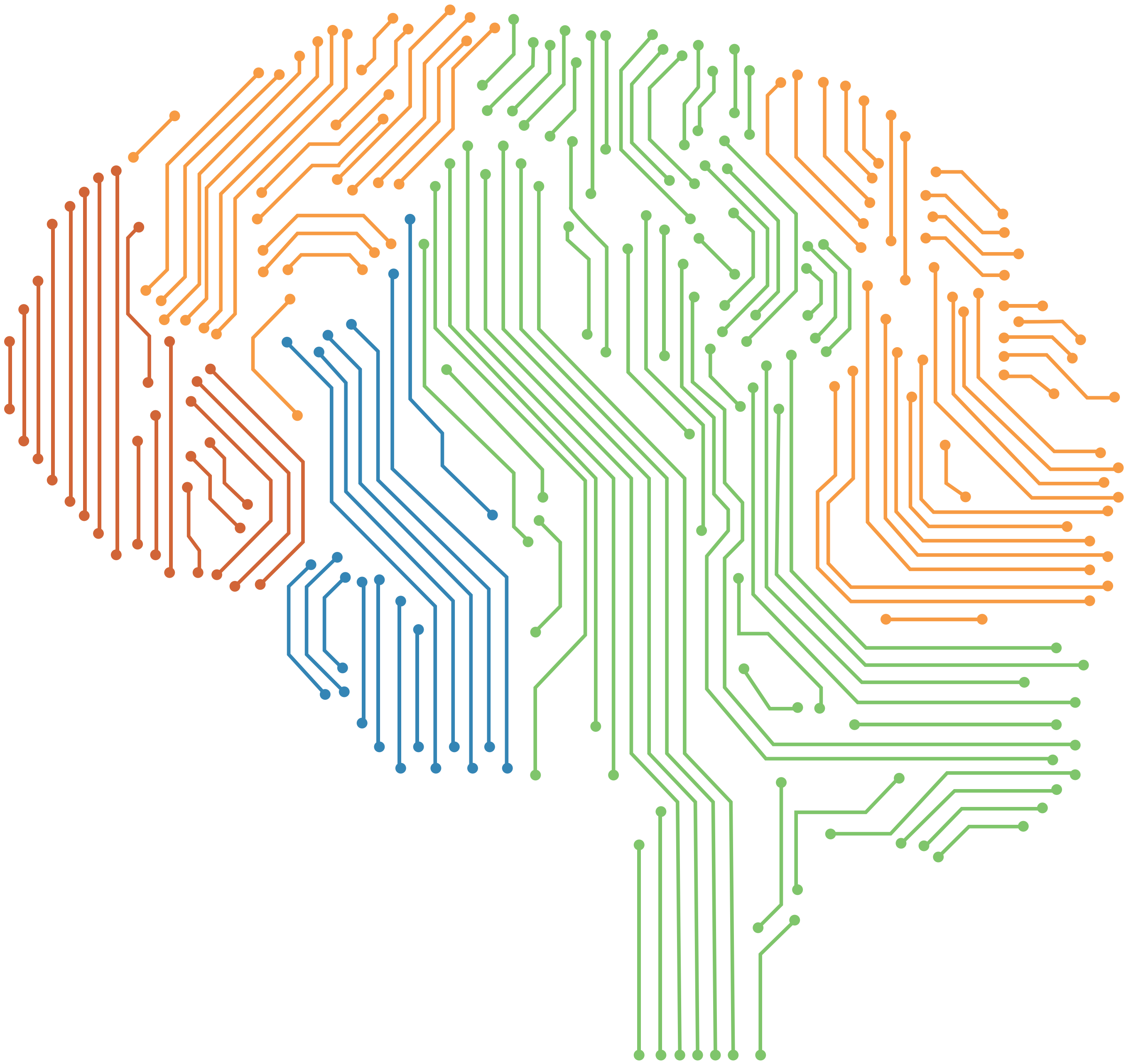
Adgorithms

Annual Report

for the year ended 31 December 2015



Cross Channel Autonomous Marketing
Software Powered by Artificial Intelligence

Established in 2010, Adgorithms has proven to be a leader in the digital marketing industry. We utilise cutting edge technology and advanced methods in order to provide the most effective service for each client's needs as demanded by the ever changing digital world.

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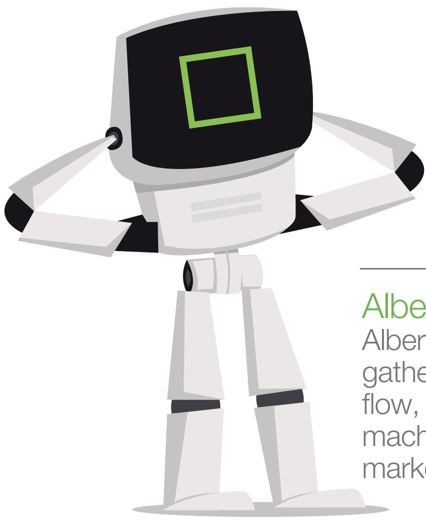


Albert

Albert, the AI brain behind the software, gathers data from all channels on one unified flow, leveraging artificial intelligence and machine learning to execute and optimise marketing strategies.

HIGHLIGHTS

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights (Adjusted)

- Revenue increased 10% to $22.1 million (2014: $20.2 million).
- Adjusted EBITDA[(1)] decreased 68% to $2.2 million (2014: $6.8 million).
- Research and Development expenses grew by 63% to support diversification of indirect activity and development of Adgorithms' Software as a Service ('SaaS') platform.
- Selling and Marketing expenses grew 49% to support the initial launch and introduction of the SaaS platform.
- General and Administrative expenses grew 142% due to new hires and costs associated with being a public company.
- Net cash position of $31.2 million (2014: $2 million).

US$'000	2015	2014	Diff
Revenues from Sales	22,076	20,157	1,919
Cost of goods sold	(15,357)	(10,659)	(4,698)
Gross profit	$6,719	$9,498	$(2,779)
Research and Development expenses	(2,463)	(1,509)	(954)
Selling and Marketing expenses	(947)	(635)	(312)
General and Administrative expenses	(1,144)	(472)	(672)
Total operating expenses	$(4,554)	$(2,616)	$(1,938)
Adjusted EBITDA	$2,165	$6,882	$4,717

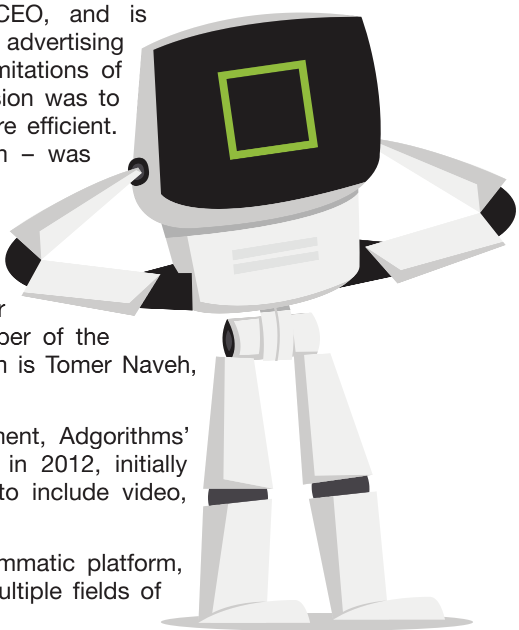
Operating Highlights

- Completed AIM listing in June 2015, raising approximately £22 million of primary proceeds before expenses.
- In March 2014, established a wholly-owned subsidiary in the United States, which commenced operating in September 2015.
- Key strategic focus on developing the Company's SaaS platform to enable brands to deploy Albert™ to manage online campaigns in-house.
- Five SaaS customers have converted to commercial agreements, six further potential customers are in various stage of trials.
- Initial SaaS trials have yielded positive endorsement of Albert's ability to maximise return on investment.
- Continued R&D to ensure Albert advances its cutting edge technology solution.
- The Company's focus for 2016 is on continued diversification and automation of its indirect trading business, and on the roll out of Adgorithms' SaaS solution across new customers and brands. With regards to SaaS, Adgorithms also intends to increase the proportion of online advertising spend channelled through Albert by existing customers.
- The first quarter of 2016 saw a continued challenging trading environment in the indirect revenue business. The Company continues to diversify the indirect business and has seen some success of this strategy in the first three months of 2016, albeit at significantly lower levels than last year.

