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Adgorithms Ltd. (the "**Company**") and each of its Directors, whose names, business address and functions appear on page 6 of this document, accept responsibility for the information contained in this document including collective and individual responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as set out in this document. This document has been prepared in connection with the proposed application for admission of the entire issued and to be issued share capital of the Company to trading on AIM, a market operated by the London Stock Exchange plc ("**AIM**"). This document is an AIM admission document drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, approved or filed with the Financial Conduct Authority ("**FCA**") in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

Application will be made for the whole of the ordinary share capital of the Company in issue and to be issued pursuant to the Placing, to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 11 June 2015.

The AIM Rules for Companies are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. No application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

The whole of this document should be read. An investment in the Company is speculative. The attention of persons receiving this document is drawn in particular to the section headed "Risk Factors" contained in Part 2 of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor the UK Listing Authority have examined or approved the contents of this document.

ADGORITHMS LTD.

(Incorporated and registered in Israel with company number 514497601)

PLACING

**of 20,300,751 Ordinary Shares at a price of 133p per Ordinary Share
and Admission to trading on AIM**

Nominated Adviser and Broker
Liberum Capital Limited

Ordinary Share Capital immediately following Admission

Ordinary Shares of NIS 0.01 each
Issued and fully paid

Number	Nominal Amount
61,698,853	NIS 616,988.53

Liberum, which is authorised and regulated in the United Kingdom by the FCA, is acting as Nominated Adviser and broker to the Company in connection with the Placing and Admission and is advising no one else in relation to the Placing and Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in relation to the Placing or Admission or otherwise. The responsibilities of Liberum, as Nominated Adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers, are owed solely to the London Stock Exchange and are not owed to the Company or any Director of the Company or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Liberum as to the contents of this document, or for the omission of any material information from this document. Liberum has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Liberum for the accuracy of any information or opinions contained in this document or for the omission of any information from this document.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders or Liberum. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this document or that the information contained in this document is correct as of any time subsequent to the date of this document.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of Berwin Leighton Paisner LLP at Adelaide House, London Bridge, London EC4R 9HA from the date of this document to the date one month from the date of Admission.

IMPORTANT INFORMATION

No legal, business, tax or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into the Prohibited Territories. The Ordinary Shares have not nor will they be registered under the United States Securities Act of 1933 (as amended) or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of the other Prohibited Territories and, unless an exemption under such Act or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within the Prohibited Territories for the account or benefit of any national, resident or citizen of the Prohibited Territories. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Restrictions on sales in the United States

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED ON OR ENDORSED THE MERITS OF THE OFFER OR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS ADMISSION DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive other than the United Kingdom (each, a “**Relevant Member State**”), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 150, or, if the Relevant Member State has not implemented the relevant provision of the Prospectus Directive, 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “**qualified investor**” within the meaning of the law of the Relevant Member state implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer to the public**” in relation to any offer of Ordinary Shares in any Relevant Member State means a communication in any form and by any

means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression the “**Prospectus Directive**” means Directive 2003/71/EC (as amended), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

Notice to prospective investors in the United Kingdom

This document is being distributed to, and is directed only at, persons in the United Kingdom who are “qualified investors” within the meaning of section 86 FSMA: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**FPO**”); and/or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the FPO; and (iii) other persons to whom it may otherwise be lawfully be distributed (each a “relevant person”). Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with such persons. Persons who are not relevant persons should not rely on or act upon this document.

Forward looking Statements

This document contains certain “forward looking statements”, including statements about current beliefs and expectations of the Directors. In particular, the words “expect”, “anticipate”, “estimate”, “may”, “should”, “plans”, “intends”, “will”, “believe” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward-looking statements are subject to, *inter alia*, the “Risk Factors” in Part 2 of this document and involve known and unknown risks and uncertainties and speak only as of the date they are made. These statements are based on the Board’s expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Company’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Investors are hereby cautioned that certain important factors could cause actual results, outcomes, performance or achievements of the Company or industry results to differ materially from those expressed or implied in forward looking statements. Such factors include, but are not limited to, those described in the Risk Factors section of this document.

Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Board’s expectations or to reflect events or circumstances after the date of this document.

Presentation of financial information etc.

The Company publishes its financial statements in US dollars. Throughout this document, unless otherwise indicated, the following exchange rate has been used:

GBP1.00: US\$1.5365 (as of close of business on 4 June 2015).

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as “EBITDA” have been included in the financial information contained in this document as the Directors believe that these provide important alternative measures with which to assess the Company’s performance. Investors should not consider EBITDA as an alternative to revenue and operating profit which are IFRS measures. Additionally, the Company’s calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

Website

The contents of the Company's website <http://adgorithms.com> do not form part of this document. Investors should base their decision on whether or not to invest in Ordinary Shares on the contents of this document alone.

Defined Terms

Certain terms used in this document are defined in the "Definitions" section of this document. Certain technical terms are defined in the "Glossary of Business Definitions" section of this document.

CONTENTS

IMPORTANT INFORMATION.....	2
DIRECTORS, SECRETARY AND ADVISERS	6
DEFINITIONS	7
GLOSSARY OF BUSINESS DEFINITIONS	11
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	12
PART 1 INFORMATION ON THE COMPANY	13
PART 2 RISK FACTORS	29
PART 3 FINANCIAL INFORMATION	44
PART 4 ADDITIONAL INFORMATION	67
PART 5 TERMS AND CONDITIONS OF THE PLACING.....	94

DIRECTORS, SECRETARY AND ADVISERS

Directors	Charles <u>John</u> Allwood (<i>Proposed Non-Executive Chairman</i>) Or Eliezer Shani (<i>Chief Executive Officer</i>) Ron Stern (<i>Chief Financial Officer</i>) Lisa Jane Gordon (<i>Proposed Non-Executive Director</i>)
Company Secretary	Ron Stern
Registered Office	20 Lincoln Street Tel Aviv 6713412 Israel
Nominated Adviser and Broker	Liberum Capital Limited Level 12, Ropemaker Place 25 Ropemaker Street London EC2Y 9LY United Kingdom
Legal Advisers to the Company as to English law	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA United Kingdom
Legal Advisers to the Company as to Israeli law	Hirsch-Falk & Co., Law Offices 7th Floor, The Rubinstein House 20 Lincoln Street Tel Aviv 6713412 Israel
Legal Advisers to the Nominated Adviser and Broker	Greenberg Traurig Maher LLP 7th Floor 200 Gray's Inn Road London WC1X 8HF United Kingdom
Reporting Accountant and Auditors	Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global 3 Aminadav Street Tel Aviv 6706703 Israel
Registrar	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson Guernsey GY2 4LH Channel Islands
Depositary	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Financial PR Consultants	Vigo Communications Limited One Berkeley Street Mayfair London W1J 8DJ
Company website	http://adgorithms.com

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	the admission of the Ordinary Shares, in issue and to be issued, to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company as at Admission, a summary of which is set out in paragraph 3 of Part 4 of this document
“Board”	all or any number of the Directors acting as the board of directors or a duly constituted committee thereof
“certificated” or “in certificated form”	the description of a share or other security that is not in uncertificated form (that is, not in CREST)
“CGT”	capital gains tax
“City Code”	the City Code on Takeovers and Mergers as amended from time to time
“Company” or “Adgorithms”	Adgorithms Ltd. (company number 514497601) of 20 Lincoln Street, Tel Aviv, 6713412, Israel
“Companies Law”	the Israeli Companies Law, 5759-1999
“Controlling Shareholder”	as defined in paragraph 4.2 of Part 4 of this document
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council in September 2014
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time)
“Deed Poll”	the deed poll executed by the Depositary in favour of the holders of the Depositary Interests from time to time
“Depositary”	Capita IRG Trustees Limited (company number 2729260) of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom
“Depositary Agreement”	the conditional agreement dated 3 June 2015 between (1) the Company and (2) the Depositary, further details of which are set out in paragraph 14(e) of Part 4 of this document
“Depositary Interests” or “Dis”	dematerialised interests representing underlying Ordinary Shares in the ratio of 1:1, that can be settled electronically through and held in CREST, as issued by the Depositary who holds the underlying securities on trust, further details of which are set out in paragraph 15 of Part 1 of this document
“Directors”	the directors and the proposed directors of the Company whose names are set out on page 6 of this document
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FCA pursuant to section 73A of FSMA
“EBITDA”	earnings before interest, tax, depreciation and amortisation

“Enlarged Share Capital”	the issued share capital of the Company immediately following the Placing and Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
“Existing Ordinary Shares”	the 45,157,500 Ordinary Shares in issue prior to the Placing
“External Director”	a director who complies with certain independence criteria prescribed by the Companies Law and is subject to certain duties and responsibilities prescribed by the Companies Law, details of which are set out in paragraph 17.4 of Part 1 of this document
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority of the United Kingdom
“FSMA”	The Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiaries from time to time
“HMRC”	Her Majesty’s Revenue and Customs (which shall include its predecessors, the Inland Revenue and HM Customs and Excise)
“IFRS”	International Financial Reporting Standards as endorsed by the European Union
“Independent Directors”	the directors of the Company who are free from any business or other relationship which could materially interfere with the exercise of their independent judgment (including an executive director of the Company if the majority of the Independent Directors who are non-executive directors of the Company consider such person to satisfy the criteria set out in this definition)
“Israeli Patents Law”	the Patents Law, 5727-1967
“Liberum”	Liberum Capital Limited, nominated adviser and broker to the Company
“Lock-up Deed”	the conditional agreement dated 5 June 2015 between (1) Liberum, (2) the Company, (3) each of the Directors, (4) the Trustee and (5) Tomer Naveh, Or Russo, Rafael Zoldan, Ofir Perry and Nir Huberman, further details of which are set out in paragraph 10.2 of Part 4 of this document
“London Stock Exchange”	London Stock Exchange plc
“Money Laundering Regulations”	the Money Laundering Regulations 2007
“New Ordinary Shares”	the 16,541,353 new Ordinary Shares to be issued by the Company pursuant to the Placing
“NIS”	New Israeli Shekels, the lawful currency of Israel
“Nominated Adviser and Broker Agreement”	the conditional agreement dated 5 June 2015 relating to the appointment of Liberum as nominated adviser and broker to the Company between (1) the Company and (2) Liberum, further details of which are set out in paragraph 14(c) of Part 4 of this document
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of NIS 0.01 each in the share capital of the Company
“Panel”	The Panel on Takeovers and Mergers
“Personal Interest”	has the meaning given to it in paragraph 4.9 of Part 4 of this document
“Placee”	a person subscribing for Placing Shares pursuant to the Placing at the Placing Price

“Placing”	the conditional placing by Liberum, on behalf of the Company, of the Placing Shares at the Placing Price pursuant to and on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agreement”	the conditional agreement dated 5 June 2015 relating to the Placing between (1) the Company, (2) the Directors, (3) the Selling Shareholders and (4) Liberum, further details of which are set out in paragraph 10.1 of Part 4 of this document
“Placing Price”	133p per Placing Share
“Placing Shares”	the New Ordinary Shares and the Sale Shares
“Prohibited Territories”	USA, Australia, Canada, Japan, the Republic of South Africa and their respective territories and possessions
“Prospectus Rules”	the rules made pursuant to section 73A of FSMA
“Registrar”	Capita Registrars (Guernsey) Limited (company number 38018) of Mont Crevelt House, Bulwer Avenue, St Sampson, Guernsey GY2 4LH, Channel Islands
“Registrar Agreement”	the conditional agreement dated 3 June 2015 between (1) the Company and (2) the Registrar, further details of which are set out in paragraph 14(d) of Part 4 of this document
“Relationship Agreement”	the conditional agreement dated 5 June 2015 between (1) the Company and (2) Or Shani, further details of which are set out in paragraph 14(b) of Part 4 of this document
“Sale Shares”	the 3,759,398 existing Ordinary Shares to be sold by the Selling Shareholders at the Placing Price pursuant to the Placing
“Securities Law”	the Israeli Securities Law, 5728-1968
“Selling Shareholders”	Or Shani, Tomer Naveh, Rafael Zoldan, Ofir Perry, Nir Huberman and Or Russo
“Share Option Plan”	the 2013 Israeli Option Plan adopted by the Company on 1 October 2013
“Shareholders”	holders of Ordinary Shares from time to time
“Trustee”	Meitav Dash Trusts Ltd. (company number 513901330) of 30 Sheshet HaYamim Street, Bnei Brak, Israel
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Companies Act”	the Companies Act 2006, as amended
“UK Listing Authority” or “UKLA”	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the UK CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
“US\$”	United States Dollars, the lawful currency of the United States
“VAT”	UK value added tax
“£” and “p”	respectively pounds and pence sterling, the lawful currency of the United Kingdom

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

GLOSSARY OF BUSINESS DEFINITIONS

“ad”, “advert” or “advertisement”	a form of marketing communication used to encourage or persuade an audience to take or continue to take some action
“advertising exchange”	a platform which supports the purchasing and sale of online media advertising space from multiple categories of advertisers
“advertising aggregators”	companies which have relationships with various advertisers, collect their ads and contract with traffic aggregators or supply side platforms to display those ads
“Albert”	the Company’s proprietary software platform, as more fully described in paragraph 4 of Part 1 of this document
“bot”	robots that create fraudulent websites and adverts
“CAGR”	compound annual growth rate
“CPA”	the fee payable by the Company’s clients for each specified consumer action resulting from a consumer clicking on their ad
“CPM”	a media term describing the cost of 1,000 impressions
“display advertising”	online advertising in text or image format
“feedback loop”	the process whereby historical data is harnessed to improve the effectiveness of Albert
“impression”	each time an online advertisement is displayed
“KPI”	a key performance indicator which can be used to measure the performance or results of an advertising campaign
“mobile advertising”	advertising in a variety of media via smart phones, tablets and similar such devices
“programmatic advertising”	the automation of buying and placing of media inventory
“ROI”	return on investment
“SaaS”	Software as a Service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“search advertising”	online advertising on webpages that show results from search engine queries
“social advertising”	online advertising in a variety of media on social networks
“video advertising”	online advertising in video format

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	5 June 2015
Admission effective and dealings commence in the Ordinary Shares on AIM	8.00 a.m. on 11 June 2015
CREST accounts credited in respect of Depository Interests (as applicable)	8.00 a.m. on 11 June 2015
Despatch of definitive share certificates (as applicable)	by 25 June 2015

Each of the times and dates in the above timetable is subject to change. All times are London times unless stated otherwise.

PLACING STATISTICS

Placing Price per Ordinary Share	133 pence
Number of Existing Ordinary Shares	45,157,500
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing	16,541,353
Number of Sale Shares being sold by the Selling Shareholders pursuant to the Placing	3,759,398
Total number of Placing Shares	20,300,751
Number of Ordinary Shares in issue at Admission	61,698,853
Percentage of the Enlarged Share Capital represented by the Placing Shares	32.9%
Gross proceeds of the Placing	£27.0 million
Estimated net proceeds of the Placing receivable by the Company	£19.6 million
Gross proceeds of the Placing receivable by the Selling Shareholders	£5.0 million
Market capitalisation of the Company at the Placing Price at Admission	£82.1 million
EPIC/TIDM	ADGO
ISIN	IL0011354904
SEDOL	BX7RHQ9

PART 1

INFORMATION ON THE COMPANY

1 INTRODUCTION

Adgorithms is a software company which operates in the high growth online advertising market. Over the past five years, Adgorithms has developed a proprietary, artificial intelligence based algorithmic technology, called Albert, which the Directors believe is one of the most efficient, cost effective and scalable software platforms in the online advertising market.

The market has experienced significant structural change in recent years. Traditionally, brands employed media agencies to create advertising campaigns and purchase advertising placement opportunities on publishers' websites. Agencies would liaise with publishers directly to acquire a predetermined amount of online placement opportunities or "inventory" for their clients.

Following the proliferation of the internet and the significant increase in online placement opportunities, online advertising exchanges were established to allow buyers and sellers of inventory to transact in volume in real time. The Directors estimate that up to 50 billion online advertising placement opportunities exist each day.

The key challenge facing brands and agencies is selecting the inventory that will deliver the best ROI for advertisers, given the quantum of advertising opportunities available.

The Company created an artificial intelligence based proprietary software solution to make the process more efficient for advertisers by maximising their ability to deliver an advertisement to the right user, at the right price and at the right time, delivering attractive ROIs. Furthermore, unlike labour-intensive campaign management, Albert can automate the management of hundreds of thousands of campaigns simultaneously, allowing the Company to significantly leverage its personnel and scale its business rapidly.

The Company has demonstrated Albert's potential value, as evidenced by sales of US\$20.2m and EBITDA of US\$6.9m* achieved in the year ended 31 December 2014. This represented substantial growth over the year ended 31 December 2013, where sales and EBITDA were US\$4.0m and US\$0.2m, respectively.

2 HISTORY AND BACKGROUND

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, Mr. Shani's vision was to develop an intelligent, software-based solution to make the process more efficient.

The Company employs software engineers and experts in the fields of artificial intelligence, data analysis, statistics, applied mathematics and behavioural sciences to develop its 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, the Company's CTO).

Following four and a half years of research, development and investment, the Company's 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 advertising in March 2014 and social and mobile advertising in early 2015.

As at the date of this document, Adgorithms had 45 employees, 23 of whom are focussed on research and development.

3 BUSINESS

3.1 Overview

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

* Adjusted for non-cash share based payments

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.

The Company has historically generated a large proportion of its revenue from the display and video advertising media segments and has recently expanded into mobile and social advertising. It intends to enter into search advertising later this year. It also operates across all sector verticals of the internet that it considers appropriate.

3.2 Key strengths of Albert

The Directors believe the Company's technology has the following strengths which differentiate it from other technology companies and position the Company to capitalise on the opportunities in the online advertising market.

Automation of campaign management

The Company is highly scalable given the ability of its software to significantly leverage personnel. The Directors believe that by using Albert, an employee can oversee up to 5,000 campaigns simultaneously, whereas a single employee in a traditional agency engaged in manual campaign management can manage only tens of campaigns simultaneously.

Self-learning

The accuracy of Albert improves with every online advertisement it delivers, as it incorporates new data whilst continuing to learn from previous data. This ability of Albert enables it to adapt to changes in the marketplace in order to capitalise on opportunities and to minimise purchasing of non-effective inventory, including fraudulent advertising activity.

Understanding of consumer behaviour patterns

Albert has powerful and actionable insights into consumer behavioural patterns and web properties that it can leverage, such that the Directors believe it is able to target the most relevant audience for a particular advertising campaign more effectively, and achieve KPIs set by brands quicker and more cost effectively, than its peers. Adgorithms offers clients targeted online advertising via demographic, geographic location, time of day and behavioural characteristics.

