crossrider

Crossrider plc
Annual Report and Accounts 2016

Digital Distribution Platform

Crossrider is an online distribution and digital product company. The Company provides best-in-class internet security products. Crossrider's vision is to deliver its customers digital goods which provide a private, secure and superior online experience.

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Highlights 2016

- Completed restructuring – realising $2m in annualised savings
- Refocused the business to establish two core segments: Media and App Distribution
- Acquisition of DriverAgent to expand product offering
- Significant progress made against our strategic plan

$56.5m
Revenue

$6.4m
Adjusted EBITDA

$72.1m
Cash and cash equivalents

$7.9m
Adjusted cash from operations

123%
Conversion of Adjusted EBITDA

Chairman's statement

2016 has been a year of both change and progress for Crossrider. In June, we commenced a major restructuring to streamline our business and simplify our reporting structure going forward. The Company's restructuring has resulted in achieving significant cost reductions and enabled us to pursue a new strategic direction, focused on expanding our digital distribution platform.

Don Elgie
Non-Executive Chairman

2016 has been a year of both change and progress for Crossrider. In June, we commenced a major restructuring to streamline our business and simplify our reporting structure going forward. The Company's restructuring has resulted in achieving significant cost reductions and enabled us to pursue a new strategic direction, focused on expanding our digital distribution platform.

Strengthening the Board

In May of this year, Crossrider announced the appointment of Ido Erlichman as Chief Executive Officer ('CEO'). Ido's appointment has been pivotal in reshaping our business as we transition from a pure ad-tech business to a leading software and digital distribution platform.

Ido has in-depth understanding of the market in which we operate and brings significant experience in the technology sector garnered through roles in private equity, consulting and finance and past experience in his previous CEO role with turning around Visual DNA.

Additionally, Crossrider has appointed Moran Laufer as Chief Financial Officer ('CFO'). Moran has been a key member of the finance team since 2012 and successfully supported the Group's admission to AIM.

In the short space of seven months, our management team has already been able to implement significant strategic change and we believe it is a very exciting time in the Company's transformation.

New strategic direction

The strategic overhaul of Crossrider has resulted in stable growth in our areas of focus – the App Distribution Division and the Media Division. Since the beginning of 2016 we have been winding down our operations in the Web Apps vertical and management is now solely focused on our two core divisions.

Crossrider anticipated a decline in the Web Apps sector due to changes in the market environment. As a result, the Company shifted its focus away from the Web Apps sector in the period, including the browser extension platform, which has been outsourced through a licensing agreement since January 2016. We expect the year to 31 December 2017 to be the last year of reporting for this segment.

Foundation for growth

Crossrider continues to capitalise on opportunities consistent with our strategic vision and is confident in the Company's ability to accelerate the growth trajectory of its digital distribution platform, particularly through acquisitions.

The Company's expansion in this sector started successfully with the acquisition of DriverAgent in October. Crossrider has now completed the integration of DriverAgent and anticipates its contribution to revenue and earnings to materialise in the coming year. Importantly, this acquisition has proven the efficacy of our platform. The Board expects to deliver further growth in this division through larger synergistic acquisitions in the coming year.

We now feel we have a solid foundation in place from which we can drive future growth and continue to strengthen and expand the business.

The significant progress made by the Group in the course of the year would not have been possible without the talented and dedicated Crossrider team who continue to be key in executing on our strategic plan.

Don Elgie
Non-Executive Chairman
13 March 2017

Chief Executive Officer's review

2016 has been a transformational year for Crossrider, during which the Company has successfully executed a three-step strategic plan to reposition the business as a leading software and digital distribution platform.

Ido Erlichman
Chief Executive Officer

2016 has been a transformational year for Crossrider, during which the Company has successfully executed a three-step strategic plan to reposition the business as a leading software and digital distribution platform.

Having restructured the business, the Board believes the Company is now ideally placed to capitalise on opportunities to grow organically through investment in our in-house capabilities and through selective acquisitions. The Group's reshaped operations are focused on combining our strong digital media capabilities with our growing digital product platform, with a particular emphasis on serving the cyber security arena.

In the course of the year, management's primary challenge was to restructure and strengthen the Company's core operations and we are pleased to report that we have been able to achieve $2.0 milllion in annualised savings as a result of this process and, in addition, establish two core business divisions – App Distribution and Media.

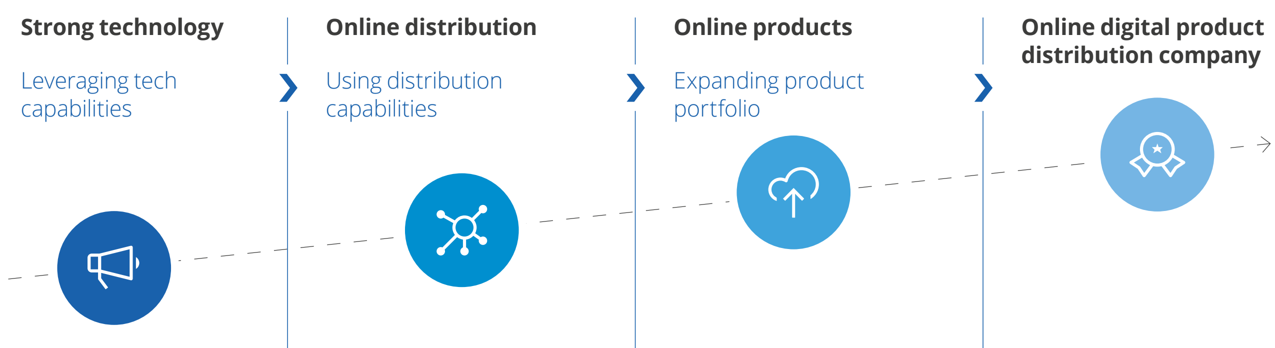
Secondly, management was focused on achieving organic growth in these core divisions and we are delighted that our App Distribution segment has achieved 20 per cent growth in the period while our Media division has remained stable.

The third component of our strategy was to lay the foundations for future expansion through bolt-on and strategic acquisitions, building on our existing and refined business model. We have successfully executed on this, announcing in October the highly synergistic acquisition of DriverAgent, a leading device driver search and update service, and we continue to actively assess acquisition opportunities in 2017.

We have also taken further steps to strengthen our cash-generative activities, improving working capital discipline while still providing quality service to all of our customers and partners, which has resulted in an increase in the cash generated from operations.

All of the initiatives that have been implemented are in support of our strategic decision to expand our existing digital distribution platform and extend our product offering, particularly in the cyber security space.

Evolving our business model to an online distribution and product hub



App Distribution

App distribution product hub, generating revenues from end users purchasing digital products online

In the App Distribution division we are now offering two main products: Reimage computer repair software and service, and the DriverAgent driver repair software and service. We have 720,000 paying subscribers around the world. Our top three markets are the US, UK and Germany.

In the last year we have strengthened our platform so it now provides an unrivalled and enhanced customer experience and lifetime value, further improving our customer service metrics. We believe that this provides us with a competitive advantage in the marketplace and a strong foundation from which to expand both our product offering and geographic reach.

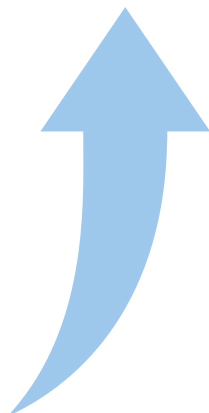
In addition, we now have better control over our distribution, as we have initiated the process of bringing our customer service in-house, which allows us to improve the quality of our processes. We have also bolstered our in-house media buying capabilities enabling us to diversify our media sources, resulting in increased traffic volume, quality and market share. We expect these changes to extend customer lifetime value, enable margin consolidation and improve customer retention, thereby increasing profitability.

In October, we announced the acquisition of DriverAgent, which is designed for use with desktop computers, tablets and mobile devices, to identify outdated drivers. This acquisition was highly complementary to our existing App Distribution hub and is now fully integrated into the Group.

The DriverAgent acquisition demonstrates our progress in successfully expanding our portfolio through our digital product hub and we continue to look to expand this vertical, predominantly through acquisition and third-party strategic partnerships.

Commenced the execution of our M&A strategy

Business model transformation



Larger strategic M&A	• Portfolio of products • User base	• Immediate earnings • Strong growth trajectory • Scale
Smaller bolt-on M&A e.g. DriverAgent	• Products to expand the portfolio • Technology supporting the distribution funnel	• Add immediate value • Tactical deals to enhance organic growth

M&A is vital to achieve critical scale

Chief Executive Officer's review continued

> "The acquisition of the DriverAgent was highly complementary to our existing App Distribution platform"

Media

Marketing technology platforms and ad agency activities, generating revenue through agreements with media partners

In the Media division we work with companies primarily in Europe and provide them with end-to-end media and advertising technologies services. These include media buying, ad agency technologies and services and ad serving technologies as well as programmatic video buying capabilities.

In this division, we have expanded our foothold in the evolving media and advertising space by leveraging our strong mobile capabilities. We have successfully entered new markets and broadened our current offering into the native, social and content distribution channels.

We continue to develop our advertising technologies and supporting tools to address the constantly evolving marketplace and ensure we optimise our technologies for our media buying services. This is all consistent with our Company-wide strategy to maintain best-in-class online distribution funnels for our digital products.

Current trading and outlook

This year we have made significant progress in the turnaround of the business, reducing our cost base and realigning our strategic priorities. We believe these significant changes have repositioned the Company, enabling us to complete the turnaround and grow our core divisions in the medium-term. The full impact of the turnaround and subsequent benefits will be realised in the coming year.

In 2017, while we will continue to drive organic growth opportunities, we will also focus on strategic acquisitions designed to broaden our exposure to SaaS revenues, mainly in the cyber security vertical. We are currently exploring the viability of a number of companies, evaluating them along the following criteria:

- Sizeable and growing user base
- Recurring revenue sales model
- Strong technological team
- Ability to deliver strong synergies with both the Group's media capabilities and digital distribution platform

We have made a strong start to 2017 and will continue to drive profitability and long-term future growth for the Group.

Ido Erlichman
Chief Executive Officer
13 March 2017

Chief Financial Officer's review

Crossrider remains highly cash-generative. During the period, App Distribution improved in margins significantly.

