25 March 2015

Marimedia Ltd.
("Marimedia" or the "Company")

Full Year Results 2014

Marimedia (AIM: MARI), a global provider of proprietary technology solutions that leverage big data to optimise online revenue for publishers and advertisers across all platforms in the digital advertising ecosystem, announces its final results for the twelve months ended 31 December 2014.

Acceleration of mobile strategy positions the Company for growth

- Increase in number and volume of direct publishers led to growth in revenues
- Funds raised from Initial Public Offering enabled acceleration of investment in mobile
- Acquired and integrated Taptica, which enhanced real time bidding, mobile and video offering
- Significantly advanced data acquisition and analytics capabilities through Taptica acquisition and investment in R&D
- Tier 1 customers driving demand for mobile, which will be the Company's main growth engine going forward

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Financial Highlights

Cash generative business paying dividend representing 25% of 2014 net profit

- Revenues increased by 46% to $63.1 million (2013: $43.3 million)
- Gross profit increased by 35% to $19.0 million (2013: $14.1 million)
- Adjusted EBITDA* increased by 18% to $10.5 million (2013: $8.8 million)
- R&D expenses increased by 152% to $2.0 million (2013: $0.8 million)
- Net cash from operating activities increased by 19% to $8.6 million (2013: $7.2 million)
- Cash and cash equivalents as at 31 December 2014 were $24.7 million (31 December 2013: $3.2 million); after paying $10.4 million in cash for the acquisition of Taptica (including $3.9 million of loans) and a dividend payment of $3.1 million declared in 2013
- Declared dividend per share of $0.023., equating to a total pay-out of $1.5 million representing 25% of net profit for the 12 months ended 31 December 2014

*Adjusted EBITDA is defined as profit before interest, taxes, depreciation and amortisation and share-based payment expenses. Marimedia's management believes that this measure is a useful supplemental metric as it provides an indication of the results generated by the Company's principal business activities prior to how the results are affected by the accounting standards associated with the Company's share-based payment expenses.

Operational Highlights

Acquisition of Taptica transforms the business to focus on mobile

- Admitted to AIM on 28 May 2014; $30 million raised for the Company
- Completed acquisition of Taptica in H2 2014 to address demand from publishers and advertisers to extend reach in mobile market
- Extended coverage through increasing number of advertisers and signing-up increasing number of publishers

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	• Display revenues (including video advertisements) accounted for 82% of full year Company revenues with mobile accounting for 18% of revenues. In Q4 2014, mobile accounted for 28% of revenues
	• Tier 1 clients accounted for 28% of December 2014 revenues
	• Revenues from Europe accounted for 45% of Company revenues with North America being the second largest contributor at 36% of overall revenues (2013: 48% (Europe) and 21% (North America))
	• Increased capacity and organisational efficiencies:
	  ○ Expanded employee base, primarily key technology personnel but also business development, sales and marketing
	  ○ Implemented organisational changes to enhance video and mobile offering

Post Period End Highlights *Technology leadership to drive growth*	• Launched data analytics tool to deliver unique opportunities • Opened New York office to further advance sales initiatives in the U.S.

Hagai Tal, Chief Executive Officer of Marimedia, stated: "We are pleased to be announcing strong results that reflect our growth and expanding market penetration. This is testament to the successful execution of our strategy as we increased the number of publishers/app developers and advertisers we are working with – which now represent a broad cross-section of the advertising technology (adtech) ecosystem – and offer solutions across all devices; be it display, video or mobile.

"We continue to diversify the geographic markets we serve, and are investing in R&D and sales & marketing to remain ahead of competition. As such, through sustained technology development to enhance our data acquisition and analytics capabilities, we plan to increase the quality of our offer and the ROI for our customers. The Board remains confident about delivering significant revenue and profit growth for the full year 2015 compared with the previous year."

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About Marimedia

Marimedia Ltd (AIM: MARI), a global provider of proprietary technology solutions, is a leader in optimising online revenue across all platforms in the digital advertising ecosystem. Marimedia's device-agnostic solutions, marketed under the Taptica brand, utilise its technology for big data acquisition and analytics. Online media owners and advertisers are empowered to qualitatively monetise their offerings in display and mobile using multiple formats, including video, to connect consumers and brands with targeted content for maximum return on investment. Founded in 2007, Marimedia has a worldwide base of partnerships with media companies; maximising value for a wide range of Tier 1 brands. The Company is headquartered in Tel Aviv with offices in San Francisco and New York. For more information please visit www.marimedia.com and www.taptica.com.

Overview

Marimedia is pleased to report its full year results with an increase in revenues of 46% to $63.1 million compared with $43.3 million in 2013. This growth was primarily due to the Company developing and leveraging its proprietary technology and device-agnostic solutions to increase the number of business partners – publishers and advertisers – enabling maximum revenue and return on investment.

Marimedia was admitted to AIM on 28 May 2014, having raised $30 million before costs and expenses for the Company.

Operational Review

During the period, the Board of Directors of Marimedia undertook a number of actions to facilitate the future growth of the business. Firstly, in line with the stated strategy of investing in technology to further develop its real time bidding and mobile market capabilities, the number of key personnel in technology functions was increased. Additionally, staff members were added across business development and sales & marketing to enable Marimedia to enhance its brand recognition and, as a result, expand its global customer base to beyond 40 countries.

	Full Year	**Full Year**	**% Growth**
	2014	**2013**	
Revenue	$63.1m	$43.3m	46%
Revenue from Direct Publishers	$56.3m	$35.5m	59%
ARPU[1] (per month)	$47.86k	$51.63k	-7%
Average number of Employees	110	70	57%
Revenue from Tier 1 clients as a % of Total Revenue in Dec 2014	28%	nil	100%

[1] Average revenue per unit

ARPU is a standard KPI in the software industry and allows the Company to measure each employee (or unit) on a standalone P&L basis. When a company takes on new employees, ARPU tends to decrease due to lead time in getting new employees trained and settled in business. In 2014, the Company increased the number of its employees significantly by 57% to 110 employees (2013: 70).

Admission to AIM

Marimedia was admitted to AIM and dealings in its ordinary shares commenced on 28 May 2014. The Company successfully placed $50 million (£29.8 million) before costs and expenses via the placing of 11,672,001 new ordinary shares and 7,780,224 existing ordinary shares at a price of 153 pence per share. The Board believes the listing has enhanced, and will continue to enhance, the Company's profile and visibility with customers and partners, particularly in its key growth markets.