Cost of media

Albert is able to attribute an economic value to an online advertising opportunity on a granular level which, when appraised in the context of an advertising budget of a client, can maximise ROI and reduce client CPA. In the same way, Albert can also identify undervalued inventory available on advertising exchanges which it then acquires and aggregates for resale at its economic value, generating an immediate profit.

Fraud reduction

Fraud is a significant problem in the advertising industry and, according to the Interactive Advertising Bureau trade group, bot-generated traffic accounts for approximately 36 per cent. of web traffic. Using self-developed pattern recognition techniques, Albert is able to minimise fraudulent activity for the Company's clients.

Reaction to market change

As Albert is self-learning and recalibrates on a continuous basis, it is able to maintain its performance in fluctuating and volatile markets. The Directors believe that a large proportion of media buying on advertising exchanges is conducted manually and such campaigns are therefore less responsive to market changes.

3.3 Clients

The Company provides services both directly and indirectly to brands and media agencies.

Direct

Adgorithms works directly with companies who wish to advertise their goods and services, and also with media agencies working on their behalf to optimise advertising campaigns.

At the outset of an engagement, the Company is supplied with creative materials, such as a banner or video advertisement, a pre-defined KPI to launch an advertising campaign and an advertising budget. Examples of KPIs include a number of user click-throughs on a banner or a user watching a video advertisement for a specified period of time. The creative materials and KPIs are inputted into and processed by Albert, following which it bids for impressions in real time based on observed or predicted user intent. Albert will then optimise the performance of the campaign until the KPI is reached. Albert does this by using its own data and also proprietary data which its clients provide (including data in relation to which users have the highest value to the client), contributing to the feedback loop.

By using Albert to determine the right price to pay for a particular impression, the Company has a proven ability to maximise ROI from a client's advertising budget and reduce customer CPA. The automation of the campaign management by Albert also minimises the need for human intervention, creating efficiencies and reducing labour costs for the advertiser, and particularly for media agencies (which often manage many campaigns concurrently).

As at the date of this document, Adgorithms had 54 advertisers and agencies as clients, including Goodgame Studios and Altitude Digital.

Indirect

In addition to managing campaigns directly, Adgorithms also uses its software to acquire inventory from advertising exchanges which it believes to be under-priced relative to the economic value Albert prescribes to a particular impression. This inventory is then aggregated and sold, via the advertising exchanges, to advertisers or media agencies seeking advertising space.

The Directors believe that large global brands and media agencies have difficulty buying cost effective and high quality impressions in scale and they therefore value Adgorithms' ability to identify such impressions. Furthermore, it is recognised by brands that a large portion of impressions are ineffective or fraudulent. Since Albert has the ability to predict which impressions have a higher statistical likelihood of user engagement, the impression packages that it sells ordinarily command a higher than average price per impression.

During 2014, Adgorithms sold online advertising inventory of over US\$200,000 in aggregate to three leading global automotive companies and over US\$250,000 to one of the leading global food brands.

SaaS

In November 2014, the Company launched a beta version of an online self-service platform under a SaaS model that brands and agencies can license in order to manage campaigns online by themselves. It allows clients to run online advertising campaigns automatically, reducing the unnecessary complexity and cost associated with manual processes and multiple providers involved in advertising campaign management. It also enables brands to own all of the data generated during their campaign and gain specific insight into the effectiveness of their campaigns, enabling them to continually improve their marketing strategy.

It is intended that a portion of the net proceeds of the Placing will be used to fund the continued development of this platform. The Company's strategy is to target larger brands and agencies with its SaaS offering, whilst continuing to serve smaller clients in-house.

3.4 Revenue model

Adgorithms derives revenue from direct advertisers and agencies, as well as through indirect sales to some of the world's largest brands. Whilst the vast majority of the impressions Albert acquires for clients are through the exchanges via Albert, it can also liaise with publishers directly to acquire inventory off-exchange.

Direct

If the brand or agency is a first time customer of Adgorithms, the Company will typically receive a prepayment of the advertising campaign budget, which is recognised as revenue only after the campaign has been executed for the client.

The advertising campaign budget is deployed by Albert until the budget is expended. Adgorithms charges the client on a CPM basis according to impressions Albert purchases for a specific campaign and includes the Company's margin, which it sets at the outset of the campaign. The Company's revenue is not dependent on the performance of the campaign. However, the Company sees significant repeat business, which the Directors believe is a result of a successful campaign outcome for the brand or agency.

In the year ended 31 December 2014, approximately 25 per cent. of the Company's revenues were direct.

Indirect

Albert purchases impressions which it believes to be underpriced relative to its economic value. It does so on its own account, however it holds such impressions for less than a second, and its exposure is typically no greater than US\$1 in any given second. Once the impressions are sold on the exchange on a CPM basis, Adgorithms recognises the revenue and is paid by the advertising exchange (on behalf of the advertiser or media agency).

In the year ended 31 December 2014, approximately 75 per cent. of the Company's revenues were indirect.

SaaS

The intention of the Directors is that SaaS will become a material contributor to the Company's revenue in the future. The Company expects to charge a monthly license fee for the use of SaaS when it is deployed in late 2015.

As at the date of this document, the Company had generated only minimal SaaS revenues.

4 ALBERT

The Company's technology solution enables online advertisers to efficiently and effectively engage and convert customers. Its solution is comprised of the Adgorithms software, called Albert, data assets, the feedback loop and access to display, video, mobile and social advertising inventory through the online advertising exchanges.

4.1 Overview

On a daily basis, the Company is presented with billions of opportunities to deliver an advertisement to users when advertising impressions become available through the various advertising exchanges. For each impression that becomes available, the Company has real-time software systems that recommend an advertiser's specific creatives (e.g. banners or videos) based on a prediction of the likelihood of a user engaging with an advertisement. Albert is designed to determine the most appropriate advertisement to show to the user and determines what price to pay for the advertising impression. This entire process can be executed in under one second and can result in the delivery of up to 15 million advertisements per hour, which represents the scale and capacity of the Company's solution. The rate of delivery and the number of advertisements delivered can vary based on a number of potential factors, such as client demand, time of day and season. The results of the campaign, such as whether the user clicked on the advertisement or made a purchase, are fed back into Albert each time an advertisement is displayed in order to improve the accuracy of its predictions and recommendations.

The Company requires a direct client to place software code on its website to enable the Company to gather and import data regarding consumer behaviour, such as which products or services each visitor to the website has viewed. This allows Albert to track which of the website's users has met a pre-defined customer KPI. The Company also uses this data to improve the accuracy of its predictions and recommendations.

The core of the Company's solution involves:

- determining a user's engagement with display advertisements, which is a relatively rare event that requires a large sample size of relevant data to accurately predict;

- obtaining a large sample size of relevant data, which is difficult, in particular where the most relevant data points are also the most sparse e.g. very recent data on specific product interest; and
- building powerful, scalable and flexible systems that operate both accurately and quickly, between the time a user navigates to a page and an advertisement is delivered.

Albert is designed to continuously download data from advertising exchanges, analysing and storing it in its internal database. It then re-calibrates its prediction models so that the prediction and bidding are constantly up to date with new media sources available through the exchanges and with the ever-changing pricing and quality landscape of existing media. As those internal predictions are updated in Albert, they are propagated to the various exchanges so that customer's campaigns running in the exchanges can bid more aggressively for opportunities that are considered positive for that advertiser, and less aggressively or not at all for opportunities the software now considers less favourable.

To achieve those performance goals, Albert acquires hundreds of gigabytes of data daily, containing information on impressions, engagements and conversions, and performs tens of thousands of updates every hour. It collects and analyses information on millions of online websites and mobile applications that are available for it to advertise in, evaluating the performance of each of the campaigns it manages in those websites and based on that generates prediction for future performance of advertising campaigns in relevant media spots. Using this feedback loop, Albert is able to choose from the tens of billions of available opportunities daily, the hundreds of millions of impressions it predicts would be optimal for its customers.

4.2 Software

Albert's algorithmic software stack is composed of the following:

- Prediction algorithms: Algorithms that consider past performance of various media sources and opportunities and predict how aggressively Albert should bid for those opportunities to achieve optimal return on media cost for the advertiser.
- Recommendation algorithms: Algorithms and methods designed to recommend new media opportunities based on past performance of other media opportunities and characteristics of specific advertising campaigns.
- Systems and processes: software stack and operational computation environment that is built to communicate back and forth with advertising exchanges to download information and respond to it according to algorithmic decisions by the algorithmic stack. The operational environment is built on cloud computing infrastructure and designed so that it can scale seamlessly as the Company's business grows and computing resources requirements increase.

4.3 Intellectual property

The Company has taken a number of measures to protect its intellectual property including:

- filing two provisional patent applications with the United States Patent and Trademark Office for the Company's "Smart Campaign Management User Interface" and "Auto-Expanding Campaign Optimization System"; and
- documenting certain secret algorithms underlying its software and placing such information in a safe, using physical protection measures as well as contractual undertakings by a limited number of designated authorised employees who have been granted access to this information, to ensure confidentiality and limited access to the same.

5 MARKET OVERVIEW

According to ZenithOptimedia, the global advertising market will grow 4.9 per cent. in 2015 to reach US\$545 billion by the end of the year. Growth in 2016 and 2017 is expected to increase to 5.6 per cent. and 5.2 per cent., respectively, driven by stronger global economic conditions, spread of the mobile medium as an advertising channel and growing role of programmatic in the media buying process.

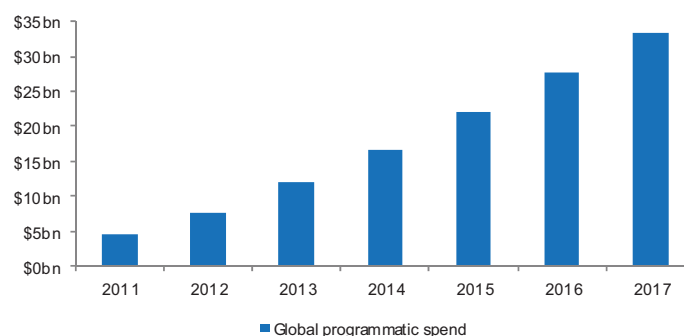
Increasing proliferation of the internet worldwide and, more recently, the mobile medium has resulted in online advertising expenditure being the fastest growing medium within the total global advertising space.

5.1 Programmatic

The digital media ecosystem, and the way that digital media inventory is bought and sold, is being revolutionised by programmatic buying. Capitalising on technology and the use of data and predictive analytics, programmatic applies a computer driven process to analyse consumer data, identify appropriate customers and deliver targeted advertisements. Key benefits associated with programmatic are reduced transaction costs (for both the advertiser and publisher), increased precision of consumer targeting, monetisation of a broader spectrum of digital media and leveraging consumer data to improve campaign efficiency.

Programmatic buying has been and is expected to continue to be a rapidly growing segment of global digital advertising spend, with Magna Global forecasting global programmatic spend to reach US\$33.3bn by 2017.

Global programmatic spend



Source: Magna Global

Programmatic has evolved from its initial stages of being a real-time bidding platform to incorporate private marketplaces, which give advertisers more transparency, both in terms of where their advertisement will appear as well as pricing. Currently, only companies with large digital marketing budgets are using programmatic buying. Small local companies have limited access as most existing technology caters to large-scale campaigns. However, as the programmatic ecosystem expands globally and technology providers roll out SaaS solutions to businesses, adoption of programmatic among smaller advertisers is expected to increase significantly.

5.2 Albert's positioning in the market

Within the programmatic section of the online advertising market, Albert is positioned at the most advanced end, where there are very few participants. Albert allows full automation of programmatic buying, differentiating it from competitors who engage in programmatic buying, due to its artificial intelligence based approach.

6 STRATEGY

As the online advertising market continues to trend toward programmatic buying and campaign management, the Company's goal is to become the leading automated platform through which brands and agencies optimise online advertising campaigns to deliver user engagement and conversion.

The Company's key strategic focus is to bring Albert to the mainstream of online advertising campaign management through both its in-house and SaaS offerings.

The Directors believe that the Company should continue to build its direct client network, which represents the highest quality of earnings. As businesses recognise Albert's ability to maximise returns from advertising campaigns, the Directors expect that the Company will continue to acquire new direct clients, existing direct clients will increase their advertising spend with the Company and indirect clients will be converted to direct clients. By managing

more campaigns, Albert will continue to learn from the data it processes, further improving its performance and marketability. The Directors believe this is a virtuous circle and will fuel the Company's growth.

The Directors believe that mainstream adoption of the technology will be accelerated following successful acquisitions by the Company and management of larger online advertising budgets by Albert.

Adgorithms has two key strategies to grow its direct client network:

US & European Sales Offices

The Company intends to open an office in New York followed by offices in San Francisco and London and recruit a sales team to drive account wins with direct clients, including brands and media agencies.

In the year ended 31 December 2014, approximately 61 per cent. of the Company's revenues were generated from the US, however this was mainly from indirect clients. The Directors believe that through a combination of a local presence in its core geography, a larger sales force and an increased profile from Admission, the Company will be well-positioned to grow its direct client base.

M&A

Given the scale of the opportunity available to the Company, the Directors believe the Company can accelerate direct sales penetration via acquisitions, in order to capitalise on the rapidly developing online advertising market and build market share.

The Company aims to acquire online advertising-related companies with a large direct client base and strong sales teams. Following the integration of Albert into these companies, management expects to reduce the cost of media and account management headcount, thereby improving margins and profitability. Furthermore, by using Albert to run the advertising programmes of their client base, the Director's believe Adgorithms can influence the success and outcome of these campaigns. Over time this is expected to further enhance profitability.

Adgorithms intends to make selective acquisitions in the near term, funded by a portion of the proceeds of the Placing and the Company's existing cash flow.

7 COMPETITION

The market for digital advertising is rapidly evolving, highly complex, competitive and fragmented. The Directors believe that currently the vast majority of the online advertising industry uses manual processes whereby campaigns are run by human campaign managers, while a small subset of the industry uses rule-based software, which assists human campaign managers in wide scale purchases of online media and simple decision support. In contrast, the Directors believe that only a very small number of companies have developed self-learning technology designed to continuously update to deliver improved advertising campaigns, like Adgorithms.

The main source of competition are established technology companies with proprietary technology, data analytics experience, established client networks and significant investment in R&D. Within this space, the key competitors are:

- Criteo S.A. (NASDAQ: CRTO): global technology company using proprietary predictive software algorithms, focussed on the retargeting space, i.e. advertising to consumers who have previously visited the advertiser's website. The company listed on NASDAQ in October 2013.
- Rocket Fuel Inc. (NASDAQ: FUEL): programmatic media-buying platform which utilises artificial intelligence to improve ROI for digital marketing campaigns. The company listed on NASDAQ in September 2013.
- TubeMogul Inc. (NASDAQ: TUBE): programmatic software platform which leverages real time bidding technology to advertise online video across multiple devices. The company listed on NASDAQ in July 2014.

8 CURRENT TRADING AND PROSPECTS

Since 31 December 2014, the Company's trading has experienced strong year on year growth, in line with expectations.

The Company has also commenced revenue generation from the mobile and social advertising segments of the market, which represent new business units of the Company.

The Company's revenues experience seasonality, customary to the online advertising industry, whereby those in the last quarter of the year tends to be the strongest quarter, driven by the holiday and shopping season in the US and Europe, as well as the tendency for brands to spend the remainder of their advertising budget prior to year end.

9 SUMMARY FINANCIAL INFORMATION

The following information has been extracted without material adjustment from the audited financial information on the Company contained in Part 3 of this document. Prospective investors should read the whole of this document and should not rely solely on this summary.

	Year ended 31 December 2012 US\$'000	Year ended 31 December 2013 US\$'000	Year ended 31 December 2014 US\$'000
Revenue	2,021	3,989	20,157
Cost of sales	1,357	2,886	10,659
Gross profit	664	1,103	9,498
EBITDA	287	171	6,882*
Net income	181	89	5,677*

* Adjusted for non-cash share based payments.

10 DIRECTORS AND SENIOR MANAGEMENT

10.1 Directors

John Allwood, Proposed Independent Non-Executive Chairman (aged 63)

Mr. Allwood is a non-executive director of TalkTalk Telecom Group plc and IMLmobile 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. He is a governor of Exeter University.

Or Shani, Chief Executive Officer (aged 34)

Mr. Shani founded Adgorithms in 2010. Mr. Shani 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, Mr. Shani worked at Mansion Group, an online gaming operator, in a Media Buying capacity. Mr. Shani also served as an officer in the Israeli Air-Force for 8 years.

Ron Stern, Chief Financial Officer (aged 42)

Mr. Stern has twelve 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, Mr. Stern 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 U.S. technology company, where he led a successful turnaround of the business. Prior to Shamrock, he 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. Mr. Stern is a graduate of the Hebrew University of Jerusalem and Columbia Business School, where he attained his MBA in Finance and Entrepreneurship.

Lisa Gordon, Proposed Independent Non-Executive Director (aged 48)

Ms. Gordon brings over 25 years of industry experience to Adgorithms. She is currently Corporate Development Director at Local World, a large media network focussed on regional news via online and print titles in the UK. She previously served on the board of Chrysalis Group plc, and at the time was the youngest female director of a listed UK company, as Corporate Development Director and latterly CEO of Chrysalis New Media. Ms. Gordon 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.

10.2 Senior Management

Or Russo, Chief Operating Officer and Head of Data Research (aged 36)

Mr. Russo joined Adgorithms in 2012. Mr. Russo has experience in organisational management and data research. He was previously an officer in the Israeli Air Force. He also served in the Air Force's strategic planning branch, in which he deployed the use of data research in order to plan for the future and solve complex problems. Mr. Russo's expertise is the ability to combine between the analytic field of data research and operational side of business execution.

Tomer Naveh, Chief Technology Officer (aged 39)

Mr. Naveh has 22 years of experience in software development, including 15 years in consulting and executive management. Prior to Adgorithms, he served as the Head of Innovation at SundaySky, an Israeli company providing automatically generated videos for online businesses and retailers, where he established the company's online advertising offering used by brands such as Office Depot and Lenovo. Previously, Mr. Naveh was co-Founder and CEO of Glydo, a startup in the online content recommendations space. He was also Vice President of R&D at Onset Technology and MessageVine, and co-owner of Zoop software solutions. Previously, he was a member of the Israeli Army Elite Cyber Intelligence Unit. He is an MBA graduate from Indiana University and additionally holds an MSc in Computer Science (Cum Laude) from the Hebrew University of Jerusalem, and a BSc in Mathematics (Cum Laude) and Computer Science (Summa Cum Laude) from Tel-Aviv University.