Moran Laufer
Chief Financial Officer

Overview

Revenue in the year to 31 December 2016 decreased to $56.5 million (2015: $84.6 million) and Adjusted EBITDA to $6.4 million (2015: $10.1 million). The decrease is attributable to the Board's decision to cease investment in the Web Apps platform and outsource its monetisation to a third party. Excluding the Web Apps segment, revenue at $52.0 million is lower in comparison to $57.6 million in 2015. However, segment results have significantly increased, at $14.7 million (2015: $12.9 million) and margins have also increased at 28.3 per cent (2015: 22.4 per cent).

Crossrider remains a highly cash-generative business, with an increase of $1 million in cash generated from operations after adjusting for one-off non-recurring items of $7.9 million (2015: $6.9 million). This represents adjusted cash conversion of 123 per cent, compared to 69 per cent in 2015. The Group's balance sheet remains strong with cash of $72.1 million at 31 December 2016 (31 December 2015: $71.3 million) and no debt.

During the period, the Group went through a major restructuring, resulting in changes to its management reporting system and now operates three reportable segments:

- App Distribution – comprising the Group's desktop app distribution platform;
- Media – comprising the Group's marketing technology platforms and ad network activities; and
- Web Apps and License – comprising revenue generated from licensing the Web Apps monetisation platform and associated technology.

Consequently, the previous period segmental results have been restated. The results of these segments are set out below.

Segment result

	Revenue		Segment result	
	2016 $'000	Restated 2015 $'000	2016 $'000	Restated 2015 $'000
App Distribution	38,241	37,229	11,267	9,414
Media	13,783	20,426	3,480	3,499
Web Apps and License	4,508	26,980	4,508	13,611
Revenue	56,532	84,635	19,255	26,524

The segment result has been calculated using revenue less costs directly attributable to that segment. Cost of sales comprises commissions paid to publishers and payment processing fees. Direct sales and marketing costs comprise traffic acquisition costs.

Chief Financial Officer's review continued

App Distribution

	2016 $'000	2015 $'000
Revenue	38,241	37,229
Cost of sales	(2,360)	(1,854)
Direct sales and marketing costs	(24,614)	(25,961)
Segment result	11,267	9,414
Segment margin	29.5	25.3

During the period, App Distribution improved in margins significantly, reaching 29.5 per cent compared to 25.3 per cent in the comparable period, resulting in a $1.9 million increase in the segment result. This represents a 20 per cent uplift. The margin improvement is attributable to two main drivers: improved media buying efficiency resulting in better traffic quality as well as user targeting and secondly, an improvement in customer retention and upselling to existing customers.

In October 2016, Crossrider completed the acquisition of DriverAgent, a driver repair and update software product, for a consideration of $1.2 million.

Media

	2016 $'000	2015 $'000
Revenue	13,783	20,426
Direct sales and marketing costs	(10,303)	(16,927)
Segment result	3,480	3,499
Segment margin %	25.25	17.13

In the Media division, revenues have decreased by 32.5 per cent and segment results have remained stable compared to 2015. The decrease in revenues is attributable to two low margin contracts with high working capital requirements that were signed in the fourth quarter of 2015 and terminated in 2016 to improve cash flow and decrease risk. If these contracts were to be excluded the segment results would have shown an increase of circa 11.9 per cent from a base of $3.1 million in 2015. This increase is attributable to an expansion in new territories and verticals, mainly mobile app distribution.

Web Apps and License

	2016 $'000	2015 $'000
Revenue	4,508	26,980
Cost of sales	–	(5,534)
Direct sales and marketing costs	–	(7,835)
Segment result	4,508	13,611
Segment margin %	100	50.45

At the beginning of 2016, the board decided to outsource the monetisation of its Web Apps platform to a third party. In light of this shift in this part of the Group's business model the Group ceased its media acquisition in this segment. Revenue in the period is comprised of consideration for license of the platform and its associated technology. The year to 31 December 2017 is expected to be the last year of reporting for this segment as the technology license contracts are expiring on September 2017.

Adjusted EBITDA

Adjusted EBITDA for the year to 31 December 2016 was $6.4 million (2015: $10.1 million). Adjusted EBITDA is a non-GAAP Company-specific measure which is considered to be a key performance indicator for the Group's financial performance. It excludes share-based payment charges and expenses which are considered to be one-off and non-recurring in nature and are excluded from the following analysis:

	2016 $'000	2015 $'000
Revenue	56,532	84,635
Cost of sales	(2,360)	(7,388)
Direct sales and marketing costs	(34,917)	(50,723)
Segment result	19,255	26,524
Indirect sales and marketing costs	(4,265)	(3,016)
Research and development costs	(1,299)	(2,539)
Management, general and administrative costs	(7,278)	(10,905)
Adjusted EBITDA	6,413	10,064

Operating loss

A reconciliation of Adjusted EBITDA to operating loss is provided as follows:

	2016 $'000	2015 $'000
Adjusted EBITDA	6,413	10,064
Employee share-based payment charge	(716)	(3,407)
Exceptional and non-recurring costs	(862)	(1,957)
Depreciation and amortisation	(9,884)	(9,370)
Impairment of intangible assets	(4,683)	(9,132)
Operating loss	(9,732)	(13,802)

Exceptional and non-recurring costs in FY2016 comprised non-recurring staff restructuring costs of $0.6 million and a $0.3 million one-time onerous contract written-off in the period. The decrease in the employee share-based payment charge is due to reversal of charges from previous periods for employees that left the Company during the year.

Impairment of intangible assets

The intangible assets related to the acquisition of the Definiti ad network in 2014 are allocated to the Group's Media segment and are considered to be a separate cash generating unit ('CGU') for the purpose of assessing carrying values. Following regulatory changes in the mobile subscription vertical in which Definiti operates, management now forecasts modest growth in advertising volumes from the Definiti ad network over the coming years. The carried value of the intangible assets of the Definiti ad network CGU have therefore been reassessed, resulting in a goodwill impairment of $4.7 million being recognised in the year (2015: $nil).

Loss before tax

Loss before tax was $10.0 million (2015: $14.7 million).

Loss after tax

Loss after tax was $10.7 million (2015: $17.6 million). The tax charge derives mainly from Group subsidiaries, residual profits. The Group continues to recognise a deferred tax asset of $0.2 million (2015: $0.7 million) in respect of tax losses accumulated in previous years.

Cash flow

	2016 $'000	2015 $'000
Cash flow from operations	5,922	5,910
Exceptional and non-recurring costs	1,951	995
Adjusted cash flow from operations	7,873	6,905
% of Adjusted EBITDA	123%	69%

Cash flow from operations was strong at $7.9 million (2015: $5.9 million). Adjusted cash flows from operations after adding back acquisition payments treated as remuneration and payments that are one-off in nature, was $7.9 million; this represents an improvement in cash conversion to 123 per cent of Adjusted EBITDA, from 69 per cent in 2015.

Tax paid in the period was $0.9 million (2015: $1.8 million).

Cash spent in the period on capital expenditure of $0.8 million (2015: $1.8 million) mainly comprises capitalised development costs and purchase of fixed assets. Cash payments in respect of previous acquisitions totalled $1.4 million (2015: $1.4 million). The Company paid $0.9 million (2015: $0.1 million) in respect of the acquisition of the DriverAgent software business. As a result, net cash outflow from investing activities was $3.0 million (2015: $3.2 million).

The share buy-back programme, announced in November 2015, was completed in January 2016, returning $1.0 million to shareholders in 2016 (2015: $5.1 million).

Financial position

At 31 December 2016, the Group had cash of $72.1 million (31 December 2015: $71.3 million), had net assets of $80.5 million (31 December 2015: $91.5million) and is debt free.
At 31 December 2016, trade receivables were $5.6 million (31 December 2015: $13.0 million) which represented 44 days outstanding (31 December 2015: 52 days).

Moran Laufer
Chief Financial Officer
13 March 2017

Principal risks and uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's long-term performance and could cause results to differ materially from expected and historical results. The risks to which the business is exposed are set out below:

Risks	Background	Mitigating controls
Regulatory, legislative or self-regulatory developments regarding internet privacy matters could adversely affect the Group's ability to conduct its business.	International regulatory bodies are increasingly focused on online privacy issues and, in particular, on online advertising activities that use cookies and other online tools to track users. Certain internet browsers, such as Safari, automatically block cookies, and users are also able to adjust their internet browser settings to block or delete cookies. In addition, many jurisdictions have also begun to implement legislation requiring advertisers and digital media sources to allow users to set their cookie preferences independently of such settings.	› All the information that the Group obtains regarding users and their profiling is information that may correspond to a particular person, account or profile, but does not identify, allow contact or enable Crossrider to locate the person to whom such information pertains. As a consequence, the Group is not regulated by any regulator or subject to any regulatory approval for its day-to-day operations. › While not externally regulated, the Group adheres to a strict set of controls with its partners. Partners, developers, publishers and advertisers are required to comply with these contractually-imposed controls, which have been jointly created by the Group and its legal advisers.
Large and established internet, antivirus and technology companies may be able to significantly impair the Group's ability to operate.	Large and established internet, antivirus and technology companies such as Adobe Systems Incorporated, Symantec Corporation, Amazon.com, Inc. ('Amazon'), AOL Inc., Apple, eBay Inc., Facebook, Inc. ('Facebook'), Google, Microsoft and Yahoo! Inc. may have the power to significantly change the very nature of the app distribution and internet display advertising marketplace; these changes could materially disadvantage the Group. For example, Amazon, Apple, Facebook, Google and Microsoft have substantial resources and control a significant share of widely adopted industry platforms such as web browsers, mobile operating systems and advertising exchanges and networks. Changes to their web browsers, mobile operating systems, platforms, exchanges, networks or other products or services could be significantly harmful to the Group's business. Such companies could also seek to replicate all or parts of the Group's business.	› The Group actively monitors the developments of the large and established internet, antivirus and technology companies to identify any threats that may impair the Group's ability to operate.