The placing proceeds enable the Company to accelerate its growth strategy by increasing investment in technology to further develop its real-time bidding and mobile market capabilities, and seek access to new customers and markets through targeted acquisitions.

Successful Execution of Strategy

At the time of the Admission to AIM, the Company stated that its growth strategy was based on organic growth, increased utilisation of technology, developing a strong proposition for the mobile market and targeted acquisitions that would complement existing technology and enable better exploitation of the platform. 2014 was a year of strong growth as the Company successfully executed its strategy. For the first three quarters of the year, the main focus was on signing direct publishers as clients. The Company's expanded technology offering enabled it to increase the number of publisher and advertiser customers. Revenues from direct publishers grew 59% in 2014 over 2013.

The Company continued to invest in its technology and make it scalable, which enabled Marimedia to take advantage of the growth and diversification in the online media market, especially in the areas of video (both in display and mobile) and mobile - across all devices and platforms.

In late September 2014, the Company exercised its option to purchase the entire issued share capital of Taptica. Taptica, a privately held Israeli company, was an affiliate of Marimedia that specialises in mobile advertising and purchased advertising space from Marimedia. Taptica is a mobile user acquisition platform for brands and publishers/app developers that replaces the "cookie" functionality and allows its customers to target and retarget valuable mobile users.

Taptica's technology utilises artificial intelligence and machine learning on a big data scale in order to enable data-driven mobile targeting/retargeting, data and user acquisition. This enables its customers to find more valuable users for their advertising campaigns in order to create a better return on investment for the advertisers. Taptica works directly with advertisers and publishers/app developers and its technology is enabled to operate on both iOS and Android devices. Taptica has a database that currently has approximately 200 million user profiles, with more than 100 data points available on each user, and receives more than 15 billion requests daily.

R&D

During 2014, Marimedia invested significantly in the development of its proprietary technology. In particular, the Company commenced developing a publisher-focused SSP (Supply Side Platform) for mobile and video, which is on schedule to be launched during H1 2015. The SSP will enable publishers to sell their advertising inventory via an auction mechanism in real time (via real time bidding), thereby enabling the publisher to auction a greater number of impressions at a higher price.

The Company's SSP will fully integrate with Taptica's DSP (Demand Supply Platform) for advertisers, which leverages Taptica's growing database of user profiles for the accurate targeting/retargeting of users. This will be enhanced by the creation of a cross platform/device single ad tag – which is the code that tells the browser how to display the ad (or other content) that they get from a URL request – that will be utilised for all of the Company's publishers, advertisers and app developers, and for all devices, which will enable the user's interaction with all online advertising to be tracked. As a result, the Company's technology will be able to target the user irrespective of the media or device – thereby increasing the efficiency of the advertising campaign and improving the offering to publishers. This cross platform/device single ad tag is due to be launched in Q2 2015.

To further leverage Taptica's big data capabilities, in Q1 2015, the Company launched a data analytics tool that delivers advanced insights into mobile user behaviour and demographics for precise mobile ad campaign targeting for the benefit of advertisers. Unlike current solutions on the market, the Company's highly customisable analytics tool provides agencies, brands and app developers with an array of anonymised user behaviour data, including impressions, clicks, conversions, purchases and money spent, with key performance indicators being determined by the customer. When this behaviour data is combined with detailed demographic data – such as location, age, gender and operating system – advertising spend can be refined according to the customer's target, leading to higher user retention and increased return on investment.

With the full integration of the Company's SSP and DSP, expected to be launched at the beginning of H2 2015, Marimedia will be able to offer a single platform encompassing all sides of the adtech ecosystem. With the ongoing growth in the Company's database through continuous data acquisition, Marimedia's technology will use machine learning and analytics, on a big data scale, to enhance efficiency and provide maximum return on investment for customers. As a result, the Company will be able to increase the quality of its offer and thereby increasingly target Tier 1 customers based on a single, integrated Data Management Platform.

Financial Review

Revenues for the full year ended 31 December 2014 increased by approximately 46% to $63.1 million compared with $43.3 million for the equivalent period in 2013.

Cost of sales consists primarily of traffic acquisition costs that are directly attributable to revenue generated by the Company. These amounts are primarily based on the revenue share arrangements with audience and content partners. The increase in sales & marketing expenses was primarily based on the growth in revenue and corresponding increase in salaries.

Blended gross margin was 30.2%. Display gross margin was 31.4%; mobile gross margin was 24.5%; video on display gross margin was 24.1% and non-video display activity gross margin was 31.9% (2013: 32.6% - display only).

The Company increased investment in technology with R&D expenses growing by 152% to $2.0 million (2013: $0.7 million).

Adjusted EBITDA for the full year ended 31 December 2014 increased by approximately 19% to $10.5 million compared with $8.8 million for the equivalent period in 2013 as follows:

	2014 $'m	2013 $'m
Operating profit	8.6	8.4
Depreciation & Amortisation	1.2	0.3
Share-based payments	0.7	0.1
Adjusted EBITDA	10.5	8.8

Financing expenses consists mainly of expenses due to exchange rate fluctuations and interest charges on Taptica's loans to its former shareholders.

The Company continued to maintain a strong cash flow with net cash provided by operating activities increasing by 19% to $8.6 million (2013: $7.2 million). Net cash receipts pursuant to the AIM Admission totalled $27.3 million with $10.4 million cash paid to satisfy the acquisition of Taptica (including $3.9 million in repayments on Taptica's loans to its former shareholders). Total dividend payments in the year were $3.1 million.

As at 31 December 2014, cash and cash equivalents were $24.7 million compared with $3.2 million at 31 December 2013.

Dividend

The Board has resolved to declare a final dividend, equating to a total dividend pay-out of $1.5 million or 25% of net profit for the year ended 31 December 2014, of $0.023. per share, with an ex-dividend date of 16 April 2015, a record date of 17 April 2015 and a payment date of 17 June 2015.

Outlook

The Company entered 2015 with a continued focus on the development of its proprietary technology and with more diversified revenue streams compared with previous years, which reflects the transition in demand in response to the shift in user focus. Prior to the end of Q3 2014, the Company generated revenues primarily from display. Following the IPO the Company invested heavily in R&D to develop more of its own technology, primarily in mobile, a strategy which continued post the Taptica acquisition.

Consequently, in 2015, the Company expects to increase total revenues, with sales from mobile being the main growth driver of the business.

The Company continues to invest in branding and expects to enhance Taptica's brand recognition in order to attract more Tier 1 customers and increase the proportion of sales from these clients. The Company also expects revenues from Western Europe and the U.S. to continue to be the primary contributors to revenues.

