hold any Ordinary Shares in treasury.

Major Shareholders
As of 31 December 2020, the following interests of shareholders in excess of 3%, had been notified to the Company by the shareholders:

Shareholder's name	Number of shares held	Shares as % of issued share capital
Premier Investissement SAS	33,763,122	17.3%
Axxion S.A.	15,160,000	7.77%

Global Share Incentive Plan
On 2 July 2020, Shareholders approved the XLMedia 2020 Global Share Incentive Plan.

On 6 July 2020, the Company granted share awards over a total of 3,982,848 ordinary shares in the Company under the XLMedia 2020 Global Share Incentive Plan.

On 26 March 2021, the Company granted share awards over a total of 470,977 ordinary shares in the Company under the XLMedia 2020 Global Share Incentive Plan.

Senior management changes

On 4 February 2020, Iain Balchin was appointed as Group Chief Financial Officer and on 1 July 2020 Mr. Balchin was appointed as a Board member.

On 27 May 2020, the Company re-appointed Mr. Stuart Simms, Mr. Christopher Bell, Mr. Richard Rosenberg and Mr. Mr. Ory Weihs as members of the Board.

On 17 June 2020, Mr. Ken Dorward was appointed as the Company's President – North America.

On 11 August 2020 Mr. Amit Ben Yehuda stepped down from the Board of the Company.

Acquisitions

CBWG

On 9 December 2020 the Company completed a significant step forward in its stated priority to expand its presence in the burgeoning US Sports market, through the completion of its acquisition of the sports gaming and sports betting business of CBWG Sports ("CBWG").

CBWG, which was formed early in 2020 through a combination of CB Sports and Warwick Gaming, is a highly successful and fast-growing digital media publishing group, based in the northeast United States, focused on professional and college sports, sports gaming and sports betting. CBWG operates as a sports gaming affiliate in six states, including New Jersey and Pennsylvania. The business owns and

operates the sports and gaming assets CrossingBroad.com, PASportsBooks.com, BetNewJersey.com, EliteSportsNY.com, PromoCodeKings.com and ActionRush.com and already has agreements in place with leading regulated online sportsbooks in the United States. The business also has an agency arm, which partners with leading sports media brands to drive user acquisition in the regulated betting markets of Colorado, Illinois, and Tennessee.

The Company paid upfront consideration of \$12 million in cash and issued 7,954,546 new XLMedia plc shares (representing an aggregate value of \$3.5 million), the transaction also includes a potential future contingent consideration of up to an additional \$9.5 million, based on the net revenue performance of the acquired business, payable over three years to the end of 2023.

The performance of the CBWG business up until the day of the report is ahead of the trajectory anticipated at deal close.

Sports Betting Dime

On 18 March 2021 the Group announced that it has entered into an agreement to acquire the business and assets of Sports Betting Dime ("SBD") for a total approximate consideration of \$26.0 million (c.£18.5 million) (the "Acquisition").

Founded in 2012 as a sports book review site, SBD has developed into a multichannel sports betting digital media platform, including two mobile apps.

The Acquisition provides XLMedia with a leading US affiliate sports betting brand delivering national traffic through its website, sportsbettingdime.com.

The Acquisition cements XLMedia's market position in the rapidly growing regulated US sports betting market and, together with XLMedia's existing US sports betting asset (CBWG), provides scale at local and national level. SBD also brings to XLMedia a talented team with a range of skills, including marketing, content production, search optimisation and technology development. This provides a solid base from which XLMedia can accelerate growth in North American sports betting and its existing personal finance offering.

The Acquisition completed on 24 March 2021

Strategic activities

101GG

On 17 July 2020, the Company has completed a buy-out of the remaining interests of the founders in its premium website, 101GreatGoals.com . The consideration paid was not material in the context of the Group.

101GreatGoals.com is a good example of the type of asset that XLMedia will concentrate on, as it consolidates and rebalances its publishing portfolio, with an emphasis on content-rich, highly engaging sites in regulated and high-potential markets.

Google re-ranking efforts

On 18 January 2020, the Company became aware that a number of its casino sites had been manually demoted by Google predominantly within the online casino vertical, impacting their online ranking and therefore significantly reducing their ability to generate revenues.

Management understands that the large number of low-grade, typically legacy sites, operated by the Company until 2020 had a collective negative impact when reviewed by Google. Therefore, the Group have removed or de-indexed a large number of these sites.

The Company is pursuing a multi-track approach to recovering the ten remaining penalised websites. This process is being carried out in conjunction with a fundamental rationalisation of the asset portfolio, significantly reducing the overall number of sites and upgrading the quality of those remaining, with a concentration on highly engaging content and enhanced functionality to drive increased traffic and build consumer loyalty.

The approach to recovering the Casino vertical is an orderly combination of, i) submitting to Google for reconsideration ten sites which have been rebuilt in house or in conjunction with a partner, ii) developing some entirely new sites, where this is the better strategic option, iii) de-indexing sites which are immaterial and may have a negative impact on the authority of the premium websites, and iv) disposing of sites which no longer fit with the direction of the business. We have now completed the core development work on all the rebuilt sites we will take forward and have commenced the submission process to Google for reconsideration. To date, we have been successful in having the penalty removed for three of the ten sites we wish to recover, Casino.pt, Casino.gr and CasinoKiwi.co.nz.

Changes in tax residency

On 1 July 2020 the Company successfully completed the transition of its Corporation tax residence from Cyprus to the UK. For more information kindly see note 14 to the financial statements.

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 Chair's Statement on pages 14-15 of this Annual Report, and the Corporate Governance Report on pages 48-59 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 60-63 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 64-69 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. From February 2020 the entire Board was present in all discussions of the Risk Committee. On 22 March 2021 the composition of the Risk Committee was changed to include all board members whereby Mr. Bell and Mr. Mårtensson were appointed as members of the Risk Committee. 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 11 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 by the Board 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). In preparing these financial statements, the Directors are required to:

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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 38-39. 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 are eligible to participate in the Global Share Incentive Plan. Recruitment gives equal opportunity to all employees regardless of age, sex, colour, race, religion or ethnic origin. Training programs are held for all levels of staff. These are aimed at increasing skills and contribution.

Annual General Meeting of Shareholders

The Company will be holding its 2020 AGM on 27 May 2021.

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.

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 60-63 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.

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.

Category	Principle number	Principle	Application
Deliver Growth	1	Establish a strategy and business model which promote long-term value for shareholders	<p>Our strategy and business operations are set out in pages 22-29 of the annual report. That section covers our business model, our strategy and how we aim to drive long-term value for shareholders.</p> <p>The risk sections of the Annual Report are on pages 70-75 of the 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 pages 24-29 of this annual report.</p>
Deliver Growth	2	Seek to understand and meet shareholders’ needs and expectations	<p>We are committed to listening and communicating openly with our shareholders to ensure that our strategy, business model and performance are understood.</p> <p>One or more senior representatives of the Company and the Board are ordinarily present in the Annual General Meetings of the Company to answer questions from shareholders who attend the meetings.</p> <p>However, this was not possible at the Annual General Meeting held in 2020 and will not be at the Annual General Meeting in 2021 due to Covid-19 restrictions. Instead, the Company made available a facility for shareholders to address questions to the Company via email, with any appropriate responses to be published on the Company’s website.</p> <p>Additionally, our Chair 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.</p>

Category	Principle number	Principle	Application
			<p>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).</p> <p>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 at: https://www.xlmedia.com/investor-relations/rns-news-alerts/#alerts.</p> <p>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.</p>
Deliver Growth	3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>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.</p> <p>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). The specific needs of each stakeholder group are considered when the Company reviews and responds to that feedback.</p> <p>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 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.</p>