11 DETAILS OF THE PLACING

The Placing comprises the placing by Liberum, as agent for the Company and the Selling Shareholders, of 20,300,751 Placing Shares with institutional and other investors. The Placing will raise approximately £19.6 million net of expenses for the Company. The Placing Shares will represent approximately 32.9 per cent. of the Enlarged Share Capital. On Admission, the Company will have a market capitalisation of approximately £82.1 million.

Liberum has entered into the Placing Agreement with the Company, the Directors and the Selling Shareholders. Under the Placing Agreement, Liberum has agreed to use its reasonable endeavours to procure subscribers or purchasers for the Placing Shares at the Placing Price. The Placing is not being underwritten.

The Placing is conditional, *inter alia*, on Admission taking place not later than 11 June 2015 (or such later date as the Company and Liberum may agree, but in any event not later than 30 June 2015) and on the Placing Agreement becoming unconditional and not being terminated prior to Admission.

The New Ordinary Shares will be issued fully paid and will, on issue, rank *pari passu* with all other issued Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of Admission.

Further details of the Placing Agreement are set out in paragraph 10.1 of Part 4 of this document.

12 REASONS FOR ADMISSION AND USE OF PROCEEDS

The Company is seeking admission of the Enlarged Share Capital to trading on AIM as part of its plan to become a leading technology provider for the online advertising sector. The Directors believe that the exposure and governance gained by being a publicly traded company will assist the Company in building trust-based relationships with key global brands. In addition, a public market in the Ordinary Shares will improve access to capital and will provide the Company with the ability to incentivise its employees through the Share Option Plan which will assist the Company in continuing to attract, retain and motivate high calibre employees.

The net proceeds of the Placing received by the Company are expected to be approximately £19.6 million and are intended to be used by the Company for the following purposes:

- £4 million to invest in continued research and development of Albert, including development of the SaaS platform.
- £6 million to open offices in New York, San Francisco and London and to recruit a sales team to drive account wins with direct clients, including brands and media agencies promoting both SaaS and managed service revenue models.

The Directors currently anticipate that the balance of the net proceeds received by the Company will be used to make selective acquisitions in the near term. The consideration for these acquisitions may also be supplemented by other sources including the Company's existing cash flow.

13 LOCK-UP AND ORDERLY MARKET ARRANGEMENTS

Pursuant to the terms of the Lock-up Deed each of the Directors, the Trustee, Tomer Naveh, Or Russo, Rafael Zoldan, Ofir Perry and Nir Huberman has undertaken to Liberum and the Company that (i) save in certain limited circumstances, they will not dispose of any interest in their Ordinary Shares and/or Depositary Interests for a period of six months from Admission and (ii) for a further 12 months thereafter they will deal in their Ordinary Shares and/or Depositary Interests only with the prior written consent of Liberum and through Liberum or the Company's broker from time to time.

Further details of these arrangements are set out in paragraph 10.2 of Part 4 of this document.

14 RELATIONSHIP AGREEMENT

As at the date of this document, Or Shani holds 70.5 per cent. of the issued Ordinary Shares of the Company. Immediately following Admission, Mr. Shani will hold approximately 47.3 per cent. of the Enlarged Share Capital.

The Company has entered into a relationship agreement with Mr. Shani. The Relationship Agreement governs the relationship between the Company and Mr. Shani to ensure that the Group is able to carry on its business independently. Mr. Shani has agreed, amongst other things, that he will exercise his votes, and procure that his associates shall exercise their votes, to procure that all transactions, agreements and arrangements between him or his associates and the Group shall be on an arm's length basis and normal commercial terms. Mr. Shani has further agreed that (i) except in certain limited circumstances, he shall not propose or vote in favour of a Shareholders' resolution which is intended to effect any cessation of trading of the Company's shares on AIM unless a majority of the Independent Directors have voted in favour of such proposal and (ii) he shall not exercise his voting rights to vary the Articles contrary to the Company's ability to carry on its business independently or be inconsistent with, undermine or breach the AIM Rules for Companies.

Further details of the Relationship Agreement are set out in paragraph 14(b) of Part 4 of this document.

15 ADMISSION, SETTLEMENT, CREST AND DEPOSITARY INTERESTS

Application will be made to the London Stock Exchange for all the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 11 June 2015.

The requirements of the AIM Rules for Companies provide that the Company must, upon Admission becoming effective, have a facility for the electronic settlement of the Ordinary Shares. The shares of companies incorporated in England (and the shares of companies incorporated in certain other jurisdictions) which are quoted on AIM are settled through CREST, which is an electronic paperless share transfer and settlement system. The CREST system allows shares and other securities (including Depositary Interests) to be held in electronic rather than paper form. However, with limited exceptions, only shares and other securities which are constituted under English law can be settled through the CREST system, regardless of the fact that they may be admitted to trading on AIM. As the Company is incorporated in Israel its Ordinary Shares are not eligible to be held through CREST and, accordingly, the Company has established, via the Depositary, a depositary interest programme.

The Depositary Interests representing the Ordinary Shares will be issued to individual Shareholders' CREST accounts on a one for one basis and with the Depositary providing the necessary custodial service. The Depositary Interests are themselves independent securities constituted under English law and can be traded and settled within the CREST system in the same way as any other CREST security. The Shareholders have the choice of whether to hold their Ordinary Shares in certificated form or in uncertificated form in the form of Depositary Interests. The Depositary Interests will be issued pursuant to the terms of the Deed Poll.

The Company's share register, which will be kept by the Registrar, will show the Depositary or its nominated custodian as the holder of the Ordinary Shares represented by Depositary Interests but the beneficial interest will remain with the Shareholders who will continue to receive all the rights attaching to the Ordinary Shares as they would have if they had themselves been entered on the Company's share register. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form, they will have their CREST accounts credited with Depositary Interests on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 10 Business Days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Placing Shares (other than in respect of those Placing Shares settled via Depositary Interests through CREST), transfers will be certified against the Company's share register.

The ISIN number of the Ordinary Shares is IL0011354904. The TIDM is ADGO.

16 DIVIDEND POLICY

Following the capital distribution of US\$2.1 million disclosed in note 15 of the financial information in Part 3 of this document, the Company intends to adopt a dividend policy to reflect the expectation of future cash flow generation and the long term earnings potential of the Company. The Company currently intends to pay not less than 50 per cent. of retained profits in each financial year as dividends to Shareholders.

17 CORPORATE GOVERNANCE AND BOARD PRACTICES

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. Upon Admission, the Board will consist of four directors, two of whom will be non-executive Directors. In accordance with Israeli Companies Law, the Company will be required to appoint at least two External Directors within three months of Admission. The Company will be required to hold a general meeting to approve the appointment of such External Directors.

Following Admission, the Board will meet at least eight times a year to review, formulate and approve the Company's strategy, budget, corporate actions and major items of capital expenditure. The Board has established an audit committee, a remuneration committee and a nomination 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.

17.1 Audit Committee

On Admission, the audit committee will comprise John Allwood and Lisa Gordon and will be chaired by John Allwood. Within three months from the date of Admission, following the election of the External Directors by Shareholders (as set out in paragraph 17.4 below), the composition of the audit committee will change and will be comprised of at least three members whereupon the committee will be considered as an audit committee for the purposes of the Companies Law. All External Directors must be members of the audit committee. The Controlling Shareholder or a relative thereof, the Chairman of the Board or a director who is engaged by the Company as an employee or a service provider may not serve as a member of the audit committee. The audit committee will have the 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 will, *inter alia*, determine and examine 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 will receive and review 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 will have unrestricted access to the Company's external auditors.

17.2 Remuneration Committee

On Admission, the remuneration committee will comprise Lisa Gordon and John Allwood and will be chaired by Lisa Gordon. Within three months from the date of Admission, following the election of the External Directors by Shareholders (as set out in paragraph 17.4 below), the composition of the remuneration committee will change and will be comprised of at least three members whereupon the committee will be considered as a remuneration committee for the purposes of the Companies Law. All External Directors must be members of the remuneration committee and will constitute a majority thereof. The Controlling Shareholder or a relative thereof, the Chairman of the Board or a director who is engaged by the Company as an employee or a service provider may not serve as members of the remuneration committee. The remuneration committee will review the performance of the executive Directors and make 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 will also make 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.

17.3 Nomination Committee

On Admission, the nomination committee will comprise Lisa Gordon and John Allwood and will be chaired by Lisa Gordon. The nomination committee will have responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The nomination committee will also have responsibility for recommending new appointments to the Board and to the other Board committees. It will be responsible for identifying suitable candidates for board membership and will monitor the performance and suitability of the current Board on an on-going basis.

17.4 Israeli Law Requirements

17.4.1 In accordance with the Companies Law, the Company will be required to have at least two External Directors within three months of Admission. The External Directors must meet certain statutory requirements of independence.

- 17.4.2 The term of office of an External Director is three years, which can be extended for two additional three year terms. Under the Companies Law, External Directors are elected by shareholders and approval of the initial election of an External Director must satisfy either of the following tests:
- (a) The shares voted in favour of the election must include a majority of the shares voted by shareholders other than Controlling Shareholders or shareholders who have a Personal Interest in the election of the External Director (excluding a Personal Interest that is not related to a relationship with Controlling Shareholders), in counting the total votes of such shareholders, abstentions shall not be taken into account.
 - (b) The total number of shares held by non-Controlling Shareholders and shareholders without a Personal Interest in the election of the External Director (excluding a Personal Interest that is not related to a relationship with the Controlling Shareholders) that voted against the election of the External Director must not exceed two per cent. of the aggregate voting rights of the Company.
- 17.4.3 An External Director may be elected for an additional term by one of the following procedures:
- (a) A Shareholder holding at least one per cent. of the aggregate voting rights of the Company proposed his nomination for an additional term, the nomination has been approved by the Shareholders by a majority vote and all of the following conditions have been complied with:
 - (i) the shares voted in favour of the election must include at least a majority of the shares voted by shareholders other than Controlling Shareholders or shareholders who have a Personal Interest in the election of the External Director (excluding a Personal Interest that is not related to a relationship with Controlling Shareholders) as well as abstentions;
 - (ii) the total number of shares held by non-Controlling Shareholders and shareholders without a Personal Interest in the election of the External Director (excluding a Personal Interest that is not related to a relationship with the Controlling Shareholders) must exceed two percent of the aggregate voting rights of the Company; and
 - (iii) the External Director to be appointed for an additional term is not a related or competing shareholder or a relative of such a person at the time of nomination, and is not affiliated to a “related or competing shareholder” at the time of nomination, or in the preceding two year period.

A “related or competing shareholder” means a shareholder that proposed the nomination or a material shareholder, provided such shareholder or a Controlling Shareholder thereof or a company controlled by such shareholder or the Controlling Shareholder thereof, maintains business relations with the Company or are competitors of the Company.
 - (b) The Board of Directors proposed the nomination of the External Director for an additional term, and the nomination was approved in accordance with the procedure set out in sub paragraph (a) above.
 - (c) The External Director to be appointed for an additional term proposed his own nomination for an additional term, and the nomination was approved in accordance with the procedure set out in sub paragraph (a) above.
- 17.4.4 Subject to the provisions of the Companies Law, an External Director can only be removed from office (without consent) in one or more of the following circumstances:
- (a) by a competent court which, upon the application of either the Company, a director, a shareholder or a creditor of the Company, orders termination of the office of that director because it has determined either that: (a) he/she is

permanently unable to fulfil his functions or (b) during his/her appointment he/she has been found guilty in a court outside of Israel of bribery, deceit, an offence of a manager of a corporate body or an offence involving the misuse of inside information;

- (b) by a competent court which, upon the application of a director or shareholder of the Company, orders the termination of the office of that director because it has determined that he/she has ceased to fulfil one of the conditions required under the Companies Law for his/her appointment as an External Director or that he/she has breached his fiduciary duty to the Company; and
- (c) by a shareholders' resolution passed by the same majority required for the appointment of an External Director provided that the Board has determined that either (a) he/she no longer complies with the conditions set out by the Companies Law for the appointment of such a director or (b) he/she has breached his fiduciary duty to the Company.

- 17.4.5 Any committee of the Board must include at least one External Director and the Audit Committee and Remuneration Committee must each include all of the External Directors (including one External Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit Committee and Remuneration Committee must comply with the director independence requirements prescribed by the Companies Law.
- 17.4.6 At least one of the External Directors must have "accounting and financial expertise" and any other External Director must have "accounting and financial expertise" or "professional qualification", as such terms are defined by regulations promulgated under the Companies Law.
- 17.4.7 The Audit Committee and the Remuneration Committee may not include the chairman of the Board, or any director employed by the Company, by a Controlling Shareholder or by any entity controlled by a Controlling Shareholder, or any Director providing services to the Company to a Controlling Shareholder or to any entity controlled by a Controlling Shareholder on a regular basis, or any Director whose income is primarily dependent on a Controlling Shareholder, and may not include a Controlling Shareholder or any relatives of a Controlling Shareholder.
- 17.4.8 Individuals who are not permitted to be Audit Committee or Remuneration Committee members may not participate in the meeting of the committees other than to present a particular issue if invited to do so. However, an employee who is not a Controlling Shareholder or relative may participate in the Committee's discussions if invited to do so but not in any vote, and the Company's legal counsel and secretary may participate in the Committee's discussions if invited to do so.

18 THE CITY CODE

The Company is incorporated in Israel and, as such, the City Code does not apply. However, the Company has incorporated certain provisions in its Articles which seek to provide Shareholders with certain protections otherwise afforded by the City Code. These include provisions similar to Rule 9 of the City Code which requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, Rule 9 of the City Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person. These provisions, like others contained in the Articles, are enforceable by the Company (acting through the Independent Directors) against Shareholders. However, the Company would need to take any action to enforce such provisions in the

courts of Israel without any guarantee that any such action would be successful or any certainty as to what the costs of doing so would be. Further details of the relevant provisions of the Company's Articles are set out in paragraph 3.19 of Part 4 of this document.

Immediately following Admission, Or Shani will be interested in, in aggregate, 29,177,431 issued Ordinary Shares, representing approximately 47.3 per cent. of the Enlarged Share Capital. In addition, Mr Shani will have options under the Share Option Plan to acquire, in aggregate, 2,012,999 new Ordinary Shares which, if exercised in full would result in Mr Shani holding, in aggregate, 31,190,430 Ordinary Shares representing approximately 49.0 per cent. of the issued share capital following the exercise of those options (assuming that there are no other changes to the Company's issued share capital prior to such exercise). As these options were approved prior to Admission, the Board has resolved (with Mr. Shani abstaining from all relevant discussions and the vote on the matter) that any exercise of these options will not result in Mr Shani incurring an obligation to make an offer pursuant to the Articles.

In addition, the Company will be subject to Israeli corporate law which regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving directors, officers or significant shareholders of the Company, and regulates other matters that may be relevant to these types of transactions. Further information on the equivalent applicable law can be found in paragraph 11 of Part 4 of this document.

19 SHARE DEALING CODE

The Company has adopted, with effect from Admission, a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to the restrictions on dealings during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

20 SHARE INCENTIVE ARRANGEMENTS

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. As at Admission, options over a total of 5,334,013 Ordinary Shares will be outstanding under the Share Option Plan representing approximately 8.6 per cent. of the Enlarged Share Capital. The Board intends to take on a financial controller following Admission and to grant options over a further 67,100 Ordinary Shares to such person.

A summary of the terms of the Share Option Plan and further details of the options granted by the Company are set out in paragraphs 5 and 6.3 of Part 4 of this document.

21 TAXATION

General information relating to UK and Israeli taxation is set out in paragraph 13 of Part 4 of this document. If you are in any doubt as to your tax position, you should contact your own independent professional adviser.

22 SHAREHOLDER NOTIFICATION AND DISCLOSURE REQUIREMENTS

Shareholders are obliged to comply with the shareholding notification and disclosure requirements set out in the Articles. A summary of the notification requirements under the Articles is set out in paragraph 3.18 of Part 4 of this document.

23 RISK FACTORS

Shareholders and other prospective investors in the Company should be aware that an investment in the Company involves a high degree of risk. Attention is drawn to the risk factors set out in Part 2 of this document.

24 FURTHER INFORMATION

Prospective investors should read the whole of this document and not just rely on the information contained in this Part 1. Your attention is drawn to the information set out in Parts 2 to 4 of this document which contain further information on the Group.

PART 2

RISK FACTORS

An investment in the Company involves significant risks and is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the entire amount invested) which may result from such an investment. Prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If in any doubt prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Company's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company.

Prospective investors should be aware that the value of the Ordinary Shares and the income from them may go down as well as up and that they may not be able to realise their initial investment. In addition, it is possible that the market price of Ordinary Shares in the Company may be less than the underlying net asset value per Ordinary Share.

There can be no guarantee that the Company's business objectives will be achieved.

RISKS RELATED TO THE INDUSTRY AND MARKET WHERE THE COMPANY OPERATES

Technological change in the digital advertising industry

The Company expects that new services and technologies applicable to the digital advertising industry will continue to emerge and develop, and it is possible that these new services and technologies may be superior to, or render obsolete or unmarketable, the technologies that the Company currently uses or the services it currently offers.

By example, more users are utilising devices other than personal computers to access the internet and new platforms to produce and consume content. The digital advertising market is changing as a result of this, and with mobile advertising expected to grow, the Company will need to continue to develop its mobile business.

The Company's future success will depend, in part, on its ability to develop and adapt to these technological changes and evolving industry trends. If the Company is not able to keep pace with the technological developments in its industry, the use and competitiveness of the Company's offering could decline, which would reduce the Company's revenues and income.

Any downturn in the global economy may affect the growth of the digital advertising industry or result in reductions in digital marketing expenditure

If economic conditions were to deteriorate the Company's existing and potential clients may elect to decrease their marketing expenditure. Historically, economic downturns have resulted in overall reductions in marketing and advertising budgets. The Company's revenue growth and continued profitability is linked to such digital marketing expenditure, particularly in the performance-based advertising sector. The Company's operating results may vary based on changes in the market for digital advertising generally, and performance-based advertising specifically, as well as changes in the global economy. The Company believes that its technology based business model is more resilient than the traditional advertising model in periods of economic downturn. Nevertheless, to the extent that weak economic conditions cause the Company's existing and potential clients to freeze or reduce their digital marketing expenditure, demand for the Company's services may be negatively affected, which in turn could have a material adverse effect on the Company's business operations, financial position, competitive position and prospects.

The Company faces strong competitors and a rapidly evolving market

The Company operates in a field characterised by substantial competition. The Directors believe the Company's software has a technological edge arising from years of research and practical experience, however, competitors may develop solutions that are on par with, or more effective than, the Company's services.