As a result, the Board remains confident of delivering significant revenue and profit growth for full year 2015 compared with the previous year.

Consolidated Statements of Financial Position as at 31 December

	Note	2014 USD thousands	2013 USD thousands
Assets			
Cash and cash equivalents	9	**24,664**	3,216
Investment in money market funds		**482**	537
Trade receivables	7	**11,687**	6,882
Other receivables	7	**770**	852
Total current assets		**37,603**	11,487
Fixed assets	5	**569**	389
Intangible assets	6	**20,663**	827
Deferred tax assets	4	**284**	7
Total non-current assets		**21,516**	1,223
Total assets		**59,119**	12,710
Liabilities			
Trade payables	8	**12,075**	7,248
Other payables	8	**3,118**	4,768
Total current liabilities		**15,193**	12,016
Employee benefits		**161**	160
Deferred tax liabilities	4	**1,433**	-
Total non-current liabilities		**1,594**	160
Total liabilities		**16,787**	12,176
Equity	11		
Share capital		**186**	* -
Share Premium		**35,170**	-
Reserves		**525**	182
Retained earnings		**6,451**	352
Total equity		**42,332**	534
Total liabilities and equity		**59,119**	12,710

Date of approval of the financial statements: 24 March 2015

* Less than 1 thousand USD

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

Consolidated Statements of Comprehensive Income for the Year Ended 31 December

	Note	2014 USD thousands	2013 USD thousands
Revenues		**63,121**	43,315
Cost of sales		**(44,087)**	(29,189)
Gross profit		**19,034**	14,126
Research and development expenses		**2,001**	795
Selling and marketing expenses		**5,507**	3,149
General and administrative expenses	10	**2,961**	1,753
		10,469	5,697
Profit from operations		**8,565**	8,429
Profit from operating before amortization amounting to USD 721 thousand (2013: nil) of purchased intangibles		**9,286**	8,429
Financing income		**71**	148
Financing expenses		**(410)**	(44)
Financing income (expenses), net		**(339)**	104
Profit before taxes on income		**8,226**	8,533
Taxes on income	4	**2,127**	1,431
Profit for the year		**6,099**	7,102
Profit for the year before amortization of purchased intangibles (net of tax)		**6,620**	7,102
Earnings per share			
Basic earnings per share (in USD)	12	**0.106**	0.142
Diluted earnings per share (in USD)	12	**0.102**	0.138
Other comprehensive income items that will not be transferred to profit or loss			
Remeasurement of defined benefit plan		**6**	(5)
Taxes on other comprehensive income items that will not be transferred to profit or loss	4	**(1)**	1
Total other comprehensive income for the year that will not be transferred to profit or loss, net of tax		**5**	(4)
Total comprehensive income for the year		**6,104**	7,098

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

Consolidated Statements of Changes in Equity for the Year Ended 31 December

	Share capital	Share premium	Capital reserves**	Retained earnings	Total
			USD thousands		
Balance as at 1 January 2013	* -	-	57	443	500
Total comprehensive income for the year					
Profit for the year	-	-	-	7,102	7,102
Other comprehensive income for the year, net of tax	-	-	(4)	-	(4)
Total comprehensive income for the year	-	-	(4)	7,102	7,098
Transactions with owners, recognized directly in equity					
Share-based payments	-	-	129	-	129
Dividends	-	-	-	(7,193)	(7,193)
Balance as at 31 December 2013	*-	-	182	352	534
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**-**	**6,099**	**6,099**
Other comprehensive income for the year, net of tax	**-**	**-**	**5**	**-**	**5**
Total comprehensive income for the year	**-**	**-**	**5**	**6,099**	**6,104**
Transactions with owners, recognized directly in equity					
Issuance of ordinary shares (see Note 16)	**7**	**7,092**	**-**	**-**	**7,099**
Share-based payments	**-**	**126**	**679**	**-**	**805**
Exercise of options	**1**	**215**	**(205)**		**11**
Bonus issue shares	**144**	**(144)**	**-**	**-**	**-**
Initial Public Offering	**34**	**27,745**	**-**	**-**	**27,779**
Expiration of options	**-**	**136**	**(136)**	**-**	**-**
Balance as at 31 December 2014	**186**	**35,170**	**525**	**6,451**	**42,332**

* Less than 1 thousand USD
** Includes reserves for share-based payments and remeasurement of defined benefit plan.

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

Consolidated Statements of Cash Flows for the Year Ended 31 December

	Note	2014 USD thousands	2013 USD thousands
Cash flows from operating activities			
Profit for the year		**6,099**	7,102
Adjustments for:			
Depreciation and amortization	5-6	**1,156**	292
Net financing expense (income)		**252**	(132)
Gain on curtailment or settlement of defined benefit plan		**6**	(5)
Share-based payment transactions	13	**762**	129
Income tax expense	4	**2,127**	1,431
Change in trade and other receivables		**(1,871)**	(3,440)
Change in trade and other payables		**1,665**	3,434
Change in employee benefits		**36**	57
Income taxes received		**278**	-
Income taxes paid		**(1,895)**	(1,607)
Net cash provided by operating activities		**8,615**	7,261
Cash flows from investing activities			
Decrease (increase) in pledged deposits		**248**	(206)
Acquisition of fixed assets	5	**(217)**	(209)
Acquisition and development of intangible assets	6	**(858)**	(509)
Disposal of fixed assets	5	**-**	44
Grant of short-term loans		**(1,500)**	-
Proceeds from sale of investments on money market fund		**-**	728
Acquisition of subsidiaries, net of cash acquired	16	**(6,531)**	-
Net cash used in investing activities		**(8,858)**	(152)
Cash flows from financing activities			
Initial Public Offering		**27,332**	-
Repayment of loans from related parties		**(830)**	-
Repayment of loans from banks		**(1,527)**	-
Proceeds from exercise of share options		**11**	-
Dividends paid	11	**(3,147)**	(6,775)
Net cash provided by (used in) financing activities		**21,839**	(6,775)
Net increase in cash and cash equivalents		**21,596**	334
Cash and cash equivalents as at the beginning of the year		**3,216**	2,836
Effect of exchange rate fluctuations on cash and cash equivalents		**(148)**	46
Cash and cash equivalents as at the end of the year	9	**24,664**	3,216

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

Note 1 - General

A. Reporting entity

Marimedia Ltd. (the “Company”) was incorporated in Israel under the laws of the state of Israel on March 20, 2007. The address of the registered office is 6 Maskit street Herzeliya, Israel 4673306.