Risks	Background	Mitigating controls
If the Group fails to innovate and respond effectively to rapidly changing technology, the Group's solution may become less competitive or obsolete.	To remain competitive, the Group's future success will depend on its ability to continuously enhance and improve its solutions to meet client needs, add functionality to advertiser and publisher platforms and address technological advancements. For example, as e-commerce and consumption of content continues to migrate from the web to mobile and tablet devices and advertisements more frequently include video or incorporate animation, sound and/or interactivity (rich media content), businesses are increasingly demanding that internet display advertising solutions extend to all three screens and support video and rich media content. In addition, as consumers spend more time watching videos and playing social network games online, as opposed to browsing static webpages, businesses may increasingly shift their advertising budgets to video and game publishers or, if consumers fail to engage with advertisements displayed on smaller screens, reduce their internet display advertising budgets.	› The Group invests in research and development resources to ensure that the Group's technology platforms are continually enhanced through evolution and innovation. › The Group also invests in acquisitions to expand its technology platforms and adapt to the rapidly changing technology environment.
Failures in the Group's IT systems and infrastructure supporting its solution could significantly disrupt its operations and cause it to lose clients.	In addition to the optimal performance of the Crossrider Engine, the Group's business relies on the continued and uninterrupted performance of its software and hardware infrastructures. The Group currently places over 1.8 billion advertisements per day and each of those advertisements is placed in milliseconds. Sustained or repeated system failures of its software and hardware infrastructures, which interrupt its ability to deliver advertisements quickly and accurately, its ability to serve and track advertisements and its ability to process consumers' responses to those advertisements, could significantly reduce the attractiveness of its solution to advertiser clients and publishers, reduce its revenue and affect its reputation.	› The Group outsources hosting services, holding minimal server infrastructure itself. This allows the Group to flex and grow its operations efficiently. › Crossrider uses third party content distribution network services in order to offload traffic served directly from its own infrastructure and minimise network latency.
The Group is a multinational organisation faced with increasingly complex tax issues in many jurisdictions, and it could be obliged to pay additional taxes in various jurisdictions as a result of new taxes, laws or interpretation, including sales taxes, which may negatively affect its business.	As a multinational organisation, operating in multiple jurisdictions such as the Isle of Man, Cyprus, Israel, Romania and the United Kingdom, the Group may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes it pays in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on its liquidity and results of operations.	› The Group uses advisers to review its tax position and ensure compliance with local tax legislation.

Corporate governance

The Board of Directors of the Company (the 'Board') is responsible for the Group's system of corporate governance.

Overview

The current policies and procedures as adopted by the Group are set out below.

Role of the Board

The Board is responsible for the overall strategy and direction of the Group. It provides robust leadership of the Company within a framework of effective controls which enables risk to be assessed and managed. The Board, in setting the Company's aims, ensures that the necessary financial and human resources are in place to meet its objectives. It regularly reviews management performance and upholds the Company's values and standards so that its obligations to shareholders and others are understood and met.

The Board is supplied with information in a quality form and in a timely manner to enable it to discharge its duties. The Board also reviews arrangements under which employees can raise concerns in confidence about possible improprieties in matters of financial reporting or other areas.

Division of responsibilities

During 2016, the Chairman, Donald (Don) Elgie had a clear and distinctive responsibility for running the Board while the executive responsibility for running the Company's business was delegated to the Chief Executive Officer, Ido Erlichman, when he was appointed on 31 May 2016. When Koby Menachemi, the former Chief Executive Officer, announced his intention to resign in January 2016, Don Elgie fulfilled the temporary role of Executive Chairman from 1 February 2016 until the appointment of Ido Erlichman, after which he reverted to the Non-Executive Chairman role.

Moran Laufer was appointed to the Board on 6 February 2017, having been appointed to the position of Chief Financial Officer on 27 October 2016.

As at 31 December 2016, the Board comprised four Directors, three of whom were Non-Executive Directors.

The Non-Executive Directors normally do not have any day-to-day involvement in the running of the business but are responsible for scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. All Board members are considered to be able to allocate sufficient time to the Company to discharge their responsibilities as Directors effectively.

The Board meets at regular scheduled intervals and follows a formal agenda; it also meets as and when required. No one individual has unfettered powers of decision. The Directors may take independent professional advice at the Group's expense.

Board committees

The Group has an Audit Committee, a Nominations Committee, and a Remuneration Committee, each consisting of three Non-Executive Directors. Each committee has written terms of delegated responsibilities which will be available for review at the end of the Annual General Meeting for 2017 and which are available for review in the Investor Relations section of the Group's website www.crossrider.com. The Board and its committees are considered to have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Remuneration Committee

The Remuneration Committee is comprised of David Cotterell (Chair of the Committee), Don Elgie and Martin Blair, all of whom are Non-Executive Directors. It is responsible for making recommendations to the Board on remuneration policy as applied to the Company's Executive Directors. The Remuneration Committee also considers grants of options under the Company's share option schemes. The policy of the Remuneration Committee is to grant share options to employees as part of a remuneration package to motivate them to contribute to the growth of the Group over the medium to long-term.

The Chief Executive Officer may, at the Remuneration Committee's invitation, attend meetings, except where his own remuneration is discussed. The Remuneration Committee met three times during the past financial year. The Remuneration Committee's terms of reference, which can be found on the Company's website www.crossrider.com, are reviewed on an annual basis and updated as required.

The Remuneration Committee report, which includes details of Directors' remuneration, pension entitlements and Directors' interests, together with information on service contracts, is set out on pages 16 to 17.

Audit Committee

The Audit Committee is comprised of Martin Blair (Chair of the Committee), David Cotterell and Don Elgie, all of whom are Non-Executive Directors.

The Committee meets at least twice a year and at other times as agreed between the members of the Committee. Executive Directors and the Group's auditors may be invited to attend all or part of any meetings. The Committee also meets with the Group's external auditors without the presence of the Executive Directors.

The Committee's terms of reference, which can be found on the Company's website www.crossrider.com, are reviewed on an annual basis and updated as required.

Risk management and internal controls

During the year, the Audit Committee has reviewed the scope and effectiveness of systems to identify and address financial and non-financial risks. The review identified the key risks, risk control measures and the implementation status of the risk control measures. The report was presented to the Committee by the Chief Financial Officer.

Audit of the Group's Annual Report Financial Statements

In advance of the audit of the Group's Annual Report and Financial Statements, the Audit Committee reviewed the plan as presented by the Group's external auditor, BDO LLP. The plan set out the proposed scope of work, audit approach, materiality and identified areas of audit risk.

The Audit Committee also reviewed the Annual Report and Financial Statements along with the audit findings report presented by BDO LLP.

Auditor independence

The Audit Committee monitors the independence of the Group's external auditor. During the year BDO LLP provided the Group with the following non-audit services:

- Taxation compliance services; and
- Taxation advisory services.

The Audit Committee considered the threats to the independence of BDO LLP created by the provision of the non-audit services and concluded that sufficient safeguards were in place.

BDO was appointed as auditor of the Group for the year ended 31 December 2013. The Audit Committee will keep under review, in consultation with major shareholders, the decision as to whether to conduct a tender in respect of the audit in line with the recommendations of the Financial Reporting Council.

Nominations Committee

The Nominations Committee is comprised of Don Elgie (Chair of the Committee), Martin Blair and David Cotterell, all of whom are Independent Non-Executive directors. The Committee meets when appropriate and considers the composition of the Board, retirements and appointments of additional and replacement Directors and makes appropriate recommendations to the Board. The objective of the Committee is to review the composition of the Board and to plan for its progressive refreshing, with regard to balance and structure. The Committee is responsible for:

- Reviewing the structure of the Board;
- Evaluating the balance of skills, knowledge, experience and diversity of the Board;
- Advising the Board on any areas where further recruitment may be appropriate; and
- Succession planning for key executives at Board level and below.

Where necessary and appropriate, recruitment consultants are used to assist the Committee in delivering its objectives and responsibilities. The Committee leads the process for the identification and selection of new Directors and makes recommendations to the Board in respect of such appointments. The Committee also makes recommendations to the Board on membership of its committees. The Committee's terms of reference, which can be found on the Company's website www.crossrider.com, are reviewed on an annual basis and updated as required.

Board of Directors

Don Elgie
Non-Executive Chairman

Background and experience
Don retired as Group CEO of Creston plc (LSE: CRE), a marketing services company which is listed on the Main Market, at the end of March 2014. He founded Creston plc, a digitally-focused communications and insight group, in 2001, and built it into an international group which generated £75 million revenue, £12 million EBITDA and employed over 800 people as at March 2014. Don has many years' experience in marketing services including developing companies organically and by acquisition. He is Chairman of the Company's Nominations Committee.

Ido Erlichman
Chief Executive Officer

Background and experience
Ido joined Crossrider plc in May 2016 as Group Chief Executive Officer. Ido has more than nine years' experience in the technology sector garnered through roles in private equity, consulting and finance. Prior to joining Crossrider, Ido was acting joint chief executive officer of VisualDNA (which was acquired by The Nielsen Company), a leading psychographic data business, where he led its geographic expansion and oversaw significant EBITDA growth. Prior to VisualDNA, Ido also worked as a senior associate within KPMG's private equity deal advisory practice in London and as a senior manager within KPMG's Transaction Services practice focusing on technology deals in Israel and with the Israeli Ministry of Finance. Ido is the author of the best-selling book 'Battle of Strategies' published in Israel by Yediot Books. Ido is a Certified Public Accountant, graduated magna cum laude in Accounting and Economics from The Hebrew University of Jerusalem, obtained his Masters degree in Law from Bar-Ilan University, and received an MBA from the University of Cambridge's Judge Business School.

David Cotterell
Non-Executive Director

Background and experience
David has over 25 years' experience in the information technology software and service sector. He has held senior management roles with firms such as ACT Financial Systems, DST, Advent and SQS Group plc and has led and successfully implemented two trade sales of technology companies. Between 2006 and 2011 David served as the CEO of UKIISA Region (UK, Ireland, South Africa and India) and as board director at SQS Group plc (LSE: SQS). David is currently non-executive chairman of RapidCloud Int plc (LSE: RCI) and SyQic plc (LSE: SYQ). David sits on the remuneration and audit committees of both companies. Additionally, David is chairman of IT services company, Qualitest UK. David is Crossrider Group's Senior Independent Director and also Chairman of the Company's Remuneration Committee.

Martin Blair
Non-Executive Director

Background and experience
Prior to joining the Board of Crossrider, Martin acted as CFO of Pilat Media Global plc, a company previously admitted to trading on both AIM and the Tel Aviv Stock Exchange, which developed, marketed and supported new generation business management software solutions for content and service providers in the media industry. Martin joined Pilat Media in 2001, ahead of its admission to AIM in 2002. Pilat Media was acquired by SintecMedia Ltd for £63.3 million in April 2014. Martin qualified as a chartered accountant with Ernst & Young in 1982 and between 1983 and 1986 worked for PwC. He then joined the mail order and retail company, Freemans plc, and later moved into the media sector as director of finance & administration and then as vice president of United International Pictures Limited, between 1988 and 1996. Martin is Chairman of the Company's Audit Committee.