If the Company does not compete effectively, the demand for its products and services may decline. The Company's competitors may respond to new or emerging technologies and changes in the requirements of the Company's clients faster and more effectively than the Company. These competitors may offer their products and services at a discount in order to gain market share and the Company may be forced to lower prices in response, thereby reducing the Company's profits and revenues.

Competition could lead to the attrition of existing customers, a downturn in the acquisition rate of new customers and a loss of income, potentially having an adverse effect on the Company's business results and growth.

Decreasing profit margins due to competition

The Directors believe that an increasing interest in machine learning systems, and any other technological progresses, will lead to an increase in demand for their services, which will eventually lead to an increase in competition. Competition might lead to profit margin pressure, both on managed campaign activity or software as a service (SaaS) offerings.

New players may enter the market thereby increasing competition. High-tech giants, such as Google or Facebook, digital marketing companies such as Rocket Fuel or Zanox, and large media agencies such as WPP or Omnicom, may also attempt to penetrate the market using their large personnel and financial resources.

Increasing research and development spend may impact profitability

In order to remain competitive, the Company must continually update its products and services. The process of updating products and services could result in increased costs and the Company's investment in such products and services may therefore affect its profitability.

In addition, it is necessary for the Company to continually invest in test campaigns which are designed to provide real life experience and learnings to Albert. The test campaigns often result in a loss or reduced profit per impression purchased during a test. In a period where the Company launches multiple new activities the cost and impact of test campaigns on the profitability of the Company could be significant.

New products and services may not perform as expected

The Company intends to expand its activities beyond its core offering of Display & Video and into mobile, Social, Search and SaaS. The Company may fail to successfully implement such products and services, which could negatively impact upon revenues and cause the Company's business to suffer.

There is no guarantee that new products and services will perform as intended or that they will be accepted by the Company's clients. Costs spent on developing such products and services may not be recouped.

All of the above possibilities could result in downward profit margin pressure for the Company.

Regulatory, legislative or self-regulatory developments regarding internet privacy matters could adversely affect the Company's ability to conduct its business

Privacy

International regulatory bodies are increasingly focused on online privacy issues and, in particular, on online advertising activities that use cookies and other online tools to track users. Certain internet browsers, such as Safari, automatically block cookies, and users are also able to adjust their internet browser settings to block or delete cookies. In addition, many jurisdictions have also begun to implement legislation requiring advertisers and digital media sources to allow users to set their cookie preferences independently of such settings. For example, EU Directive 2009/136/EC (the "**e-Privacy Directive**") requires Member States to implement legislation and regulations requiring advertisers and digital media sources to provide specific types of notice and obtain

consent from consumers before using cookies or other technologies to track consumer online behaviour and deliver targeted advertisements.

There are a number of different practical approaches that can be adopted by industry participants regarding these information and consent requirements, and companies in the EU must negotiate what is a legally grey area in assessing whether their approach is fully compliant.

Data Protection

The Company does not collect, store or use personally identifiable contact information (such as names, addresses and telephone numbers) from end users. The Company obtains certain information with respect to the online behaviour of end users via specific ad exchanges it contracts with. Such information may be linked to a random identifier produced by the ad exchange which is hashed and inaccessible to Company. The Company may receive additional end user related information from its ads exchange (including IP address) however this information is immediately deleted. In some jurisdictions the Company may not be deemed to be processing personally identifiable information. However, the data protection requirements under the laws and regulations in jurisdictions applicable to the Company vary from one jurisdiction to another, and may conflict with other rules or the Company's practices. Complying with all such regulatory requirements could require the Company to incur substantial costs or change its business practices in a manner that could limit the Company's ability to achieve performance-based results for its clients, thereby reducing its revenues, or compromising its ability to effectively pursue its growth strategy. In some jurisdictions, the data that the Company collects may be considered personally identifiable information and subject to data protection laws and regulations. The European Union has adopted Directive 95/96/EC and the e-Privacy Directive, and is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for the Company in relation to its operations in Europe.

If any unauthorised collection, storage, disclosure or misuse were to occur, the Company may be required to notify persons whose information was collected, stored, disclosed, accessed or misused, which would impose a significant burden on the business and potentially lead to material cost. Any failure, or perceived failure, by the Company to comply with data protection laws and regulations could result in monetary penalties, proceedings or actions against it by governmental entities, individual or class end users or others and cause reputational damage that may make the Company a less attractive partner, so damaging the business. There is no guarantee that inadvertent or unauthorised disclosure or misuse of data will not occur, or that third parties will not gain unauthorised access to this information despite the Company's efforts to secure such data. If such unauthorised disclosure, access or misuse were to occur, the Company may be required to notify persons whose information was disclosed, accessed or misused. The Company may also be contractually liable to indemnify and hold harmless its clients from the disclosure or misuse of confidential information, which could damage the Company's reputation among its current and potential clients, require significant expenditures of capital and other resources and cause it to lose business and revenues.

Large and established internet and technology companies may be able to change the internet eco-system significantly in a way that will impair the Company's ability to operate

Large and established internet and technology companies such as Adobe Systems, Amazon, AOL, AppNexus, Apple, eBay, Facebook, Google, Microsoft and Yahoo! may have the power to significantly change the very nature of the internet display advertising marketplace, and these changes could materially disadvantage the Company. For example, Amazon, Apple, Facebook, Google and Microsoft have substantial resources and control a significant share of widely adopted industry platforms such as web browsers, mobile operating systems and advertising exchanges and networks. Changes to their web browsers, mobile operating systems, platforms, exchanges, ad formats, networks or other products or services may require the Company to revise the way it conducts its business and could be significantly harmful to the Company's business. Such companies could also seek to replicate all or parts of the Company's business.

Large internet companies may apply new restrictions or software changes that may hurt the company's business

Large internet companies such as Google, Facebook, AppNexus, Rubicon, Yahoo!, etc., in their roles as web browsers, application providers, social media networks, advertising networks and

exchanges, are in a position to exert significant influence on advertising media. As they continuously make changes to their platforms and impose restrictions/procedures/policies on use of their platforms, such restrictions, both intended and unintended, (for example software updates) may affect the activity of the Company, including materially disrupting the ability of the technology of the Company to optimally perform, whether by disrupting its ability to collect required data or by disrupting its ability to act in the market. Those companies may also change the way they enforce their new/old policies and regulations, which may make it harder for the Company to comply with such policies. Such disruptions and/or changes may have an adverse effect on the Company's financial performance and growth prospects.

One example of such a change in market requirements is a demand by large internet companies for full transparency in the ad chain and the related URL connections within a specific campaign. Although this specific demand can be met by the Company, and therefore would not influence the Company significantly, it is possible that future demands will not be as easily met by the Company and that meeting them will require substantial changes and investment.

Another scenario for this dependency would be that a supply side partner might decide not to accept or support a specific ad format or change ad audit procedure/policy in a way that this format will no longer be accepted. If that specific ad format were one that is highly used by the company, such a decision by a big supply side player might cause an immediate drop in revenue until such time as the Company succeeds in finding a solution how to use the new format within those restrictions or adapt Albert to the new ad format.

Moreover, a relatively small player in the market may turn into a major player with strong presence in the market and growing power in a relatively short amount of time. The inability of the Company to recognize such an emerging player in advance may damage the Company's position in the market. Furthermore, a lack of standards in the industry can foster the appearance of non-optimal market behaviours. For example, a certain "player" can become the dominant or even sole player in a certain area for a limited period of time.

The online giants may also decide to impose new limitations on their operational partners, such as margin limitations, payment terms, and caps on royalties and so on. The failure of the Company to successfully cope with unexpected or unanticipated changes to the industry's current set of basic playing rules may materially affect the Company's revenue and profit projections as well as creating direct losses.

Dependence on maintenance and growth of the internet

The Company's business is dependent on the internet and on the continued growth and maintenance of the internet's infrastructure. There can be no assurance that the internet infrastructure will continue to support the demands placed on it by continued growth in the number of users and amount of traffic on the internet.

To the extent that the internet's infrastructure is unable to support the demands placed on it, the business of the Company's direct and indirect clients, and consequently, the business of the Company, may be impacted. For example, the internet has experienced outages and delays, and future interruptions could harm relationships that the Company's direct and indirect clients have with their clients.

The Company may also suffer from the adverse effect of the delay or cancellation of government programmes designed to expand broadband access. The reduction in the growth of, or a decline in, broadband and internet access poses a risk to the Company's direct and indirect clients and, accordingly, to the Company.

Failure to become a major player in the mobile industry

The mobile segment of the advertising industry is growing. Management believes that the mobile segment represents a key segment in its future operations. Management also believes that there is a risk that growth in the mobile segment of the advertising industry as a whole may come at the expense of a decrease in other segments of the market in which the Company already has achieved significant activity.

Albert has demonstrated success in the display and video segments which are differentiated from the mobile segment in that operate according to basic guidelines and standards. In contrast, the mobile field is a new market segment which is rapidly evolving. There are many players, each of

whom applies its own standards thus making it difficult to adapt an automated system such as Albert to an environment lacking standardisation.

As long as the mobile advertising industry does not move toward standardisation, the Company will be required to work in parallel on as many of the mobile platforms as possible in order to optimize campaign results for its customers. Such inefficient use of Albert may lead to the Company incurring higher than planned research and development costs and may negatively impact the Company's profitability.

Failure of the market to accept the Company's operating model of a fully automated machine driven advertising tool

A large proportion of the online advertising market still uses traditional systems relying on human driven activities for the major part of their operations. The Directors believe the market needs further education on the virtues of Albert's machine driven technology, and on how to integrate it into its current operations.

Moreover, the pricing models of some of the online advertising market players are still based in large part on cost of manpower. The use of fully automated advertising technology such as Albert does not align with traditional pricing models, and this may cause advertising agencies to favour more traditional methodologies.

Failure by the Company to bring about a change in the market's readiness to accept a new technology will lead to slower than projected growth in Company revenues and profits.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS OPERATIONS

The Company has a limited operating history

The Company was founded in 2010 and began operating in the advertising industry in 2012. The Company therefore has a relatively limited operating history and a relatively new business model for investors to be able evaluate the potential of its business development and future success. The Company may not be able to sustain the rate of growth it has achieved to date or maintain, continue growing or grow its current revenue levels. Furthermore, the implementation of the Company's business strategy is in its early stages and subject to all of the risks inherent in the establishment of a relatively new business venture in a fast-changing market.

Any future success the Company might enjoy will depend upon a number of factors, many of which are beyond its control or which cannot be predicted at this time, and which could have a material adverse effect upon the Company's financial condition, business prospects and operations and the value of an investment in the Company.

The Company's recent growth rates may not be indicative of its future growth

The Company's revenue has increased substantially in the 12 month period preceding the date of this document but the Company may not be able to sustain such revenue growth in the future. Revenue growth in recent periods may not be indicative of future performance. The Company's revenue and any growth will be affected by a number of factors, including its ability to:

- attract new clients and retain and expand relationships with existing clients;
- maintain the breadth of its publisher network and attract new publishers, including publishers of web content and mobile applications, in order to grow the volume and breadth of advertising inventory available to the Company;
- adapt its software to meet evolving needs of businesses, including to address market trends such as the migration of consumers from web to mobile devices;
- maintain and increase its access to data necessary for the performance of its software;
- maintain continuity of performance of Albert as increasing amounts of data is collected from its growing base of users;
- adapt to regulatory changes governing privacy;
- expand geographically; and
- attract and retain employees.

The Company cannot make assurances that it will be able to successfully accomplish any of these objectives.

Failure of Albert to function properly

The Company is dependent on the ability of its software to function continuously. If Albert is impaired in any way, including by hosting or computing downtime or latency or if its data servers suffer any outage or failure, the Company's functionality and ability to deliver its services would be adversely impacted, which could affect the Company's revenues and profitability.

Failure to align the Company's technology to changes in customer's metrics/KPIs

If advertisers will change the KPI metrics by which they measure campaign performance, this may have a material adverse effect on the operation of the Company, as it will require the Company to adapt to this new methodology and the new supply and demand atmosphere it creates. For example, if advertisers start demanding to pay only for advertising spots that are in particular places on publishers' websites this will decrease the size of the market and increase the demand for such spots, changing the behaviour of the market and making it harder for the Company to reach the new KPI for its clients.

Alternatively, advertisers may demand approval of every impression to be verified by a third party.

Failure of the Company to constantly adapt to those changes may adversely impact the Company's ability to serve the brands and therefore its revenues.

The Company trades on and is exposed to the continued operation of a limited number of exchanges

The online advertising world is comprised of several large exchanges that hold the majority of online advertising traffic. Those exchanges are the ones the company is connected to. Should one or more of those exchanges terminate its operation, lose a significant amount of its traffic, lose connection to several of its publishers/partners, stop working with a single major publisher, it will directly adversely affect the amount of inventory available for the company to purchase.

The Company does not have long-term agreements with its clients, and the Company may be unable to retain clients, attract new clients or replace departing clients with new clients from whom the Company can generate comparable amounts of revenues

The Company's continued success with clients requires it to maintain and expand its current client relationships and to develop new profitable client relationships. In general, the Company's advertising contracts and relationships with its clients are for specific campaigns and do not require them to maintain or increase the amounts they spend or renew or enter into a new contract with it, and are terminable upon short notice and without penalty. As a result, the Company has limited visibility of its future revenue streams. The Company cannot assure prospective investors that its clients will continue to enter into new contracts with it or perform within its target parameters, or that the Company will be able to replace, in a timely or effective manner or at all, departing clients with new clients that generate comparable amounts of revenues for the Company. The termination of contracts or failure to retain a number of clients could have a material adverse effect on the Company's reputation, business operations, financial position, competitive position and prospects.

Concentration of revenue among a narrow customer base with interests that are not aligned to Company's interests

Approximately 85 per cent. of the Company's revenues for the year ended 31 December 2014 were generated from eight online advertising exchanges and aggregators. This concentration creates risk that loss of any one of these eight major suppliers may have a material adverse impact on the Company's financial results and growth prospects. The Company expects to expand or diversify its customer base in order to lessen its dependency on a few major customers and thus strengthen its ability to meet its revenue and profitability goals.

Moreover, because major customers of the Company are advertising agencies aggregating the activity of their clients and directing such activity to the Company, such advertising agencies may have independent interests that might not align with the interests of the Company.

Any deterioration of the Company's relationship with any one of its key customers could have a material effect on the Company's business, financial condition, results of operations, future prospects and/or the price of Ordinary Shares.

The Company experiences seasonal fluctuations in its business

The Company's revenues, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of clients' spending on digital marketing campaigns. For example, clients typically devote more of their marketing expenditure to the fourth calendar quarter to coincide with consumer holiday spending patterns. Moreover, digital media in the fourth quarter is generally more expensive due to increased overall demand for digital media.

If seasonal spending patterns were to become more pronounced, seasonal fluctuations could have a material effect on the Company's revenues, cash flow, operating results and other key operating and performance metrics from period to period.

The Company's ability to generate a significant proportion of its revenue depends on the amount of data it is able to collect from various sources

Albert's ability to optimise the delivery of internet display advertisements for its clients depends on its ability to successfully leverage data collected from its various platforms. Albert's ability to access and use such data could be restricted by a number of factors including restrictions imposed by changes in technology, advertisers and publishers and new developments in industry standards, laws and regulations.

If user resistance to the collection and sharing of the data used to deliver targeted advertising increases, there may be a requirement for more visible consent notices/'Do Not Track' mechanisms.

These changes may also be implemented as a result of industry regulatory and/or legal developments resulting in a material impact on its ability to collect data and thus impair the results of its operations.

The Company depends on the supply of digital media by third parties to deliver its clients' campaigns

The Company does not own or control any digital media and, therefore, depends on third-party digital media sources to provide it with digital media on which it delivers its clients' digital marketing campaigns. The Company's digital media sources are not required to supply the Company with any minimum amount or a consistent supply of digital media. Such sources have tools that help them decide how to allocate digital media among the Company and other purchasers of digital media, including the Company's competitors. The Company's digital media sources could pressure the Company to increase the fees it pays to them, which may reduce its operating margins, or otherwise block its access to their digital media, without which the Company may be unable to deliver certain of its clients' ads.

In most instances, digital media sources can at any time change the amount of digital media they make available to the Company, and may seek to change the terms on which they offer digital media to it, or elect to make digital media available to the Company's competitors who purchase digital media from them on more favourable economic terms. Supply of digital media is also limited for some digital media sources, such as specialty websites or those whose content appears on new technologies, and these digital media sources may request higher prices, fixed-price arrangements or guarantees.

In addition, digital media sources sometimes place significant restrictions on the Company's use of their digital media. These restrictions may prohibit ads from specific advertisers or specific industries, or they could restrict the use of specified creative content or formats. As a result, the Company may be unable to execute its clients' digital marketing campaigns and, therefore, experience a loss of revenues.

If the Company's digital media sources were to decide not to make digital media available to it, or were to decide to increase the price of digital media, or place significant restrictions on its use of their digital media, the Company may be unable to replace this with digital media from other digital media sources that satisfies its requirements in a timely and cost-effective manner. In addition, significant digital media sources in the industry may enter into exclusivity arrangements with the Company's competitors, which could limit its access to a meaningful supply of digital media. If any of these were to happen, the Company's revenues could decline or its cost of acquiring digital media could increase, lowering its operating margins. Such circumstances could have a material

adverse effect on the Company's reputation, business operations, financial position, competitive position and prospects.

For example, a specific third-party platform which the Company utilises in order to purchase digital media is AppNexus, a leading digital advertising exchange. Currently a substantial percentage of the Company's display media is purchased through AppNexus creating a certain dependency on such platform.

Failure to adapt Albert to changes in industry segment demand and advertising formats

The Company's business is currently focused on the optimisation of online advertising in the video and display fields. If advertisers' demand for video or display advertising decreases significantly, such a decrease can jeopardize the Company's main current source of revenue and profit.

Moreover, the online advertising industry is dependent upon decisions made by the industry giants (Google, Yahoo!, AOL, Twitter, etc.). Various decisions or changes implemented by such giants, such as changing or cancelling of formats that may be used on their respective platforms (e.g. Twitter prevents use of certain formats on their platform), may expose the Company to different risks, including, but not limited to, the need to invest additional significant research and development to adapt to the new format, a decrease in revenues and even a requirement for changes in the business model of the Company.

The online advertising industry is a dynamic landscape, with periodic changes including new formats. While most of the changes and formats represent additional options to advertise on, some have the potential to cause other formats to be less likely used. A good example of a new format is native advertising, where the ad itself adapts to the format of the page where it is being shown. The ability to integrate a native advertising solution within Albert may become crucial in being able to meet demand from advertisers.