Marimedia Ltd (AIM: MARI), a global provider of proprietary technology solutions, is a leader in optimising online revenue across all platforms in the digital advertising ecosystem. Marimedia’s device-agnostic solutions, marketed under the Taptica brand, utilise its technology for big data acquisition and analytics. Online media owners and advertisers are empowered to qualitatively monetise their offerings in display and mobile using multiple formats, including video, to connect consumers and brands with targeted content for maximum return on investment. Founded in 2007, Marimedia has a worldwide base of partnerships with media companies; maximising value for a wide range of Tier 1 brands. The Company is headquartered in Tel Aviv with offices in San Francisco and, New York.

Marimedia’s large and diverse publisher inventory is in high demand by advertisers who are constantly in search of Marimedia’s ability to measure, track and increase revenues; offering an opportunity for global outreach and potential growth.

On 28 May 2014, the Company’s shares began trading on the AIM Market of the London Stock Exchange following the Company’s initial public offering.

On 2 April 2014, the Company entered into an option agreement with Taptica Ltd. (“Taptica”) and its shareholders, which granted the Company the option to purchase 100% of the outstanding share capital of Taptica Ltd. (“Taptica”). On 1 August 2014, the Company exercised the option. Following the option exercise, the Company purchased 100% of Taptica’s share capital for a total consideration of USD 13.84 million.

B. Definitions

In these financial statements –

(1) The Company – Marimedia Ltd.

(2) The Group – Marimedia Ltd. and its subsidiaries.

(3) Related party – Within its meaning in IAS 24 (2009), “Related Party Disclosures”.

Note 2 - Basis of Preparation

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Company’s Board of Directors on March 24, 2015

B. Functional and presentation currency

These consolidated financial statements are presented in USD, which is the Company’s functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The USD is the currency that represents the principal economic environment in which the Company operates.

Note 2 - Basis of Preparation (cont'd)

C. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following assets and liabilities:

- Investments in money market funds;
- Deferred tax assets and liabilities;
- Liabilities for employee benefits.
- Intangible assets.

For further information regarding the measurement of these assets and liabilities see Note 3 regarding significant accounting policies.

D. Use of estimates and judgments

Use of estimates

The preparation of financial statements in conformity with IFRS requires management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires management of the Group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Group prepares estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 13, on share-based payments;
- Note 14, on financial instruments; and
- Note 16, on subsidiaries (regarding business combinations).

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

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

Use of judgments

Information about significant judgments (other than those involving estimates) made by the management while implementing Group accounting policies and which have the most significant effect on the amounts recognized in the financial statements is included in Note 6, on intangible assets, with respect to the accounting treatment of software development and impairment of goodwill, and Note 16, on subsidiaries, with respect to business combination.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

A. Basis of consolidation

(1) Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of rights that do not confer control in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Group in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

Goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Company.

Costs associated with the acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

(2) Subsidiaries

Subsidiary is an entity controlled by the Group. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commenced.

(3) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

B. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated in to the functional currency at the exchange rate on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate as of the end of the year.

Note 3 - Significant Accounting Policies (cont'd)

B. Foreign currency transactions (cont'd)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction.

C. Financial instruments

(1) Non-derivative financial assets

Initial recognition of financial assets
The Group initially recognizes receivables and deposits on the date that they are created. All other financial assets acquired in the ordinary course of business purchase, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument, meaning on the date the Group undertook to purchase or sell the asset. Non-derivative financial instruments comprise investments, inter alia, in money market funds, trade and other receivables and cash and cash equivalents.

Derecognition of financial assets
Financial assets are derecognized when the contractual rights of the Group to the cash flows from an asset expire, or the Group transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

Ordinary course of business sales of financial assets are recognized on the trade date, meaning on the date the Group undertook to sell an asset.

Classification of financial assets into categories and the accounting treatment of each category
The Group classifies its financial assets according to the following categories:

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group investment strategy. Attributable transaction costs are recognized in the statement of comprehensive income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the statement of comprehensive income.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses. Receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents include cash balances available for immediate use and demand deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes all financial liabilities on the trade date on which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognized initially at fair value minus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(3) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

D. Fixed assets

Property, plant and equipment is measured at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its residual value (assumed to be nil), using the straight line method, over its expected useful life as follows:

	Years
Computers and other technological equipment	3
Office furniture and equipment	6-17
Leasehold improvements	Mainly 10

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

Note 3 - Significant Accounting Policies (cont’d)

E. Intangible assets (cont’d)

(1) Computer software development

Where in the opinion of the management, the Group's expenditure in relation to development of software results in future economic benefits, these costs are capitalized and amortized over the useful economic life of the asset.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group are recognized as intangible assets when all the criteria in IAS 38 are met. Development costs are capitalized only when it is probable that future economic benefit will result from the project and the following criteria are met:

- the technical feasibility of the product has been ascertained;
- adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- the Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated;
- it is the intention of management to complete the intangible asset and use it or sell it; and
- the development costs can be measured reliably.

Where these criteria are not met development costs are charged to the statement of comprehensive income as incurred.

The estimated useful lives for the current and comparative periods are three years.

Amortization methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

(2) Acquired computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software licenses. These costs are amortized over their estimated useful lives (3 years) using the straight line method. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

(3) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets. For information on measurement of goodwill at initial recognition, see Paragraph A(1) of this note.

In subsequent periods goodwill is measured at cost less accumulated impairment losses. According to management’s assessment as at 31 December 2014, of goodwill recognized in respect of acquisition of Taptica Ltd., no impairment was recognized in current year.

(4) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Note 3 - Significant Accounting Policies (cont'd)

E. Intangible assets (cont'd)

(5) Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use, since this method most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset. Goodwill is not systematically amortized but is tested for impairment at least once a year.

Internally generated intangible assets are not systematically amortized as long as they are not available for use, i.e. they are not yet on site or in working condition for their intended use. Accordingly, these intangible assets, such as development costs, are tested for impairment at least once a year, until such date as they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Trademarks 5 years
- Software (acquired and developed) 3 years
- Customer relationships 5 years
- Technology 5 years

Amortization methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

The Group examines the useful life of an intangible asset that is not periodically amortized at least once a year in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

F. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an 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).

Non-financial assets that were subject to impairment are reviewed for possible reversal of the impairment recognized in respect thereof at each statement of financial position date.

Note 3 - Significant Accounting Policies (cont'd)

G. Employee benefits

(1) Post-employment benefits

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies or with funds managed by a trustee, and they are classified as defined contribution plans and as defined benefit plans.