(1) Excludes share based compensation expenses of $7,533 thousand (COGS-$41, R&D-$5,838, S&M-$236 and G&A-$1,418) and $2,303 thousand (R&D-$1,412, S&M-$346 and G&A-$545) in 2015 and 2014, respectively, IPO bonuses in 2015 in the amount of $1,191 thousand and relocation bonus to Or Shani in 2015 in the amount of $50 thousand.

STRATEGIC REPORT

COMPANY AT A GLANCE



Adgorithms was founded in 2010 by Or Shani, the Company's CEO, and is headquartered in Tel Aviv, Israel. Having worked for leading online advertising companies such as Online365 (now WebForce), and recognising the limitations of manual campaign management and changing market dynamics, Or's vision was to develop an intelligent, software-based solution to make the process more efficient. And so Albert – our artificial intelligence based programmatic platform – was born!

We employ software engineers and experts in the fields of artificial intelligence, data analysis, statistics, applied mathematics and behavioural sciences to develop our software. Among the team members are three former employees of the Israeli Army Elite Cyber Security Intelligence Unit, an organisation into which only a small number of the country's most talented individuals are recruited each year (one of whom is Tomer Naveh, our CTO).

Following four and a half years of research, development and investment, Adgorithms' technology has continued to develop. Adgorithms began using Albert in 2012, initially focussed on display advertising, and has since expanded its offering to include video, social and mobile advertising.

Our software, Albert, is a proprietary artificial intelligence based programmatic platform, which plans, identifies, prices and delivers relevant advertisements in multiple fields of online advertising.

Albert is continually connected to major advertising exchanges, including AppNexus and Adap.tv, where it is presented with billions of advertising opportunities to connect brands to internet users on a daily basis.

Using complex algorithms, historical data and artificial intelligence, Albert seeks to predict user intent and deliver advertisements that are likely to engage that particular user and result in an engagement for the brand. It analyses the available advertising opportunities on the advertising exchanges, decides which one of them is most relevant and ultimately determines the right price to pay for a specific impression. The advert is then displayed on the screen of the user. This whole process occurs in under a second. During the course of one hour, Albert can compute approximately 50 million calculations, can bid for approximately 15 million impressions and can place up to 15 million advertisements on websites.

We have historically generated a large proportion of our revenue from the display and video advertising media segments and have recently expanded into mobile and social. We plan to enter into search advertising in the near future.

CHAIRMAN'S STATEMENT

This has been a year of both change and progress for our business with a key highlight being our listing on AIM in June 2015.

When we joined AIM we spoke about the strength of our technology and the quality of our people. These two important assets continue to be the foundations of our business, and central to our strategy to grow the user base of Albert, our algorithmic platform.

As mentioned in our trading update published on 9 October 2015, the online advertising market in which we operate has been experiencing severe disruption, resulting in a loss of supply for major online advertising exchanges and a drop in demand from major media buyers. This disruption has had a material impact on the Group's financial performance, and we have only recently seen that market begin to stabilise, albeit in a more competitive environment and at a lower level than before. Our SaaS activities, in which customers manage campaigns autonomously through Albert, continue to progress as management showcase Albert's ability to maximise ROI for online advertising campaigns.

Due to this unforeseen shift in the market, the Group delivered revenues of $22.1 million in 2015, up 10% on the prior year (2014: $20.2 million) but significantly below initial expectations. Gross profit decreased to $6.7 million (2014: $9.5 million) due to downward margin pressure caused by disruption to both supply and demand on the online marketing exchanges in the second half of 2015. We believe a semblance of normality has started to return to this ecosystem but we continue to monitor the situation with great vigilance.

To be optimally placed going forward, we have invested in underpinning our indirect business and have put in place a new management structure to provide greater focus and leadership and strengthen this operation, whilst broadening our platform base by connecting to new exchanges and moving into new activities, such as mobile. We continue to examine strategies to maximise revenue opportunities from the indirect channel although we are conscious volumes may not return to historic levels.

In terms of our SaaS offering, we have accelerated our sales and marketing activities and over the last six months have signed commercial agreements with five customers, including Harley Davidson of NYC, and have undertaken trials with six additional brands, in order to deploy Albert as an end to end SaaS solution. We believe our solution is one of the most efficient, cost effective and scalable software platforms in the online advertising market. To that end, we continue to believe that our SaaS offering can gain strong market traction and deliver significant shareholder value in the long run and this area is a key focus of investment.

Our performance in 2015 has clearly been heavily influenced by the significant changes within the online advertising ecosystem, however, I am pleased with the strategic focus shown by management and the steady progress made by the business. Our ability to accelerate the number of businesses trialling the Company's SaaS offering is testament to the quality of both our people and our platform, further highlighted by the positive feedback received by the brands who are currently using Albert.

We have consistently referenced our belief that there is a significant opportunity for Adgorithms to grow, underpinned by a combination of strong market dynamics within the online advertising market and Albert's ability to maximise advertising spend on behalf of brands. This statement is as true today as it was at the time of our listing.

However, it is now evident that 2016 will be a year of transition and investment for Adgorithms and we anticipate that the Company will remain loss making in the current year. We have significant cash to fund this expenditure and believe the investment we are making will result in a business capable of delivering shareholder value.

Both the Board and I remain positive about the medium term trading prospects of the Group.

John Allwood
Independent Non-Executive Chairman

12 April 2016

STRATEGIC REPORT continued

OPERATIONAL REVIEW

Introduction

The Group delivered revenues of $22.1 million in 2015, up 10% on the prior year (2014: $20.2 million). In contrast, gross profit decreased to $6.7 million (2014: $9.5 million) due to pressure on margins caused by disruption to both supply and demand on the online marketing exchanges in the second half of 2015. As a result of the shift within the Group's indirect sales channel, management have accelerated diversification of indirect channels by connecting dozens of new supply and demand sources. This recent expansion in indirect activity has allowed the Company to partially mitigate the effect of the market disruption that occurred. In addition, the Company has significantly increased hiring of development personnel in Israel and Sales and Marketing personnel in the United States to accelerate deployment of its SaaS solution. This is expected to have an adverse impact on near term profitability. Management continues to believe that Albert is ideally placed to capitalise on the significant market opportunity that exists within the online marketing segment.

Group adjusted EBITDA declined in the period to $2.2 million (2014: $6.8 million), reflecting the pressure on margins, along with the increased operating expenses seen in the period, attributable to the Company's OPEX expansion to support deployment of the Company's SaaS solution.

The Board has determined that it would be prudent not to distribute a dividend this year. The Board will keep the Company's dividend policy under review.

The AIM listing has provided capital investment to expedite the deployment of the Company's SaaS solution, and broaden the profile of the business internationally. This has also assisted in generating increased levels of interest in Albert, strengthening the Company's new business pipeline.

We continue to invest in enhancing our self-use, autonomous software solution and ensuring Albert continues to be one of the most efficient, cost effective and scalable software platforms in the online advertising market. In the period, we have continued to optimise Albert and have added channels to the software, enabling it to operate across many additional platforms, including Twitter, Facebook and Google. Whilst display continues to be a significant market opportunity for Adgorithms, we see big opportunities in other areas, such as video and mobile, and continue to work to ensure Albert is optimised for these spheres.

The online advertising market is particularly active in North America and, to that end, we have now opened an office in New York and our CEO, Or Shani, has relocated there. The office now has five employees dedicated to sales and marketing, seeking to capitalise on the opportunities that exist. We believe there is a significant opportunity to roll out our SaaS offering, for brands to run in house, and our New York office is now looking to increase this penetration by securing trials of our software and then converting these trials into contracts.

Albert

Adgorithms' software, Albert, enables online advertisers to efficiently and effectively find new customers online as well as better engage with existing customers. Using Albert, brands can execute online advertising campaigns across a range of display, video, mobile and social advertising channels.

There are billions of opportunities daily to deliver an advertisement to users when impressions become available through various advertising exchanges. Albert has been developed whereby it is able to calculate and determine the most appropriate advertisement to show to the user, based on likelihood of this being a successful conversion.

Albert boasts a number of advantages over competing technologies, including:

- ***Automation of campaign management***

  Successful campaign management requires making decisions based on dozens of parameters and thousands of parameter combinations, for which the value of each decision is normally a fraction of one cent. Such a task is simply not cut out for humans. In recent years, various tools have been developed to assist human campaign managers in this task. However, most of such tools still require a human operator. Albert on the other hand, is designed to continuously optimise advertising purchasing decisions and repeatedly learns and adjusts from the outcome of each decision made.

- ***Self-learning***

  With every campaign, Albert is able to analyse data and the success of previous campaigns. It can then adapt subsequent campaigns for greater return on investment for customers, whilst also filtering out non-effective inventory, including fraudulent activity.