If the Company fails to innovate and respond effectively to rapidly changing technology, Albert may become less competitive or obsolete

The Company operates in a dynamic market, where new business models, business opportunities, supply sources, ad formats, restrictions and policies change rapidly.

To remain competitive, the Company's future success will depend on its ability to continuously enhance and improve its solutions to meet client needs, add functionality to advertiser and publisher platforms and address technological advancements.

The Company may not be able to implement its M&A strategy

The Company's strategy is in part based on it making acquisitions of online advertising related companies with a large direct client base and strong sales teams. There can be no assurance that the Company will be able to successfully conclude agreements with any target businesses that the Board identifies in the future. There can be no assurance that the Company will be able to successfully integrate its software into any target businesses which are acquired or retain / grow the acquired business' profitability.

The Company's business may suffer if it is alleged or determined that its technology or another aspect of its business infringes the intellectual property rights of others

The online and mobile advertising industries are characterized by the existence of large numbers of patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights. Companies in these industries are often required to defend litigation claims that are based on allegations of infringement or other violations of intellectual property rights. The Company's technologies may not be able to withstand any third-party claims or rights against their use.

The Company's success depends, in part, upon non-infringement of intellectual property rights owned by others and being able to resolve claims of intellectual property infringement or misappropriation without major financial expenditures or adverse consequences. From time to time, it may be the subject of claims that its underlying technology infringes or violates the intellectual property rights of third parties, particularly as it expands the complexity and scope of its business.

Regardless of whether claims or other intellectual property rights have any merit, handling such claims is time-consuming, costly to evaluate and defend and the outcome of any litigation is inherently uncertain. The other party to any claims may have substantially greater resources than the Company and/or may be able to benefit from "no-win, no-fee" arrangements whereby their

risks in bringing claims that may be more speculative are mitigated, increasing their leverage opposite the Company.

Claims that the Company is infringing patents or other intellectual property rights could:

- subject the Company to significant liabilities for monetary damages, which may be multiplied in certain instances;
- prohibit the Company from developing, commercialising or continuing to provide some or all of its solution unless it obtains licences from, and pays royalties to, the holders of the patents or other intellectual property rights, which may not be available on commercially favourable terms, or at all;
- cause delays or stoppages in the Company providing its services;
- cause clients, potential clients, advertising agencies, media networks and exchanges or publishers to avoid working with the Company;
- divert the attention and resources of management and technical personnel; and
- harm the Company's reputation.

The Company depends on its ability to maintain the quality of content of its advertiser clients and publishers

The Company needs to ensure that it only engages and maintains business relationships with reputable publishers, advertisers and media traffic aggregators. The Company must ensure its clients' advertisements are not placed in publisher content that is unlawful or inappropriate. If it fails to ensure that its clients' advertisements are not placed in unlawful or inappropriate content, its reputation and business may suffer. If the Company is unable to ensure that the quality of its advertiser and publisher content does not decline as the number of advertiser clients and publishers it works with grows, then its reputation and business may suffer and it may not be able to secure additional or retain its direct publisher relationships.

Failures in the Company's IT systems and infrastructure supporting its solution could significantly disrupt its operations and cause it to lose clients

The Company's business relies on the continued and uninterrupted performance of Albert. Sustained or repeated system failures of its software and hardware infrastructures, which interrupt its ability to deliver advertisements quickly and accurately, its ability to serve and track advertisements and its ability to process consumers' responses to those advertisements, could significantly reduce the attractiveness of its solution to advertiser clients and publishers, reduce its revenue and affect its reputation.

Cyber-attacks, such as denial-of-service attacks, or other breaches of network or IT security, natural disasters, malicious human acts, telecommunications failures, power outages, terrorist acts or acts of war may cause equipment failures or disrupt the Company's systems and operations. The Company may be subject to sustained or repeated attempts to breach the security of its networks and IT infrastructure through cyber-attacks, malware, computer viruses and other means of unauthorised access. Any steps taken to increase the reliability and redundancy of its systems may be expensive and may not prevent system failures. A failure to protect the privacy of client and employee confidential data against breaches of network or IT security could damage the Company's reputation.

Interruptions or delays in services provided by third-party providers that the Company rely upon could impair the performance of its solution and harm its business

All of the Company's data gathering, analytics and operations are conducted on, and the advertisements it delivers are processed through, Amazon cloud-based servers. The Company also relies on bandwidth providers and internet service providers in order to function properly. Any damage to, or failure of, the systems or facilities of its third-party providers could adversely impact the Company's ability to deliver its solution to clients. If, for any reason, the Company's arrangement with Amazon is terminated, it could incur additional expense in arranging for new facilities and support.

The occurrence of a natural disaster, an act of terrorism, vandalism or sabotage, a decision to close any data centre or the facilities of any other third-party provider without adequate notice could result in lengthy interruptions in the availability of the Company's solution. While the

Company has disaster recovery arrangements in place, its testing in actual disasters or similar events is limited. If any such event were to occur, the Company's business, results of operations and financial condition could be adversely affected.

Dependence on key personnel

The Company depends on its senior management team. If the Company, is unable to retain its current personnel and hire additional personnel with the requisite skills and experience, its ability to implement its growth strategy and compete in its industry could be harmed.

The Company's future growth and success depends, in part, upon the leadership and performance of its management team, many of whom have significant experience in the technology sector and would be difficult to replace. In particular, the Company is highly dependent on the continued services of Or Shani, the senior management team and other key employees, including technical personnel. Competition for employees with the particular skill sets the Company requires is intense. The loss of executive officers, any members of the senior management team or other key employees, the inability to recruit sufficiently qualified personnel, or the inability to replace departing employees in a timely manner could have a material adverse effect on the Company's ability to run its business and, accordingly, on its financial condition and operating results.

The Company's intellectual property rights may not be adequately protected

While some of the significant aspects of the Company's proprietary intellectual property are subject to provisional patent applications filed in the United States on the basis of which the Company may be granted patent protection for such proprietary intellectual property, the Company's products and services and other proprietary intellectual property are not currently protected by registered patents, registered design rights or registered copyrights. Therefore, if competitors were to develop equivalent technology, the Company could not preclude or prevent them from offering services substantially similar to its own. The Company is therefore particularly reliant on copyright, trade secret protection and confidentiality agreements relating to know-how and licence agreements with its employees, clients, suppliers, consultants and others to protect its intellectual property rights. However, the steps the Company has taken to reduce these risks may be inadequate.

In addition, third parties may independently discover or replicate the Company's trade secrets and proprietary information or systems, and, in such cases, the Company may be unable to rely on any intellectual property rights to prevent the use of such trade secrets, information or systems by such parties. Costly and time-consuming litigation could be necessary to determine and enforce the scope of the Company's proprietary rights, and the Directors cannot assure prospective investors that Company would prevail in such litigation. Such circumstances could have a material adverse effect on the Company's reputation, business operations, financial position, competitive position and prospects.

Failure to attract and retain skilled engineers, mathematicians, statisticians and sales experts

The Company requires a variety of skilled personnel in the fields of machine learning, computer engineering, applied mathematics and statistics in order to keep developing Albert and expert sales persons in order to maintain sales and marketing. Skilled personnel are hard to come by and competition for individuals with these skill sets is increasing.

The continued success of the Company is highly dependent on the ability to retain its senior management, as well as attract and retain highly skilled and experienced personnel in the areas of artificial intelligence, computer engineering, applied mathematics and statistics, marketing and sales, customer relations, research and development.

Due to competition in the market, recruitment of qualified personnel is becoming increasingly difficult and the Company's competitors may be able to offer more attractive terms and conditions to attract the limited pool of qualified candidates.

Additionally, the Company faces the risk that should it not succeed in retaining its skilled workforce, the departure of employees who have amassed valuable knowhow and experience and developed valuable customer relationships and who are not easily replaced would negatively impact the Company's growth and success.

Courts are moving towards giving less recognition and enforceability to such non-competition agreements, making it harder to ensure that employees are not attracted by competitors.

The Company may be susceptible to fraud

The digital advertising market is susceptible to various types of fraudulent activity that may inflate performance metrics and negatively affect clients' returns on investment, or which may harm consumers and therefore lead to a decrease or cessation of clients' digital marketing activity. As fraudsters develop more sophisticated malware tools to perpetrate fraud, it becomes increasingly difficult to detect and exclude fraudulent activity when executing digital marketing campaigns and measuring the campaign results. For example, in recent years, fraudsters have been increasingly using malware to perpetrate advertising fraud, including replacing digital marketing campaigns with those of another advertiser, gaining control of another computer to send email spam or disseminate other malware, or create false impressions, clicks or actions that inflate performance metrics.

If the Company were unable to detect or prevent fraudulent activity, its clients may reduce their spending and/or divert their spending to its competitors. The Company could also be required to refund fees it receives from clients if the calculation of those fees is later found to be attributable to fraudulent activity. The Company generally is not able to recoup from its digital media sources losses related to fraud. Such circumstances could have a material adverse effect on the Company's reputation, business operations, financial position, competitive position and prospects.

Or Shani will have the ability to exercise significant influence over the Company

Upon Admission, Or Shani will hold 29,177,431 Ordinary Shares, representing 47.3 per cent. of the Enlarged Share Capital and options over an additional 2,012,999 Ordinary Shares. Although the Relationship Agreement seeks to ensure that the Company's independence will be maintained, Or Shani will nonetheless be in a position to significantly influence the Company's operations and business strategy. The trading price of the Ordinary Shares could be materially adversely affected if potential new investors are disinclined to invest in the Company because of Or Shani's large shareholding.

The Company will have broad discretion over the use of proceeds it is due to receive in the Placing, and the Company may apply the proceeds in ways that do not increase its value to Shareholders

Other than applying the net proceeds from the Placing towards the matters described in paragraph 12 of Part 1 of this document, the Company will have broad discretion in the application of the net proceeds from the Placing, including for strategic acquisitions and investments, international expansion and increasing employee headcount and R&D. As a result, Shareholders will have to rely upon the judgment of the Directors and the Company's management with respect to the use of these proceeds.

The Company may spend a portion or all of the net proceeds in ways that not all Shareholders approve of or that may not yield a favourable return. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business, and consequently, the price of the Ordinary Shares.

RISK FACTORS RELATING TO THE COMPANY'S OPERATIONS IN ISRAEL

Security, political and economic instability in the Middle East and Israel in particular may harm the Company's business

A majority of the Company's staff, as well as its research and development facilities, are located in Israel. Accordingly, security, political and economic conditions in the Middle East in general, and in Israel in particular, directly affect the Company's business. Any armed conflicts or political instability in the region, including acts of terrorism or any other hostilities involving or threatening Israel, would be likely to have a negative effect on business conditions and could make it more difficult for the Company to conduct its operations in Israel and/or increase its costs and adversely affect its financial results.

Furthermore, some neighbouring countries, as well as certain companies and organisations, continue to participate in a boycott of Israeli firms and others doing business with Israel or with Israeli companies. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of the Company's business.

The Company's operations could be disrupted by the absence for significant periods of one or more of its senior management, key employees or a significant number of other employees

because of military service. A number of the Company's senior management and the majority of its male employees in Israel are obliged to perform military reserve duty, which accumulates annually from several days to up to two months in special cases and circumstances. The length of such reserve duty depends, among other factors, on an individual's age and prior position in the military. In addition, if a military conflict occurs, these persons could be required to serve in the military for extended periods of time. Any disruption in the Company's operations as the result of military service by key personnel could harm its business.

The rights and responsibilities of the Shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under UK law

The Company is incorporated under Israeli law. The rights and responsibilities of holders of Ordinary Shares are, therefore, governed by the Articles and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical companies incorporated in the United Kingdom.

In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, voting at a general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes on, among other things, amendments to a company's articles of association, increases in a company's authorised share capital, mergers and interested party transactions requiring shareholder approval. In addition, a person who holds or controls, by himself or together with others, one half or more of any one of the "Means of Control" of the Company (a "Controlling Shareholder"), a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote, and a shareholder that possesses the power to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company.

"Means of Control" is defined as: (i) the right to vote at a general meeting of Shareholders; or (ii) the right to appoint directors of the Company or its chief executive officer.

The power of the Company to issue and allot shares is exercisable by the Board at such times and on such terms and conditions as the Board may determine, subject to the Articles and the limit on the Company's authorised share capital, which may be amended by a resolution of the Shareholders. Shareholders do not have pre-emption rights under Israeli law over further issues of shares of the Company, except to the extent that such right is expressly included in the Articles. The Articles contain pre-emption rights in favour of Shareholders in respect of the allotment or issue of securities, which are, or are to be, paid up in cash.

Further, the Companies Law requires Israeli public companies to have at least two external directors who shall be appointed for a term of three years (which can be extended for two additional three-year terms) and can be removed from office (including by shareholder vote) only under very limited circumstances.

Israeli corporate law has undergone extensive revision in recent years, and there is little case law available to help analyse and understand the implications of the new provisions that govern shareholder behaviour.

The Company is deemed to be a "Preferred Enterprise" for taxation purposes and benefits from Israeli corporate tax benefits that require the Company to continue to meet various conditions, and which may be terminated or reduced in the future, which could increase the amount of corporate tax payable in Israel

The Company has obtained a pre ruling from the Israeli tax authorities that it is "Preferred Enterprise" (as such term is defined in the Law for the Encouragement of Capital Investments, 1959). As a "Preferred Enterprise", the Company is entitled to a decrease tax rate of the majority of its taxable income of 16 per cent. If the Company fails to comply with the conditions set in the pre ruling and/ or in the Law for the Encouragement of Capital Investments, 1959, the tax benefits it receives could be rescinded, in whole or in part, and it may be required to refund the amount of the saved tax with the addition of Israeli consumer price index linkage adjustments and interest costs.

The Company may be required to pay special compensation or royalties to Israeli employees who develop intellectual property

Under Israeli Patents Law, if an employment agreement is not clear on the right of an employee to receive (or not receive) special compensation, in addition to his or her regular remuneration, for intellectual property developed by him or her during and in connection with his or her employment, then such employee can apply to a special tribunal, established under the Israeli Patents Law, to determine his or her rights.

A recent decision of the Committee for Compensation and Royalty matters under the Israeli Patents Law provides that a waiver by an employee of the right to receive such special compensation can be valid and enforceable. Nevertheless, proceedings which are still pending before the Israeli Court question the most recent Committee decision on this matter, and may require further review of the same. Accordingly, the law on the enforceability of waivers by employees of their right to receive additional compensation for their inventions is still inconclusive.

All the employees engaged by the Company have signed intellectual property assignment agreements, in which they assign their rights to any potential intellectual property created by them to their employer, acknowledge that they will not be entitled to any additional compensation for, or royalties from commercialisation of, such intellectual property and specifically waive the right under the Israeli Patents Law to receive compensation for their inventions. However, if Israeli courts eventually rule that such waivers of the right to receive such special compensation are not enforceable, in whole or in part, or give the provisions of Israeli Patents Law other interpretations protecting the rights of employees under protective labour law principles, the Company may be required to pay additional compensation or royalties to its Israeli employees who have participated in the creation of intellectual property, which may adversely affect the Company's business, results or operations and financial condition.

The Company is not subject to the City Code

The Company is incorporated in Israel, and its head office and place of central management is in Israel. Accordingly, the Company is not subject to the provisions of the City Code, and any takeover of the Company will not be regulated by the Takeover Panel. Under the Companies Law, a potential bidder for a company's shares, who would as a result of a purchase of shares hold either 25 per cent. or more of the voting rights in the company when no other party holds 25 per cent. or more or more than 45 per cent. of the voting rights in the company where no other shareholder holds more than 45 per cent. of the voting rights, would be required to make a special purchase offer as set out in the provisions of the Companies Law.

The Companies Law requires a special purchase offer to be submitted to shareholders for a pre-approval vote. A majority vote is required to accept the special purchase offer. A Controlling Shareholder cannot vote on the resolution. In the event that shareholders approve such resolution, those shareholders who failed to respond to the special purchase offer and those who may have initially rejected the offer will have up to four days to decide whether they wish to vote in favour of the special purchase offer. If such shareholders decide to vote in favour of the special purchase offer they will be considered as having originally voted in favour of such. A special purchase offer may only be accepted in the event that at least 5 per cent. of the voting rights in the target company have been acquired under it.

In addition to the Companies Law requirements, the Articles contain certain takeover protections which seek to replicate some of the protections under the City Code, although these will not provide the full protection afforded by the City Code and the enforceability of those provisions in the Articles could be challenged. The relevant provisions of the Articles are summarised in paragraph 3 of Part 4 of this document.

RISKS RELATING TO THE ORDINARY SHARES

Higher risk for shares traded on AIM than on the Official List

Application has been made for the Ordinary Shares to be admitted to trading on AIM, a market designated primarily for emerging or smaller companies. The AIM Rules for Companies are less onerous than those of the Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List.

Further, neither the London Stock Exchange nor the FCA has examined or approved the contents of this document. It may be more difficult for investors to realise their investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.

Volatility in the price of Ordinary Shares

The Placing Price has been agreed between the Board and Liberum and may not be indicative of the market price for the Ordinary Shares following Admission. The subsequent market price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors that are unrelated to the Company's operating performance such as variations in operating results, changes in financial estimates, recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, market perceptions of the Company, news reports relating to trends in the Company's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes, national and global economic conditions and various other factors and events. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Company's performance.

The price at which the Ordinary Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some not specific to the Company and its operations. Furthermore, there is no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

Active trading in the Ordinary Shares may not develop or be sustained

Prior to Admission there is no public market for the Ordinary Shares. Admission to trading on AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The Company cannot predict the extent to which investor interest in the Ordinary Shares will lead to the development of a trading market. The liquidity of a securities market is often a function of the volume of the underlying Ordinary Shares that are publicly held by unrelated parties. If a liquid trading market for Ordinary Shares does not develop, the price of Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for Ordinary Shares.

Investors should also be aware that the value of the Ordinary Shares (and any income received from them) may go down as well as up and that they may not be able to realise their investment. In particular, shares traded on AIM have experienced lower levels of liquidity than is often experienced in other stock markets.

Future performance of the Company cannot be guaranteed

There is no certainty and no representation or warranty is given by any person that the Company will be able to achieve any returns referred to in this document. The financial operations of the Company may be adversely affected by general economic conditions or by the particular financial condition of other parties doing business with the Company.

The Company cannot guarantee that it will always retain a quotation on AIM. If the Company fails to do so, certain investors may decide to sell their Ordinary Shares, which could have an adverse impact on the share price. Additionally, if in the future the Company decides to obtain a listing on another exchange, in addition to AIM or as an alternative, this may affect the liquidity of the Ordinary Shares traded on AIM.