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income in the periods during which related services are rendered by employees. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality shekel denominated corporate debentures, that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding interest). Remeasurements are recognized immediately directly in retained earnings through other comprehensive income.

Interest costs on a defined benefit obligation and interest income on plan assets that were recognized in the statement of comprehensive income are presented under financing income and expenses, respectively.

When the benefits of a plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized immediately in the statement of comprehensive income when the plan improvement or curtailment occurs.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. Such gains or losses comprise the difference between the portion of the present value of the defined benefit obligation that is settled on the date of settlement, and the settlement price, including transferred plan assets.

Note 3 - Significant Accounting Policies (cont'd)

G. Employee benefits (cont'd)

(2) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

(3) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that an employee becomes unconditionally entitled to an award. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service, is adjusted to reflect the number of awards that are expected to vest.

H. Revenue recognition

The Group earns its revenue from providing online advertising services. The Company's business is based on optimizing real time trading of digital advertising between buyers and sellers.

The revenue is comprised of different pricing schemes such as Cost per Mille (CPM) and performance based metrics that include Cost per Click (CPC) and Cost per Action (CPA) options.

Advertising revenue

When sales values are based on reach metrics, revenue is recognized by multiplying an agreed amount per impression with the volumes of these units delivered. When sales values are based on performance metrics, revenue is recognized by multiplying an agreed upon amount per click or action with the volumes of these units delivered.

I. Classification of expenses

Cost of revenues

Cost of revenues consists primarily of traffic acquisition costs that are directly attributable to revenue generated by the Company. These amounts are primarily based on the revenue share arrangements with audience and content partners.

Research and development

Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new and existing products and services. Where required, development expenditures are capitalised in accordance with the Company's standard internal capitalised development policy. All research costs are expensed when incurred.

Note 3 - Significant Accounting Policies (cont'd)

I. Classification of expenses (cont'd)

Selling and marketing
Selling and marketing expenses consist primarily of compensation and related costs for personnel engaged in customer service, sales, and sales support functions, as well as advertising and promotional expenditures.

General and administrative
General and administrative expenses consist primarily of compensation and related costs for personnel and facilities, and include costs related to our facilities, finance, human resources, information technology, and legal organizations, and fees for professional services. Professional services are principally comprised of outside legal, and information technology consulting and outsourcing services that are not directly related to other operational expenses.

J. Financing income and expenses

Financing income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognized as it accrues using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss also include income from interest.

Financing expenses comprise changes in the fair value of financial assets at fair value through profit or loss and foreign currency losses.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

Note 3 - Significant Accounting Policies (cont'd)

K. Income tax expense

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive income.

Current taxes
Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Offset of deferred tax assets and liabilities
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

L. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

M. Dividends

Dividend distribution to the Group's owners is recognized as a liability in the Group's consolidated statement of financial position on the date on which the dividends are approved by the Group's Board of Directors.

Note 3 - Significant Accounting Policies (cont'd)

N. New standards and interpretations not yet adopted

IFRS 9 (2014), Financial Instruments

A final version of the standard, which includes revised guidance on the classification and measurement of financial instruments, and a new model for measuring impairment of financial assets. In accordance with IFRS 9 (2014), there are three principal categories for measuring financial assets: amortized cost, fair value through profit and loss and fair value through other comprehensive income. The basis of classification for debt instruments is the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Investments in equity instruments will be measured at fair value through profit and loss (unless the entity elected at initial recognition to present fair value changes in other comprehensive income).

IFRS 9 (2014) requires that changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in its credit risk, should usually be recognized in other comprehensive income.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted. It will be applied retrospectively with some exemptions.

The Group has not yet commenced examining the effects of adopting IFRS 9 (2014) on the financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a new model for recognizing revenue from contracts with customers. IFRS 15 provides two approaches for recognizing revenue: at a point in time or over time. The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount. Furthermore, IFRS 15 provides new and more extensive disclosure requirements than those that exist under current guidance.

IFRS 15 is applicable for annual periods beginning on or after January 1, 2017 and earlier application is permitted. IFRS 15 includes various alternative transitional provisions, so that companies can choose between one of the following alternatives at initial application: full retrospective application, full retrospective application with practical expedients, or application as from the mandatory effective date, with an adjustment to the balance of retained earnings at that date in respect of transactions that are not yet complete.

The Group has not yet commenced examining the effects of adopting IFRS 15 on the financial statements.

Note 4 - Income Tax

A. Details regarding the tax environment of the Group

(1) Corporate tax rate

(a) Presented hereunder are the tax rates relevant to the group in the years 2013-2014:
2013 – 25%
2014 – 26.5%

On 5 August 2013 the Israeli Parliament passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, by which, inter alia, the corporate tax rate increased by 1.5% to a rate of 26.5% for 2014 and thereafter.

(b) According to various amendments to the Income Tax Ordinance (New Version) – 1961 (hereinafter – “the Ordinance”), Israeli Accounting Standard No. 29 “Adoption of International Financial Reporting Standards (IFRS)” that was issued by the Israel Accounting Standards Board, shall not apply when determining the taxable income for the 2007 through 2013, tax years even if this standard was applied when preparing the financial statements.

(2) Benefits under the Law for the Encouragement of Capital Investments

<u>Amendment to the Law for the Encouragement of Capital Investments – 1959</u>

On 29 December 2010 the Israeli Parliament approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments – 1959 (the “Amendment”). The Amendment is effective from 1 January 2011 and its provisions apply to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment.

A preferred enterprise track was introduced, which mainly provides a uniform and reduced tax rate for all the company’s income entitled to benefits, such as: in the 2011-2012 tax years – a tax rate of 10% for Development Area A and of 15% for the rest of the country, in the 2013-2014 tax years – a tax rate of 7% for Development Area A and of 12.5% for the rest of the country, and as from the 2015 tax year – 6% for Development Area A and 12% for the rest of the country. On August 5, 2013 the Knesset passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, which cancelled the planned tax reduction so that as from the 2014 tax year the tax rate on preferred income will be 9% for Development Area A and 16% for the rest of the country.

During 2013, the Company obtained a tax ruling (the “Ruling”) from the Israeli Tax Authorities (the “ITA”), effective for years 2012 – 2016, which determines that the Company owns an industrial enterprise as defined in the Law for the Encouragement of Capital Investments – 1959. Based on the Ruling, income derived from the industrial enterprise, which is considered “Preferred Income”, should be eligible for tax benefits during the aforementioned period (Non A development area), subject to the limitations set forth in the Ruling. However, the Ruling has determined that income which is not considered part of the Company’s “Preferred Income” shall not be entitled to the “Preferred Income” tax benefits and will be subject to the standard Israeli corporate tax rate.