Remuneration Committee report (Unaudited)

The Remuneration Committee (for the purpose of the Remuneration Committee report, the 'Committee') is comprised of David Cotterell (Chair of the Committee), Don Elgie and Martin Blair, all of whom are Non-Executive Directors.

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors (in addition to fees paid for employment or executive services) such sum as the Board may from time to time determine, provided that such amount shall not exceed in aggregate £500,000 per annum or such greater sum as the Company in general meeting shall from time to time determine by ordinary resolution. Any fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director.

Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as a Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

Directors' emoluments

Directors' emoluments for the 2016 financial year are set in Pounds Sterling. These are set out in the tables below along with the US Dollar equivalent cost to the Company:

Name	Base salary/fees GBP£	Benefits GBP£	Pension GBP£	Bonus GBP£	Total GBP£
Ido Erlichman	176,154	24,074	5,285	58,333	263,846
Don Elgie	156,295	–	–	–	156,295
David Cotterell	50,000	–	–	–	50,000
Martin Blair	53,938	–	–	–	53,938

Name	Base salary/fees GBP£	Benefits GBP£	Pension GBP£	Bonus GBP£	Total GBP£
Koby Menachemi	61,250	16,940	3,063	–	81,253
Mark Carlisle	96,155	1,217	4,758	–	102,130

The US Dollar equivalent cost to the Company has been calculated using a USD/GBP rate of 1.24:

Name	Base salary/fees $	Benefits $	Pension $	Bonus $	Total $
Ido Erlichman	218,423	29,852	6,553	72,333	327,161
Don Elgie	193,806	–	–	–	193,806
David Cotterell	62,005	–	–	–	62,005
Martin Blair	66,883	–	–	–	66,883

Benefits include the living allowance paid to Koby Menachemi as he was required to relocate from Israel on his appointment.

The beneficial interests of the Directors who held office at 31 December 2016, together with that of persons connected with the Directors, in the share capital of the Company were as follows:

Directors' interests in shares

	2016		2015	
Name	Percentage of issued share capital	Number of ordinary shares	Percentage of issued share capital	Number of ordinary shares
Ido Erlichman	0.07%	100,000	–	–
Don Elgie	0.07%	97,087	0.07%	97,087
Martin Blair	0.01%	19,417	0.01%	19,417
David Cotterell	0.03%	48,544	0.03%	48,544

Directors' interests in share options

Name	Number of ordinary shares under option at 31 December 2015	Date of grant	Exercise price	Number of ordinary shares under option at 31 December 2016
Ido Erlichman	0	1 June 2016	£0.275	2,000,000

Note: Vesting schedule: 25% one year from date of grant of 1 June 2016 and then in 12 equal quarterly instalments thereafter.

Annual bonus

The bonuses for the Executive Directors for 2017 will be based on Adjusted EBIDTA and non-financial and strategic objectives. The level of bonus payable by reference to the financial performance of the Company will be determined on a sliding scale based on the Company's budget for the forthcoming financial year.

Service contracts

Executive Directors

The service agreements of the Executive Directors are for an indefinite term and provide for formal notice of six months to be served to terminate the agreement, either by the Company or by the Director. In addition to their annual salaries, the Executive Directors are entitled to annual pension contributions of 3 per cent as well as other benefits commensurate with their positions, including health, related benefits.

Non-Executive Directors

Fees for Non-Executive Directors are set with reference to time commitment, the number of committees chaired and relevant external market benchmarks. In addition to covering travel expenses, the Remuneration Committee has approved additional fees of £1,750 per day to be paid to Non-Executive Directors for additional time commitments outside of those agreed upon their appointment up to a maximum of 20 days. During the year, Don Elgie was paid for 11.5 additional days and Martin Blair was paid for 2.25 additional days. The Committee also approved additional compensation of £14,042 per month to be paid to the Non-Executive Chairman for his increased role in the Company during the recruitment of a new Chief Executive Officer. Don Elgie was paid for 4 months' additional compensation.

The Non-Executive Directors each have specific letters of appointment, rather than service contracts. Non-Executive Directors are appointed for an initial term of three years and, under normal circumstances, would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance and re-election at the Annual General Meeting as required.

David Cotterell
Chairman, Remuneration Committee
13 March 2017

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 December 2016. The corporate governance statement set out on pages 12 to 13 forms part of this report.

The Company's full name is Crossrider plc, domiciled in the Isle of Man with company number 011402V. Crossrider plc is a public listed company, listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

Principal activity

The principal activity of the Group is online digital product development and distribution and the provision of software platforms to the digital advertising industry. A detailed overview of the Group's activities is set out on pages 4 to 6.

Review of business and future developments

Details of the Group's performance during the year under review and expected future developments are set out in the strategic report on pages 1 to 11. A description of the principal risks and uncertainties facing the Group is set out on pages 10 to 11.

Dividends

The Directors do not recommend the payment of a dividend (2015: $nil). The declaration and payment by the Company of any future dividends on the ordinary shares will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

The Board recognises the importance of dividend income to shareholders and intends to adopt, at the appropriate time, a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Company. However, it is not the current intention of the Board to declare any dividends in the near-term. The Board may revise the Company's dividend policy from time to time in line with the actual results of the Company.

Directors

The Directors who served during the period were as follows:

Ido Erlichman	Active, appointed 31 May 2016
Donald (Don) Elgie	Active
David Cotterell	Active
Martin Blair	Active
Yakov (Koby) Menachemi	Resigned 31 March 2016
Mark Carlisle	Resigned 19 August 2016

Re-election of Directors

The articles of association require that at each Annual General Meeting one third of the Directors (excluding any Director who has been appointed by the Board since the previous Annual General Meeting) or, if their number is not an integral multiple of three, the number nearest to one third but not exceeding one third, shall retire from office (but so that if there are fewer than three Directors who are subject to retirement by rotation, one shall retire).

Any Director who is not required to retire by rotation but who has been in office for three years or more since his appointment or his last reappointment or who would have held office at not less than three consecutive Annual General Meetings of the Company without retiring, shall retire from office.

Appointment of a Director

The articles of association require that any Director appointed by the Board shall, unless appointed at such meeting, hold office only until the dissolution of the Annual General Meeting of the Company next following such appointment.

Directors' responsibility statement

The statement of Directors' responsibility is set out on page 20.

Directors' indemnities

The Directors have been granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office which remains in force at the date of this report.

Employee policies

At 31 December 2016, the Group employed 74 people, (31 December 2015: 93 people). The Group is committed to attracting and retaining personnel with the requisite technical skills and experience to implement its growth strategy and maintain its position in the competitive industry in which it operates. Crossrider therefore places significant emphasis on ensuring that it has a strong recruitment team as well as appropriate remuneration and bonus policies which are set by reference to appropriate objectives and include share-based incentive schemes, details of which are set out in note 18 to the financial statements.

Financial instruments

The Group does not currently use derivative financial instruments. A summary of the Group's financial instruments, changes in share capital and related disclosures are set out in notes 15 and 17 to the financial statements. The Group has no material exposure to price, liquidity or cash flow risk that would impact its objectives.

Capital structure

Under the IOM Companies Act, the Company is not required to have an authorised share capital. The ordinary shares in issue at 31 December 2016 have been created pursuant to the BVI Companies Act and the articles of association of the Company in place prior to the re-domiciliation of the Company from the BVI to the IOM on 13 August 2014 and are ordinary shares of USD 0.0001 par value.

Details of the issued share capital as at 31 December 2016 of 148,496,073 ordinary shares of USD 0.0001 par value, together with details of the movements in the Company's issued share capital during the year, are shown in note 15 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation. Save as provided by the terms of certain lock-in agreements entered into between the Company, the Directors and certain shareholders, the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

As at 31 December 2016 the Company held 7,451,423 shares in treasury and no shares in the capital of the Company are held by or on behalf of the Company or by any of the Company's subsidiaries.

Details of employee share schemes are set out in note 18 to the financial statements.

Political and charitable donations

The Company made no political or charitable donations during the year (2015: $nil).

Related party transactions

Details of all related party transactions are set out in note 21 to the financial statements.

Research and development

The Group maintains an integrated global research and development team which has a staff of 14 (2015: 32). In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth. The amount of research and development costs capitalised in the year was $744,000 (2015: $1,593,000).

Going concern

The Directors, having considered the Group's resources financially and the associated risks with doing business in the current economic climate, believe the Group is capable of successfully managing these risks. The Board has reviewed the cash flow forecast and business plan as provided by management which includes the rate of revenue growth, margins and cost control. As such, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Annual General Meeting

The Annual General Meeting for 2017 will be held at the offices of BLP, Adelaide House, London Bridge, London EC4R 9HA on Thursday 18 May 2017 at 12:00 noon. The notice convening the Annual General Meeting for this year, and an explanation of the items of non-routine business, are set out in the circular that accompanies the Annual Report.

Auditor

A resolution to reappoint BDO LLP as the Company's auditor will be proposed at the 2017 Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Signed on behalf of the Board by:

Don Elgie
Non-Executive Chairman
13 March 2017

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Isle of Man company law does not require the Directors to prepare financial statements for each financial year, however the Group is required to do so to satisfy the requirements of the AIM rules. Under company law, when preparing the financial statements, the Directors are required to prepare the Group financial statements in accordance with an appropriate set of generally accepted accounting principles or practice. The Directors have elected to use International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 (revised) requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that correctly explain the transactions of the Company, enable the financial position of the Company to be determined with reasonable accuracy at any time and allow financial statements to be prepared. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The Directors' responsibility also extends to the continued integrity of the financial statements contained therein.

Signed on behalf of the Board by:

Don Elgie
Non-Executive Chairman
13 March 2017

Independent auditor's report to the members of Crossrider plc

We have audited the financial statements of Crossrider plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members as a body, in accordance with our engagement letter dated 1 December 2016. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable Isle of Man company law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss for the year then ended; and
- Have been properly prepared in accordance with IFRSs as adopted by the EU.