Category	Principle number	Principle	Application
			<p>We are catering to our end customers' needs and always endeavour to provide them with highest quality services and products to tailor fit their needs and expectations.</p> <p>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 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.</p> <p>We believe that strategic supplier relationships are key to bringing innovations that enable our Company's 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.</p>
Deliver Growth	4	Embed effective risk management, considering both opportunities and threats, throughout the organization	<p>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.</p>

Category	Principle number	Principle	Application
			<p>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.</p> <p>In addition, we have an internal audit function performed by Chaikin Cohen Rubin & Co. which conducts audits periodically pursuant to an internal audit plan.</p> <p>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.</p> <p>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.</p> <p>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 70-75 of this Annual Report.</p>
Maintain a Dynamic Management Framework	5	Maintain the board as a well-functioning, balanced team led by the Chair	<p>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.</p>

Category	Principle number	Principle	Application
			<p>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.</p> <p>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.</p> <p>The Board comprises six directors, two of whom are Executive Directors and four of whom are Non-executive Directors, including the Chair. 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.</p> <p>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.</p>

Category	Principle number	Principle	Application
			<p>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/.</p> <p>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 executive employees following a thorough assessment of a potential candidate's skill and suitability for the role.</p> <p>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.</p> <p>During 2020 the Board held 19 meetings on which all directors attended other than that (a) Christopher Bell did not attend one meeting out of the 19; and (b) Richard Rosenberg did not attend two meetings out of the 19; and (c) Jonas Mårtensson did not attend three meetings out of the 19. The Board also passed 13 unanimous written resolutions.</p>
Maintain a Dynamic Management Framework	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.

Category	Principle number	Principle	Application
			<p>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.</p> <p>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.</p> <p>The Directors' biographical details and relevant experience can be found on pages 38-39 of this Annual Report and on the following URL: https://www.xlmedia.com/about-us/board-management/#board</p> <p>Throughout the year, members of the Board receive updates on corporate governance matters from either the General Counsel and Company Secretary and/or the Company's Nominated Advisor.</p> <p>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.</p> <p>More information about the Group's management can be found here: https://www.xlmedia.com/about-us/board-management/#management.</p> <p>The Board also consults with external advisors and with executives of the Company on various matters as deemed necessary and appropriate by the Board.</p>

Category	Principle number	Principle	Application
Maintain a Dynamic Management Framework	7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>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 Evaluation 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.</p> <p>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.</p> <p>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 2020 but one is expected to be carried out during calendar year 2021. The method of assessing Board effectiveness and performance will be reviewed on a continuing basis.</p>

Category	Principle number	Principle	Application
Maintain a Dynamic Management Framework	8	Promote a corporate culture that is based on ethical values and behaviours	<p>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.</p> <p>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.</p> <p>We have also adopted a share dealing code, regulating trading by persons discharging managerial responsibility and persons closely associated with them ("PDMRs").</p> <p>We take all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of the Dealing Code.</p>

Category	Principle number	Principle	Application
Maintain a Dynamic Management Framework	9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>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 38-39, 44 and 60-69 of the Annual Report. Each of the Board Committees has the ability to use external advisors as it sees fit in the furtherance of its duties.</p> <p>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 Chair'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.</p> <p>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.</p>

Category	Principle number	Principle	Application
Build Trust	10	Communicate how the group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>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.</p> <p>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.</p> <p>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.</p> <p>As of 2020 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.</p>

General and composition of the Audit Committee

The Audit Committee is a sub-committee of the Board. The Audit Committee Chair 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, Jonas Mårtensson, Ory Weihs and Richard Rosenberg. The Committee is chaired by Mr. Rosenberg.

Other than Mr. Weihs, all members of the Audit Committee are considered to be independent directors. For further information about the qualifications of the Audit Committee members please refer to pages 38-39 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

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 2020

- On 26 April 2020, the Audit Committee reviewed and approved the financial statements for FY2020, and reviewed the external auditors plans for the annual report of FY2020.
- On 4 May 2020, the Audit Committee reappointed Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, as the external auditors and discussed the internal auditors' reports.
- On 3 June 2020, the Audit Committee reviewed the financial results of the Company for Q1 2020.
- On 28 September 2020 the Audit Committee reviewed and approved the financial statements of the Company for H1 2020.
- On 5 November 2020 the Board reviewed the financial results of the Company for Q3 2020.

Internal auditors

The internal auditors of the Company Chaikin Cohen Rubin & Co appointed by the Company in June 2020. 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—with resulting recommendations being 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 2020. 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.

External Auditors’ remuneration	2020	2019
Audit services	177	184
Acquisition and assurance services	166	-
Tax compliance	278	112

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 2020 and for 2019 was as listed in the table below:

The Audit Committee and the auditors found that the external audit plan for 2020, the work of the external auditors for 2020 and the remuneration of the external auditors for 2020 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

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.

Remuneration Committee Report

The Remuneration Committee comprises Jonas Mårtensson as Chair of the Committee with Christopher Bell and Richard Rosenberg as the other current members of the Committee, all are Independent Non-Executive Directors.

Responsibilities

The Remuneration Committee is responsible for determining and recommending to the Board the framework for the remuneration of the Board Chair, Executive Directors and other 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.

During 2020, the Remuneration Committee passed 10 written resolutions, following due consideration, with respect to various matters.

In exercising their role, the Remuneration Committee has regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

During the year FIT Remuneration Consultants LLP (FIT) provided the Committee with external remuneration advice, including on all aspects of remuneration policy for the Executive Directors. The Remuneration Committee is satisfied that the advice received was objective and independent. FIT is a member of the Remuneration Consultants Group and the voluntary code of conduct

of that body is designed to ensure that objective and independent advice is given to remuneration committees.

Our Performance and Link to Remuneration

As summarised in the Chair's Statement on pages 14-15, XLMedia continues to make good progress on its transformation agenda and the delivery of its strategic priorities. Despite this progress the Committee determined that only a targeted few colleagues received a bonus under the 2020 annual bonus plan.

As part of Iain Balchin's recruitment agreement he was entitled to a cash bonus equal to 50% of his annual salary payable in March 2021.

A PSU award was granted to Iain Balchin on 6 July 2020 following approval of the XLMedia 2020 Global Share Incentive Plan (the '2020 LTIP') at the July 2020 EGM. The PSU Award is subject to a three-year performance period, with vesting subject to the achievement of performance measured by reference to total shareholder return over the performance period as compared to the FTSE AIM 100, followed by a two-year holding period.

The Committee approved an ex-gratia cash bonus in the amount of USD 148.5 thousand to Mr. Simms (corresponding to 33% of his base salary) in recognition of Mr. Simms' contribution to the Company over the past financial year.

Executive Director Remuneration

Each of the Executive Directors has a service agreement with the Group. Each service contract may be terminated by either party serving 6 months' written notice. At its discretion, the Group may make a payment in lieu of such notice or place the Executive Director on garden leave. The service contracts also contain provisions for early termination in the event of various scenarios and contain typical restrictive covenants.

The key remuneration components of executive packages are summarised as follows:

Base salary

The salary of an Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. The current base salaries are shown below:

- Stuart Simms: USD 478 thousand
- Iain Balchin: USD 467 thousand

Pension and benefits

Ancillary benefits include the reimbursement of all reasonable and authorised out of pocket expenses, provision of a private healthcare cover and life insurance cover. The Group also contributes to pension plans or as an additional cash supplement in respect of the Executive Directors at a rate of 10% of salary.