- ***Cost of media***

  Albert can accurately attribute value to each impression, thereby appraising opportunities and maximizing a client's advertising budget. It will therefore only place advertisements where appropriate to maximise the ROI. In the same way, in the case of the Company's indirect channel, Albert acquires undervalued opportunities as inventory and sells these through advertising exchanges for an immediate profit.

- ***Fraud reduction***

  Albert's self-developed pattern recognition techniques and ever evolving learning enable Adgorithms to identify fraudulent traffic and sites and reduces this activity for our clients.

- ***Reaction to market change***

  Given Albert's ability to recalibrate due to its constant reaction to the evolving market place in which it operates, Albert is able to adjust to market changes and fluctuations.

Business Summary

Direct/SaaS sales channel

Adgorithms works directly with clients to manage campaigns on their behalf in the online advertising market. In addition, the Company has developed a self-service platform under a SaaS model. Adgorithms sells brands and customers this online platform, which gives them the ability to run campaigns in house.

Over the period, progress has been made, particularly with the SaaS platform, and Adgorithms' SaaS solution has now been adopted by five customers and six additional customers are in various stages of trailing the solution. Customers run campaigns autonomously through the platform and can view real-time results and insights through a dashboard. The dashboard gives the end user visibility of the success of all campaigns running simultaneously – a key service differentiator. The Company's strategy is to be signed up for a trial, with a small proportion of existing online advertising spend to be delivered through Albert, usually in one channel and one territory. Once the customer is able to see tangible results from this initial proportion of work, Adgorithms seeks to increase the proportion of the online advertising spend that is funnelled through Albert. Revenue is generated as Adgorithms takes a proportion of the total online advertising spend.

The key strategy for Adgorithms is to grow its SaaS customer base. To this end, the Company has opened an office in New York in the period, to better serve US customer demand and to capture a portion of the significant North American market opportunity. At present, the Company is considering new further regional and international offices, following the full staffing of the US office, expected around mid-year.

In December, Harley Davidson's New York ('HD-NYC') dealership commenced a trial using Albert and has since been converted to a commercial customer. Through managing the campaigns with Albert, HD-NYC has successfully improved the traction of its online advertising campaigns, and Adgorithms has seen the online spend through Albert increase significantly since HD-NYC started managing campaigns through our software. This was a direct result of Albert's ability to continuously outperform HD-NYC benchmarks on new active user acquisition (up 99%), user transactions (up 183%) and overall advertising ROI (up 25%).

Indirect sales channel

Albert also transacts on undervalued inventory on advertising exchanges. Adgorithms acquires this inventory when it is under-priced relative to the economic value Albert prescribes to it, and then aggregates the purchased impressions and sells them to advertisers or media agencies seeking advertising space.

This channel has been impacted by changes imposed by ad exchanges looking to reduce the amount of fraudulent inventory on the exchanges by cutting off a significant portion of all media running through their platforms. The Company supports the changes undertaken by the ad exchanges to combat fraudulent inventory and indeed its technology helps to detect and avoid it, however the reduction in overall supply negatively impacted the Company. The Company believes this further emphasises the need for a solution that returns control of online marketing power to the brands and provides full transparency and accountability.

Adgorithms expects its revenue profile to continue to be reliant on the indirect channel for the near term, given the long sales cycle of its SaaS offering.

STRATEGIC REPORT continued

OPERATIONAL REVIEW continued

Evolving market place

As reported in our trading update in October, the online advertising market place has recently undergone significant change. The display advertising market has moved away from using open exchanges, to private and self-serve exchanges. The supply and demand metrics in the online advertising exchanges servicing the display sector are still shifting and are yet to stabilise and so the Company continues to expect some uncertainty going forward. For example, in one exchange more than half of the publishers (suppliers of media) have been cut out of trading on that exchange. However, the significant inefficiencies that exist in the evolving online advertising market continue to present opportunities for the Company to utilise its technology to address the market issues.

Current Trading and Outlook

Whilst our strategy for 2015 was impacted by changes in the online advertising market, we are pleased with the progress we have made in the business, in particular with the initial feedback we have received from brands who are currently trialling Albert in house through our SaaS solution. The market opportunity for Adgorithms continues to grow, with US online advertising spend expected to exceed that of television in coming years for the first time. As this evolution gathers momentum and the number of impressions grows, the challenge grows for advertisers to optimise the money spent on purchasing online inventory for their campaigns. Albert addresses this very problem and the ROI can be seen very quickly upon adoption.

The Board believes Albert remains a superior technology to it's competitors, Albert identifies the correct impressions and assesses whether the cost of such impressions is aligned with the campaign budget, and can make informed and calculated decisions in milliseconds prior to bidding. The Board believes that the Company's investment in R&D along with it's significant market experience provides it with a competitive advantage in the marketplace.

2016 will be a year of transition and investment for the Group and, therefore, we anticipate that the Company will remain loss making in the current year.

We will however continue to work to maximise revenues generated through our indirect channel, on which our revenue continues to be reliant in the near term, and in particular from the growing mobile channel where we believe there are opportunities to further leverage our expertise in this sector. However, our focus will be to increase the market penetration and adoption of Albert as a SaaS solution. With the recently bolstered sales team in New York, we will work to sign up more clients for initial trials of the software and then convert such trials into formal contracts, with an increasing proportion of the online advertising spend being channelled through Albert. There remains a significant opportunity in the market, and existing cash reserves will support Adgorithms' strategy to capitalise on the opportunity that exists today.

The first quarter of 2016 saw a continued challenging trading environment. The Company continued its effort to diversify the indirect business and has seen some success of this strategy in the first three months of 2016. On SaaS, the Company is pleased to have converted five commercial customers which are generating nominal revenue for Company, as would be expected in this early stage of the customer lifecycle.

The Board remains positive about the medium term trading prospects of the Group.

FINANCIAL REVIEW

An overview of the Company's consolidated financial performance is provided in the Operational Review.

The following section provides a more detailed analysis of the Company's financial performance for the year ended 31 December 2015.

Adgorithms reports results following its admission to AIM in June 2015. The Company delivered revenues of $22.1 million in 2015, up 10% on the prior year (2014: $20.2 million). In contrast, gross profit decrease to $6.7 million (2014: $9.5 million) due to pressure on margins caused by disruption to both supply and demand on the online marketing exchanges in the second half of 2015.

The Company's adjusted EBITDA declined in the period to $2.2 million (2014: $6.8 million), reflecting the pressure on margins, along with the increased operating expenses seen in the period, attributable to the Company's OPEX expansion to support deployment of the Company's SaaS solution.

The table below shows the unaudited consolidated results of the Group for the two years financial years ended 31 December 2015 and 31 December 2014.

US$'000	2015	2014	Diff
Revenues from Sales	22,076	20,157	1,919
Cost of goods sold	(15,357)	(10,659)	(4,698)
Gross profit	$6,719	$9,498	$(2,779)
Research and Development expenses	(2,463)	(1,509)	(954)
Selling and Marketing expenses	(947)	(635)	(312)
General and Administrative expenses	(1,144)	(472)	(672)
Total operating expenses	$(4,554)	$(2,616)	$(1,938)
Adjusted EBITDA[(1)]	$2,165	$6,882	$4,717

Our cash balance is $31.2 million, and the Board remains comfortable with the Company's growth plans and believes the Company is well positioned to execute these plans.

(1) Excludes share based compensation expenses of $7,533 thousand (COGS-$41, R&D-$5,838, S&M-$236 and G&A-$1,418) and $2,303 thousand (R&D-$1,412, S&M-$346 and G&A-$545) in 2015 and 2014, respectively, IPO bonuses in 2015 in the amount of $1,191 thousand and relocation bonus to Or Shani in 2015 in the amount of $50 thousand.

GOVERNANCE

BOARD OF DIRECTORS

John Allwood, Independent *Non-Executive Chairman*

John Allwood is a non-executive Director of TalkTalk Telecom Group plc and IMImobile plc. He has spent his career in media and telecoms holding a number of senior positions including Chief Executive of Orange UK, Finance Director and Chief Executive of Mirror Group plc, Finance Director and COO of Mecom Group plc and Managing Director of Telegraph Media Group Limited.

Or Shani, *Chief Executive Officer*

Or Shani founded Adgorithms in 2010. He has significant leadership experience from the online advertising industry, previously serving as the Head of Online Marketing at Online365 (now WebForce), Director of Trading Business Development at SupersonicAds and Head of Affiliates and Media Team at ValueNet. Previously, he worked at Mansion Group, an online gaming operator, in a Media Buying capacity. Or also served as an officer in the Israeli Air-Force for eight years.