BDO LLP
Chartered Accountants
London
United Kingdom
13 March 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	4	56,532	84,635
Cost of sales		(2,360)	(7,388)
Gross profit		54,172	77,247
Selling and marketing costs		(39,915)	(54,146)
Research and development costs		(1,661)	(3,500)
Management, general and administrative costs		(7,761)	(14,901)
Depreciation and amortisation	10,11	(9,884)	(9,370)
Impairment of intangible assets	10	(4,683)	(9,132)
Total operating costs		(63,904)	(91,049)
Operating loss	6	(9,732)	(13,802)
Adjusted EBITDA		6,413	10,064
Employee share-based payment charge	6	(716)	(3,407)
Exceptional and non-recurring costs	6	(862)	(1,957)
Depreciation and amortisation	10,11	(9,884)	(9,370)
Impairment of intangible assets	10	(4,683)	(9,132)
Operating loss		(9,732)	(13,802)
Share of results of equity accounted associates		47	(38)
Finance income		4	15
Finance costs	8	(332)	(870)
Loss before taxation		(10,013)	(14,695)
Exceptional tax charge	9	–	(2,200)
Tax charge	9	(665)	(702)
Loss for the year		(10,678)	(17,597)
Other comprehensive income:			
Foreign exchange differences on translation of foreign operations		–	1
Total comprehensive income for the year		(10,678)	(17,596)
Basic earnings per share (cents)	19	(7.6)	(11.9)
Diluted earnings per share (cents)	19	(7.6)	(11.9)

Consolidated statement of financial position
As at 31 December 2016

	Note	2016 $'000	2015 $'000
Non-current assets			
Intangible assets	10	7,113	19,254
Property, plant and equipment	11	591	1,003
Investments in equity accounted associates	16	859	812
Deferred tax asset	9	166	716
		8,729	21,785
Current assets			
Trade and other receivables	12	7,950	16,280
Cash and cash equivalents	13	72,064	71,336
		80,014	87,616
Total assets		88,743	109,401
Equity			
Share capital		14	14
Additional paid in capital		130,292	131,287
Retained earnings		(49,753)	(39,791)
Equity attributable to equity holders of the parent		80,553	91,510
Non-current liabilities			
Deferred tax liabilities	9	691	986
Deferred consideration	24	160	184
		851	1,170
Current liabilities			
Trade and other payables	14	7,096	15,316
Deferred consideration	24	243	1,405
		7,339	16,721
Total equity and liabilities		88,743	109,401

The financial statements were approved by the Board and authorised for issue on 13 March 2017.

Ido Erlichman
Chief Executive Officer

Moran Laufer
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital $'000	Additional paid in capital $'000	Retained earnings $'000	Total $'000
At 1 January 2015	15	136,399	(25,602)	110,812
Loss for the year	–	–	(17,597)	(17,597)
Other comprehensive income:				
Foreign exchange differences on translation of foreign operations	–	–	1	1
Total comprehensive income for the year	–	–	(17,596)	(17,596)
Transactions with owners:				
Share-based payments	–	–	3,407	3,407
Exercise of employee options (note 15)	–	18	–	18
Purchase of own shares (note 15)	(1)	(5,130)	–	(5,131)
At 31 December 2015	14	131,287	(39,791)	91,510
At 1 January 2016	14	131,287	(39,791)	91,510
Loss for the year	–	–	(10,678)	(10,678)
Other comprehensive income:				
Foreign exchange differences on translation of foreign operations	–	–	–	–
Total comprehensive income for the year	–	–	(10,678)	(10,678)
Transactions with owners:				
Share-based payments	–	–	716	716
Purchase of own shares (note 15)	–	(995)	–	(995)
At 31 December 2016	14	130,292	(49,753)	80,553

Consolidated statement of cash flows
For the year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flow from operating activities			
Loss for the year after taxation		(10,678)	(17,597)
Adjustments for:			
Amortisation of intangible assets	10	9,421	8,974
Impairment of intangible assets	10	4,683	9,132
Depreciation of property, plant and equipment	11	463	396
Loss on sale of property, plant and equipment	11	35	–
Tax charge	9	665	2,902
Interest income		(4)	(15)
Interest expenses	8	51	210
Share-based payment charge	18	716	3,407
Share of results of associates	16	(47)	38
Unrealised foreign exchange differences		4	660
Operating cash flow before movement in working capital		5,309	8,107
Decrease/increase) in trade and other receivables		8,327	(2,529)
Decrease in trade and other payables		(6,625)	(631)
(Decrease)/increase in other current liabilities		(1,089)	963
Cash flow from operations		5,922	5,910
Tax paid net of refunds		(904)	(1,826)
Cash generated from operations		5,018	4,084
Cash flow from investing activities			
Purchases of property, plant and equipment	11	(108)	(220)
Sale of property, plant and equipment		24	–
Net cash paid on business combination	24	(1,089)	(902)
Intangible assets acquired		(850)	–
Net cash paid on investment in associates	16	(350)	(500)
Capitalisation of development costs	10	(744)	(1,593)
Net cash used in investing activities		(3,117)	(3,215)
Cash flow from financing activities			
Net payment for purchase of own shares	15	(995)	(5,131)
Net cash generated from financing activities		(995)	(5,131)
Net (decrease)/increase in cash and cash equivalents		906	(4,262)
Revaluation of cash due to changes in foreign exchange rates		(178)	(443)
Cash and cash equivalents at beginning of year		71,336	76,041
Cash and cash equivalents at end of year	13	72,064	71,336

Notes to the consolidated financial statements

1 Basis of preparation

The financial information provided is for Crossrider plc ('the Company') and its subsidiary undertakings (together the 'Group') in respect of the financial years ended 31 December 2016 and 2015.

The financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively 'IFRS') as adopted by the EU.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Adoption of new and revised standards

New standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year beginning 1 January 2016 have been adopted but had no significant impact on the Group.

New standards, amendments to standards and interpretations have been issued but are not effective (and in some cases have not yet been adopted by the EU) for the financial year beginning 1 January 2016 and have not been early adopted. A detailed impact assessment has not been performed on the adoption of these standards, therefore it is not known if adoption will have a material impact on the financial information of the Group in future periods.

2 Significant accounting policies

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the Parent Company Crossrider plc and the financial statements of the subsidiaries as shown in note 20 of the consolidated financial statements.

The Group has been partly formed from a series of common control transactions.

The financial statements of all the Group companies are prepared using uniform accounting policies. All transactions and balances between Group companies have been eliminated on consolidation.

Business combinations and goodwill

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Contingent consideration that is classified as an asset or a liability is initially recognised at fair value and subsequently at fair value thorough profit and loss in accordance with IAS 39 as appropriate.

Consideration which is contingent on completion of a service period by an employee of the Group is treated as remuneration and is expensed over the service period.

Foreign currencies

(a) Presentational currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which each entity of the Group operates (the 'functional currency'). The financial statements are presented in United States Dollars ($'000).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exchange rate gains and losses are recognised net within finance cost.

(c) Consolidation

The functional currency of the Company, and the presentation currency for the consolidated financial statements, is United States Dollars. For the purpose of the consolidated financial statements, the assets and liabilities of the Group's foreign operations with a functional currency other than United States Dollars are translated into United States Dollars using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised directly in equity.

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

2 Significant accounting policies continued

Merger accounting

Common control transactions have been accounted for using merger accounting.

Under merger accounting, the assets and liabilities of both entities are recorded at book value, not fair value (although adjustments are made to achieve uniform accounting policies), intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquiree in accordance within applicable IFRS, no goodwill is recognised, any expenses of the combination are written-off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

The result is that the merged groups are treated as if they had been combined throughout the current and comparative accounting periods.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently, associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

(a) Revenue from advertising

The Group generates revenues only when its customers' advertising campaigns achieve certain predefined performance-based and validated results such as cost per mille impressions ('CPM'), cost-per-acquisition ('CPA'), cost-per-sale ('CPS'), cost-per-lead ('CPL'), cost-per-download ('CPD') and cost-per-install ('CPI'). These revenues are recognised only when the amount of revenue can be measured reliably, it is probable that the economic benefits associated will flow to the Group, the transactions are complete and the related costs can be measured reliably.

(b) Revenue from sale of software tools

Revenue from sales of software tools is recognised at electronic point of sale when payment is identified by the respective credit card payment processor and rights to use the software have been granted.

(c) Presentation of net revenues

Revenues are recognised net when it is identified that the Group is acting as an agent and gross when it is identified that the Group is acting as a principal in accordance with the terms of the arrangement.

Intangible assets

Amortisation for all classes of intangible assets is included within amortisation and depreciation costs in the income statement.

(a) Externally acquired intangible assets

Externally acquired intangible assets comprise intellectual property ('IP'), customer lists, trademarks and internet domains. All such intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of these intangible assets is calculated using the straight-line method over their useful economic lives.

Where intangible assets are acquired as part of a business combination they are recorded initially at their fair value.

The useful economic life of IP, customer lists and trademarks is three to five years.

Internet domains are generally considered to have an indefinite useful economic life. They are purchased due to the marketability of the related domain name, are not specific to a particular product, brand, market or service and therefore are not expected to diminish in value or use as a function of time.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(b) Internally generated intangible assets (development costs)

An internally generated intangible asset arising from the Group's e-business development is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their estimated useful lives, which is three to five years. Amortisation commences when the asset is available for use.

Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Notes to the consolidated financial statements
continued

2 Significant accounting policies continued

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(c) Goodwill
Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

Intangible assets are tested separately from goodwill only where impairment indicators exist.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write-off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

- Computer equipment: three years
- Furniture, fixtures and office equipment: 6-15 years
- Leasehold improvements: ten years or the term of the lease, if shorter

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written-down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss in the year in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and internally generated intangible assets
Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Trade receivables
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and short-term bank deposits.

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Current and deferred tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the period end date, and is not discounted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Operating leases
Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2 Significant accounting policies continued

Share-based payments

Crossrider operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for Crossrider equity instruments (options). The fair value of the options and share awards is recognised as an employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Group and the nominal value of the share capital being issued is classified as additional paid in capital.

Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following accounting policies cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(a) Impairment of intangible assets

Intangible assets are initially recorded at acquisition cost and are amortised on a straight-line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to (see also note 10).

(b) Capitalisation of development expenses

Research and development costs which create identifiable assets and are expected to generate future economic benefits are capitalised, and the remainder is expensed to the income statement. This requires the Group to perform judgements in apportioning costs to identifiable assets and making judgements about which assets are expected to give rise to future economic benefits.

(c) Presentation of net revenues

The Group makes judgements in assessing whether it has acted as a principal or agent in transactions for selling and acquiring advertising media space, and therefore whether it reports its revenues gross or net respectively. The Group assesses a number of criteria in making these judgements, including the party, who is responsible for price setting and credit risk of the transaction, the losses the Group would suffer for non-delivery of service as well as the perceived and contractual relationship between the media publisher and seller or ad network.