Remuneration Committee Report

Annual bonus:

The Executive Directors are eligible to receive a discretionary annual bonus of up to 100% of salary, subject to achievement of targets which will be set by the Remuneration Committee each year and subject to the discretion of the Remuneration Committee. 70% of the payment is based on EBITDA performance against budget/plan profit. The remaining 30% is based on personal / strategic measures set at the beginning of the year. The bonus is paid 50% in cash shortly after determination of performance for the year and 50% in deferred shares vesting over 3 years subject to continued employment.

A discretionary share plan, the LTIP:

Executive Directors may receive PSU Awards up to 200% of salary subject to a minimum three-year performance period, with vesting subject to stretching performance targets set by the Committee, followed by a holding period (resulting in a total of five-year period between grant and exercise).

The intention is to make a grant of PSU awards to the Executive Directors over shares with the following values shortly after the announcement of the Company's results for 2020:

- Stuart Simms: 200% of salary; and
- Iain Balchin: 150% of salary.

The performance conditions attached to the PSUs will be based on the achievement of absolute share price targets with the performance period ending at the end of the 2024 financial year. The share price at the end of the performance period will be averaged over 30 days. No shares will vest if the average share price does not reach £1.20 with vesting above this as follows:

Average Share Price ¹	Vesting
£1.20	25%
£1.35	50%
£1.50	100%

1)The share price targets will be reduced by any dividends paid over the performance period

Non-Executive Directors

Christopher Bell was appointed Non-Executive Chair of the Group by letter of appointment dated 25 August 2020. The appointment is subject to re-election at the Annual General Meeting every three years and thereafter is terminable on 6 months' notice by either the Group or Mr Bell. The fee payable to the Chair is USD 160 thousand.

The other Non-Executive Directors are appointed subject to re-election every three years at the Annual General Meeting and are terminable on 3 months' notice by either party other than Richard Rosenberg's engagement which is terminable on a 6 months' notice.

The current fee payable for services as a Non-Executive Director has changed throughout the year as follows: (a) fees payable to Mr. Richard Rosenberg were adjusted from USD 60.8 thousand to USD 82.9 thousand on 25 August 2020, as a result of the change in tax residency from Cyprus to UK that occurred on 1 July 2021 and (b) fees payable to Mr. Christopher Bell were adjusted from USD 137.4 thousand to USD 186.2 thousand on 25 August 2020, as a result of the change in tax residency from Cyprus to UK that occurred on 1 July 2021.

As it is listed on AIM, the Group is not required to provide all of the information included in this Report. However, in the interests of transparency this has been included as a voluntary disclosure. The Report is unaudited, unless otherwise stated.

Directors' Emoluments

\$'000	Fees/Basic Salary	Bonus	LTIP	Pension	2020 Total	2019 Total
Executive Directors						
Stuart Simms	478	148	-	42	668	159
Iain Balchin ¹	467	191	-	24	682	-
Non-Executive Directors						
Christopher Bell	160	-	-	-	160	139
Richard Rosenberg	76	-	-	-	76	62
Jonas Mårtensson	62	-	-	-	62	62
Ory Weihs	106	-	-	-	106	303
Amit Ben Yehuda ²	53	-	-	-	53	92

Notes

1 Iain Balchin was appointed Chief Financial Officer on 4 February 2020 and as a Director on 1 July 2020.
2 Amit Ben Yehuda stepped down from the Board on 12 August 2020.

Interests in Shares

The details of all the outstanding share awards held by the Directors are shown below:

Executive Directors

Name	Type of Award	Date of Grant	Number of Shares	Exercise Price per Share	Face Value at Grant £'000	Performance Conditions	Expiry date	Outstanding options at the end of 2019	Granted in 2020	Cancelled in 2020	Exercised option in 2020	Outstanding options at the end of 2020
Stuart Simms	PSU	1 November 2019	920,223	nil	53.2 ¹	TSR ²	November 2027	920,223	-	-	-	920,223
Iain Balchin ¹	PSU	6 July 2020	1,166,667	nil	23.9 ¹	TSR ²	July 2028	-	1,166,667	-	-	1,166,667

Notes
1 Based on 3-day average share price
2 Three-year performance period from the date of grant with vesting dependent on Total Shareholder Return over the performance period as compared to the constituents of the FTSE AIM 100 Index as at the date of grant. 25% of the award vests for achieving a TSR equal to the median ranking with 100% vesting for achieving a TSR equal to an upper quartile ranking.

Non-Executive Directors

Name	Options granted	Exercise price	Expiry date	Outstanding options at the end of 2019	Granted in 2020	Cancelled in 2020	Exercised option in 2020	Outstanding options at the end of 2019
Amit Ben Yehuda	180,000	69.7p	27/07/2024	180,000	-	180,000	-	-
Christopher Bell	270,000	57.75p	21/01/2023	270,000	-	-	-	270,000
Richard Rosenberg	180,000	57.75p	21/01/2023	180,000	-	-	-	180,000
Ory Weihs	270,000	196.8p	31/1/2026	900,000	-	900,000	-	-

The table below shows the beneficial interests in the Company's shares of Directors serving at the end of the period, and their connected persons:

Name	Number of Ordinary Shares as at 31 December 2020	Number of Ordinary Shares as at 31 December 2019
Stuart Sims	879,973	-
Iain Balchin	100,000	-
Christopher Bell	357,000	357,000
Richard Rosenberg	51,000	51,000
Ory Weihs	7,687,444	7,012,444

Historical Pay and Share Performance

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/>.

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.

Assessing & Managing Our Risks

As with any business, we face risks and uncertainties on a daily basis. Effective risk management is essential to support the achievement of our strategic and operational objectives.

Gambling laws and regulation as online marketing regulations are constantly evolving and becoming more stringent

The Group does not itself operate a gambling business but, as a number of the Group's principal clients are online gambling operators, the gambling regulatory environment has a significant effect on the business of the Group (either directly or indirectly through its effect on the Group's clients' businesses), and in particular, the Group's marketing activities for certain gambling operators.

Online gambling is prohibited in some jurisdictions and regulated in others. In a number of jurisdictions, the legal position is subject to much debate and the position is uncertain. In general terms, it is possible that, subject to the courts in the relevant countries being able to establish jurisdiction, online gambling and the Group's online marketing activities in relation to it, may constitute a breach of the applicable legislation in these jurisdictions. Whilst in some jurisdictions laws and regulations may not specifically apply to companies that provide online marketing services to gambling operators, this is not universally the case and a number of jurisdictions have sought to regulate or prohibit such supply explicitly. This may potentially expose the Group and/or its Directors to fines and other sanctions.

Furthermore, the Directors cannot predict when (or if) an established regulatory or legislative regime in any country will change, what changes (if any) will be made and what effect (if any) such changes will have on the Group's on-line marketing activities. Investors should be aware that any such changes could have a material adverse effect on the Group's business, financial position and future prospects.

Any future legal proceedings against the Group relating to the provision of online marketing services for operators could involve substantial litigation, expense, penalties, fines, injunctions or other prohibitions being invoked against it or its directors and officers or others and the diversion of the attention of key executives. The outcome of any litigation cannot be predicted.

The Group does not monitor, on a continuous basis, the laws and regulations in every jurisdiction where gambling operators to which it provides marketing services derive their business and, correspondingly, from where the Group may derive its income. It may continue to receive fixed payments, from operators dealing in jurisdictions where the Group may be unaware of the extent of enforcement risk.