Ron Stern, *Chief Financial Officer*

Ron Stern has 12 years of M&A, Private Equity and Venture Capital experience. He was previously Senior Advisor to the Pritzker Group, Chicago-based investment firm, where he was responsible for deal sourcing in Israel. Previously, he assisted Kleiner Perkins Caufield & Byers in identifying and evaluating investment opportunities in Israel. Prior to his work with KPCB, Ron was a partner at Shamrock Capital Advisors, the investment arm of the Disney family. At Shamrock he was responsible for executing ten transactions and served as Executive Chairman of a US technology company, where he led a successful turnaround of the business. Prior to Shamrock, Ron was a Senior Associate at Cap Gemini Ernst & Young in New York and worked at the purchasing department of Intel in Israel. Additionally, he is the founder of Value Israel Ltd., a private investment advisory firm focused on the high tech and clean energy sectors in Israel. Ron is a graduate of the Hebrew University of Jerusalem and Columbia Business School, where he attained his MBA in Finance and Entrepreneurship.

Lisa Gordon, *Independent Non-Executive Director*

Lisa Gordon brings over 21 years of industry experience to Adgorithms. She was previously Corporate Development Director at Local World, a large media network focussed on regional news via online and print titles in the UK. She also previously served on the board of Chrysalis Group plc, and at the time was the youngest female director of a listed UK company, in addition to roles as Corporate Development Director and latterly CEO of Chrysalis New Media. Lisa has also served as a board member of Future plc, a specialist magazine publisher. She started her career in the City as a research analyst and part of the No 1 Extel rated Media and Leisure team for County Natwest.

Barak Salomon, *Independent Non-Executive Director and External Director*

Barak Salomon is the Chairman of the Remuneration Committee. Barak has extensive experience in private equity investments in the technology and industrial sectors. Barak is a Partner at Q3P, an investment group focusing in industrial investments, and serves as board member at Friedrich Plastic Industries Ltd, a leading manufacturer of plastic moulds and plastic parts. Previously, Barak was with Viola Private Equity, a technology growth capital and buyout fund, managing the investment team and executing investments in the technology and industrial sectors. Prior to Viola, Barak worked in the Technology group of Apax Partners in Israel. Barak holds an MBA from the MIT Sloan School of Management and a Bachelor's degree in mathematics and computer science (cum laude) from Bar Ilan University in Israel.

Ofir Gomeh, *Independent Non-Executive Director and External Director*

Ofir Gomeh is the Chairman of the Audit Committee. Ofir has been a certified public accountant in Israel for the past 15 years. Ofir currently serves as the CEO of Clal Sun (the renewable energy arm of Clal Industries), leading major solar projects from development through to financing, construction and operation. Previously, Ofir was the CFO of Clal Sun. Prior to Clal Sun, Ofir was the CFO of Rafael Development Company (RDC), a subsidiary of the renowned Israeli defence company, Rafael, focused on leveraging its technologies for civilian use. In his role, Ofir co-led the process of incubating a dozen start-up companies in various fields, from healthcare to communications. He was concurrently the CFO of RDC's subsidiary, Medingo, which was sold to Roche for $200 million. Ofir has also held positions in the finance department of dual-listed (NASDAQ and TASE) Elron Electronic Industries, as well as at KPMG. Ofir holds a BA in Economics and Accounting from the Hebrew University of Jerusalem and is also a graduate of the Tel-Aviv University, where he attained his MBA in Finance and Accounting.

DIRECTORS' REPORT

The Directors present their report and consolidated financial statements of the Company for the year ended 31 December 2015.

Results and review of the business

The Directors' Report should be read in conjunction with the full 2015 annual audited consolidated report and financial statements.

Dividends

The Board determined that it would be prudent not to pay a dividend for 2015. The Board expects to re-evaluate this decision once the Company returns to profitability. The Directors will continue to monitor the profitability of the Company; the level of cash retained within the business as well as investment opportunities available to the Group and, from time to time, review the continued appropriateness of such policy.

Directors

The Directors and their interests in the Ordinary Share capital of the Company as of 31 December 2015 were as follows:

	Number of Ordinary Shares
John Allwood, Independent Non-Executive Chairman	35,000
Or Shani, Chief Executive Officer	29,177,431
Ron Stern, Chief Financial Officer	162,500
Lisa Gordon, Independent Non-Executive Director	53,000
Barak Salomon, Independent Non-Executive Director and External Director	–
Ofir Gomeh, Independent Non-Executive Director and External Director	–

On 31 December 2015 the Company had 61,698,853 shares issued.

Share capital

The authorised and issued share capital of the Company, together with details of the Shares allotted during the relevant period are shown in Note 9 of the financial statements.

Major shareholders

At 31 December 2015 the Company was aware of the following interests of shareholders in excess of 3%.

Shareholder	Percentage of issued share capital
Or Eliezer Shani[(1)]	47.29%
Schroder Investment Management Limited	10.68%
Tomer Naveh	6.00%
Or Russo	5.83%
Inflection Point Investments LLP	5.46%
Rathbone Investment Management Limited	4.87%
Standard Life Investments Limited	4.75%
Rafael Zoldan	4.13%
ACPI Investments Limited	3.40%

(1) Held through the Or Shani Irrevocable Trust.

GOVERNANCE continued

DIRECTORS' REPORT continued

Corporate Governance

The Directors acknowledge the importance of high standards of corporate governance. The Directors intend to comply with the requirements of the Corporate Governance Code to the extent that they consider it appropriate and having regard to the Company's size, board structure, stage of development, resources and jurisdiction of incorporation. The Board consists of six Directors, four of whom are non-executive Directors.

Following Admission in June of 2015, the Board convened by phone on a monthly basis and held five meetings in 2015. The Board met to discuss the Company's strategy, budget, corporate actions and major items of capital expenditure. The Board has established an audit committee, a remuneration committee, with formally delegated duties and responsibilities and each with written terms of reference. Each of these committees will meet as and when appropriate, save in the case of the remuneration and audit committees which will meet at least twice each year.

Remuneration Committee

The remuneration committee is comprised of Barak Salomon, Ofir Gomeh and Lisa Gordon and is chaired by Barak Salomon. The remuneration committee reviews the performance of the executive Directors and makes recommendations to the Board in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. In exercising this role, the Directors shall have regard to the recommendations put forward in the Corporate Governance Code.

Share option schemes

The Directors believe that the Company's success is dependent on the quality and loyalty of its staff. The Directors consider that, to assist in the recruitment, retention and motivation of high quality staff, the Company must have an effective remuneration strategy and that an important part of it is the ability to award equity incentives.

The Company has granted options over its Ordinary Shares to certain of the Directors, existing employees and consultants under the Share Option Plan. Options granted under the Plan generally vest over three years (1/3 at each year) and expire 10 years from the vesting commencing date.

As of 31 December 2015, 5,043,423 options are outstanding and 110,715 of such outstanding options are exercisable. For more information please refer to Note 9 in the financial statements.

Directors' remuneration

The Directors' remuneration for the year ended 31 December 2015 is set out in the table below (in $US).

	Management Salary	Bonus regarding the IPO	Cost of share based payments	Total
John Allwood	63,310	–	136,972	200,282
Or Shani	288,583	175,000	75,341	538,924
Ron Stern	124,824	245,000	421,972	791,796
Lisa Gordon	51,882	–	89,032	140,914
Barak Salomon	8,555	–	–	8,555
Ofir Gomeh	8,555	–	–	8,555

Audit Committee

The audit committee is comprised of Ofir Gomeh, Barak Salomon and Lisa Gordon and is chaired by Ofir Gomeh (CPA). The audit committee has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Company is properly measured and reported on. The audit committee, inter alia, determines and examines matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Company. The audit committee have unrestricted access to the Company's external auditors.

Internal controls

The Directors are responsible for the Company's internal controls, and have established a framework intended to provide reasonable assurance against material financial misstatement or loss. Shortly after the IPO, the Company hired a full time controller, who is a certified accountant and is a veteran of Ernst & Young. The Company engaged with internal auditor, Shlomi Drori (CPA), who conducted a risk survey upon which the audit committee approved a multiple year audit plan and serves as the Company's internal auditor. The Company's internal auditor established an internal audit plan with an adequate number of internal audit hours, reviewed and revised by the Audit Committee from time to time. The internal auditor has been granted access to all company financial reporting files and employees and reports only to the Audit Committee and the Board of Directors.