3 Financial risk management

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds (see also note 17). The risk management policies employed by the Group to manage these risks are discussed below:

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has no material interest-bearing financial instruments and is therefore not exposed to changes in market rates of interest or fair value interest rate risk.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The principle credit risk is considered to result from new relationships with customers with which the Group does not have a long working relationship and for which reliable information as to their credit ratings cannot be obtained. In such cases, the Group limits the initial credit facility afforded to these customers. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution or customer.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses, such as by having available an adequate amount of committed credit facilities from the ultimate shareholder and related parties, and maintaining sufficient cash and other highly liquid current assets.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Israeli New Shekel, British Pound, Euro, Australian Dollar and Canadian Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly and also avoids engaging in a significant level of transactions in currencies which are considered volatile or exposed to risk of significant fluctuations.

Notes to the consolidated financial statements
continued

4 Revenue

	2016 $'000	2015 $'000
Revenue from advertising	18,291	47,406
Sale of software tool	38,241	37,229
	56,532	84,635

Revenues from sale of software tool is generated mainly from the App Distribution CGU, while revenues from advertising is generated mainly from the Media CGU.

5 Segmental information
Segments revenues and results

During the period a major restructuring has been undertaken, resulting in changes to the Group's management reporting. The change in reporting provides a more accurate and transparent description of activities. The Group now operates three reportable segments:

- App Distribution – comprising the Group's app distribution platform;
- Media – comprising the Group's ad network activities and associated technology platforms; and
- Web Apps and License – comprising revenue generated from monetising Web Apps and licensing the associated technology.

Consequently, the prior year segmental results have been restated.

	App Distribution 2016 $'000	Media 2016 $'000	Web Apps and License 2016 $'000	Total 2016 $'000
Revenue	38,241	13,783	4,508	56,532
Cost of sales	(2,360)	–	–	(2,360)
Direct sales and marketing costs	(24,614)	(10,303)	–	(34,917)
Segment result	11,267	3,480	4,508	19,255
Central operating costs				(12,842)
Adjusted EBITDA[1]				6,413
Depreciation and amortisation				(9,884)
Impairment of intangible assets				(4,683)
Employee share-based payment charge				(716)
Exceptional and non-recurring costs				(862)
Operating loss				(9,732)
Share of results of associates				47
Finance income				4
Finance costs				(332)
Loss before tax				(10,013)
Taxation				(665)
Loss after taxation				(10,678)

Exceptional and non-recurring costs in 2016 comprised non-recurring staff restructuring costs of $0.6 million and a $0.3 million one-time onerous contract written-off in the period. The decrease in the employee share-based payment charge is due to reversal of charges from previous periods for employees that left the Company during the year.

The impairment of intangible assets charge of $4,683,000 relates to the Media segment. After allocating this charge to the Media segment, the segment result is $1,203,000 loss.

5 Segmental information continued

	App Distribution 2015 $'000	Media 2015 $'000	Web Apps and License 2015 $'000	Total 2015 $'000
Revenue	37,229	20,426	26,980	84,635
Cost of sales	(1,854)	0	(5,534)	(7,388)
Direct sales and marketing costs	(25,961)	(16,927)	(7,835)	(50,723)
Segment result	9,414	3,499	13,611	26,524
Central operating costs				(16,460)
Adjusted EBITDA[1]				10,064
Depreciation and amortisation				(9,370)
Impairment of intangible assets				(9,132)
Employee share-based payment charge				(3,407)
Exceptional and non-recurring costs				(1,957)
Operating loss				(13,802)
Share of results of associates				(38)
Finance income				15
Finance costs				(870)
Loss before tax				(14,695)
Taxation				(2,902)
Loss after taxation				(17,597)

(1) Adjusted EBITDA is a company-specific measure which is calculated as operating loss before depreciation, amortisation, exceptional and non-recurring costs, employee share-based payment charges and impairment of intangible assets which are considered to be one-off and non-recurring in nature, as set out in note 6. The Directors believe that this provides a better understanding of the underlying trading performance of the business.

Exceptional and non-recurring costs in 2015 comprise non-recurring staff costs of $0.1 million and payments of contingent consideration treated as remuneration in respect of the Ajillion and Definiti Media acquisitions expensed through the income statement of $1.9 million.

The impairment of intangible assets charge of $9,132,000 relates to the Web Apps and License segment. After allocating this charge to the Web Apps and License segment, the segment result is $4,479,000.

Information about major customers

In 2016 and 2015 there were no customers contributing more than 10 per cent of total revenue of the Group.

Geographical analysis of revenue

Revenue by origin

	2016 $'000	2015 $'000
Europe	17,297	3,641
British Virgin Islands	27,520	68,300
Asia	11,715	12,694
	56,532	84,635

Geographical analysis of non-current assets

	2016 $'000	2015 $'000
Europe	3,990	10,245
British Virgin Islands	–	87
Asia	3,714	9,925
Total intangible assets and property, plant and equipment	7,704	20,257

Notes to the consolidated financial statements
continued

6 Operating loss

Operating loss has been arrived at after charging:

	2016 $'000	2015 $'000
Exceptional and non-recurring costs		
Non-recurring staff costs	562	95
Onerous contract	300	–
Expensed contingent payments arising from business combinations (note 7)	–	1,862
	862	1,957
Auditor's remuneration:		
Audit	147	97
Other services	21	20
Amortisation of intangible assets	9,421	8,974
Depreciation	463	396
Impairment of intangible assets (note 10)	4,683	9,132
Employee share-based payment charge (note 7)	716	3,407
Rent payable under operating leases	459	294

Operating costs

Operating costs are further analysed as follows:

	2016 Adjusted $'000	2016 Total $'000	2015 Adjusted $'000	2015 Total $'000
Direct sales and marketing costs	34,917	34,917	50,722	50,722
Indirect sales and marketing costs	4,265	4,998	3,016	3,424
Selling and marketing costs	39,182	39,915	53,738	54,146
Research and development costs	1,299	1,661	2,539	3,500
Management, general and administrative costs	7,278	7,761	10,906	14,901
Depreciation and amortisation	1,379	9,884	1,048	9,370
Impairment of intangible assets	–	4,683	–	9,132
Total operating costs	49,138	63,904	68,231	91,049

Adjusted operating costs exclude share-based payment charges, exceptional and non-recurring costs, amortisation of acquired intangible assets and impairment of intangible assets.

7 Staff costs

Total staff costs comprise the following:

	2016 $'000	2015 $'000
Salaries and related costs	7,204	9,915
Expensed contingent payments arising from business combinations (note 24)	–	1,862
Employee share-based payment charge (note 18)	716	3,407
	7,920	15,184

7 Staff costs continued

The remuneration of the key management personnel of the Group, which comprises the Executive Directors and senior management team, is set out below:

	2016 $'000	2015 $'000
The aggregate remuneration comprised:		
Wages and salaries	1,490	2,190
Expensed contingent payments arising from business combinations (note 24)	–	912
Employee share-based payment charge	185	1,585
	1,675	4,687

Details of Directors' remuneration are set out in the Remuneration Committee report on pages 16 to 17.

8 Finance costs

	2016 $'000	2015 $'000
Interest expense	51	210
Net foreign exchange and other finance expenses	281	660
	332	870

9 Taxation

The Parent Company is domiciled, for tax purposes, in both the Isle of Man and the UK. The final tax charge shown below arises partially from the difference in tax rates applied in the different jurisdictions.

The tax charge in the year 2015 of $2,902,000 includes an exceptional tax charge of $2,200,000 arising as a result of the change in previously established corporation tax guidance in Israel relating to tax positions taken in respect of the 2013 and 2014 financial years. Of the $2,200,000 charge, $1,200,000 has been agreed and settled in relation to profits generated in Israel in 2013, which have subsequently been deemed to be taxable as a result of revised OECD guidance and application. The remaining $1,000,000 has arisen from a retrospective change to the cost plus transfer pricing methodology (which was established and ratified by Israeli case law in 2015) on share option charges incurred by subsidiaries in Israel in 2014. The Group continues to recognise a deferred tax asset of $166,000 (2015: $716,000) in respect of tax losses accumulated in previous years.

The total tax charge can be reconciled to the overall tax charge as follows:

	2016 $'000	2015 $'000
Loss before taxation	(10,013)	(14,695)
Tax at the applicable tax rate of 20% (2015: 20%)	(2,003)	(2,939)
Tax effect of:		
Differences in overseas rates	976	2,233
Exceptional tax charge	–	2,200
Expenses not deductible for tax purposes	1,327	1,408
Deferred tax not recognised on losses carried forward	440	–
Tax expense for previous years	(75)	–
Tax charge for the year	665	2,902
Analysed as:		
Deferred taxation in respect of the current year	263	(463)
Current tax charge	402	3,365
Tax charge for the year	665	2,902

Notes to the consolidated financial statements
continued

9 Taxation continued

The Group has maximum corporation tax losses carried forward at each period end as set out below:

	2016 $'000	2015 $'000
Corporate tax losses carried forward	28,320	19,322

Details of the deferred tax asset recognised (arising in respect of losses) is set out below:

	2016 $'000	2015 $'000
At the beginning of the year	716	567
(Derecognised)/recognised in the year	(558)	166
Foreign exchange revaluation	8	(17)
At the end of the year	166	716

Details of the deferred tax liability recognised (arising from timing differences on intangible valuations on business combinations) is set out below:

	2016 $'000	2015 $'000
At the beginning of the year	986	1,283
Movement in the year due to temporary differences	(295)	(297)
At the end of the year	691	986

In addition, the Group has an unrecognised deferred tax asset in respect of the following:

	2016 $'000	2015 $'000
Tax losses carried forward	28,047	10,729

10 Intangible assets

	Intellectual property $'000	Trademarks $'000	Customer lists $'000	Goodwill $'000	Internet domains $'000	Capitalised software development costs $'000	Total $'000
Cost							
At 1 January 2015	35,205	9,462	2,383	7,684	69	1,113	55,916
Additions	–	–	–	–	–	1,593	1,593
At 31 December 2015	35,205	9,462	2,383	7,684	69	2,706	57,509
Additions	1,219	–	–	–	–	744	1,963
At 31 December 2016	**36,424**	**9,462**	**2,383**	**7,684**	**69**	**3,450**	**59,472**
Accumulated amortisation							
At 1 January 2015	(16,367)	(3,241)	(400)	–	–	(141)	(20,149)
Charge for the year	(5,953)	(1,892)	(477)	–	–	(652)	(8,974)
Impairment losses	(4,711)	(1,341)	(55)	(2,316)	–	(709)	(9,132)
At 31 December 2015	(27,031)	(6,474)	(932)	(2,316)	–	(1,502)	(38,255)
Charge for the period	(6,528)	(1,494)	(483)	–	–	(916)	(9,421)
Impairment losses	–	–	–	(4,683)	–	–	(4,683)
At 31 December 2016	**(33,559)**	**(7,968)**	**(1,415)**	**(6,999)**	**–**	**(2,418)**	**(52,359)**
Net book value							
At 1 January 2015	18,838	6,221	1,983	7,684	69	972	35,767
At 31 December 2015	8,174	2,988	1,451	5,368	69	1,204	19,254
At 31 December 2016	**2,865**	**1,494**	**1,968**	**685**	**69**	**1,032**	**7,113**

In October 2016, the Group exercised an option to acquire the intellectual property of PC maintenance software product DriverAgent, from eSupport.com Inc for a total consideration of $1,208,000. $150,000 from the consideration was paid in the year ending 31 December 2015 for the option, $850,000 was paid during the year ending 31 December 2016. Another $208,000 is deferred consideration which is contingent on future results of the product.