In jurisdictions in which online gambling is regulated, the Group relies on its customers obtaining and holding the requisite licences and/or approvals and complying with the terms of them. In jurisdictions, such as the US, where the provision of online marketing services to gambling operators is itself regulated, the Group seeks to obtain and hold the necessary licences and/or approvals and

to ensure that its activities comply with the terms of such licences and/or approvals. The loss of any such licences and/or approvals by the Group and/ or by its customers may result in an adverse effect on the Group's financial positions and results of operations. The failure by the Group to obtain any required licences and/or approvals in any jurisdiction would limit or prevent the ability of the Group to carry on and/or commence providing its services to customers in the relevant jurisdiction and possibly others which would have an adverse effect on the Group's financial position and results of operations as well as restricting the Group's ability to grow its business.

In particular, a failure by the Group to maintain its licences in the relevant states in the US in which it operates could result in the Group becoming blacklisted both by regulators and operators in the US which in turn would have a material adverse impact on the Group's reputation, business, its strategy to develop its presence in the US sports gaming and its financial position.

A significant portion of gambling revenues are derived from non-regulated gambling markets

A significant portion of the Group's gambling revenues is derived from non-regulated gambling markets and specifically from Finland, 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.

Assessing & Managing Our Risks

The activities of the Group and its own marketing affiliates could give rise to legal and regulatory risks

The gambling industry relies on networks of marketing affiliates to promote its services, often by way of localised advertising initiatives. The Group engages with some operators as a master affiliate through its online affiliate program platform under which the Group assigns some of its deals to sub-affiliates that are members of the Group affiliate program. By their nature, affiliate networks operate in such a way that it is not possible for the Group to monitor their day-to-day activities. While the Group seeks to impose terms and conditions on these affiliate networks, should any sub-affiliate of the Group carry out its activities in a manner which is unauthorised by the Group, this could give rise to reputational and legal risks for the Group, which in turn could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

Furthermore, although in many jurisdictions gambling winnings are currently not subject to income tax or are taxed at low rates, this is not the case universally and future regulatory regimes may introduce such taxation and make participation less attractive for players in those jurisdictions in turn having an effect of the profitability of the Group.

Failure of systems and controls could expose the Group to regulatory risk

The technological solutions that gambling operators have in place to block the access to services by customers located in certain jurisdictions may fail. Operators often block access to their products to players located in certain jurisdictions (and for those operating in the US, to states other than those in which the operator is licenced). There is no guarantee that the technical blocks the operators implement will be effective, which could place such operators in breach of the relevant laws and regulations and/or in breach of specific licences they hold, which would also have a detrimental effect on the financial position of such operators and the Group.

The Group must continue to innovate in order to compete

The Group must offer and develop new features and perform regular system updates that will continue to attract a broad range of users in order to continue generate traffic to customer's websites. If the Group is unable to adapt its technology to ensure that it continues to generate significant volumes of traffic to customers its revenues and profitability could be significantly reduced which would negatively impact upon the Group's financial performance.

The Group uses business intelligence tools in order to track the flow of traffic to customers and analyses its quality and conversion into revenue using these tools to improve return on investment. Any inability of the Group to access these tools, for whatever reason, could have a material impact on the Group's ability to analyse its business which could have an adverse effect on the financial position of the Group.

The Group is reliant on its top 10 customers for a significant proportion of its revenues

The Group's top 10 customers (in terms of revenue generated) for the six months ended 30 December 2020 contributed 52.8 per cent. of the revenue of the Group and the top such customer contributed 16.3 per cent. To the extent that the businesses of these customers deteriorate, or are adversely affected, whether by any of the issues described in this section or otherwise, the Group's revenue streams from these sources may also be adversely impacted.

The Group does not have signed agreements with a significant number its customers and many of its customer agreements can be terminated on short notice.

As the Group does not have signed agreements with some of the customers it provides marketing services to, it is exposed to unfavourable terms included in customers' online terms and conditions, which may have

a material adverse effect on the financial position of the Group. Failure of the Group to be able to collect revenue earned from customers or enforce any other contractual arrangements with these customers may have a material adverse effect on the financial position of the Group. Many of the contracts that the Group has entered into can be terminated on short notice or at will. To the extent that customers terminate such contracts, this could have an immediate and material adverse effect on the financial position of the Group.

The Group is reliant on Customer data in relation to establishing its revenues

The Group relies on information provided by its customers in relation to commissions earned by the Group as a result of players' activity. Inadequate information to properly validate commission payments earned by the Group resulting from the lack of advanced data systems, with a heavy reliance on third party (customers') systems, may result in loss of revenue to the Group.

Search engine algorithm updates and manual actions resulting in de-ranking of sites may have an adverse material impact on the Group

The Group relies on the use of specific algorithms used by search engines as well as on manual actions taken by search engines. Any material update to those algorithms as well as any manual actions taken by search engines may damage the ranking of the Group's sites in search results. This would materially disrupt traffic to the Group's websites

Assessing & Managing Our Risks

and decrease the amount of revenues generated by its assets. Any delay in the Group making a full recovery, or if the Group was unable to fully recover, following such an update/manual action could have a material adverse effect on the financial position of the Group.

Search engine operators impose terms and conditions on users of their services, particularly as regards the ranking of particular websites. Any decision, whether manual or automated and whether in accordance with the applicable terms or by way of error or otherwise resulting in the de-ranking of the Group's websites would have a material adverse effect on the Group's financial position and results of operations. For example, in January 2020, the Group became aware that around 100 of its casino sites had been manually de-ranked by Google. The demotion of these websites significantly reduced the Group's ability to generate revenue. The Company is still working to restore these rankings.

The Group is reliant on maintaining its computer and communication systems and could be adversely affected by a failure of its information security policy or disaster recover strategy

The successful operation of the Group's business depends upon it and its operators maintaining the integrity and operation of its and their respective computer and communication systems.

However, these systems are vulnerable to damage or interruption from events which are beyond the Group's control such as fire and flood, power loss or telecommunications or data network failure and interruptions to internet system integrity generally as the result of attacks by computer hackers, viruses or other types of security breaches. The Group has in place disaster recovery systems and security measures for events of failure, disruption of, or damage to, the Group's network or IT systems or events of security breaches, hacking or other malicious acts and/or cybercrime to the websites owned by the group. Such systems may not, however, be sufficient to ensure that the Group is able to carry on its business in the ordinary course if they fail or are disrupted, such that the Group may not be able to anticipate, prevent or mitigate any material adverse effect of any failure on its operations or financial performance.

The Group is reliant on third party suppliers

The Group relies on hosting providers, marketing support services, communications carriers and other third parties for the day-to-day operation of its business. Any failure by one or more of these third parties may jeopardise the business and operations of the Group and may have a material adverse impact on its financial performance.

The Group relies on its underlying customers having effective internal controls

The online gambling industry may be vulnerable to attack by customers through fraud on the operators' websites. The Group is reliant on operators having effective internal controls to prevent fraud as it derives the majority of its revenue from fixed payments, commissions and revenue sharing arrangements with its operators that would be adversely impacted by such activities. Furthermore, such attempts, if not detected and stopped, could result in a loss of confidence in the customer base of such operator websites and could lead to customers leaving such operator's website in favour of a competitor, which may not be an operator with whom the Group works. The Group cannot ensure that operators financial processes and reporting systems provide reliable financial reports and effectively prevent fraud.

The Group is reliant on its customers maintaining and enhancing their brands

The Group's future success is dependent upon its customers' performance, maintenance and further building of their brands. Maintaining and enhancing these brands will require significant expense. As the market becomes more competitive, the value of these brands may not be maintained or enhanced.