Deferred taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Deferred taxes are measured at the tax rates that are expected to apply to temporary differences when they are expected to be reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Note 4 - Income Tax (cont'd)

B. Composition of income tax expense

	Year ended 31 December	
	2014	2013
	USD thousands	USD thousands
Current tax expense	**2,102**	1,420
Deferred tax expense (income)		
Creation and reversal of temporary differences	**13**	12
Change in tax rate	**12**	(1)
	25	11
Income tax expense	**2,127**	1,431

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year ended 31 December	
	2014	2013
	USD thousands	USD thousands
Profit before taxes on income	**8,226**	8,533
Primary tax rate of the Company	**26.50%**	25%
Tax calculated according to the Company's primary tax rate	**2,180**	2,133
Additional tax (tax saving) in respect of:		
Non-deductible expenses	**193**	45
Effect of reduced tax rate on preferred income according to the Law for the Encouragement of Capital Investments – 1959	**(854)**	(757)
Differences in basis of measurements for financial reporting and tax return purposes	**648**	24
Other differences	**(40)**	(14)
Income tax expenses from continuing operations	**2,127**	1,431

Note 4 - Income Tax (cont'd)

D. Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	Intangible Assets	Carry-forward tax deductions and losses	Initial public offering costs	Other	Total
	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands
Balance of deferred tax assets as at 1 January 2013	-	-	-	17	17
Changes recognized in profit or loss	(27)	-	-	15	(12)
Changes recognized in other comprehensive income	-	-	-	1	1
Effect of change in tax rate	(5)	-	-	6	1
Balance of deferred tax asset (liability) as at 31 December 2013	(32)	-	-	39	7

	Intangible Assets	Carry-forward tax deductions and losses	Initial public offering costs	Other	Total
	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands
Balance of deferred tax assets (liability)as at 1 January 2014	**(32)**	**-**	**-**	**39**	**7**
Changes recognized in profit or loss	**165**	**(65)**	**(195)**	**27**	***(68)**
Recognized in respect of business combination	**(2,403)**	**835**	**-**	**-**	**(1,568)**
Changes recognized in equity	**-**	**-**	**491**	**-**	**491**
Changes recognized in other comprehensive income	**-**	**-**	**-**	**1**	**1**
Effect of change in tax rate	**1**	**-**	**(12)**	**(1)**	**(12)**
Balance of deferred tax asset (liability) as at 31 December 2014	**(2,269)**	**770**	**284**	**66**	**(1,149)**

* Includes USD 55 thousand in respect of exchange rate differences.

Note 5 - Fixed Assets

	Computers	Motor vehicles	Office furniture and equipment	Installations and leasehold improvements	Total
			USD thousands		
Cost					
Balance as at 1 January 2013	189	54	32	180	455
Additions	76	117	7	9	209
Disposals	-	(54)	-	-	(54)
Balance as at 31 December 2013	265	117	39	189	610
Additions	**61**	**-**	**31**	**125**	**217**
Acquisitions through business Combinations	**62**	**-**	**27**	**5**	**94**
Balance as at 31 December 2014	**388**	**117**	**97**	**319**	**921**
Depreciation					
Balance as at 1 January 2013	88	3	5	37	133
Additions	60	18	3	17	98
Disposals	-	(10)	-	-	(10)
Balance as at 31 December 2013	148	11	8	54	221
Additions	**79**	**18**	**6**	**28**	**131**
Balance as at 31 December 2014	**227**	**29**	**14**	**82**	**352**
Carrying amounts					
As at 1 January 2013	101	51	27	143	322
As at 31 December 2013	117	106	31	135	389
As at 31 December 2014	**161**	**88**	**83**	**237**	**569**

Note 6 - Intangible Assets

	Software *	Trademarks	Customer relationships	Technology	Residual Goodwill	Total
	USD thousands					
Cost						
Balance as at 1 January 2013	557	-	-	-	-	557
Additions	509	-	-	-	-	509
Balance as at 31 December 2013	1,066	-	-	-	-	1,066
Additions	**1,074**	**-**	**-**	**-**	**-**	**1,074**
Acquisitions through business combinations	**-**	**2,907**	**539**	**5,622**	**10,719**	**19,787**
Balance as at 31 December 2014	**2,140**	**2,907**	**539**	**5,622**	**10,719**	**21,927**
Amortization						
Balance as at 1 January 2013	45	-	-	-	-	45
Additions	194	-	-	-	-	194
Balance as at 31 December 2013	239	-	-	-	-	239
Additions	**304**	**234**	**43**	**444**	**-**	**1,025**
Balance as at 31 December 2014	**543**	**234**	**43**	**444**	**-**	**1,264**
Carrying amounts						
As at 1 January 2013	512	-	-	-	-	512
As at 31 December 2013	827	-	-	-	-	827
As at 31 December 2014	**1,597**	**2,673**	**496**	**5,178**	**10,719**	**20,663**

***** Including development costs capitalized in the period amounting to USD 741 thousand (2013: USD 479 thousand)

Amortization

The current amortization of technology and software development costs are allocated to research and development expenses, whereas software acquired is allocated to general and administrative expenses. Furthermore, trademarks and customer relationships are allocated to selling and marketing expenses.

Note 7 - Trade and Other Receivables

	31 December	
	2014	2013
	USD thousands	USD thousands
Trade receivables (1)	**11,687**	6,882
Other receivables		
Advances to suppliers and prepaid expenses	**337**	87
Institutions	**403**	550
Related parties (Note 15)	**-**	9
Pledged deposits (Note 15)	**30**	206
	12,457	7,734

(1) Including trade receivables due from related parties in the amount of USD 145 thousand and USD 140 thousand, as at 31 December 2014 and 2013, respectively.

Note 8 - Trade and Other Payables

	31 December	
	2014	2013
	USD thousands	USD thousands
Trade payables (1)	**12,075**	7,248
Other payables		
Advances from customers	**1,319**	802
Wages and salaries	**694**	701
Provision for vacation	**144**	54
Institutions	**590**	25
Dividends payable	**-**	3,147
Related parties (Note 15)	**245**	-
Others	**126**	39
	15,193	12,016

(1) Including trade payables due to related parties in the amount of USD 142 thousand and USD 90 thousand, as at 31 December 2014 and 2013, respectively.