Financial reporting

The Company's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The budget is reviewed and approved by the Board. The key trading aspects of the business are monitored daily and internal management and financial accounts are prepared periodically and at leas once a quarter and are shared with the Board of Directors. The results are compared to a monthly budget and prior year performance.

Procedures

The Company's procedures are documented and set out for all employees to review. The Company's management is responsible for the implementation of these procedures and compliance is monitored.

Financial instruments

The Company's financial instruments are discussed in Note 11 to the financial statements.

Share dealing code

The Company has adopted a share dealing code for Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, Rule 21 of the AIM Rules). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company continues to take appropriate steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM Rules (including Rule 21).

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for approving the annual reports and the Company and Company financial statements in accordance with applicable law and regulations.

Under that law, and as required by the AIM Rules for Companies, the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In preparing these financial statements, the Directors are required to:

- Present fairly the Company financial position, financial performance and cash flows;
- Select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgments that are reasonable;

GOVERNANCE continued

DIRECTORS' REPORT continued

- Provide additional disclosures when compliance with the specific requirements in IFRSs, as adopted by the EU, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- State whether the Group and Company financial statements have been prepared in accordance with IFRSs, as adopted by the EU, subject to any material departures disclosed and explained in the financial statements.

Directors' statement as to disclosure of information to auditors

- The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 8.
- Having made enquiries of fellow Directors and of the Company's auditors each of these Directors confirms that:
  - To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
  - Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Employees

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's aims and objectives, are communicated in an open and regular manner. Management frequently briefs staff of the Group's performance and activities and discusses matters of concern or interest. Our employee initiatives include a confidential employee helpline. The Group's employees participate in the 2013 Israeli Share Option Plan. The company provides equal opportunity in employment for all qualified persons and prohibits discrimination in employment on the basis of race, colour, religion, sex, sexual orientation, gender identity, national origin, creed, ancestry, age, veteran status, military service or other protected status.

Training programmes are held for all levels of staff. These are aimed at increasing skills and contribution.

Going concern

The Board is satisfied that the Company has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

Auditor

A resolution to reappoint Kost Forer Gabbay & Kassierer, A Member of Ernst & Young Global, as auditors of the Company will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditors' remuneration.

By Order of the Board

Hadar Harosh Fabian
Company Secretary

20 Lincoln Street
Tel Aviv 6713412
Israel

INDEPENDENT AUDITORS' REPORT

Building a better working world

Kost Forer Gabbay & Kasierer

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To the Board of Directors and Shareholders of

ADGORITHMS LTD.

We have audited the accompanying consolidated financial statements of Adgorithms Ltd. and its subsidiary ("the Company"), which comprise the consolidated statements of financial position as of 31 December 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and 2014, and its financial performance and cash flows for each of the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tel Aviv, Israel
13 April 2016

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US dollars in thousands

	Notes	31 December 2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents		31,189	1,964
Restricted cash		51	51
Trade receivables, net	3	4,740	5,939
Other accounts receivable and prepaid expenses		257	174
Total current assets		36,237	8,128
NON-CURRENT ASSETS			
Property and equipment, net	4	118	112
Deferred tax asset	7	–	200
Total non-current assets		118	312
Total assets		36,355	8,440
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables(1)		3,817	3,540
Other accounts payable and accrued expenses(1)	5	1,110	2,404
Total current liabilities		4,927	5,944
NON-CURRENT LIABILITIES			
Employee benefit liabilities, net		85	65
EQUITY	9		
Share capital – Ordinary shares		160	–(2)
Share premium		38,082	2,303
Capital reserve		(193)	(21)
Retained earnings (accumulated deficit)		(6,706)	149
Total equity		31,343	2,431
Total liabilities and equity		36,355	$8,440

(1) Reclassification. See also Note 2(q).

(2) Represents an amount lower than $1.

13 April 2016

Date of approval of the financial statements	**Or Shani** *Chief Executive Officer and Director*	**Ron Stern** *Chief Financial Officer and Director*

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

CONSOLIDATED STATEMENTS OF INCOME

US dollars in thousands (except per share data)

	Notes	Year ended 31 December 2015 $'000	2014 $'000
Revenues	10	22,076	20,157
Cost of revenues	12(a)	15,398	10,659
Gross profit		6,678	9,498
Operating expenses:			
Research and development	12(b)	8,329	2,935
Selling and marketing	12(c)	1,193	981
General and administrative	12(d)	2,619	1,017
Bonus expenses related to the IPO		1,191	–
Total operating expenses		13,332	4,933
Operating (loss)/profit		(6,654)	4,565
Financial income		520	66
Financial expenses		(40)	(34)
(Loss)/income before taxes on income		(6,174)	4,665
Taxes on income	7(d)	681	1,291
Net (loss)/income		(6,855)	3,374
Net (loss)/income per share attributable to the Company's shareholders (in $)	14		
Basic (loss)/earnings per ordinary share		(0.15)	0.13
Diluted (loss)/earnings per ordinary share		(0.15)	0.11

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

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

US dollars in thousands

	Year ended 31 December	
	2015 $'000	2014 $'000
Net (loss)/income	(6,855)	3,374
Other comprehensive (loss)/income:		
Amounts that will not be reclassified subsequently to profit or loss:		
Remeasurement losses on defined benefit plan	(172)	(15)
Total other comprehensive loss	(172)	(15)
Total comprehensive (loss)/income	(7,027)	3,359

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

US dollars in thousands

	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained earnings (accumulated deficit) $'000	Total equity $'000
Balance as of 1 January 2014	–[(1)]	–	(6)	74	68
Exercise of options	–[(1)]	–	–	–	–[(1)]
Dividend distributed to shareholders (see Note 9(b))	–	–	–	(3,299)	(3,299)
Cost of share-based payment	–	2,303	–	–	2,303
Net income	–	–	–	3,374	3,374
Total other comprehensive loss	–	–	(15)	–	(15)
Total comprehensive (loss)/income	–	–	(15)	3,374	3,359
Balance as of 31 December 2014	–[(1)]	2,303	(21)	149	2,431
Dividend distributed to shareholders (see Note 9(b))	–	(2,147)	–	–	(2,147)
Exercise of options and warrants	18	–	–	–	18
Issuance of Bonus shares	99	(99)	–	–	–
Issuance of Ordinary shares upon public offering, net of offering expenses of $3,691	43	30,283	–	–	30,326
Tax benefit in respect of offering expenses	–	209	–	–	209
Cost of share-based payment	–	7,533	–	–	7,533
Net loss	–	–	–	(6,855)	(6,855)
Total other comprehensive loss	–	–	(172)	–	(172)
Total comprehensive loss	–	–	(172)	(6,855)	(7,027)
Balance as of 31 December 2015	160	38,082	(193)	(6,706)	31,343

(1) Represents an amount lower than $1.

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

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

US dollars in thousands

	Year ended 31 December 2015 $'000	2014 $'000
Cash flows from operating activities		
Net (loss)/income	(6,855)	3,374
Adjustments to reconcile net income/(loss) to net cash provided by operating activities		
Adjustments to the profit or loss items:		
Share-based payment	7,533	2,303
Tax expense	681	1,291
Depreciation	45	14
Financial income from exchange rate differences	(501)	(1)
	7,758	3,607
Changes in asset and liability items		
Decrease/(increase) in trade receivables	1,199	(5,364)
Increase in other accounts receivable	(83)	(140)
Decrease/(increase) in deferred taxes	827	(143)
Increase in trade payable	277	81
(Decrease)/increase in other accounts payable	(997)	3,622
Change in employee benefit liabilities, net	–	4
	1,223	(1,940)
Cash paid and received during the year for:		
Taxes paid	(981)	(494)
	(981)	(494)
Net cash provided by operating activities	1,145	4,547
Cash flows from investing activities		
Purchase of property and equipment	(51)	(105)
Investment in restricted cash	–	(31)
Net cash used in investing activities	(51)	(136)
Cash flows from financing activities		
Proceeds from shareholders' loan	–	50
Repayment of shareholders' loan	–	(50)
Tax withheld on dividend distributed in 2014	(607)	–
Dividend distributed to shareholders	(2,147)	(2,692)
Exercise of options	18	–
IPO proceeds, net	30,366	–
Net cash provided by/(used in) financing activities	27,630	(2,692)
Exchange rate differences in respect of cash and cash equivalents	501	1
Increase in cash and cash equivalents	29,225	1,720
Cash and cash equivalents at the beginning of the year	1,964	244
Cash and cash equivalents at the end of the year	31,189	1,964
Significant non-cash transactions		
Tax withheld on dividend distribution	–	607
IPO expenses	40	–

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

US dollars in thousands, except share, per share data and dividend amounts

1. GENERAL

(a) Company description

Adgorithms Ltd. ("the Company") was incorporated under the laws of Israel and commenced operations in September 2010. The Company's registered address is 20 Lincoln Street, Tel-Aviv, Israel.