Acquisition risks

The Company's strategy includes making acquisitions in circumstances where the Directors believe that such acquisitions would support the Group's strategy. However, there can be no assurances that the Company will be able to identify, complete and integrate suitable acquisitions successfully. Acquiring new businesses can place significant strain on management, employees, systems and resources. The acquired businesses may not perform in line with expectations to justify the expense of acquisition. Furthermore, it may not prove possible to achieve the desired level of synergy benefits on integration of new businesses and/or the cost of achieving those benefits may exceed the expected cost.

Financial Statements



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INDEPENDENT AUDITORS’ REPORT

To the Shareholders of XLMedia plc

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 2020 and 2019 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 2020 and 2019 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 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



	Description of key audit matter	Description of auditor's response
Revenue recognition	<p>Revenues which amounted to USD 54.8 million in 2020 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 2020 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 revenues in Notes 2 and 16 to the consolidated financial statements.</p>
Domains and Websites and other intangible assets – impairment test	<p>As of 31 December 2020, the total net carrying amount of domains and websites with indefinite useful life and other intangible assets was approximately USD 63.8 million. In accordance with IFRS as adopted by the European Union, the Group is required to annually test these assets for impairment. As a result of the impairment test the Group recorded in 2020 an impairment loss for the amount of USD 955 thousand, 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 7 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 14 to the consolidated financial statements.</p>



Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 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.
- 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the year ended 31 December 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

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

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

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
26 April 2021

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

Consolidated Statements of Financial Position

		31 December	
		2020	2019
		USD in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		12,648	27,108
Short-term investments	4a	1,228	2,785
Trade receivables	5a	5,792	7,755
Other receivables	5b	5,578	4,522
Financial derivatives	11	-	222
		25,246	42,392
NON-CURRENT ASSETS:			
Long-term investments	4b	1,478	682
Property and equipment	6	1,072	9,431
Domains and websites	7	55,941	40,215
Other intangible assets	7	7,925	6,428
Other assets		497	278
		66,913	57,034
		92,159	99,426

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

Consolidated Statements of Financial Position

		31 December	
		2020	2019
		USD in thousands	
	Note		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		2,000	3,028
Other liabilities and accounts payable	8	8,769	9,625
Income tax provision	14	11,899	11,874
Financial derivatives	11	304	79
Current maturities of long-term bank loans	9	-	1,465
Current maturities of lease liabilities	10	324	1,161
		23,296	27,232
NON-CURRENT LIABILITIES:			
Lease liability	10	366	8,067
Deferred taxes	14	1,243	516
Other long-term liabilities		-	65
		1,609	8,648
Total liabilities		24,905	35,880
EQUITY:			
Share capital	12	*) –	*) –
Share premium		86,022	112,624
Capital reserve from share-based transactions		2,368	2,276
Capital reserve from transaction with non-controlling interests		(2,626)	(2,445)
Treasury shares		-	(30,159)
Accumulated deficit		(18,510)	(19,041)
Equity attributable to equity holders of the Company		67,254	63,255
Non-controlling interests		-	291
Total equity		67,254	63,546
		92,159	99,426

*) Less than USD 1 thousand.

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

26 April 2021			
Date of approval of the financial statements	Chris Bell Non-Executive Chair 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	
		2020	2019
	Note	USD in thousands (except per share data)	
Revenues	16	54,839	79,695
Cost of revenues		20,494	26,002
Gross profit		34,345	53,693
Research and development expenses		2,464	1,554
Sale and marketing expenses		4,202	4,579
General and administrative expenses		23,330	21,214
Operating expenses		29,996	27,347
Operating profit before impairment and reorganisation costs		4,349	26,346
Impairment loss	7	955	81,350
Reorganisation costs	2a	2,481	1,682
Operating profit (loss)		913	(56,686)
Finance expenses		834	1,879
Finance income		695	835
Finance expenses, net		139	1,044
Other income, net		332	–
Profit (loss) before taxes on income		1,106	(57,730)
Taxes on income	14	314	3,188
Profit (loss) from continuing operations		792	(60,918)
Income from discontinued operations, net	15	–	2,217
Profit (loss) and other comprehensive loss		792	(58,701)
Attributable to:			
Equity holders of the Company		531	(59,474)
Non-controlling interests		261	773
		792	(58,701)
Earnings per share attributable to equity holders of the Company:	12e		
Basic and diluted earnings (loss) per share from continuing operation (in USD)		0.003	(0.31)
Basic and diluted earnings per share from discontinued operation (in USD)		–	0.01

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	Accumulated deficit	Total	Non-controlling interests
		USD in thousands							
Balance as of 1 January 2020		*) –	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291
Net profit and other comprehensive income		–	–	–	–	–	531	531	261
Cancellation of treasury shares		–	(30,159)	–	–	30,159	–	–	–
Cost of share-based payment		–	–	92	–	–	–	92	–
Share capital issuance		–	3,557	–	–	–	–	3,557	–
Acquisition of non-controlling interest		–	–	–	(181)	–	–	(181)	(291)
Dividend to non-controlling interests		–	–	–	–	–	–	–	(261)
Balance as of 31 December 2020		*) –	86,022	2,368	(2,626)	–	(18,510)	67,254	–

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

*) Less 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	
	2020	2019
	USD in thousands	
Cash flows from operating activities:		
Net income (loss)	792	(58,701)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Adjustments to the profit or loss items:		
Depreciation and amortization	7,720	7,511
Impairment loss	955	81,350
Finance expense, net	824	1,976
Other income	(1,122)	–
Loss from discontinued operation	–	(1,811)
Cost of (income from) share-based payment	92	(218)
Taxes on income	314	3,228
Exchange differences on balances of cash and cash equivalents	(297)	(661)
	8,486	91,375
Changes in asset and liability items:		
Decrease in trade receivables	1,963	6,465
Decrease (increase) in other receivables	(340)	371
Decrease in trade payables	(1,028)	(2,239)
Increase (decrease) in other liabilities and accounts payable	(1,139)	4,482
Decrease in other long-term liabilities	(65)	(183)
	(609)	8,896
Cash received (paid) during the year for:		
Interest paid	(544)	(752)
Interest received	99	101
Taxes paid	(799)	(2,859)
Taxes received	996	2,061
	(248)	(1,449)
Net cash provided by operating activities	8,421	40,121

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

Consolidated Statements of Cash Flows

	Year ended 31 December	
	2020	2019
	USD in thousands	
Cash flows from investing activities:		
Purchase of property and equipment	(319)	(260)
Acquisition of and additions to domains, websites and other intangible assets	(12,842)	(406)
Acquisition of and additions to technology	(6,642)	(8,447)
Loan to a third party	(500)	–
Proceeds from the sale of discontinued operation (adjustments of proceeds)*)	(270)	1,547
Short – term and long-term investments, net	911	281
Net cash used in investing activities	(19,662)	(7,285)
Cash flows from financing activities:		
Dividend paid to equity holders of the Company	–	(14,190)
Acquisition of treasury shares	–	(29,691)
Acquisition of non-controlling interest	(472)	–
Dividend paid to non-controlling interests	(261)	(652)
Exercise of options	–	270
Repayment of long and short-term liability	(1,500)	(5,500)
Repayment of lease liabilities	(1,283)	(1,253)
Net cash used in financing activities	(3,516)	(51,016)
Exchange differences on balances of cash and cash equivalents	297	661
Decrease in cash and cash equivalents	(14,460)	(17,519)
Cash and cash equivalents at the beginning of the year	27,108	44,627
Cash and cash equivalents at the end of the year	12,648	27,108
Significant non-cash transactions:		
Acquisition of and additions to domains, websites and other intangible assets	3,557	–
Right-of-use asset recognized with corresponding lease liability	6,819	10,550

*) 2019 – Net of cash balance of discontinued operation.