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ('CGUs'), or group of units, that are expected to benefit from that business combination. Following the change in reportable segments, the Group goodwill was allocated to the Media segment. Before recognition of the impairment charge, the goodwill has a carrying value as at 31 December 2016 of $5,368,000 (2015: $5,368,000).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

At 31 December 2016, before impairment testing, the carrying value of intangible assets allocated to the Media CGU was $9,417,000, including goodwill of $5,368,000. As a result of the reduction in the management forecasted cash flows attributable to the acquired intangible assets, the carrying value of the goodwill has therefore been reduced to its recoverable amount of $685,000 through recognition of an impairment loss of $4,683,000.

For the Media CGU, the Group has prepared calculations based on cash flow projections for the next five years from the most recent budgets approved by management and extrapolated cash flows beyond this period using an estimated growth rate of 1 per cent (2015: 1 per cent). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount these forecast cash flows is 25 per cent (2015: 25 per cent).

The discount rate used in the valuation of the Media CGU was 25 per cent. If the discount rate was increased by 1 percentage point the impairment would increase by $176,000.

The discount rate used in the valuation of the Web Apps and License CGU was reduced to 10 per cent compared to 25 per cent in 2015 as cash flows are generated from two short-term license agreements and are considered to be at low risk.

Notes to the consolidated financial statements
continued

10 Intangible assets continued

The carrying value of goodwill and intangible assets by CGU less provisions for impairment is set out as follows:

	Web Apps and License $'000	Media $'000	App Distribution $'000	Total $'000
Carrying value before impairment losses at 1 January 2016	974	9,417	1,405	11,796
Provisions for impairment	–	(4,683)	–	(4,683)
Net book value at 31 December 2016	974	4,734	1,405	7,113

At 31 December 2015, before impairment testing, the carrying value of intangible assets allocated to the Web Apps and License CGU was $17,423,000, including goodwill of $2,316,000. Due to the significant reduction in advertising volumes that management believes can be achieved in the web extensions business in 2016 the group has revised its cash flow forecasts for this CGU. The carrying value of the intangible assets of the Web Apps and License CGU has therefore been reduced to its recoverable amount of $8,291,000 through recognition of an impairment loss of $9,132,000, of which $2,316,000 has been allocated to goodwill.

	Web Apps and License $'000	Media $'000	App Distribution $'000	Total $'000
Carrying value before impairment losses at 1 January 2015	17,423	10,894	69	28,386
Provisions for impairment	(9,132)	–	–	(9,132)
Net book value at 31 December 2015	8,291	10,894	69	19,254

The Group tests the useful economic life of the intangible asset whenever events or changes in circumstances indicate that the useful economic life may need to be changed. The Web Apps initial intellectual property and customer lists were fully amortised in the year ending 31 December 2016 due to a change in management assumptions with the expected useful life of these assets. If the management assumption was not changed, the amortisation attributed to the Web Apps intellectual property and customer lists would be $3,865,000 instead of $5,807,000.

11 Property, plant and equipment

	Computer equipment $'000	Furniture, fixtures and office equipment $'000	Leasehold improvements $'000	Total $'000
Cost				
At 1 January 2015	808	345	654	1,807
Additions	109	29	82	220
At 31 December 2015	917	374	736	2,027
Additions	78	3	27	108
Disposals	(19)	(98)	(313)	(430)
At 31 December 2016	976	279	450	1,705
Accumulated depreciation:				
At 1 January 2015	(417)	(52)	(160)	(629)
Charge for the period	(158)	(35)	(203)	(396)
Exchange differences	1	–	–	1
At 31 December 2015	(574)	(87)	(363)	(1,024)
Charge for the period	(150)	(50)	(263)	(463)
Disposals	11	49	311	371
Exchange differences	2	–	–	2
At 31 December 2016	(711)	(88)	(315)	(1,114)
Net book value				
At 1 January 2015	391	293	494	1,178
At 31 December 2015	343	287	373	1,003
At 31 December 2016	265	191	135	591

12 Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables and accrued income	5,604	12,973
Prepayments	391	995
Other receivables	1,955	2,312
	7,950	16,280

The ageing of trade receivables that are past due but not impaired is shown below:

	2016 $'000	2015 $'000
Between 1 and 30 days	685	1,620
Between 31 and 60 days	219	258
More than 60 days	247	176
	1,151	2,054

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above. The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is set out in note 17 of the consolidated financial statements.

13 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash in bank accounts	59,857	71,172
Bank deposits	12,207	164
	72,064	71,336

The carrying value of these assets represents a reasonable approximation to their fair value.

14 Trade and other payables

	2016 $'000	2015 $'000
Trade payables	1,879	2,963
Accrued expenses	3,367	7,908
Employee liabilities	709	1,744
Other payables	1,141	2,701
	7,096	15,316

The Group's management consider that the carrying value of trade and other payables approximates their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

15 Shareholder's equity

	2016 Number of shares	2015 Number of shares
Issued and paid up ordinary shares of $0.0001	148,496,073	148,496,073

The issued share capital of the Company on incorporation was 10,000 ordinary shares of $1.00 par value.

During the year a total of nil new ordinary shares of $0.0001 par value were issued for cash in relation to share option schemes resulting in cash consideration of $nil (2015: $18,000).

Notes to the consolidated financial statements
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15 Shareholder's equity continued

During the year a total of 1,250,000 ordinary shares of $0.0001 par value were purchased by the Company for a total cash consideration of $994,952 and are held in treasury at the reporting date (2015: $5,130,920).

As at 31 December 2016, the Company held in treasury a total of 7,451,423 ordinary shares of $0.0001 par value (2015: 6,201,423).

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed or share capital in excess of nominal value)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

16 Interests in associates

In September 2015, the Group acquired 16.67 per cent of the share capital of Clearvelvet Trading Limited for a total consideration of $850,000, of which $350,000 was paid in 2016 on completion of certain milestones. Although the Group holds less than 20 per cent of the equity shares of the voting power at shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint one of four directors to the Board of Directors of Clearvelvet Ltd and to veto certain significant trading and investment decisions.

	2016 $'000	2015 $'000
Interest in associates at the beginning of the year	812	–
Investment in associates in the year	–	850
Share of results	47	(38)
Interest in associates at the end of the year	859	812

Aggregated amounts relating to Clearvelvet Limited are as follows:

	2016 $'000	2015 $'000
Total current assets	6,117	1,266
Total current liabilities	5,467	1,107
Revenues	11,793	1,805
Profit (loss)	288	(230)

In January 2016, the Company signed a loan facility agreement with Clearvelvet Trading Limited in order to support Clearvelvet's working capital requirements. As at 31 December 2016, the loan amount is $720,000 (2015: nil). Clearvelvet's trade debtor balance is used as a guarantee for the loan.

17 Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents
- Loans receivable
- Deferred consideration

17 Financial instruments continued

Financial assets

The Group held the following financial assets:

	2016 $'000	2015 $'000
Trade receivables and accrued income	5,604	12,973
Other receivables	1,955	2,312
Cash	72,064	71,336
	79,623	86,621

Financial liabilities

The Group held the following financial liabilities:

	2016 $'000	2015 $'000
Amortised cost		
Trade payables	1,879	2,963
Other payables and accrued expenses	4,611	12,353
Deferred consideration (see note 24)	403	1,589
	6,893	16,905

The Group's Directors monitor and manage the financial risks relating to the operation of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

(a) Foreign currency risk management

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Israeli New Shekel	473	1,087	703	1,696
Euro	761	2,747	2,300	5,988
British Pound	209	1,845	48	2,874
Australian Dollar	–	–	11	16
Canadian Dollar	–	–	–	54
Romanian Leu	38	–	107	–
	1,481	5,679	3,169	10,628

A 10 per cent weakening of the United States Dollar against the following currencies at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10 per cent strengthening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Israeli New Shekel	23	61	23	61
Euro	154	324	154	324
British Pound	(16)	103	(16)	103
Australian Dollar	1	2	1	2
Canadian Dollar	–	5	–	5
Romanian Leu	7	–	7	–
	169	495	169	495

Notes to the consolidated financial statements
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17 Financial instruments continued

(b) Interest rate risk management

At the reporting date, the interest rate analysis of financial instruments was:

	2016 $'000	2015 $'000
Fixed rate financial instruments		
Financial assets	72,064	71,336
	72,064	71,336

Any increase/(decrease) in interest rates will have no effect on results and equity of the Group, because all financial instruments are fixed rate.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 $'000	2015 $'000
Trade and other receivables	5,738	13,784
Cash at bank	59,857	71,172
Bank deposits	12,207	164
Receivables from related companies	1,821	1,501
	79,623	86,621

Before accepting a new customer, the Group assesses each potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the Group. Where appropriate, the customer's recent financial statements are reviewed.

Trade receivables are regularly reviewed for bad and doubtful debts. The Group holds a provision of $230,000 at 31 December 2016 against bad and doubtful debts (2015: $337,000). At 31 December 2016, the Group had trade receivables of $1,151,000 (2015: $2,054,000) that were past due but not impaired. The ageing analysis of these past due receivables is set out in note 12.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group does not hold any collateral as security. Impairments of trade receivables are expensed as operating expenses. The fair value of receivables equates to their book value. The Group does not collect external credit ratings for customers but uses its own methods for determining creditworthiness.

The Group and Company seek to limit the level of credit risk on cash and cash equivalents by depositing funds with banks that have high credit ratings.