Substantial sales of Ordinary Shares in the public market may depress the share price

Sales of a substantial number of Ordinary Shares by holders of such shares in the public market could depress the market price of the Ordinary Shares.

There can be no assurance that Or Shani, who is subject to the Lock-up Deed, will not effect transactions upon the expiry of the Lock-up Deed or any earlier waiver of the provisions of the Lock-up Deed. The sale of a significant amount of Ordinary Shares in the public market, or the perception that such sales may occur, could have a materially adverse effect upon the market price of the Ordinary Shares.

Future issues of Ordinary Shares may result in immediate dilution of existing shareholders

The Company may decide to issue additional Ordinary Shares in the future in subsequent public offerings or private placements to fund expansion and development. If existing Shareholders do not subscribe for additional Ordinary Shares on a *pro rata* basis in accordance with their existing shareholdings, this will dilute their existing interests in the Company. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Placing Shares. The issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price. There is no guarantee that market conditions prevailing at the relevant time will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at a price which is equal to or in excess of the Placing Price.

Disclosure and Transparency Rules

Although the Company has included provisions similar in effect to DTR5 in the Articles, the statutory disclosure of significant shareholdings is different than that under DTR5 and will not always ensure compliance with the requirements of AIM Rule 17.

Winding up of the Company

On a return of capital on a winding-up, holders of Ordinary Shares will be entitled to be paid out of the assets of the Company available to members only after the claims of all creditors of the Company have been settled.

PART 3

FINANCIAL INFORMATION



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5 June 2015

The Directors
Adgorithms Ltd.
20 Lincoln Street
Tel Aviv 6713412
Israel

Dear Sirs

We report on the financial information of Adgorithms Ltd. (“the Company”) (together with its subsidiary – “the Group”) for the years ended 31 December 2014, 2013 and 2012 set out in Part 3 of the AIM Admission Document dated 5 June 2015 (“the Admission Document”). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in Note 2. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KOST FORER GABBAY & KASIERER

A member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. dollars in thousands

		31 December		
	Note	2014	2013	2012
CURRENT ASSETS:				
Cash and cash equivalents		\$1,964	\$244	\$91
Restricted cash		51	20	19
Trade receivables	3	5,939	575	363
Other accounts receivable and prepaid expenses		174	34	6
Total current assets		<u>8,128</u>	<u>873</u>	<u>479</u>
NON-CURRENT ASSETS:				
Property and equipment, net	4	112	21	19
Deferred tax asset	7	200	57	33
Total non-current assets		<u>312</u>	<u>78</u>	<u>52</u>
Total assets		<u><u>\$8,440</u></u>	<u><u>\$951</u></u>	<u><u>\$531</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. dollars in thousands

		31 December		
	Note	2014	2013	2012
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade payables		\$1,985	\$349	\$178
Other accounts payable and accrued expenses	5	3,959	488	210
Total current liabilities		<u>5,944</u>	<u>837</u>	<u>388</u>
NON-CURRENT LIABILITIES:				
Employee benefit liabilities, net		65	46	23
EQUITY:	9			
Share capital –				
Ordinary shares		*) —	*) —	*) —
Share premium		2,303	—	—
Capital reserve		(21)	(6)	—
Retained earnings		149	74	120
Total equity		<u>2,431</u>	<u>68</u>	<u>120</u>
Total liabilities and equity		<u>\$8,440</u>	<u>\$951</u>	<u>\$531</u>

*) Represents an amount lower than \$1.

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

CONSOLIDATED STATEMENTS OF INCOME
U.S. dollars in thousands (except per share data)

	Note	Year ended 31 December		
		2014	2013	2012
Revenues	10	\$20,157	\$3,989	\$2,021
Cost of revenues	12a	10,659	2,886	1,357
Gross profit		9,498	1,103	664
Operating expenses:				
Research and development	12b	2,935	416	193
Sales and marketing	12c	981	304	110
General and administrative	12d	1,017	215	78
Total operating expenses		4,933	935	381
Operating profit		4,565	168	283
Financial income (expenses), net		100	(53)	(36)
Income before taxes on income		4,665	115	247
Taxes on income	7d	1,291	26	66
Net income		\$3,374	\$89	\$181
Net income per share attributable to the Company's shareholders (in \$)				
Basic earnings per ordinary share	14	\$0.13	\$0.00	\$0.01
Diluted earnings per ordinary share		\$0.11	\$0.00	\$0.01

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
U.S. dollars in thousands

	Year ended 31 December		
	2014	2013	2012
Net income	\$3,374	\$89	\$181
<u>Other comprehensive income (loss):</u>			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Remeasurement losses on defined benefit plan	(15)	(6)	—
Total other comprehensive loss	(15)	(6)	—
Total comprehensive income	<u>\$3,359</u>	<u>\$83</u>	<u>\$181</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
U.S. dollars in thousands

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance as of 1 January 2012	\$*) —	\$—	\$—	\$—	\$—
Dividend distributed to shareholders	—	—	—	(61)	(61)
Net income	—	—	—	181	181
Balance as of 31 December 2012	*) —	—	—	120	120
Dividend distributed to shareholders	—	—	—	(135)	(135)
Net income	—	—	—	89	89
Total other comprehensive loss	—	—	(6)	—	(6)
Total comprehensive income (loss)	—	—	(6)	89	83
Balance as of 31 December 2013	*) —	—	(6)	74	68
Exercise of options	*) —	—	—	—	*) —
Dividend distributed to shareholders	—	—	—	(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 income (loss)	—	—	(15)	3,374	3,359
Balance as of 31 December 2014	<u>\$*) —</u>	<u>\$2,303</u>	<u>\$(21)</u>	<u>\$149</u>	<u>\$2,431</u>

*) Represents an amount lower than \$ 1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year ended 31 December		
	2014	2013	2012
<u>Cash flows from operating activities:</u>			
Net income	\$3,374	\$89	\$181
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Share-based payment	2,303	—	—
Tax expense	1,291	26	66
Depreciation	14	3	4
	<u>3,608</u>	<u>29</u>	<u>70</u>
Changes in asset and liability items:			
Increase in trade receivables	(5,364)	(212)	(317)
Decrease (increase) in other accounts receivable	(140)	(28)	1
Increase in trade payable	1,636	171	115
Increase in other accounts payable	1,924	339	99
Change in employee benefit liabilities, net	4	17	23
	<u>(1,940)</u>	<u>287</u>	<u>(79)</u>
Cash paid and received during the year for:			
Taxes paid	(494)	(117)	(47)
	<u>(494)</u>	<u>(117)</u>	<u>(47)</u>
Net cash provided by operating activities	<u>4,548</u>	<u>288</u>	<u>125</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year ended 31 December		
	2014	2013	2012
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	\$(105)	\$(5)	\$(13)
Investment in restricted cash	(31)	(1)	(19)
Net cash used in investing activities	<u>(136)</u>	<u>(6)</u>	<u>(32)</u>
<u>Cash flows from financing activities:</u>			
Proceeds from shareholders' loan	50	—	—
Repayment of shareholders' loan	(50)	—	—
Dividend distributed to shareholders	(2,692)	(129)	(42)
Repayment of loans from banks	—	—	(39)
Net cash used in financing activities	<u>(2,692)</u>	<u>(129)</u>	<u>(81)</u>
Increase in cash and cash equivalents	1,720	153	12
Cash and cash equivalents at the beginning of the year	244	91	79
Cash and cash equivalents at the end of the year	<u><u>\$1,964</u></u>	<u><u>\$244</u></u>	<u><u>\$91</u></u>
<u>Significant non-cash transactions:</u>			
Tax withheld on dividend distribution	<u><u>\$607</u></u>	<u><u>\$6</u></u>	<u><u>\$19</u></u>

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

NOTES TO CONSOLIDATED FINANCIAL INFORMATION
U.S. dollars in thousands, except dividend, share and per share data

NOTE 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”). The Company develops and deploys algorithmic solutions to maximise delivery to a specific audience suitable for the advertiser. See Note 10 for additional information.

b. In March 2014, the Company established a wholly-owned subsidiary in the United States, Adgorithms Inc. (“the Subsidiary”). Through 31 December 2014, the Subsidiary was inactive.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of presentation:

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS as adopted by the EU”).

The consolidated financial information has been prepared on a cost basis.

b. Consolidated financial information:

The consolidated financial information comprises the financial information of 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 information commences on the date on which control is obtained and ends when such control ceases.

The financial information of the Company and of the subsidiary is prepared as of the same dates and periods. The consolidated financial information is 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 information:

The preparation of the consolidated financial information 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 information:

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.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

d. Functional currency and foreign currency:

1. Functional currency and presentation currency:

The consolidated financial information is presented in U.S. dollars, the Company's functional currency, and is 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.

2. 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 Group's cash management.

f. Restricted cash:

Restricted cash is primarily invested in highly liquid deposits, which mature within one year. These deposits are used mainly as security for leases.

g. Financial instruments:

Trade and other receivables are initially recognised at fair value. After initial recognition, receivables are measured based on their terms at amortised cost.

h. 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.

i. Fair value measurement:

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

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

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

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

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

The carrying amount of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables approximates their fair value due to the short-term maturities of such instruments.

j. Property and equipment:

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 3-10 years).

k. 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 consolidated statement of income.

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.

l. Employee benefits:

1. 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 Group's own creditors and cannot be returned directly to the Group.

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.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

2. Short-term benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve 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.

m. 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.

n. 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.

o. 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").

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 services is recognised over the period in which the service was provided according to the stage of completion of the service.

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 the direct and indirect 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.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

p. Research and development costs:

Research expenditures are recognised in profit or loss when incurred. Development costs are also recognized in profit or loss unless they can be capitalized 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.

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

q. 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.

1. Current taxes:

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

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the consolidated financial information 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.

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

r. 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 information is authorised for issue, the calculations of basic and diluted earnings per share are adjusted retrospectively for all periods presented.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

s. 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 Programs", 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".

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 2017. 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 the comparative periods will be required as long as the disclosures regarding prior periods required by IFRS 15 are included.

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

NOTE 3:- TRADE RECEIVABLES

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

As of 31 December 2014 trade receivables are net of an allowance for doubtful accounts in the amount of \$ 13 (2013 and 2012 – nil). As of 31 December 2014, 2013 and 2012, there are no past due receivables which are not impaired.

NOTE 4:- PROPERTY AND EQUIPMENT, NET

	31 December		
	2014	2013	2012
Cost:			
Office furniture and equipment	\$26	\$7	\$5
Computers and software	40	13	12
Leasehold improvements	65	6	4
	<u>131</u>	<u>26</u>	<u>21</u>
Accumulated depreciation:			
Office furniture and equipment	1	1	*) —
Computers and software	15	3	2
Leasehold improvements	3	1	*) —
	<u>19</u>	<u>5</u>	<u>2</u>
Depreciated cost	<u>\$112</u>	<u>\$21</u>	<u>\$19</u>

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

NOTE 5:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	31 December		
	2014	2013	2012
Accrued expenses	\$1,684	\$252	\$26
Israeli Tax Authorities	820	30	51
Other government authorities	903	41	20
Deferred revenues	223	78	58
Employees and payroll accruals	329	70	55
Other accounts payable	—	17	—
	<u>\$3,959</u>	<u>\$488</u>	<u>\$210</u>

NOTE 6:- LOANS FROM RELATED PARTY

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

NOTE 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. The tax rates under the Amendment are: 2011 and 2012 – 15% (in development area A – 10%) and in 2013 – 12.5% (in development area A – 7%).

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

On 5 August 2013, the “Knesset” 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 from 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. 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. 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.

In addition, the Company is entitled, in each tax year, to accelerated depreciation for the manufacturing assets used by the Preferred Enterprise.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

- b. Tax rates in Israel:
The ordinary corporate tax rate in Israel was 25% in 2012-2013 and 26.5% in 2014.
- c. Final tax assessments:
The Company has not received final tax assessments since its incorporation.
- d. Taxes on income included in the consolidated statements of income:

	Year ended 31 December		
	2014	2013	2012
Current taxes	\$1,434	\$50	\$99
Deferred taxes	(143)	(24)	(33)
	<u>\$1,291</u>	<u>\$26</u>	<u>\$66</u>

- e. Deferred taxes:

	Year ended 31 December		
	2014	2013	2012
Deferred tax assets:			
Research and development expenses	\$181	\$50	\$33
Allowance for doubtful debts	2	—	—
Employee benefits	17	7	—
Total deferred tax assets	<u>\$200</u>	<u>\$57</u>	<u>\$33</u>

- f. Theoretical tax:

	Year ended 31 December		
	2014	2013	2012
Income before taxes on income	<u>\$4,665</u>	<u>\$115</u>	<u>\$247</u>
Statutory tax rate	<u>26.5%</u>	<u>25%</u>	<u>25%</u>
Tax computed at the statutory tax rate	1,236	29	62
Increase (decrease) in taxes on income resulting from the following factors:			
Effect of "Preferred Enterprise" status	(707)	8	—
Effect of foreign exchange rate (NIS against the USD)	116	—	—
Non-deductible expenses	620	1	—
Other	26	(12)	4
Taxes on income	<u>\$1,291</u>	<u>\$26</u>	<u>\$66</u>

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

NOTE 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 2014 are as follows:

2015	\$142
2016	142
2017	89
	<hr/>
	\$373
	<hr/> <hr/>

Rental expenses for the years ended 31 December 2014, 2013 and 2012 amounted to \$ 58, \$ 38 and \$ 20, respectively.

NOTE 9:- EQUITY

a. Composition of share capital:

Upon incorporation, the Company issued to its founder 100 (post- split – 10,000) Ordinary shares.

During October 2013 the Company effected a split of each authorised, issued and unissued Ordinary share of the Company, par value NIS 1, into 100 Ordinary shares par value NIS 0.01. All share and per share amounts are presented after the effect of the split. In addition the Company increased the authorised share capital of the Company by NIS 99,000 which is divided into 9,900,000 Ordinary shares, par value NIS 0.01 each. See Notes 15c and 15d for changes in authorised share capital and issuances of bonus shares in June 2015. Share and per share data in Note 9 do not reflect any adjustments for bonus shares issued subsequent to the reporting date.

	31 December 2014		31 December 2013		31 December 2012	
	Authorised	Issued and outstanding	Authorised	Issued and outstanding	Authorised	Issued and outstanding
	Number of shares					
Ordinary Share of NIS 0.01 par value	10,000,000	10,831	10,000,000	10,000	100,000	10,000

b. Rights attached to shares:

Ordinary shares:

The holders of Ordinary shares are entitled to voting rights in the general meeting, right to dividend, right upon liquidation and the right to appoint directors in the Company, as described in the Company's articles.

c. Dividend distribution:

In December 2014, the Company declared a dividend in an amount of \$ 3.3 million (approximately \$ 305 per share). The dividend was paid to the Company's shareholders immediately, net of \$ 0.6 million tax withholding that was paid to the Israeli Tax Authorities in January 2015.

In December 2013, the Company declared and paid a dividend in an amount of \$ 0.14 million (approximately \$ 13.5 per share).

In December 2012, the Company declared and paid a dividend in an amount of \$ 0.06 million (approximately \$ 6.1 per share).

NOTES TO CONSOLIDATED FINANCIAL INFORMATION**U.S. dollars in thousands, except dividend, share and per share data**

d. 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 payment transactions that the Company granted to its employees are described below. There have been no modifications or cancellations to any of the options during 2014.

Option issued to employees:

Options granted under the Plan expire 10 years from the date of grant. The options generally vest over four years (25% at each anniversary). Options amounting to 1,340 that were granted to employees in 2014 were fully vested.

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 2014	
	Number of options	Weighted average exercise Price
Outstanding at beginning of year	—	\$—
Granted	3,274	\$0.003
Exercised	(831)	\$0.003
Forfeited	—	\$—
Outstanding at end of year	2,443	\$0.003
Exercisable at end of year	1,325	\$0.003

As the exercise price of the options granted in 2014 was almost nil, the fair value of those options on grant date, calculated at \$ 798 per option, approximated the fair value of the Company's Ordinary shares.

The weighted average remaining contractual life of the outstanding options as of 31 December 2014 is 9.27 years.

See also Notes 15a and 15e for acceleration of vesting of options subsequent to the reporting date.

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

	Year ended 31 December 2014
Research and development	\$1,412
Selling and marketing	346
General and administrative	545
	\$2,303

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

NOTE 10:- REVENUES

As described in Note 2o, the Company derives revenues from direct and indirect sales as follows:

	Year ended 31 December		
	2014	2013	2012
In-direct	\$15,057	\$1,255	\$—
Direct	5,100	2,734	2,021
	\$20,157	\$3,989	\$2,021

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

	Year ended 31 December		
	2014	2013	2012
United States	\$12,391	\$928	\$580
Europe	5,175	1,968	811
APAC	1,574	623	396
Other	1,017	470	234
	\$20,157	\$3,989	\$2,021

During the year ended 31 December 2014, 59% of the Company's revenues were generated from trading in two major ad-exchanges in the United States.

The Company's long-lived assets are all located in Israel.

NOTE 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.

1. Market risk:

Market risk is the risk that the fair value of future cash flows of 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, such as share price risk and commodity risk. As of 31 December 2014, 2013 and 2012, the Company's exposure to market risk was immaterial.

2. Credit risk:

Credit risk is the risk that a 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.

a) 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.

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).

NOTES TO CONSOLIDATED FINANCIAL INFORMATION**U.S. dollars in thousands, except dividend, share and per share data**

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.

b) Financial instruments and 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 and cash equivalents are deposited with major banks that are of high quality.