Note 9 - Cash and Cash Equivalents

	31 December	
	2014	2013
	USD thousands	USD thousands
Cash	**10,061**	3,116
Bank deposits	**14,603**	100
Cash and cash equivalents	**24,664**	3,216

The Group's exposure to credit, and currency risks are disclosed in Note 14 on financial instruments.

Note 10 - General and Administrative Expenses

	Year ended 31 December	
	2014	2013
	USD thousands	USD thousands
Wages and salaries	**1,191**	554
Share-based payments (see also Note 13)	**153**	129
Rent and office maintenance	**600**	181
Depreciation and amortization	**165**	292
Professional services, legal and audit fees	**212**	161
Traveling and car expenses	**162**	86
Doubtful debts	**111**	-
Other administrative expenses	**367**	350
	2,961	1,753

Note 11 - Capital and Reserves

A. Share capital (in thousands of shares of NIS 0.01 par value)

	Ordinary shares	
	2014	2013
Issued and paid-in share capital as at 31 December	**64,723**	10
Authorized share capital	**300,000**	2,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.
See Note 13 on share-based payments for information regarding the exercise of share options.

Note 11 - Capital and Reserves (cont'd)

A. Share capital (in thousands of shares of NIS 0.01 par value) (cont'd)

On 30 April 2014, 49,990,000 Ordinary Shares were issued pursuant to a distribution by way of a bonus issue of 4,999 Ordinary Shares for each Ordinary Share issued as at 30 April 2014, and Company options granted prior to the date of this distribution were adjusted accordingly.

On 28 May 2014, the Company's shares were admitted to trading on the AIM Market of the London Stock Exchange ("AIM") in the Company's initial public offering ("IPO"). As part of the IPO, the Company issued 11,672,001 ordinary shares, of NIS 0.01 par value in consideration for a gross amount of £17,858,162 (approximately USD30 million). The share issue costs amounted to $2.2 million (net of tax) and the net consideration amounted to approximately USD27.5 million (£16.4 million). Immediately following the IPO, the number of Company shares issued and outstanding was 61,913,744. In addition, as part of the IPO, pre-IPO Company shareholders sold 7,780,224 shares to the public in consideration of £11,903,743 (approximately USD20 million).

As a result of the exercise of share options by employees, 382,724 Ordinary Shares were issued during 2014.

On 1 August 2014 the Company purchased 100% of the issued share capital of Taptica Ltd. ("Taptica") for an amount equal to USD13.84 million. Under the terms of the acquisition, the Company paid part of the purchase price in cash and part through issuance of 2,619,137 ordinary shares of the Company (see also Note 16).

B. Dividends

The following dividends were declared and paid by the Company (in USD thousand):

	Year ended 31 December	
	2014	**2013**
USD nil (2013: USD 405) per ordinary share	-	4,046

The following dividends were declared but have not yet been paid at the end of each reporting period (in USD thousand):

	Year ended 31 December	
	2014	**2013**
USD nil (2013: USD 315) per ordinary share	-	* 3,147

* Paid in 2014.

* On 24 March, 2015 the Company declared a dividend per share of $0.023., equating to a total pay-out of USD 1.5 million.

Note 12 - Earnings per Share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2014 and 2013 was based on the profit for the year divided by a weighted average number of ordinary shares outstanding, calculated as follows:

Profit for the year

	Year ended 31 December	
	2014	2013
	USD thousands	
Profit for the year	**6,099**	7,102

Weighted average number of ordinary shares:

	Year ended 31 December	
	2014	2013
	Shares of NIS 1 0.01 par value	Shares of NIS 1 0.01 par value
Weighted average number of ordinary shares used to calculate basic earnings per share as at 31 December	**57,700,506**	50,000,000
Basic earnings per share	**0.106**	0.142

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2014 and 2013 was based on profit for the year divided by a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted):

	Year ended 31 December	
	2014	2013
	Shares of NIS 0.01 par value	Shares of NIS 0.01 par value
Weighted average number of ordinary shares used to calculate basic earnings per share	**57,700,506**	50,000,000
Effect of share options on issue	**1,998,538**	1,575,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	**59,699,044**	51,575,000
Diluted earnings per share	**0.102**	0.138

Note 13 - Share-Based Payment Arrangements

The terms and conditions related to the grants of the share option programs are as follows; all the share options that were granted are non-marketable, all options are to be settled by physical delivery of shares.

Grant date	Number of options (thousands)	Exercise Price
Options granted on 20 October 2011	960	USD 0.03
Options granted on 16 July 2012	735	USD 0.03
Options granted on 27 January 2013	475	USD 0.03
Options granted on 29 October 2013	160	USD 0.03
Options granted on 1 January 2014	160	USD 0.57
Options granted on 1 February 2014	1,360	USD 2.28
Options granted on 9 November 2014	400	GBP 1.54

Each option is exercisable into one share of NIS 0.01 par value.
The options granted have a vesting period of two to three years and expire between four to ten years from the grant date.

A. The number of share options is as follows:

	Weighted average exercise price		Number of options	
	2014	2013	2014	2013
	(USD)		(Thousands)	
Outstanding at 1 January	**0.03**	0.03	**2,065**	1,535
Forfeited during the year	**1.57**	0.03	**(385)**	(105)
Exercised during the year*	**0.03**	-	**(383)**	-
Granted during the year**	**2.17**	0.03	**1,920**	635
Outstanding at 31 December			**3,217**	2,065
Exercisable at 31 December			**1,647**	-

(*) The weighted average share price at the date of exercise for share options exercised in 2014 was USD 2.54.

(**) The weighted average exercise price of options granted on 9 November, 2014 was calculated based on the exchange rate at the date of grant.

B. Information on measurement of fair value of share-based payment plans

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, expected dividends, and the risk-free interest rate (based on government debentures).

Note 13 - Share-Based Payment Arrangements (cont'd)

B. Information on measurement of fair value of share-based payment plans (cont'd)

An amount of USD 762 thousand (2013: USD 129 thousand) was recognized as an expense in the consolidated statements of comprehensive income.

Equity-settled share-based payment

The parameters used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Share option programs				
	27 January 2013	29 October 2013	15 January 2014	1 February 2014	9 November 2014
	USD				GBP
Grant date fair value	0.32	1.11	0.85	0.26	0.44
The parameters used to calculate fair value:					
Share price (on grant date)	0.34	1.13	1.31	1.33	1.53
Exercise price	0.03	0.03	0.57	2.28	1.54
Expected volatility (weighted average)	35%	35%	35%	35%	35%
Expected life (weighted average)	10	10	5.8	5.8	4
Expected dividends	0%	0%	0%	0%	0%
Risk-free interest rate	4.02%	3.57%	2.11%	1.82%	1.28%

Note 14 - Financial Instruments

A. Overview

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents quantitative and qualitative information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and investment securities.