Liquidity risk management

The Group's liquidity risk is monitored using regular cash flow reporting and projections to ensure that it is able to meet its obligations as they fall due.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2016	Carrying amounts $'000	Contractual cash flows $'000	3 months or less $'000	Between 3-12 months $'000	Between 1-5 years $'000	More than 5 years $'000
Trade and other payables	6,470	6,470	6,265	205	–	–
Payables to related parties	20	20	20	–	–	–
Deferred consideration	403	503	–	253	250	–
	6,893	6,993	6,285	458	250	–

17 Financial instruments continued

2015	Carrying amounts $'000	Contractual cash flows $'000	3 months or less $'000	Between 3-12 months $'000	Between 1-5 years $'000	More than 5 years $'000
Trade and other payables	13,740	13,740	12,445	1,090	205	–
Payables to related parties	1,576	1,576	1,576	–	–	–
Deferred consideration	1,589	1,644	–	1,439	205	–
	16,905	16,960	14,021	2,529	410	–

18 Employee share-based payments

Options have been granted under the Group's share option scheme to subscribe for ordinary shares of the Company. At 31 December 2016, the following options were outstanding (2015: 14,481,158):

Group	Grant date	Number of shares under option	Subscription price per share
Group 2	29 May 2014	1,182,790	$0.449
Group 3	29 May 2014	2,413,819	$0.538
Group 7	30 September 2014	854,940	$1.662
Group 8	21 April 2015	633,062	$1.523
Group 9	18 November 2015	200,000	$0.820
Group 10	5 January 2016	742,500	$0.820
Group 11	31 May 2016	2,000,000	$0.402
Group 12	26 October 2016	2,232,272	$0.445
Total		10,259,383	

Vesting conditions

Group 2: 50 per cent at the end of the first year following the grant date. 12.5 per cent on a quarterly basis during 12 quarters period thereafter.

Groups 3–12: 25 per cent at the end of the first year following the grant date. 6.25 per cent on a quarterly basis during 12 quarters period thereafter.

The total number of shares exercisable as of 31 December 2016 was 3,840,679 (2015: 8,312,028).

The weighted average fair value of options granted in the year using the Cox, Ross and Rubinstein's Binomial Model (the 'Binomial Model') was $0.26. The inputs into the Binomial Model are as follows:

	2016 $'000	2015 $'000
Early exercise factor	100%-150%	100%-150%
Fair value of Group's stock	$0.40-$0.80	$0.75-$1.51
Expected volatility	60%	60%
Risk-free interest rate	0.25-1.89%	0.5-1.93%
Dividend yield	–	–
Forfeiture rate	7%-14%	4%-13%

Expected volatility was determined based on the historical volatility of comparable companies.

Forfeiture rate is assumed to be 7 to 14 per cent for senior management and 26 per cent for other employees.

The risk-free interest rate was estimated based on average yields of UK government bonds.

Notes to the consolidated financial statements
continued

18 Employee share-based payments continued

The Group recognised total share-based payments relating to equity-settled share-based payment transactions as follows:

	2016 $'000	2015 $'000
Share-based payment charge	716	3,407

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At the beginning of the year	$0.66	14,481,158	$0.577	13,869,357
Granted	$0.51	5,338,272	$1.42	1,325,500
Lapsed	$0.56	(9,560,047)	$0.538	(680,665)
Exercised	–	–	$0.538	(33,034)
At the end of the year	$0.66	10,259,383	$0.66	14,481,158

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 7.9 years (2015: 8.5 years).

19 Earnings per share

Basic loss/earnings per share is calculated by dividing the loss/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2016 cents	2015 cents
Basic and diluted	(7.6)	(11.9)
Adjusted basic	2.7	4.8
Adjusted diluted	2.7	4.6

Adjusted earnings per share is a non-GAAP measure and therefore the approach may differ between companies. Adjusted earnings have been calculated as follows:

	2016 $'000	2015 $'000
Loss for the year	(10,678)	(17,597)
Post-tax adjustments:		
Employee share-based payment charge	823	3,343
Exceptional and non-recurring costs	774	1,941
Amortisation on acquired intangible assets	8,208	8,025
Impairment of intangible assets	4,683	9,132
Exceptional tax charge	–	2,200
Adjusted profit for the year	3,810	7,044

	Number	Number
Denominator – basic:		
Weighted average number of equity shares for the purpose of earnings per share	141,068,557	147,779,641
Denominator – diluted:		
Weighted average number of equity shares for the purpose of diluted earnings per share	141,182,911	152,107,062

The diluted denominator has not been used where this has anti-dilutive effect. Basic and diluted loss per share are therefore the same for reporting purposes.

The difference between weighted average number of ordinary shares used for basic earnings per share and the diluted earnings per share is 114,354, being the effect of all potentially dilutive ordinary shares derived from the number of share options granted to employees.

20 Subsidiaries

Name	Country of incorporation	Principal activities	Holding %
BestAd Hi Tech Media Limited (2)	Israel	Development technical support and marketing services	100
Crossrider Advanced Technologies Limited (2)	Israel	Development services and technical and marketing support	100
Crossrider (Israel) Limited (2)	Israel	Provision of marketing services to related parties	100
Crossrider Technologies Limited (formerly Market Connect (Cyprus) Limited)	Cyprus	Licensing of IP software and agency services to related parties	100
Crossrider Sports Limited (2)	United Kingdom	Provision of consulting services	100
Reimage Limited (1)	Isle of Man	Development and sale of the 'Reimage' software tool	100
Reimage Limited	Cyprus	Consulting, market research and software development services	100
R.S.F. Remote Software Fixing Limited (2)	Israel	Provision of development, technical support and marketing support services to its parent company	100
Crosspath Trading Limited	British Virgin Islands	Performance of commercial activity through the licensing of technology from Crossrider Technologies Ltd	100
Blueroad Trading Limited	Cyprus	Provision of agency services to Crosspath Limited	100
Frontbase Trading Limited	Cyprus	Provision of agency services to Crosspath Limited	100
Crossrider ROM SRL	Romania	Provision of marketing and development services	100
Definiti Media Ltd	Israel	Providing digital advertising services for mobile platforms	100

(1) Re-domiciled from British Virgin Islands on 8 September 2016.
(2) Indirect shareholding.

The Group has been formed from a series of common control transactions which have been accounted for using merger accounting, and acquisitions from third parties which have been accounted for using the acquisition method.

21 Related party transactions

The Group is controlled by Unikmind Holdings Limited, incorporated in the British Virgin Islands, which owns 73 per cent of the Company's shares. The controlling party is the Solidinsight Trust, established under the laws of the Isle of Man. Mr Teddy Sagi is the sole ultimate beneficiary of the Solidinsight Trust.

(a) Related party transactions

The following transactions were carried out with related parties:

	2016 $'000	2015 $'000
Revenue from common controlled company	5,034	4,709
Technical support services to end customers provided by common controlled company	(2,105)	(1,226)
Payment processing services provided by common controlled company	(300)	(774)
Office rent expenses to common controlled companies	(82)	–
Revenue from equity investments	100	–
	2,647	2,709

(b) Receivables owed by related parties (note 17)

	Nature of transaction	2016 $'000	2015 $'000
Parent Company	Unpaid share capital	10	10
Equity investments	Loan and trade	799	–
Companies related by virtue of common control	Trade	1,022	1,501
		1,831	1,511

Notes to the consolidated financial statements
continued

21 Related party transaction continued

(c) Payables to related parties (note 17)

	Nature of transaction	2016 $'000	2015 $'000
Amount owed to Director		–	1,151
Companies related by virtue of common control	Other	20	425
		20	1,576

22 Operating leases

	2016 $'000	2015 $'000
Due less than 1 year	553	619
Due between 1 and 5 years	868	1,052
	1,421	1,671

The table above summarises the minimum commitments under the Group's office rental agreements.

23 Contingent liabilities

The Group had no contingent liabilities as at 31 December 2016.

24 Deferred consideration

(a) Acquisition of Definiti Media Limited

The consideration for the acquisition of Definiti Media Ltd in May 2014 included $2,489,000 deferred consideration. Of this, $845,000 was repaid during the year ending 31 December 2014 and $746,000 was repaid during the year ending 31 December 2015. The remaining amount was repaid during the year ending 31 December 2016.

In addition, $1,427,000, included as part of the acquisition arrangements, has been recognised directly in the income statement during the year ending 31 December 2015 as set out in note 7.

(b) Acquisition of AjillionMax

The consideration for the acquisition of certain assets of AjillionMax Limited in May 2014 included $654,000 deferred consideration. Of this, $104,000 was repaid during the year ending 31 December 2014, $156,000 was repaid during the year ending 31 December 2015, $189,000 was repaid during the year ending 31 December 2016 and the remaining amount will be repaid during the year ending 31 December 2017.

In addition, $435,000, included as part of the acquisition arrangements, has been recognised directly in the income statement during the year ending 31 December 2015.

(c) Investment in Clearvelvet Trading Ltd

In September 2015, the Group acquired 16.67 per cent of the share capital of Clearvelvet Limited for a total consideration of $850,000, of which $350,000 was paid in 2016 on completion of certain development milestones.

(d) Acquisition of DriverAgent intangibles

In October 2016, the Group acquired the intellectual property of PC maintenance software product, DriverAgent, from eSupport.com, Inc for a total consideration of $1.2 million. The consideration included $0.2 million of deferred consideration which is contingent on future results. Of this, $48,000 is expected to be repaid during the year ending 31 December 2017. The remaining amount is expected to be repaid during the year ending 31 December 2018.

25 Subsequent events

On 13 March 2017 the group acquired CyberGhost SRL, a company incorporated in Romania, for initial consideration of €6.1 million and potential maximum consideration of €3 million. CyberGhost is one of the leading cyber security SaaS providers, with a focus on the provision of Virtual Private Network ("VPN") solution. The acquisition meets the group's previously announced intention to strengthen its B2C market reach, allowing it to operate as a digital distribution and product platform, utilising its existing technology and intellectual property.

Due to the acquisition being executed on the same date as the authorisation of the financial statements the detailed acquisition accounting has not yet been undertaken and is therefore incomplete. It is anticipated that the acquisition will be accounted for in full in the interim financial statements for the period ending 30 June 2017.

Shareholder information and advisers

Shareholder information, including financial results, news and information on products and services, can be found at www.crossrider.com.

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Stock exchanges
The Company's ordinary shares are listed on the London Stock Exchange (AIM) under the symbol 'CROS'. The Company does not maintain listings on any other stock exchanges.

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