NOTE 12:- ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF INCOME

	Year ended 31 December		
	2014	2013	2012
a. Cost of revenues:			
Cost of media	\$10,528	\$2,777	\$1,326
Salaries and benefits	105	89	31
Other	26	20	—
	<u>\$10,659</u>	<u>\$2,886</u>	<u>\$1,357</u>
b. Research and development expenses:			
Salaries, and benefits	\$1,394	\$324	\$118
Cost of share-based payment	1,412	—	—
Subcontractors	63	49	61
Other	66	43	14
	<u>\$2,935</u>	<u>\$416</u>	<u>\$193</u>
c. Selling and marketing expenses:			
Salaries and benefits	\$595	\$256	\$67
Cost of share-based payment	346	—	—
Other	40	48	43
	<u>\$981</u>	<u>\$304</u>	<u>\$110</u>
d. General and administrative expenses:			
Salaries and benefits	\$290	\$127	\$63
Cost of share-based payment	545	—	—
Travel	64	14	4
Other	118	74	11
	<u>\$1,017</u>	<u>\$215</u>	<u>\$78</u>

NOTE 13:- COMPENSATION TO KEY MANAGEMENT

	Year ended 31 December		
	2014	2013	2012
Salaries	\$788	\$261	\$80
Post-employment benefits	18	16	12
Share-based compensation	870	—	—
	<u>\$1,676</u>	<u>\$277</u>	<u>\$92</u>

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

NOTE 14:- NET EARNINGS PER SHARE

a. Basic net earnings per share:

1. Details of the income used in the computation of basic and diluted net earnings per share:

	Year ended 31 December		
	2014	2013	2012
Earnings used in computation of basic and diluted net earnings per share	\$3,374	\$89	\$181

2. Details of the number of shares used in the computation of basic and diluted net earnings per share (after adjustment for bonus shares issued subsequent to reporting date – see Note 15d):

	Year ended 31 December		
	2014	2013	2012
Denominator for basic net earnings per share	25,045,000	25,000,000	25,000,000
Effect of dilutive securities:			
Employee stock options	5,745,000	—	—
Weighted average number of ordinary shares used in the computation of diluted net earnings per share	30,790,000	25,000,000	25,000,000

b. Diluted net earnings per share

In 2012 and 2013, there were no options that could be converted into shares. During 2014, all of the options granted to employees were taken into account in calculating the diluted earnings per share.

NOTE 15:- SUBSEQUENT EVENTS

- a. On 15 January 2015, the Company granted to its employees 2,184 options for Ordinary shares. Immediately after this grant, the total number of options outstanding is 4,627.

On 27 May 2015, the Board of Directors and the shareholders of the Company approved the acceleration of vesting of 3,185 options granted to certain employees, such that these options shall be fully vested and exercisable effective at 27 May 2015.

On 28 May 2015, 2,706 options were exercised and the same amount of Ordinary shares were issued.

- b. In April 2015, the Company submitted to the court in Israel a request for a capital distribution in the amount of approximately \$ 2.1 million. In May 2015 the request was approved by the court and the Company distributed the entire amount on 2 June 2015.
- c. 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 NIS1,000,000, divided into 100,000,000 Ordinary Shares.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

U.S. dollars in thousands, except dividend, share and per share data

- d. On 3 June 2015, the Board of Directors approved the distribution and issuance of bonus shares (the “Ordinary Bonus Shares”) by issuing to each Ordinary shareholder 2,499 additional Ordinary shares, 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 issued and outstanding Ordinary share held immediately prior to the issuance of the Ordinary Bonus Shares.
- e. On 3 June 2015, the Board of Directors approved subject to and contingent upon the consummation of the IPO, effective immediately prior to the consummation of the IPO, the acceleration of the vesting of 1,312 outstanding unvested options granted to certain employees, such that these options shall be fully vested and exercisable effective as of immediately prior to the consummation of the IPO.
- f. On 4 June 2015, the Board of Directors approved the issuance to the Chief Executive Officer of warrants to purchase 6,837,500 Ordinary shares (number of shares is post-Bonus Share issuance) of the Company at a price equal to the par value of the Ordinary shares.

PART 4

ADDITIONAL INFORMATION

1 INCORPORATION AND STATUS OF THE COMPANY

- 1.1 The Company was incorporated and registered in the State of Israel on 15 September 2010 with registered number 514497601 as a private company limited by shares with the name Adgorithms Ltd. Following Admission, the Company will inform the Israeli Companies Registrar of its change of status to a public limited company.
- 1.2 The principal legislation under which the Company operates, and under which the Ordinary Shares were created, is the Companies Law. The New Ordinary Shares will be created under the Companies Law.
- 1.3 The Company's legal and commercial name is Adgorithms Ltd.
- 1.4 The registered and head office of the Company is at 20 Lincoln Street, Tel Aviv, 6713412, Israel. The telephone number of the Company's registered office is +972-3-5377137.
- 1.5 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is <http://adgorithms.com>.

2 SHARE CAPITAL OF THE COMPANY

- 2.1 The Company was incorporated with an authorised share capital of NIS 1,000 divided into 1,000 ordinary shares of NIS 1.00 each and an issued share capital of 100 ordinary shares of NIS 1.00, all of which were issued to Or Shani upon incorporation of the Company.
- 2.2 The following is a summary of the changes to the share capital of the Company since incorporation:
 - (a) on 1 October 2013 (i) the authorised share capital of the Company was subdivided into 100,000 ordinary shares of NIS 0.01 each, (ii) the issued share capital of the Company was subdivided into 10,000 Ordinary Shares and (iii) the Company increased its authorised share capital to NIS 100,000 divided into 10,000,000 Ordinary Shares;
 - (b) on 23 December 2014 the Company issued 831 Ordinary Shares at a price of NIS 0.01 per Ordinary Share on the exercise of share options to the Trustee which holds such shares as trustee for Rafael Zoldan;
 - (c) on 28 May 2015 the Company issued 2,706 Ordinary Shares at a price of NIS 0.01 per Ordinary Share on the exercise of share options to the Trustee which holds 1,353 of such Ordinary Shares as trustee for Or Russo and 1,353 of such Ordinary Shares as trustee for Tomer Naveh;
 - (d) on 3 June 2015 the Company increased its authorised share capital to NIS 1,000,000 divided into 100,000,000 Ordinary Shares;
 - (e) on 3 June 2015 the Company made a bonus issue of 24,990,000 Ordinary Shares (being 2,499 Ordinary Shares for each Ordinary Share in issue at that date) to Or Shani;
 - (f) on 3 June 2015 the Company made a bonus issue of 8,838,963 Ordinary Shares (being 2,499 Ordinary Shares for each Ordinary Share in issue at that date) to the Trustee which holds (i) 2,076,669 of such Ordinary Shares as trustee for Rafael Zoldan, (ii) 3,381,147 of such Ordinary Shares as trustee for Or Russo and (iii) 3,381,147 of such Ordinary Shares as trustee for Tomer Naveh;

- (g) immediately prior to Admission, the Company will issue 4,477,500 Ordinary Shares on the exercise of options to the following persons at the following prices:

Shareholder*	Number of Ordinary Shares	Price per Ordinary Share
Ofir Perry	1,542,500	NIS 0.01
Nir Huberman	875,000	NIS 0.01
Rafael Zoldan	700,000	NIS 0.01
Tomer Naveh	657,500	NIS 0.01
Or Russo	540,000	NIS 0.01
Ron Stern	162,500	NIS 0.01
Total	4,477,500	

* These Ordinary Shares will be held by the Trustee as trustee for the relevant individuals.

- (h) immediately prior to Admission, the Company will issue 6,837,500 Ordinary Shares to Or Shani on the exercise by Or Shani of a warrant at a price of NIS 0.01 per Ordinary Share; and
- (i) on Admission, the Company will issue 16,541,353 New Ordinary Shares in connection with the Placing.
- 2.3 The authorised share capital of the Company as at the date of this document is NIS 1,000,000 divided into 100,000,000 Ordinary Shares. The issued share capital of the Company as at the date of this document is 33,842,500 Ordinary Shares.
- 2.4 The authorised share capital immediately following Admission will be NIS 1,000,000 divided into 100,000,000 Ordinary Shares. The issued share capital of the Company immediately following Admission will be 61,698,853 Ordinary Shares. All shares will be fully paid.
- 2.5 The Company does not hold any Ordinary Shares in treasury and no Ordinary Shares are held by or on behalf of the Company itself.
- 2.6 Other than the issue of New Ordinary Shares pursuant to the Placing and on exercise of the share options under the Share Option Plan as described in paragraph 2.10 below, the Company has no present intention to issue any new shares in the share capital of the Company.
- 2.7 The Company does not have in issue any securities not representing share capital.
- 2.8 Save as disclosed in note 15 of the financial information in Part 3 of this document no shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.9 Save as disclosed in this paragraph 2, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing or on the exercise of the share options under the Share Option Plan as described in paragraphs 2.10 and 6 below) no such issues are proposed.
- 2.10 The Company is granting options in connection with Admission over an aggregate of 5,009,013 Ordinary Shares on the terms of the Share Option Plan (summarised in paragraph 5 below). The Company intends to grant options over a further 67,100 Ordinary Shares following Admission (as described in paragraph 5.9 below).
- 2.11 Save as disclosed in paragraph 10 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- 2.12 Save as disclosed in this paragraph 2 and in paragraph 6 below, on Admission no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.

- 2.13 Other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 2.14 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Ordinary Shares not to be held through CREST will be posted to allottees within 10 Business Days of the date of Admission. DIs representing Ordinary Shares to be held through CREST will be credited to CREST accounts on Admission.
- 2.15 Save as disclosed in this paragraph 2, no convertible securities, exchangeable securities or securities with warrants have been issued by the Company.

3 ARTICLES OF ASSOCIATION

The Articles contain provisions, *inter alia*, to the following effect:

3.1 Objects

Section 18 of the Companies Law provides that the objects of a company are to be set forth in the articles of association. The Articles provide that the Company's objectives are to carry on any business and perform any act which is not prohibited by applicable law.

3.2 Voting rights

3.2.1 Subject to any rights or restrictions attached to any Ordinary Shares, on a show of hands:

- (a) every shareholder who is present in person has one vote for each Ordinary Share held by such shareholder;
- (b) every proxy present who has been duly appointed by one or more shareholders entitled to vote on the resolution(s) has one vote with respect to each Ordinary Share held by such appointing shareholders; and
- (c) a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one shareholder entitled to vote on the resolution and either (i) is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

3.2.2 Subject to any rights or restrictions attached to any Ordinary Shares, on a poll every shareholder who is entitled to vote on the resolution and who is present in person or by proxy shall have one vote for every share of which he is the holder. A shareholder entitled to more than one vote need not, if he votes on the poll, use all of his votes or cast all of the votes he uses in the same way.

3.2.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

3.2.4 A shareholder shall not be entitled to vote unless all calls or other sums payable by him in respect of his Ordinary Shares have been paid.

3.3 Dividends

3.3.1 Subject to the Companies Law and the Articles, the Board may declare and cause the Company to pay such dividend as may appear to the Board to be justified by the profits of the Company.

3.3.2 Except as otherwise provided by the rights attached to Ordinary Shares, all dividends shall be declared and paid according to the proportion of the nominal value paid up on such Ordinary Shares held at the date so appointed by the Company, without regard to the premium paid in excess of the nominal value, if any. No amount paid or credited as paid on a share in advance of calls shall be treated as paid on a share.

- 3.3.3 Unless otherwise provided by the rights attached to the Ordinary Shares, dividends shall not carry a right to receive interest.
- 3.3.4 All dividends unclaimed may be invested or otherwise made use of by the Board for the benefit of the Company until claimed.
- 3.3.5 Upon the determination of the Board, the Company may cause:
- (a) any monies, investments or other assets forming part of, *inter alia*, the undivided profits of the Company to be capitalised and distributed to shareholders, or to be applied in paying up unissued Ordinary Shares on behalf of such shareholders which shall then be distributed accordingly; and
 - (b) such distribution or payment to be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.
- 3.3.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

3.4 Pre-emption rights

- 3.4.1 Subject to the terms of any ordinary resolution of the Company to the contrary, the Company shall not, subject to certain exceptions, issue equity securities to any person on any terms unless such equity securities are first offered to existing shareholders in proportion to those securities that is as nearly practicably equal to the proportion held by that shareholder.
- 3.4.2 Such offer shall be made by written notice specifying the number of equity securities offered and a period (being not less than 14 days) within which the offer, to the extent not accepted, will be deemed to be declined. The Board may, in accordance with the provisions of the Articles, allot, grant options over or otherwise dispose of such equity securities not accepted pursuant to such offers, taking into account any exclusions as the Directors may deem necessary to deal with legal or practical problems under applicable law or the applicable requirements of any regulatory or stock exchange in any jurisdiction or overseas territory, and any fractional entitlements on such terms which are not more favourable than the terms on which they were offered to the Shareholders. These provisions shall not apply to:
- (a) a particular allotment of equity securities if these are, or are to be, paid up for wholly or partly otherwise than in cash;
 - (b) shares to be held under an employee share scheme;
 - (c) an allotment of bonus shares; and
 - (d) an allotment of equity securities wholly for cash pursuant to any authority to allot equity securities on a non-pre-emptive basis which has been approved by a special resolution of the Company.

These provisions shall not apply from the date of Admission up to the conclusion of the first annual general meeting of Shareholders in respect of any allotment of Ordinary Shares which, in aggregate, represent up to 10 per cent. of the issued share capital of the Company on Admission.

3.5 Distribution of assets on a winding-up

On a winding-up, subject to applicable law and the rights of the holders of Ordinary Shares with special rights upon winding up, the assets of the Company available for distribution among the Shareholders shall be distributed to them in proportion to their respective holdings of Ordinary Shares in which such distribution is being made.

3.6 Depositary Interests

The Directors have the power to implement and/or approve any arrangement that they may, in their absolute discretion, think fit in relation to the evidencing of title to, and transfer of interests in, Ordinary Shares in the form of Depositary Interests or similar interests, instruments or securities and may, from time to time, take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of such arrangements.

3.7 Transfer of shares

No transfer of Ordinary Shares which are in certificated form shall be registered unless a proper instrument of transfer (in any usual form or in any form approved by the Board) has been submitted to the Company (or its transfer agent), executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

3.8 Variation of class rights

3.8.1 Subject to the provisions of the Articles and the Companies Law, whenever the capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than a majority of the issued shares of that class (excluding any dormant shares of that class) or with the sanction of a resolution passed at a separate general meeting of the holders of those shares.

3.8.2 All the provisions of the Articles relating to general meetings of the Company or to the proceedings at general meetings shall, with any necessary modifications, apply to any such separate general meeting, except that:

- (a) the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons entitled to vote and holding or representing by proxy at least one quarter (25 per cent) of the voting power of the Company (excluding any dormant shares of that class);
- (b) at an adjourned meeting the necessary quorum shall be two persons entitled to vote holding shares of the class (other than dormant shares) or his proxy;
- (c) every holder of shares of the class shall have one vote in respect of every share of the class held by him (excluding any dormant shares of that class); and
- (d) a poll may be demanded by any one holder of shares of the class whether present in person or by proxy.

3.9 Share capital

3.9.1 The Company may, from time to time, by resolution of the Shareholders increase its authorised share capital by the creation of new shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide. Such rights and restrictions shall apply to the relevant shares as if the same were set out in these Articles.

3.9.2 Subject to applicable law, the Company may issue redeemable shares and redeem the same.

3.10 General meetings

3.10.1 The Board may convene a general meeting whenever it thinks fit. Pursuant to the Companies Law, shareholders have a statutory right to requisition a general meeting in certain circumstances. The Company must hold an annual general meeting of shareholders each calendar year no later than 15 months from the last annual general meeting, at a time and place determined by the Board.

3.10.2 Pursuant to the Companies Law, a general meeting shall be called on not less than 21 days' or 35 days' notice (depending on the matters on the agenda for the meeting).

3.10.3 The quorum for a general meeting is two or more shareholders present in person or by proxy holding or representing by proxy at least one quarter (25 per cent) voting power of the Company and entitled to vote within half an hour from the time stipulated for the commencement of the meeting.

3.11 Appointment of Directors

- 3.11.1 The number of Directors shall not exceed thirteen but shall not be less than three.
- 3.11.2 Subject to the Companies Law and the Articles, Directors shall be elected at the annual general meeting or an extraordinary meeting of the Company by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy and voting on the election of Directors and each Director shall serve, subject to the Articles, until the first annual general meeting that follows the annual general meeting or extraordinary meeting at which such Director was elected where such Director may, subject to eligibility, offer himself up for re-election.
- 3.11.3 In the event that a vacancy is created in the Board, the continuing Directors may continue to act in every matter, and, in addition, may appoint Directors to temporarily hold office and fill any such vacancy, until approval of such appointment(s) by the next general meeting. Notwithstanding the preceding sentence, in the event of vacancy of an External Director, the Company shall call a general meeting to elect a new External Director or take such other action as required under the Companies Law.

3.12 Remuneration of Directors

No Director shall be paid remuneration by the Company for his services as Director except as may be approved by the Company in accordance with the Companies Law.

3.13 Retirement and removal of Director

- 3.13.1 At each annual general meeting of the Company, each Director (excluding the External Directors) shall retire from office. Each such Director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a Director retires, does not fill the vacancy the retiring Director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost.
- 3.13.2 Without prejudice to the provisions of the Companies Law, the Company may by ordinary resolution remove any Director (other than an External Director) before the expiration of his period of office and may appoint by ordinary resolution another director in his place.

3.14 Directors' interests

Subject to the provisions of the Companies Law, no Director shall be disqualified by virtue of his office from holding any office or place of profit in the Company or in any company in which the Company shall be a shareholder or otherwise interested, or from contracting with the Company as vendor, purchaser or otherwise; nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be voided; nor, other than as required under the Companies Law, shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or realised by any such contract or arrangement by reason only of such Director's holding that office or of the fiduciary relations thereby established, but the nature of his interest, as well as any material fact or document, must be disclosed by him at the meeting of the Board at which the contract or arrangement is first considered, if his interest then exists, or, in any other case, at no later than the first meeting of the Board after the acquisition of his interest.

3.15 Powers of the Director

- 3.15.1 The business of the Company shall be managed by the Board.
- 3.15.2 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

3.16 Directors' and officers' indemnity, insurance and exculpation

- 3.16.1 Under the Companies Law and the Articles, the Company may indemnify a Director or other officer for certain liabilities or expenses that he or she may incur due to an act performed or failure to act in their capacity as a director or other office holder of the Company.
- 3.16.2 Under the Companies Law, the Securities Law and the Articles, the Company may obtain insurance for Directors and officers against liabilities incurred in their capacity as Directors or officers (as the case may be).

3.17 Branch register

The Company may, subject to and in accordance with the provisions of the Companies Law, cause branch registers to be kept at any place outside of Israel as the Board may think fit and, subject to all applicable requirements of law, the Board may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

3.18 Shareholder notification requirements

- 3.18.1 Pursuant to the AIM Rules, the provisions of Disclosure and Transparency Rule 5 are incorporated into the Articles, as supplemented therein, as if the Company were an "issuer". Disclosure and Transparency Rule 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the thresholds of 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent. 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Disclosure and Transparency Rule 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification.
- 3.18.2 The Company may, by written notice, require any person whom the Board knows or has reasonable cause to believe to be interested or, at any time during the three years immediately preceding that date, to have been interested, in Ordinary Shares in the Company to indicate whether or not it is the case, and to provide the particulars of their interest ("**Disclosure Notice**"). The Disclosure Notice shall request any information given in response to the notice to be given in writing within such time as may be specified in the notice, being a period of not less than 14 days following service thereof.