The Company is engaged in the field of solutions for online advertising including the use of Artificial Intelligence ("AI") technology. The Company develops and deploys algorithmic solutions aiming to maximise return on income ("ROI") for the brand advertiser. The Company operates across the channels of video, display, social, search and e-mail marketing on the platforms of desktop and mobile.

In June 2015 the Company completed an Initial Public Offering ("IPO") and was admitted to trading on AIM and issued 16,541,353 Ordinary shares at a price of 1.33 GBP per share, for a total consideration of $34,017 before underwriting and issuance expenses. Total net proceeds from the issuance amounted to $30,326.

(b) In March 2014, the Company established a wholly-owned subsidiary in the United States, Adgorithms Inc. ("the Subsidiary"). The Subsidiary, which commenced operating in September 2015, is engaged in the distribution of the Company's products and service solutions in the United States market, and provides the Company with advisory and management services.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, unless otherwise stated.

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

The consolidated financial statements have been prepared on a cost basis.

(b) Consolidated financial statements

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

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

(c) Significant accounting judgments, estimates and assumptions used in the preparation of the consolidated financial statements

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

In the process of applying the significant accounting policies, the Company has made the following judgments which have a significant effect on the amounts recognised in the consolidated financial statements:

Development costs

The Company evaluates project development costs for capitalisation in accordance with its accounting policy. Before such costs can be capitalised, the technological feasibility of completing the project, among other factors, must be demonstrated such that the completed project will be available for use. To date the stage at which technological feasibility has been demonstrated is such that subsequent development costs, if any, are immaterial and accordingly no development costs have been capitalised.

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

2. SIGNIFICANT ACCOUNTING POLICIES continued

(d) Functional currency and foreign currency

(i) *Functional currency and presentation currency*

The consolidated financial statements are presented in US dollars, the Company's functional currency, and are rounded to the nearest thousand, unless stated otherwise. The functional currency best reflects the economic environment in which the Company operates and conducts its transactions.

(ii) *Transactions in foreign currency*

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency existing as of the reporting date are translated into the functional currency at the exchange rate at each reporting date. Exchange differences are recorded in profit or loss.

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

(e) Cash and cash equivalents

Cash includes cash balances available for immediate use. Cash equivalents include short-term highly liquid deposits in banks (with original maturities of three months or less) that are readily convertible into known amounts of cash and are part of the Company's cash management.

(f) Restricted cash

Restricted cash is primarily invested in highly liquid deposits used as security for office leases.

(g) Allowance for doubtful accounts

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of Company's management, is doubtful. Impaired debts are derecognised when they are assessed as uncollectible.

(h) Property and equipment, net

Items of property and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses, if any, and excluding day-to-day servicing expenses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the property and equipment (generally 1.5-7 years).

(i) Impairment of non-financial assets

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

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

US dollars in thousands, except share, per share data and dividend amounts

(j) **Employee benefits**

(i) ***Post-employment benefits***

The Company has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law in Israel. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets").

Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

The liability for employee benefits shown in the consolidated statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability in respect of the defined benefit plan are recognised in other comprehensive income in the period in which they occur.

On 1 January 2015 the Company agreed to adopt Section 14 to the Severance Pay Law under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions only for the period commencement on 1 January 2015. Contributions in respect of severance pay are recognised as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

(ii) ***Short-term benefits***

Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

(k) **Share-based payment transactions**

The cost of equity-settled transactions with employees and others is measured at the fair value of the equity instruments granted at grant date.

The cost of share-based payments is recognised in profit or loss, with a corresponding increase in equity, over the period in which the relevant employees become fully entitled to the award. The amount recognised in profit or loss, taking the vesting conditions into account, consisting of service and performance conditions other than market conditions, is adjusted to reflect the actual number of equity instruments that are expected to ultimately vest.

(l) **Provisions**

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

2. SIGNIFICANT ACCOUNTING POLICIES continued

(m) Revenues

The Company derives its revenues from online advertising, including campaign management for clients ("direct") and indirect sales through bids for advertising spaces on advertising exchanges ("in-direct"). Starting October 2015 the Company is also generating SaaS ("Software as a Service") revenue which is accounted for as part of direct revenue.

Revenue is recognised in profit or loss when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the associated costs can be measured reliably. Revenue is measured at the fair value of the consideration received, net of discounts. Revenue from SaaS is being recognised ratably over the term of the service period.

When the Company acts as an agent or as a broker without being exposed to the significant risks and rewards associated with the transaction, the amounts collected on behalf of the principal are not revenues, and revenues reflect the amount of the commission. When the Company acts as a principal and is exposed to the significant risks and rewards associated with the transaction, revenues reflect the gross inflows of the economic benefits.

In determining whether the Company is acting as the principal or an agent, the Company follows the accounting guidance for principal-agent considerations. While none of the factors identified in this guidance is individually considered presumptive or determinative, because the Company is the primary obligor in the arrangement and is responsible for: (i) selecting and contracting with third party suppliers for the purchase of inventory; (ii) having general inventory risk over advertising spaces bought; (iii) establishing the selling price; and (iv) assuming credit risk in the transaction, the Company acts as the principal in both direct and in-direct arrangements and therefore reports all revenues earned and costs incurred on a gross basis.

Deferred revenues

Payments received from customers, which do not meet the criteria for revenue recognition, are recorded as deferred revenues.

(n) Research and development costs

Research expenditures are recognised in profit or loss when incurred. Development costs are also recognised in profit or loss unless they can be capitalised as an intangible asset because the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective expenditure asset during its development.

(o) Taxes on income

Taxes on income in the consolidated statement of income comprise current and deferred taxes. The tax results in respect of current or deferred taxes are carried to the consolidated statement of income except to the extent that the tax arises from items which are recognised directly in equity or in other comprehensive income.

(i) ***Current taxes***

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

(ii) ***Deferred taxes***

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the consolidated financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rates that are expected to apply in the period when the taxes are recorded in the consolidated statement of income or in equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilised. Simultaneously, temporary differences (such as carryforward losses) for which deferred tax assets have not been recognised are reassessed and deferred tax assets are recognised to the extent that their recoverability is probable (see Note 7(d)).

US dollars in thousands, except share, per share data and dividend amounts

(p) **Earnings/(loss) per share**

Earnings/(loss) per share are calculated by dividing the net income/(loss) attributable to equity holders of the Company by the weighted number of ordinary shares outstanding during the period. Basic earnings/(loss) per share only include shares that were actually outstanding during the period. Potential ordinary shares are only included in the computation of diluted earnings/(loss) per share when their conversion has a dilutive effect on the earnings/(loss) per share. Further, potential ordinary shares that are converted during the period are included in diluted earnings/(loss) per share only until the conversion date and from that date in basic earnings/(loss) per share.

If the number of ordinary or potential ordinary shares outstanding changes as a result of a bonus issue or share split during the reported periods or after the reporting period but before the financial statements are authorised for issue, the calculations of basic and diluted earnings per share are adjusted retrospectively for all periods presented.

(q) **Reclassification**

Certain amounts from prior year have been reclassified to conform the current year's presentation. The reclassification had no effect on previously reported comprehensive income, stockholders' equity or cash flows.

(r) **Disclosure of new standards in the period prior to their adoption**

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 ("IFRS 15").

IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue – Barter Transactions Involving Advertising Services".

The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers

Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: Recognise revenue when the entity satisfies a performance obligation over time or at a point in time.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after 1 January 2018. Early adoption is permitted. IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of comparative periods is required.

The Company is evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", ("the amendments") which require additional disclosures regarding financial liabilities. The amendments require disclosure of the changes between the opening balance and the closing balance of financial liabilities, including changes from cash flows, changes arising from obtaining or losing control of subsidiaries, the effect of changes in foreign exchange rates and changes in fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017. Comparative information for periods prior to the effective date of the amendments is not required. Early application is permitted.

The Company will include the necessary disclosures in the financial statements when applicable.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

2. SIGNIFICANT ACCOUNTING POLICIES continued

(r) Disclosure of new standards in the period prior to their adoption continued

According to the new Standard

Lessees are required to recognise an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognise interest and depreciation expenses separately.

Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use (such as a percentage of revenues) are recognised as an expense by the lessees as incurred and recognised as income by the lessors as earned.

In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently.

For leases existing at the date of transition, the new Standard permits lessees to use either a full retrospective approach or a modified retrospective approach, with certain transition relief whereby restatement of comparative data is not required.

The Company is evaluating the possible effects of the new Standard. At this stage, the Company is unable to quantify the impact on the financial statements.

3. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As of 31 December 2015 trade receivables are net of an allowance for doubtful accounts in the amount of $6 (2014: $13).

4. PROPERTY AND EQUIPMENT, NET

	31 December	
	2015 $'000	2014 $'000
Cost		
Office furniture and equipment	35	26
Computers and software	65	40
Leasehold improvements	82	65
	182	131
Accumulated depreciation		
Office furniture and equipment	8	1
Computers and software	33	15
Leasehold improvements	23	3
	64	19
Depreciated cost	118	112

US dollars in thousands, except share, per share data and dividend amounts

5. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	31 December	
	2015 $'000	2014 $'000
Accrued expenses	448	129
Israeli Tax Payable	100	820
Other governmental authorities	137	903
Deferred revenues	83	223
Employees and payroll accruals	342	329
	1,110	2,404

6. LOAN FROM RELATED PARTY

In May 2014 the Company borrowed approximately $50 from its shareholder. The loan was fully repaid in November 2014.

7. TAXES ON INCOME

(a) The Law for the Encouragement of Capital Investments, 1959

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 68)

In December 2010, the "Knesset" (Israeli Parliament) passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment"), which prescribes, among others, amendments in the Law for the Encouragement of Capital Investments, 1959 ("the Law"). The Amendment became effective as of 1 January 2011. According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income under its status as a preferred company with a preferred enterprise. Commencing from the 2011 tax year, the Company can elect (without possibility of reversal) to apply the Amendment in a certain tax year and from that year and thereafter, it will be subject to the amended tax rates.

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 71)

On 5 August 2013, the "Knesset" (Israeli Parliament) issued the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which consists of Amendment 71 to the Law for the Encouragement of Capital Investments ("the Amendment"). According to the Amendment, the tax rate on preferred income form a preferred enterprise in 2014 and thereafter will be 16% (in development area A – 9%).

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

In January 2014 the Company applied to the Israeli Tax Authorities for a "Preferred Enterprise" status under which the Company's revenues meet the definition of "Preferred Income" by the above law. In October 2014, the Company received final approval from the Israeli Tax Authorities. According to the approval, starting 2013, the Company's income derived from the right to use software, not including certain services as detailed in the approval, is deemed as "Preferred Income" under the Law for the Encouragement of Capital Investments, 1959. The approval is limited to the period between the tax years 2013 through 2017.

The tax benefits under "Preferred Enterprise" status are conditional upon the fulfillment of the conditions stipulated by the above law and the approval received by tax authorities.

(b) Tax rates applicable

Tax rates in Israel

The ordinary corporate tax rate in Israel was 26.5% in 2014 and 2015.

On 4 January 2016, subsequent to the statement of financial position date, the Israeli Parliament's Plenum approved by a second and third reading the Bill for Amending the Income Tax Ordinance (No. 217) (Reduction of Corporate Tax Rate), 2015, which includes a reduction of the corporate tax rate from 26.5% to 25%.

As there are no deferred tax balances as of 31 December 2015, the change in the tax rate will have no effect in the financial statements.

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

7. TAXES ON INCOME continued

(b) Tax rates applicable continued

Tax rates in the US

A company incorporated in the US – weighted tax at the rate of about 40% (Federal tax, State tax and City tax of the city where the company operates).

(c) Final tax assessments

The Company received final tax assessments until the year 2011.

(d) Taxes on income included in the consolidated statements of income

	Year ended 31 December	
	2015 $'000	2014 $'000
Current taxes	272	1,434
Deferred taxes[(1)]	409	(143)
	681	1,291

(1) As of 31 December 2015, the Company no longer considers it probable that taxable profits will be available against which the deductible temporary Israeli corporate tax differences can be utilised. Therefore, the Company has written-off the deferred tax benefit in the amount of $431.

(e) Deferred taxes

	Year ended 31 December	
	2015 $'000	2014 $'000
Deferred tax assets:		
Research and development expenses	–	181
Allowance for doubtful debts	–	2
Employee benefits	–	17
Total deferred tax assets	–	200

(f) Theoretical tax

	Year ended 31 December	
	2015 $'000	2014 $'000
(Loss)/income before taxes on income	(6,174)	4,665
Statutory tax rate	26.5%	26.5%
Tax computed at the statutory tax rate	(1,636)	1,236
Increase/(decrease) in taxes on income resulting from the following factors:		
Effect of "Preferred Enterprise" status	632	(707)
Effect of foreign exchange rate (NIS against the USD)	–	116
Effect of non-deductible expenses	1,284	620
Effect of temporary differences for which deferred taxes had not been recognised	431	–
Other	(30)	26
Taxes on income	681	1,291

US dollars in thousands, except share, per share data and dividend amounts

8. COMMITMENTS

Lease commitments

The Company leases office facilities under operating leases, which expire in 2017. Future minimum commitments under non-cancelable operating lease agreements as of 31 December 2015 are as follows:

2016	$206
2017	129
	$335

Rental expenses for the years ended 31 December 2015 and 2014 amounted to $198 and $58, respectively.

Legal commitments

From time to time, the Company is party to various legal proceedings incidental to its business. As of 31 December 2015 and 2014, the Company did not accrue any amount to cover probable losses from legal proceedings and threatened litigation. The Company's current position is that all allegations are groundless and the probability that any allegations brought against the Company will result in a material cost to the Company are extremely low.

9. EQUITY

(a) Composition of share capital

	31 December 2015		31 December 2014	
	Authorised	Issued and outstanding	Authorised	Issued and outstanding
	Number of shares		Number of shares	
Ordinary Share of NIS 0.01 par value	100,000,000	61,698,853	100,000,000	27,077,500

On 3 June 2015, the Board of Directors and the shareholders of the Company approved an increase in the authorised share capital of the Company of NIS 900,000, which shall be divided into 90,000,000 Ordinary Shares par value of NIS 0.01 each, such that following such increase, the Company's authorised share capital shall be NIS 1,000,000, divided into 100,000,000 Ordinary Shares.

On 3 June 2015, the Board of Directors approved issuing to each Ordinary shareholder 2,499 additional Ordinary shares (stock split), for each issued and outstanding Ordinary share held, so that following such issuance of the Ordinary Bonus Shares each shareholder will hold 2,500 Ordinary shares for each ordinary share held prior to the stock split.

All Ordinary shares and per share data included in these financial statements for all periods presented have been retroactively adjusted to reflect the increase in authorised share capital and the issuance of Bonus shares on 3 June 2015.

On 3 June 2015, the Board of Directors approved the issuance to the Chief Executive Officer ("CEO") of warrant to purchase 6,837,500 Ordinary shares of the Company at a price per share equal to the par value of the Ordinary shares. The warrant was exercised and all Ordinary Share underlying the warrant were issued on 9 June 2015, at the grant date.

The warrant was issued following the grant of option to certain employees of the Company (each an "Option Holder") approved by the Board in 2015 ("2015 Grant"), which grant was made based on the understanding by all relevant Option Holders that the above warrant would be issued to the CEO in his capacity as the sole shareholder of the Company to prevent an unintended dilution of his holdings in the Company as a result of the January 2015 Grant.

In June 2015 the Company completed an Initial Public Offering ("IPO") and was admitted to trading on AIM and issued 16,541,353 ordinary shares at a price of 1.33 GBP per share, for a total consideration of $34,017 before underwriting and issuance expenses. Total net proceeds from the issuance amounted to $30,326.

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

9. EQUITY continued

(b) Dividend distribution

On 2 June 2015, the Company paid a dividend in an amount of $2.1 million (approximately $0.063 per share). The dividend was distributed following a capital reduction approval from the Israeli court.

The Company paid dividend in an amount of $3.3 million (approximately $0.12 per share) during 2014.

(c) Share-based payments

In October 2013, the Board of Directors of the Company adopted the Company's 2013 Share Option Plan ("Plan"). The Plan provides for the grant of options to purchase Common shares of the Company to employees, officers, directors, consultants and advisors of the Company.

The share-based payments that the Company granted to its employees and non-employees are described below.