Note 14 - Financial Instruments (cont'd)

B. Credit risk (cont'd)

Exposure to credit risk

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

	31 December	
	2014	**2013**
	USD thousands	**USD thousands**
Cash and cash equivalents	**24,664**	3,216
Investment in money market funds (*)	**482**	537
Trade receivables (**)	**11,798**	6,882
Other receivables	**30**	215
	36,974	10,850

(*) The Group invests in money market funds with banks and financial institutions rated AA+.
(**) The Group included provision to doubtful debts are USD 111 thousand (2013: nil) in respect of specific debtors that their collectability is in doubt.

C. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Linkage and foreign currency risks

Currency risk
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group, the US dollar (USD). The principal currencies in which these transactions are denominated are NIS, Euro and GBP.
At any point in time, the Group aims to match the amounts of its assets and liabilities in the same currency in order to hedge the exposure to changes in currency.
Furthermore, a major portion of the employees' salaries, paid in NIS consists of bonuses linked to the functional currency of the Group, the USD. This provides an economic hedge without derivatives being entered into and without the application of hedge accounting.
In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's net financial assets are mainly in USD (23 million of 24 million overall), therefore the exposure to linkage and foreign currency risk is not material.

Note 14 - Financial Instruments (cont'd)

D. Fair value

The book value of certain financial assets and liabilities, including cash and cash equivalents, investments in money market funds, trade and other receivables, and trade and other payables, are equal or approximate to their fair value.

All investments in money market fund are in Level 1.

Note 15 - Related Parties

A. Compensation and benefits to key management personnel

In addition to their salaries, the Group also provides non-cash benefits to several directors and executive officers (such as car leasing, etc.).

Executive officers also participate in the Company's share option programs. For further information see Note 13 regarding share-based payments.

Compensation and benefits to key management personnel (including directors) that are employed by the Company:

	Year ended 31 December			
	2014		2013	
	Number of people	Amount	Number of people	Amount
		USD thousands		USD thousands
Share-based payments	**2**	**167**	1	40
Other compensation and benefits (*)	**6**	**950**	3	1,121
		1,117		1,161

(*) Including management fees in 2014 that were paid directly to key management personnel. In 2013, management fees included are as indicated in Section B below.

B. Transactions with related parties

Details of transactions with related and interested parties are presented below (all transactions are at market terms, unless otherwise indicated):

		Year ended 31 December	
		2014	2013
		Value of transactions	
		USD thousands	
Related party	**Nature of transaction**		
Sprintile Ltd.	Sale and purchase of media by/from the Company.	**181**	674
Webisaba Ltd.	Sale of media from the Company.	**248**	-
	Purchase of media by the Company	**(467)**	(3)
Other related parties	Provision of office services and rentals.	**-**	100
Cababie Holdings Ltd.	Payment of management fees to the parent company.	-	412
Dooi Holdings Ltd.	Payment of management fees to the parent company.	-	408

C. Guarantees and liens of the entity for debts of related parties and an interested party

The Group was a guarantor for the debt of a related party in amount of USD 206 thousand as at 31 December 2013. As of 31 December 2014, the Company is no longer a guarantor for the debt of a related party

Note 16 - Subsidiaries

Acquisition of subsidiaries

Business combination during the period

On 1 August, 2014 (hereinafter – the date of acquisition) the Company exercised an option to acquire 100% of the shares and voting interests in Taptica Ltd. (hereinafter – Taptica). Taptica is a leading mobile user acquisition platform for brands and applications' developers to engage valuable mobile users.

The acquisition was partly a transaction with related parties as pre-acquisition, the shareholders of Marimedia owned approximately 47% of the shares of Taptica on a fully diluted basis, and a beneficial owner of Marimedia Holdings (a major shareholder of the Company), was a member of the board of directors of Taptica.

During the five months ended December 31, 2014 the subsidiaries contributed USD 437 thousand and USD 8,661 thousand to the Group's profit and revenue, respectively (excluding fair value adjustments impact recognized upon acquisition). If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been USD 71,584 thousand and consolidated profit for the year would have been USD 4,994 thousand (excluding fair value adjustments impact recognized upon acquisition).

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

	NIS thousands
Cash	6,745
Equity instruments issued (2,619,137 ordinary shares) (i)	7,099
	13,844

(i) Equity instruments issued

The fair value of the ordinary shares issued was based on the quoted price of the Company's shares at 1 August 2014 of USD 2.71 per share.

Identifiable assets acquired and liabilities assumed:

	USD thousands
Cash and cash equivalents	214
Trade receivables*	2,644
Other receivables	418
Pledged deposits	82
Fixed assets	95
Intangible assets	9,068
Credit from banks	(1,527)
Loans and borrowings	(1,507)
Other payables	(1,433)
Trade payables	(3,361)
Deferred tax assets	835
Deferred tax liabilities	(2,403)
Net identifiable assets	**3,125**

* The net fair value of trade receivables represents a gross amount of USD 2,999 thousand less provision for doubtful debts of USD 355 thousand.

Note 16 – Subsidiaries (cont'd)

Measurement of fair values

(i) Presented hereunder is information regarding the techniques the Group used to measure the fair value of the assets and liabilities recognized as a result of the business combination:

Trade name and Technology

The fair value of technology and trade name is based on the relief from royalty rate method, which considers both the market approach (compare to similar businesses or intangible assets that have been sold) and the income approach (convert anticipated benefits into a present single amount).

Customer Relationships

The fair value of customer relationships is based on the income approach specifically the multi-period excess earnings method.

The aggregate cash flows derived for the Group as a result of the acquisition:

	USD thousands
Cash and cash equivalents paid	6,745
Cash and cash equivalents of the subsidiaries	214
	6,531

Goodwill

Goodwill was recognized as a result of the acquisition as follows:

	USD thousands
Consideration transferred	13,844
Less fair value of identifiable net assets	3,125
Goodwill	10,719

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Taptica into the Company's existing business (see also Note 6 on intangible assets). None of the goodwill recognized is expected to be deductible for tax purposes.

Acquisition-related costs

The Company incurred acquisition-related costs of USD 24 thousand related to legal fees and due diligence costs. These costs have been included in general and administrative expenses in the statement of income.