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

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
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 22. |
| Subsidiaries | - subsidiaries see Note 22. |
| Related parties | - as defined in IAS 24 |
| Dollar/USD | - U.S. dollar |

The spread of Coronavirus continues to have an impact on the Group's operations. The Group has a well-balanced portfolio of assets, however many sport events continue to be cancelled around the world which has and 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 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.

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 IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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.

Notes to the Consolidated Financial Statements

- 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 from the date of investment and which do not meet the definition of cash equivalents. 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:

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.

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:

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. 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

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on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term (see j below). The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

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.

- 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.

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.

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<p>In contrast, software that adds functionality to the hardware is classified as an intangible asset.</p> <p>Systems and software (purchased and in-house development cost) are amortised on a straight-line basis over the useful life of three years.</p> <p>Non-competition and Agencies Relationships is amortised on a straight-line basis over the agreement term (between 2 to 3 years).</p> <p>l. Impairment of non-financial assets: The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.</p> <p>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.</p> <p>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.</p>	<p>The following criteria are applied in assessing impairment of these specific assets:</p> <p>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 need for such review.</p> <p>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.</p> <p>2. Intangible assets with an indefinite useful life that are not systematically amortised (domains and websites): The impairment test is performed annually, on 31 December, or more frequently if events or changes in circumstances indicate that there is an impairment.</p> <p>m. Financial instruments:</p> <p>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.</p>	<p>The Company classifies and measures debt instruments in the financial statements based on the following criteria:</p> <ul style="list-style-type: none">– The Company's business model for managing financial assets; and– The contractual cash flow terms of the financial asset. <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>3. Derecognition of financial assets: A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire.</p> <p>4. Financial liabilities:</p> <p>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.</p> <p>After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for:</p> <ul style="list-style-type: none">– 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. <p>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.</p> <p>After initial recognition, changes in fair value are recognized in profit or loss.</p>
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Notes to the Consolidated Financial Statements

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.

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.

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 13.

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

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

vesting conditions (service and/or performance) are satisfied.

r. 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. Changes in accounting policies – initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

Notes to the Consolidated Financial Statements

Amendment to 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 clarifies that in order to meet the definition of a “business”, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

The Amendment is to be applied to business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The initial application of the Amendment did not have a material effect on the Company’s financial statements but it may have an effect on the assessment of the definition of a “business” for acquisitions completed after January 1, 2020.

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 domains and websites:
The Group reviews domains and websites for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating units to which the assets are allocated and also to choose a suitable discount rate for those cash flows. See also Note 7.
- Income taxes:
The Group is subject to income tax in various jurisdictions and judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises tax liabilities based on assumptions supported by, among others, transfer price studies. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. See also Note 14.

NOTE 4:- SHORT-TERM AND LONG-TERM INVESTMENTS			
	Annual interest rate (1) %	31 December	
		2020	2019
		USD in thousands	
a. Short-term investments:			
Short-term bank deposits (2):			
Held in USD	0.01	850	1,308
Held in NIS	0.01	373	1,470
Held in EURO		5	7
		1,228	2,785
b. Long-term investments:			
Bank deposits – held in NIS (2)	0.8	1,478	682
(1) The above interest rates are the weighted average rates as of 31 December, 2020.			
(2) Deposits for the amount of USD 2,706 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.			
NOTE 5:- TRADE AND OTHER RECEIVABLES			
a. Trade receivables:		31 December	
		2020	2019
		USD in thousands	
Open accounts		6,867	8,666
Less – allowance for doubtful accounts		1,075	911
Trade receivables, net		5,792	7,755
1. As of 31 December, 2020, the Group has no material amounts that are past due and not impaired.			
2. Doubtful accounts expenses included in general and administrative expenses of USD 164 thousand (2019 – USD 211 thousand).			
3. See Note 11b(2) on credit risk of trade receivables.			
b. Other receivables:		31 December	
		2020	2019
		USD in thousands	
Prepaid expenses		2,721	2,391
Government authorities		2,357	2,012
Other receivables		500*	119
		5,578	4,522
* In December 2020, the Company lent USD 0.5 million to a third party for a period of 12 months. The loan carries an interest rate of 5%.			

Notes to the Consolidated Financial Statements

NOTE 6:- PROPERTY AND EQUIPMENT

	Computers, furniture, office equipment and others	Leasehold improvements	Right of use leased assets – offices (2)	Total
	USD in thousands			
Cost:				
Balance as of 1 January 2019	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 (1)	(384)	(20)	–	(404)
Termination of leases	–	–	(879)	(879)
Balance as of 31 December 2019	2,816	538	9,671	13,025
Additions (2)	–	–	472	472
Acquisitions during the year	309	21	–	330
Adjustments for indexation	–	–	(12)	(12)
Decreases during the year:				
Termination of leases (2)	–	–	(6,806)	(6,806)
Balance as of 31 December 2020	3,125	559	3,325	7,009
Accumulated depreciation:				
Balance as of 1 January 2019	1,992	210	–	2,202
Depreciation during the year	337	59	1,402	1,798
Decreases during the year:				
Discontinued operation (1)	(321)	(10)	–	(331)
Termination of leases (2)	–	–	(75)	(75)
Balance as of 31 December 2019	2,008	259	1,327	3,594
Depreciation during the year	723	300	1,320	2,343
Balance as of 31 December 2020	2,731	559	2,647	5,937
Depreciated cost as of 31 December 2020	394	–	678	1,072
Depreciated cost as of 31 December 2019	808	279	8,344	9,431

(1) See Note 15.

(2) See Note 10.

NOTE 7:- INTANGIBLE ASSETS

a. Composition and movement:

	Goodwill	Domains and websites	Non- competition	Agencies Relationships	Systems, software and other	Total
	USD in thousands					
Cost:						
Balance as of 1 January 2019	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
Acquisitions during the year (1)	–	16,681	–	232	1,472	18,385
Costs capitalised during the year (in-house development cost)	–	–	–	–	5,170	5,170
Balance as of 31 December 2020	30,052	111,047	4,955	232	40,336	186,622
Accumulated amortisation and impairment:						
Balance as of 1 January 2019	6,400	1,905	4,374	–	16,682	29,361
Amortisation during the year	–	–	477	–	5,236	5,713
Impairment loss (2)	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
Amortisation during the year	–	–	–	8	5,369	5,377
Impairment loss (2)	–	955	–	–	–	955
Balance as of 31 December 2020	30,052	55,106	4,955	8	32,635	122,756
Amortised cost as of 31 December 2020	–	55,941	–	224	7,701	63,866
Amortised cost as of 31 December 2019	–	40,215	–	–	6,428	46,643

(1) Material acquisition during the year:

In December 2020, the Company acquired the domain of sports gaming, and sports betting of CBWG Sports for a total consideration of USD 12.5 million in cash (including USD 0.5 million acquisition expenses) and issuance of 7,954,546 new Company's shares representing an aggregate value of USD 3.5 million. As well as potential future contingent consideration of up to an additional USD 9.5 million in cash, based on net revenue performance of the acquired assets, payable over three years up to the end of 2023. The Company accounted for this acquisition as an asset acquisition since substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets.

(2) See b overleaf.

Notes to the Consolidated Financial Statements

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 had 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 in 2019. The remaining amount of the impairment loss was allocated to the other intangible assets based on their relative carrying amounts.

The Company recorded an impairment loss for the amount of USD 955 thousands (2019 – 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 14.5% (2019 – 15.5%). The projected cash flows are estimated using mainly fixed growth rate of 4.5% for the years 2022-2025 and terminal growth rate of 3% (2019 – 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.