There have been no modifications to any of the options during 2014 and 2015, other than the acceleration mentioned below.

Option issued to employees

Options granted under the Plan expire 10 years from the vesting commencing date. The options generally vest over three years (1/3 at each year).

The following table lists the number of share options, the weighted average exercise prices of share options and movement in options during the year:

	Year ended 31 December			
	2015		2014	
	Number of options	Weighted average exercise price $'000	Number of options	Weighted average exercise price $'000
Outstanding at beginning of year	6,107,500	–[(1)]	–	–[(1)]
Granted	9,962,039	0.637	8,185,000	–[(1)]
Exercised	(11,242,500)	–[(1)]	(2,077,500)	–[(1)]
Forfeited	(290,591)	0.003	–	–[(1)]
Outstanding at end of year	4,536,448	1.399	6,107,500	–[(1)]
Exercisable at end of year	–	–	3,312,500	–[(1)]

(1) The exercise price of the options granted in 2014 was almost nil.

The Company estimates the fair value of stock options granted to its employees and non-employees using the Black-Scholes-Merton option-pricing model ("B&S"). The B&S requires a number of assumptions, of which the most significant estimated as follows:

- Volatility – as of grant dates the Company was not public nor the Company's ordinary shares had been publicly traded for long enough to accurately evaluate volatility, and therefore the volatility assumption is based on the volatilities of other publicly-traded companies that management considered as comparable to the Company.
- Expected option term – the expected term of the options represents the period of time that the options are expected to be outstanding.
- Risk-free interest – in 2014 the risk-free interest assumption is based on the USD sovereign curve with an equivalent term to the expected life of the option. In 2015 the risk-free interest rate assumption is based on the yield of GBP sovereign curve, this curve is comprised of British pound-denominated UK government debt with an equivalent term to the expected life of the option.

US dollars in thousands, except share, per share data and dividend amounts

The following table lists the inputs to the B&S model used for the fair value measurement of equity-settled share options for the above plan:

	April 2014	January 2015	June 2015(1)	June 2015(2)
Dividend yield (%)	–	1.09	1.09	1.09
Expected volatility of the share prices (%)	33%	32.63%	32.15%	32.15%
Risk-free interest rate (%)	0.53%-2.07%	0.69%-2.21%	0.68%-1.95%	1.35%
Expected life of share options (years)	0.75-3.75	0.4-3.1	0.16-3.16	6
Share price ($)	0.328	1.29	2.05	2.05
Exercise price ($)	–(3)	–(3)	–(3)	2.05

(1) Grant to employees

(2) Grant to management

(3) Represents an amount that approximately equals zero.

Out of the 4,536,448 options outstanding as of 31 December 2015, the exercise price of 3,220,799 options is $1.97 and the exercise price of 1,315,649 is almost nil.

The weighted average fair values of options granted for the years ended 31 December 2015 and 2014, were $0.89 and $0.32, respectively.

The weighted average remaining contractual life of the outstanding options as of 31 December 2015 is 9.46 years.

For the options exercised during 2015 and 2014, the weighted average market price of the Company's shares is $2.05 and $1.25, respectively.

During 2015, the Board of Directors approved the acceleration of vesting of 5,754,167 options granted to certain employees.

Options issued to non-employees

The Company's outstanding options to non-employees as of 31 December 2015 were as follows:

Issuance date	Options to purchase Ordinary shares	Exercise price per share	Options exercisable At end of year	Expire Date
11 June 2015	506,975	0.003	110,715	11 June 2025

The cost of share based payments recognised in profit or loss for services received from employees and consultants is shown in the following table:

	Year ended 31 December	
	2015 $'000	2014 $'000
Cost of revenues	41	–
Research and development	5,838	1,412
Selling and marketing	236	346
General and administrative	1,418	545
	7,533	2,303

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

10. REPORTABLE SEGMENTS

(a) Based on the management reporting system, the Company operates in a single operating segment as provider of on-line marketing services.

(b) As described in Note 2(m), the Company derives revenues from direct and indirect sales as follows:

	Year ended 31 December	
	2015 $'000	2014 $'000
In-direct	20,060	17,100
Direct	2,016	3,057
	22,076	20,157

(c) Revenues based on the location of customers, are as follows:

	Year ended 31 December	
	2015 $'000	2014 $'000
United States	16,259	13,373
Europe	3,746	4,837
Other	2,071	1,974
	22,076	20,157

(d) The Company's non-current assets are all located in Israel.

(e) In the fiscal year 2014, the Company's largest customer represented 47% of the Company's revenues and the second largest customer represented 12% of the Company's revenues. The Company's two leading customers are global advertising exchanges.

In the fiscal year 2015, the largest customer represented 41% of the Companies revenues, the second largest customer represented 16% of the Company's revenues and the third largest customer represented 11% of the Company's revenues. All three leading customers are global advertising exchanges.

11. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to market risk and credit risk. The Company's senior management oversees the management of these risks.

(a) ***Market risk***

Market risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. As of 31 December 2015 and 2014, the Company considers the exposure to market risk to be immaterial.

(b) ***Credit risk***

Credit risk is the risk that counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss to the Company. The Company is exposed to credit risk from its operating activity (primarily trade receivables) and from its financing activity, including deposits with banks and other financial institutions and foreign currency transactions.

US dollars in thousands, except share, per share data and dividend amounts

(i) *Trade receivables*

Customer credit risk is managed in the Company subject to the Company's policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit analysis and rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The Company's trade receivables are derived from sales to customers located in Europe and in the United States. The Company's performs ongoing credit evaluations for its customers and an impairment analysis is performed at each reporting date on an individual basis for the Company's customers. The maximum exposure to credit risk as of the reporting date is the carrying value of trade receivables (see Note 3).

The Company does not hold collateral as security for these receivables. The Company evaluates the concentration of risk with respect to trade receivables as low.

(ii) *Cash, cash equivalents and restricted deposits*

Credit risk from balances with banks and financial institutions is managed by the Company's management in accordance with the Company's policy. Cash, cash equivalents and restricted cash are deposited with major banks in Israel and in the US that are of high quality.

12. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF INCOME

		Year ended 31 December	
		2015 $'000	2014 $'000
(a)	**Cost of revenues**		
	Cost of media	15,202	10,528
	Salaries and benefits	133	105
	Cost of share-based payment	41	–
	Other	22	26
		15,398	10,659
(b)	**Research and development expenses**		
	Salaries and benefits	1,830	1,394
	Cost of share-based payment	5,838	1,412
	Subcontractors	346	63
	Other	315	66
		8,329	2,935
c)	**Selling and marketing expenses**		
	Salaries and benefits	580	595
	Cost of share-based payment	236	346
	Conferences and exhibitions	78	–
	Advertising and promotion	270	19
	Other	29	21
		1,193	981
(d)	**General and administrative expenses**		
	Salaries and benefits	433	290
	Cost of share-based payment	1,418	545
	Travel	69	64
	Public company costs	244	–
	Other	455	118
		2,619	1,017

FINANCIAL STATEMENTS continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

US dollars in thousands, except share, per share data and dividend amounts

13. COMPENSATION TO KEY MANAGEMENT PERSONNEL

	Year ended 31 December	
	2015 $'000	2014 $'000
Salaries	790	650
Bonus related to the IPO	795	138
Relocation Bonus	50	–
Post-employment benefits	250	18
Share-based compensation	6,217	870
	8,102	1,676

14. NET (LOSS)/EARNINGS PER SHARE

(a) **Basic net (loss)/earnings per share**

(i) ***Details of the (loss)/income used in the computation of basic and diluted net (loss)/earnings per share***

	Year ended 31 December	
	2015 $'000	2014 $'000
Net (loss)/earnings used in computation of basic and diluted net (loss)/earnings per share	(6,855)	3,374

(ii) ***Details of the number of shares used in the computation of basic and diluted net earnings/(loss) per share (2014: after adjustment for bonus shares – see Note 9(a))***

	Year ended 31 December	
	2015	2014
Denominator for basic net earnings per share	47,128,959	25,045,000
Effect of dilutive securities:		
Options	–	5,745,000
Weighted average number of ordinary shares used in the computation of diluted net earnings per share	47,128,959	30,790,000

(b) **Diluted net earnings per share**

In 2014, there were no options that were excluded from the calculation of diluted net earnings per share. In 2015, all outstanding options have been excluded from the calculation of the diluted net loss per share because they are anti-dilutive (decrease net loss per share).

COMPANY INFORMATION

Adgorithms' shares are traded on AIM, a market operated by the London Stock Exchange.

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