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 8:- OTHER LIABILITIES AND ACCOUNTS PAYABLE

	31 December	
	2020	2019
	USD in thousands	
Employees and payroll accruals	4,221	5,073
Government authorities	990	724
Accrued expenses	3,108	3,043
Other liabilities	450	785
	8,769	9,625

NOTE 9:- LOANS FROM BANK

- a. Loan term:
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% (31 December, 2019 – 6.36 %). The loan was repaid fully on 30 June 2020.
- b. Liens, see Note 17.

Notes to the Consolidated Financial Statements

NOTE 10:- LEASE LIABILITIES

a. Composition:

	31 December	
	2020	2019
	USD in thousands	
Lease liabilities	690	9,228
Less – current maturities	324	1,161
	366	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.

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

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 thousand.

In 2020, the Company decided not to exercise an option to renew a lease, which renewal period was originally included in the determination of the lease liabilities and corresponding right-of-use assets in the 2019 consolidated financial statements. Accordingly, the Company derecognised the lease liabilities by approximately USD 7.9 million and the related right-of-use and other assets by approximately USD 6.8 million. The impact on the profit before taxes on income was of approximately USD 1.1 million as other income.

In December 2020, the Company signed three new real estate lease agreements. The leases' commencement dates are December 31, 2020,

January 1, 2021 and February 15, 2021. The impact for 2020 is an increase in the Group's total assets and liabilities in the amount of approximately USD 0.5 million. The expected impact on assets and liabilities for 2021 is USD 8.3 million.

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

Depreciation expense for right-of-use assets
Finance expense (including exchange rate differences) for lease liability
Total cash outflow for leases

31 December	
2020	2019
USD in thousands	
1,320	1,402
512	1,310
1,635	1,697

NOTE 11:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and liabilities:
The financial assets and financial liabilities in the statement of financial position are classified by groups of financial instruments as follows:

Financial assets:
Financial assets at fair value through profit or loss:
Financial derivatives
Financial assets measured at amortised cost:
Cash and cash equivalents
Short-term and long-term investments
Trade receivables
Other receivables
Total financial assets measured at amortised cost
Total financial assets
Total current
Total non-current
Financial liabilities:
Financial assets at fair value through profit or loss:
Financial derivatives
Financial liabilities measured at amortised cost:
Trade payables
Other liabilities and account payables
Lease liabilities
Bank loan
Total financial liabilities measured at amortised cost
Total financial liabilities
Total current
Total non-current

31 December	
2020	2019
USD in thousands	
–	222
12,648	27,108
2,706	3,467
5,792	7,755
500	25
21,646	38,355
21,646	38,577
20,168	37,895
1,478	682
304	79
2,000	3,028
7,594	8,480
690	9,228
–	1,465
10,284	22,201
10,588	22,280
10,223	14,213
366	8,067

Notes to the Consolidated Financial Statements

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, 2020 the Group recorded foreign exchange rate differences income, net for the amount of USD 318 thousand (net of gain on forward transactions, see below) (2019 – expenses of USD 619 thousand).

The open positions as of 31 December, 2020, all for period until end of December 2021:

Forward transactions for the sale of EURO in exchange for USD totaling EURO 10.6 million (USD 12.8 million).

Forward transactions for the sale of GBP in exchange for USD totaling GBP 2.0 million (USD 2.7 million).

As of 31 December, 2020, the total fair value of the above forward transactions amounted to USD 304 thousand in liabilities.

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 and US.

3. Liquidity risk:

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

31 December 2020

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
USD in thousands						
Trade payables	2,000	–	–	–	–	2,000
Other liabilities and account payables	7,594	–	–	–	–	7,594
Financial derivatives	304	–	–	–	–	304
Lease liabilities	331	108	108	108	108	763
	10,229	108	108	108	108	10,661

31 December 2019

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
USD in thousands						
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

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.

Notes to the Consolidated Financial Statements

d. Sensitivity tests relating to changes in market factors:

	31 December	
	2020	2019
	USD in thousands	
Sensitivity test to changes in Euro to Dollar exchange rate:		
Gain (loss) from the change:		
Increase of 10% in exchange rate	(890)	(295)
Decrease of 10% in exchange rate	890	295
Sensitivity test to changes in NIS to Dollar exchange rate:		
Gain (loss) from the change:		
Increase of 10% in exchange rate	266	299
Decrease of 10% in exchange rate	(266)	(299)
Sensitivity test to changes in GBP to Dollar exchange rate:		
Gain (loss) from the change:		
Increase of 10% in exchange rate	(170)	(184)
Decrease of 10% in exchange rate	170	184

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.

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 2019	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
New finance lease obligation recognized	–	472	472
Cash flows	(1,500)	(1,635)	(3,135)
Effect of changes in exchange rate	–	(12)	(12)
Termination of leases	–	(7,960)	(7,960)
Other changes	35	597	632
Balance as of 31 December 2020	–	690	690

NOTE 12:- EQUITY

a. Composition of share capital:

	31 December 2020		31 December 2019	
	Authorised	Issued and outstanding *)	Authorised	Issued and outstanding *)
	Number of shares			
Ordinary Shares of USD 0.000001 par value	100,000,000,000	191,767,684	100,000,000,000	183,813,138

*) Net of treasury shares, see below.

In addition to the above issued shares, as of 31 December 2020, 3,315,521 Ordinary shares are held in trust to satisfy the Company’s share based payment plan.

- b. Movement in share capital:
1. In 2019 the Company issued 438,216 Ordinary shares upon the exercise of options.
 2. In December 2020 the Company issued 7,954,546 Ordinary shares as part of the consideration of the websites acquisition in the amount of approximately USD 3.5 million.

- c.

In 2018 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 (the Company has not purchased all the additional 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 thousand.

On 16 April, 2020 the Company resolved to cancel 33,223,743 shares currently held in treasury. Following the cancellation, the Company does not hold any Ordinary Shares in treasury.
- d.

Dividends paid to equity holders of the Company:

Date	Total amount USD in millions	Per share USD
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 2020		Year ended 31 December 2019		
	Weighted number of shares	Net income from continuing operating attributable to equity holders of the Company	Weighted number of shares	Net loss from continuing operating attributable to equity holders of the Company	Net income 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	184,271	792	198,396	(61,691)	2,217
Effect of potential dilutive Ordinary shares *)	98	–	–	–	–
For the computation of diluted net earnings	184,369	792	198,396	(61,691)	2,217

*) Options, see Note 13. In 2019 all options have been excluded because their effect on loss per share is antidilutive.

NOTE 13:- SHARE-BASED PAYMENT

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

	Year ended 31 December	
	2020	2019
	USD in thousands	
Total expense (income) arising from share-based payment transactions	92	(218)

- 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.

Notes to the Consolidated Financial Statements

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

2020 grants:

In July 2020, the Company granted 3,982,848 restricted shares to the Company's CFO and other key management personnel. The CFO's restricted shares are subject to a three-year performance period with vesting subject to a performance target comparing the average net return achieved by the Company relative to the net return achieved by the constituents of the FTSE AIM 100 during the three-year period ending in July 2023, followed by a two-year holding period. The other key management personnel's restricted shares are subject to three years vesting period.

The following table specifies the inputs used for the fair value measurement of the CFO's grant using the Monte Carlo simulation:

Exercise price GBP (USD)	–
Dividend yield (%)	–
Expected volatility of the share price (%)	67.49
Risk – free interest rate (GBP curve)	0.21%
Expected life of share options (years)	3
Share price GBP (USD)	0.23 (0.29)

The total fair value of the restricted shares was calculated at USD 251 thousand at the grant date (average of USD 0.22 per restricted share).

The total fair value of the other key management personnel's restricted shares was calculated at USD 821 thousand at the grant date (average of USD 0.29 per restricted share equal to the share price at the grant date).

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 March and November 2019 granted using the Black-Scholes option pricing model:

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 October 2022.

The following table specifies the inputs used for the fair value measurement using the Monte Carlo simulation:

Exercise price GBP (USD)	–
Dividend yield (%)	–
Expected volatility of the share price (%)	54.9
Risk – free interest rate (GBP curve)	1.58%
Expected life of share options (years)	3
Share price GBP (USD)	0.58 (0.75)

The performance target for 2020 was not achieved.

b. Movement during the year of share options:

	2020		2019	
	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	5,526	0.99	8,110	1.56
Granted	–	–	1,244	0.21
Forfeited	(2,192)	1.48	(3,390)	2.24
Exercised	–	–	(438)	0.69
Share options outstanding at end of year	3,334	0.37	5,526	0.99
Share options exercisable at end of year	2,196	0.97	3,490	1.09

c. Movement during the year of restricted shares unit:

	2020	
	Number of restricted shares	Weighted average exercise price
	In thousands	USD
Restricted shares unit outstanding at beginning of year	–	–
Granted	3,983	–
Forfeited	(917)	–
Vested	–	–
Restricted shares unit outstanding at end of year	3,066	–

d. The weighted average remaining contractual life for the options outstanding as of 31 December 2020 was 6.7 years (2019 – 5 years).

e. The range of exercise prices for options outstanding as of 31 December 2020 was USD 0.67-1.83 (2019 – USD 0.65-2.52).

Notes to the Consolidated Financial Statements

NOTE 14:- TAXES ON INCOME

- a.

Starting 2018 the Company was subject to Cyprus tax at the standard corporate income tax rate of 12.5%.

During 2020 the tax residency of the Company moved to UK and since then is subject to UK tax at the standard corporate income tax rate of 19%.
- b.

Tax law applicable to the Company’s Israeli subsidiaries is the Israeli tax law – Income Tax Ordinance (New Version) 1961.
 - The Israeli corporate income tax rate was 23% in 2020 and 2019.
 - 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 2020 is 21% (2019 – 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 2020, carry-forward capital tax losses of the Company total approximately USD 5.9 million. The tax benefit in respect of losses has not been recorded in the financial statements due to the uncertainty of their utilization.

f.

Taxes on income included in profit or loss:

Current taxes
Deferred taxes
Taxes in respect of previous years
Total

g.

Theoretical tax:
The reconciliation between the tax expense, assuming that all the income and expenses were taxed at the statutory tax rate for the UK (2020) and Cyprus (2019) and the taxes on income recorded in profit or loss is as follows:

Profit (loss) from continuing operation before taxes on income
Statutory tax rate
Tax computed at the statutory tax rate
Adjustment due to the difference between the Company's statutory tax rate and tax rates applicable to the subsidiaries
Non-deductible expenses for tax purposes
Tax benefit of net additional deduction
Taxes in respect of previous years
Increase in unrecognized tax losses in the year
Unrecognized temporary differences and others
Total taxes

Year ended 31 December	
2020	2019
USD in thousands	
225	3,991
727	615
(638)	(1,418)
314	3,188

Year ended 31 December	
2020	2019
USD in thousands	
1,106	(57,730)
19%	12.5%
210	(7,216)
(262)	24
279	10,246
(408)	(1,527)
33	(1,418)
845	–
(383)	3,079
314	3,188

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Notes to the Consolidated Financial Statements

- h. Deferred taxes:
Composition:

	Statements of financial position		Statements of profit or loss	
	31 December		Year ended 31 December	
	2020	2019	2020	2019
	USD in thousands			
Deferred tax liabilities:				
Domains and websites	772	608	164	387
Other intangible assets	639	173	466	173
Property and equipment	–	–	–	(6)
	1,411	781		
Deferred tax assets:				
Property and equipment	12	8	(4)	(8)
Lease liability	7	122	115	(122)
Other intangible assets	–	–	–	213
Allowance for doubtful account	–	7	7	8
Employee benefits	149	128	(21)	(30)
	168	265		
Deferred tax expenses			727	615
Deferred tax liabilities, net	1,243	516		

The deferred taxes are computed at the tax rates of 12% based on the tax rates that are expected to apply upon realisation.

NOTE 15:- 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.

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

	Year ended 31 December	
	2020	2019
	USD in thousands	
Revenues from sales	–	9,752
Cost of sales	–	7,733
Gross profit	–	2,019
Sale, general and administrative expenses and research and development expenses	–	1,610
Operating income	–	409
Financial income, net	–	37
Gain from sale of discontinued operation	–	1,811
Income before taxes on income from discontinued operation	–	2,257
Taxes on income on discontinued operation	–	40
Income from discontinued operation, net	–	2,217

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

	Year ended 31 December	
	2020	2019
	USD in thousands	
Operating activities	–	1,109
Investing activities	(270)	80

Notes to the Consolidated Financial Statements

NOTE 16:- OPERATING SEGMENTS

- a. General:
The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance.

In 2019 the main part of the Group's Media activities was classified as 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 100 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.
- b. Geographic information:
Revenues classified by geographical areas based on user location:

	Year ended 31 December	
	2020	2019
	USD in thousands	
Scandinavia	21,387	34,667
Other European countries	15,473	21,458
North America	11,514	16,162
Asia	35	224
Oceania	941	1,375
Other countries	61	104
Total revenues from identified locations	49,411	73,990
Revenues from unidentified locations	5,428	5,705
Total revenues	54,839	79,695

NOTE 17:- LIENS

In 2019 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 18:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Year ended 31 December	
	2020	2019
	USD in thousands	
a. Balances:		
Current liabilities:		
Management fees and other short-term payables	499	785
Non-current liability	–	3
	499	788
b. Benefits to key management personnel: *)		
Short-term benefits	1,808	1,749
Termination benefits	–	739
Cost (income) of share-based payments	41	(205)
	1,849	2,283

*) Including directors.

NOTE 19:- POST-EMPLOYMENT BENEFITS

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

	Year ended 31 December	
	2020	2019
	USD in thousands	
Expenses in respect of defined contribution plans *)	1,867	1,739

*) Including discontinued operation for the amount of USD 95 thousand for 2019.

Notes to the Consolidated Financial Statements

NOTE 20:- SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December	
	2020	2019
	USD in thousands	
Employee benefit expenses are included in: (1) (2)		
Cost of revenues	9,921	11,980
Research and development before capitalization	7,736	8,828
Sale and marketing	3,993	5,027
General and administrative	7,875	6,229
Reorganisation costs	982	918
	30,507	32,982

(1) Includes cost of share based payment.
(2) Including discontinued operation for the amount of USD 1,750 thousand for 2019.

NOTE 21:- SUBSEQUENT EVENTS

- a. In March 2021, the Company announced that it acquired the activity and assets of Sports Betting Dime (“SBD”) for a total consideration of USD 24.7 million made up of: USD 11 million initial cash consideration paid upon completion, USD 10 million deferred consideration payable on the first anniversary and USD 3.7 million deferred consideration payable after 18 months.
- b. In March and April 2021, the Company also raised gross proceeds of USD 37.4 million by means of a placing, a direct subscription with the Company and an Open Offer and has thus issued and allotted 67.5 million new shares. The amount of transaction costs is approximately USD 1.5 million.

NOTE 22:- LIST OF MAIN SUBSIDIARIES

	2020		2019	
	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
Marmar Media Ltd	100	100	100	100
Webpals, Inc.	100	100	100	100

For Your Notes



XLMedia PLC