3.19 Rule 9

Certain provisions have been incorporated into the Articles which aim to mirror the material provisions of Rule 9 of the City Code ("**Rule 9**") to the extent that it is possible to do so. In particular, the Articles provide that:

- (a) an acquisition of Ordinary Shares which increases the aggregate holding of the acquirer (and his concert parties) to shares carrying 30 per cent. or more of the voting rights of the Company; or
- (b) an acquisition of Ordinary Shares by a person holding (together with his concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company which increases the voting rights of that person (together with his concert parties),

is prohibited unless, amongst other things, the consent of the Independent Directors is obtained or it is otherwise a permitted acquisition pursuant to the Articles, which includes circumstances in which such offer would be in compliance with Rule 9. Where the Independent Directors have reason to believe that any acquisition has taken place in contravention of the above provisions, the Articles provide that they may *inter alia* require a sale of shares acquired in excess of the relevant threshold or determine that such shares will not carry any voting or dividend rights. The main difference between these provisions and Rule 9 is that the Takeover Panel does not have any jurisdiction to enforce these provisions.

4 SUMMARY OF APPLICABLE ISRAELI STATUTORY PROVISIONS

The following provisions are also applicable to the Company by virtue of the application of Companies Law:

Directors

- 4.1 In accordance with the Companies Law, the Board shall have at least two External Directors. The External Directors must meet certain statutory requirements of independence. The term of office of an External Director is three years, which can be extended for two additional consecutive three year-terms. An External Director can be removed from office (without his consent) only under very limited circumstances.
- 4.2 Under the Companies Law, a person may not serve as an External Director if at the date of the person's election or within the prior two years the person is a relative of a Controlling Shareholder (as defined below) of the Company or the person or their relatives, partners, employers, supervisors or entities under the person's control, have or have had any affiliation with the Company or with a Controlling Shareholder or relatives of a Controlling Shareholder, and, in the case of a company without a Controlling Shareholder or a shareholder holding at least 25 per cent. of the voting rights, any affiliation, at the time of election, to the chairman of the Board, the chief executive officer, an interested party or the Company's chief finance officer. For these purposes, a "**Controlling Shareholder**" is a shareholder who has the ability to direct the Company's actions, including any shareholder holding 25 per cent. or more of the voting rights if no other shareholder owns more than 50 per cent. of the voting rights in the Company, and an "**interested party**" is defined as a holder of 5 per cent. or more of the Company's shares or voting rights, any person or entity that has the right to nominate or appoint at least one of the Company's Directors or its chief executive officer, or any person who serves as one of the Directors or as its chief executive officer.
- 4.3 In addition, a person may not serve as an External Director if: (i) at the time of appointment as External Director, the person or their relatives, partners, employers, supervisors or entities under the person's control, maintains a business or professional relationship with the Company, even if such relationship is not on a regular basis, other than a negligible business or professional relationship; or (ii) in the case of a person who has served as an External Director to the Company in the past, such person received compensation in their capacity as an External Director during such period in excess of the amounts permitted by the Companies Law and regulations thereunder.
- 4.4 A person may also not serve as an External Director if that person's position or other business activities create, or may create, a conflict of interest with the person's service as a Director or may otherwise interfere with the person's ability to serve as a Director.
- 4.5 If at the time any External Director is to be elected all members of the Board that are not Controlling Shareholders or their respective relatives are of the same gender, then the External Director to be elected must be of the other gender.
- 4.6 The Board may appoint any Director (other than an External Director) to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the Director and the Company).

Directors' interests

- 4.7 The Companies Law provides that any transaction of the Company with a Director or any transaction of the Company in which a Director has a Personal Interest (as defined below) requires the approval of the Board and the approval of the remuneration committee or audit committee (depending on the nature of the transaction at hand) prior thereto. The transaction must not be approved if it is adverse to the Company's interest. If the transaction is an extraordinary transaction (as defined below), then audit committee approval is required prior to and in addition to Board approval. If the transaction concerns exculpation, indemnification, insurance or compensation of the Director, then the approvals of the remuneration committee, the Board and the shareholders are required (in that order). The Companies Law defines an "extraordinary transaction" as a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities.

- 4.8 A Director who has a Personal Interest in a matter that is considered at a meeting of the Board, the audit committee or the remuneration committee may not attend that meeting or vote on that matter, unless a majority of the Board, the audit committee or the remuneration committee, as applicable, has a Personal Interest in the matter or if such Director is invited by the chair of the Board, the audit committee or the remuneration committee, as applicable, to present the matter being considered. If a majority of the Board, the audit committee or the remuneration committee, as applicable, has a Personal Interest in the transaction, Shareholder approval is also required.
- 4.9 A “**Personal Interest**”, as defined by the Companies Law, includes a personal interest of any person in an act, omission to act, or transaction of the Company, including:
- a personal interest of his relative or of a corporation in which that person or a relative of that person is a holder of 5 per cent. or more of the issued share capital or more of the voting rights;
 - a Director or general manager;
 - in which he has the right to appoint at least one Director or the general manager and includes shares for which the person has the right to vote pursuant to a power of attorney.

A Personal Interest does not apply to a personal interest solely arising from holding shares in the Company.

Limitations on Exemption, Insurance and Indemnification

- 4.10 Under the Companies Law, the Company may indemnify or insure a Director or officer against a breach of duty of loyalty only to the extent that the Director or officer acted in good faith and had reasonable grounds to assume that the action would not prejudice the Company. In addition, the Company may not indemnify, insure or exempt a Director or officer against a breach of duty of care if committed intentionally or recklessly (excluding mere negligence), or committed with the intent to derive an unlawful personal gain, or for a fine, civil fine, financial sanction or forfeit levied against the Director or officer.
- 4.11 Pursuant to the Companies Law, exculpation of, procurement of insurance coverage for, and an undertaking to indemnify or indemnification of, the Directors or officers must be approved by the remuneration committee, the Board and the shareholders of the Company. On 5 June 2015, the Company entered into indemnification agreements with each of the Directors. In addition, the Company has obtained directors’ and officers’ insurance cover, conditional on Admission, for US\$10 million.

5 SHARE OPTION PLAN

The Share Option Plan permits the grant of both options and share awards. Share awards may be subject to forfeiture and repurchase. A summary of the principal features of the Share Option Plan is set out below:

5.1 Eligibility

Under the Share Option Plan, the Company may grant options and/or share awards to its employees, directors, officers and consultants.

5.2 Exercise price and purchase price

At the time of grant, the Board (or any committee of the Board to which the Board has delegated power to act on its behalf with respect to the Share Option Plan) will determine the exercise price for each option or the purchase price for each share comprised in a share award.

5.3 Vesting

At the time of grant, the Board will determine the basis on which options vest and become exercisable or share awards vest and therefore cease to be subject to forfeiture or repurchase. In addition, the Board (or relevant committee) has a general discretion to accelerate vesting.

5.4 Exercise of options

An option may normally only be exercised if the option becomes vested and exercisable prior to the option's expiration date and provided that the grantee is employed by or providing services to the Company at the time of vesting. An option will normally lapse on the date of termination of that employee's employment or on the date that the relevant individual ceases to provide services to the Company. If a participant dies or suffers a disability, his vested options may be exercised within one year of the date of death or disability (as the case may be). Options which have not vested will lapse unless the Board (or committee) decides otherwise. On cessation of employment without cause a vested option may be exercised within a period of 90 days from the date of termination of that employee's employment.

5.5 Terms of options and issue of Ordinary Shares

Options are not transferable, assignable or to be given as collateral, neither is any right in relation to the options to be given to any third party, other than by laws of intestacy or distribution, or as specifically otherwise allowed under the Share Option Plan. During the lifetime of a participant all of such participant's rights to purchase shares under the Share Option Plan are exercisable only by that participant. Shares allotted pursuant to the terms of the Share Option Plan will rank *pari passu* with all other issued shares of the Company, save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue.

5.6 Variation of capital

In the event of a variation of share capital the number and exercise price of options granted under the Share Option Plan shall be adjusted in accordance with customary measures.

5.7 Amendment

The Board (or relevant committee) may make amendments to the Share Option Plan. However, no amendment may be made which would adversely affect any rights already acquired by a participant which have been agreed by the participant and the Company.

5.8 Corporate events

In the event of a sale of all or substantially all of the shares or assets of the Company or a merger, consolidation or similar transaction, the Board has discretion to accelerate the vesting of unvested options.

5.9 Overall limit

The Board may determine from time to time the maximum aggregate number of Ordinary Shares which may be issued under the Share Option Plan. The Board has determined that this is to be set at ten per cent. of the Company's issued ordinary share capital from time to time. The options over a total of 5,334,013 Ordinary Shares described in paragraph 6.3 of this Part 4 (which amount to 8.6 per cent. of the Enlarged Share Capital) count against this limit. As described in paragraph 20 of Part 1 of this document, the Board intends to grant a further 67,100 Ordinary Shares following Admission, which will also count against this limit.

6 DIRECTORS' AND OTHER INTERESTS

6.1 As at the date of this document, immediately prior to Admission and as expected to be held following Admission, the interests (all of which are beneficial) of the Directors in the Company's issued share capital (in addition to the options set out against the relevant Director's name in paragraph 6.3 below) are or are expected to be as follows:

Director	As at the date of this document		Immediately prior to Admission		Following Admission	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
John Allwood	—	—	—	—	—	—
Or Shani	25,000,000	73.9	31,837,500	70.5	29,177,431	47.3
Ron Stern	—	—	162,500	0.4	162,500	0.3
Lisa Gordon	—	—	—	—	—	—

6.2 As at the date of this document, immediately prior to Admission and as expected to be held following Admission, the Company is aware of the following Shareholders (other than any Director) who are or will be interested, directly or indirectly, in three per cent. or more of the Company's issued share capital:

Name	As at the date of this document		Immediately prior to Admission		Following Admission	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Schroder Investment Management Limited	—	—	—	—	6,390,977	10.4
Tomer Naveh	3,382,500	10.0	4,040,000	8.9	3,702,452	6.0
Or Russo	3,382,500	10.0	3,922,500	8.7	3,594,769	5.8
Rathbone Investment Management Limited	—	—	—	—	3,444,737	5.6
Inflection Point Investments LLP	—	—	—	—	3,383,459	5.5
Standard Life Investments Limited	—	—	—	—	3,007,519	4.9
Rafael Zoldan	2,077,500	6.1	2,777,500	6.2	2,545,436	4.1
ACPI Investments Limited	—	—	—	—	2,255,639	3.7
Ofir Perry	—	—	1,542,500	3.4	1,413,622	2.3

- 6.3 On Admission, the following options over the Company's share capital will have been granted pursuant to the Share Option Plan:

Name	Number of options	Date of grant	Exercise price
Ron Stern	325,000	15 January 2015	NIS 0.01
Or Shani	2,012,999	Admission	the Placing Price
Ron Stern	671,000	Admission	the Placing Price
Tomer Naveh	268,400	Admission	the Placing Price
Or Russo	268,400	Admission	the Placing Price
Employees of the Company	1,677,499	Admission	NIS 0.01
John Allwood	67,100	Admission	NIS 0.01
Lisa Gordon	43,615	Admission	NIS 0.01
Total	5,334,013		

These options will vest as to one third on each of the anniversaries from grant over a three year vesting period save for those options granted to John Allwood and Lisa Gordon, which will vest in full on Admission. Ron Stern's 325,000 NIS 0.01 options will vest as to 50 per cent. on each of the first and second anniversaries from grant.

- 6.4 Save as disclosed in paragraphs 6.1, 6.2 and 6.3 above, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company; nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.5 The persons referred to in paragraphs 6.1, 6.2 and 6.3 above, do not have voting rights that differ from those of other Shareholders.
- 6.6 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.7 Other than in respect of the Company, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

Name	Current directorships/ partnerships	Previous directorships/ partnerships
John Allwood	TalkTalk Telecom Group PLC The Pepper Foundation Charles Street Development Limited Imimobile PLC	Dixons Carphone PLC The Dunfermline Press Limited A. Romanes & Son Limited Berkshire Media Group Limited Border Weeklies Limited Clyde & Forth Press Limited Cook Paton Limited Craig M. Jeffrey Limited D. & J. Croal Limited Firth FM Holdings Limited Frank Lawrence (Slough Observer) Limited M.A.D. Publishing Limited Orr, Pollock & Company Limited Paton Cook Limited Ulster News Group Limited West Independent Newspapers Limited William Trimble Limited Your Radio FM Limited Romanes Media Group Limited Romanes Media Limited Romanes Media Group EBT Limited

Name	Current directorships/ partnerships	Previous directorships/ partnerships
Or Shani	Adgorithms, Inc.	—
Ron Stern	Value Israel Ltd.	—
Lisa Gordon	Local World Holdings Limited The Newspaper Organisation Limited	Rightboat Ltd. Yattendon Group PLC Iiffe Print Cambridge Limited Iiffe Digital Media Limited Iiffe News and Media Limited Port Penlee Limited LSN Media Limited Staffordshire Newspapers Ltd. Torquay Waterside Developments Limited Channel Television Holdings Limited Herts & Essex Newspapers Limited Marina Developments Limited MDL Developments Limited MDL Marinas Group Limited Ocean Village Resorts Limited Yattendon Estates Limited Ocean Village Waterside Developments Limited Local World Limited MK Web Limited 2I Local Ltd.

- 6.8 None of the Directors has any unspent convictions in relation to indictable offences.
- 6.9 None of the Directors has been the subject of any public criticism by any statutory or regulatory authority (including a recognised professional body).
- 6.10 Save as disclosed in paragraph 6.16 below, none of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.
- 6.11 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.12 No asset of any Director has at any time been the subject of a receivership.
- 6.13 None of the Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 6.14 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.15 There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.
- 6.16 John Allwood was a director of The Dunfermline Press Limited when a receiver was appointed in respect of that company on 18 April 2012.

7 DIRECTORS' AND SENIOR MANAGEMENT SERVICE AGREEMENTS

7.1 Executive Directors

The following agreements have been entered into between the Directors and the Company:

- (a) an employment agreement dated 5 June 2015 between (1) the Company and (2) Or Shani pursuant to which Mr. Shani is employed as Chief Executive Officer of the Company. The agreement is terminable by either party upon 12 months' prior written notice, at a base salary of NIS 125,000 per month and other benefits commensurate with his position including company car, pension and severance pay. He is also entitled to performance-related bonuses if certain milestones are met and a periodic bonus subject to the sole discretion of the Company. If Mr. Shani relocates to the U.S., he will be entitled to a salary increase to US\$375,000 per annum and certain additional benefits in connection with the relocation. The agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of Mr. Shani's employment. In addition, Mr. Shani is entitled to a one-off bonus in connection with Admission of US\$200,000; and
- (b) an employment agreement dated 5 June 2015 between (1) the Company and (2) Ron Stern pursuant to which Mr. Stern is to be employed as Chief Financial Officer of the Company. The agreement is terminable by either party upon 90 days' prior written notice, at a base salary, with effect from Admission, of NIS 50,000 per month and other benefits commensurate with his position including pension and severance pay. He is also entitled to a periodic bonus subject to the sole discretion of the Company. The agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of Mr. Stern's employment. In addition, Mr. Stern is entitled to a one-off bonus in connection with Admission of US\$200,000 and an additional discretionary bonus of up to \$75,000 in aggregate payable quarterly in the 9 months following Admission.

7.2 Non-executive Directors

The following agreements have been entered into between the non-executive Directors and the Company, in each case conditional on and commencing from Admission:

- (a) John Allwood has been appointed as non-executive chairman of the Company with effect from Admission under a letter of appointment dated 5 June 2015. The appointment is terminable by either party on 3 months' written notice. Mr. Allwood receives an annual fee of £60,000; and
- (b) Lisa Gordon has been appointed as a non-executive director of the Company with effect from Admission under a letter of appointment dated 5 June 2015. The appointment is terminable by either party on 3 months' written notice. Ms. Gordon receives an annual fee of £40,000.

7.3 Senior management

- (a) an employment agreement dated 5 June 2015 between (1) the Company and (2) Or Russo pursuant to which Mr. Russo is to be employed as Chief Operating Officer of the Company. The agreement is terminable by either party upon six months' prior written notice, at a base salary, with effect from Admission, of NIS 50,000 per month and other benefits commensurate with his position including pension and severance pay. He is also entitled to a periodic bonus subject to the sole discretion of the Company. The agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of Mr. Russo's employment. In addition, Mr. Russo is entitled to a one-off bonus in connection with Admission of US\$200,000; and
- (b) an employment agreement dated 5 June 2015 between (1) the Company and (2) Tomer Naveh pursuant to which Mr. Naveh is to be employed as Chief Technology Officer of the Company. The agreement is terminable by either party upon six months' prior written notice, at a base salary, with effect from Admission, of NIS 50,000 per month and other benefits commensurate with his position including pension and

severance pay. He is also entitled to a periodic bonus subject to the sole discretion of the Company. The agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of Mr. Naveh's employment. In addition, Mr. Naveh is entitled to a one-off bonus in connection with Admission of US\$200,000.

7.4 Save as set out in paragraphs 7.1 and 7.2 above, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries that provide for benefits on termination of employment.

8 EMPLOYEES

As at 31 December 2014, the Group had 27 employees. As at the date of this document, the Group had 45 employees.

9 THE GROUP

9.1 The Company is the holding company of the Group.

9.2 Adgorithms, Inc. is a wholly-owned Delaware-incorporated subsidiary of the Company. The registered office of Adgorithms, Inc. is at 1313 N. Market Street, Suite 5100, City of Wilmington, County of New Castle, 19801, Delaware, United States.

9.3 The Company has no other subsidiaries.

10 PLACING AND LOCK-UP ARRANGEMENTS

10.1 Placing Agreement

Pursuant to the Placing Agreement dated 5 June 2015 and made between the Company, the Directors, the Selling Shareholders and Liberum, Liberum has agreed as agent for the Company to use its reasonable endeavours to procure subscribers for the New Ordinary Shares and as agent for the Selling Shareholders to use its reasonable endeavours to procure purchasers for the Sale Shares, in each case at the Placing Price. The Placing Agreement is conditional, *inter alia*, on Admission taking place not later than 11 June 2015 (or such later date as Liberum and the Company may agree, but in any event no later than 30 June 2015).

Under the Placing Agreement:

- (a) the Company has agreed to pay Liberum a commission of 4 per cent., and a discretionary fee of up to 1 per cent., of the gross aggregate value of the New Ordinary Shares at the Placing Price, together with a corporate advisory fee of £150,000;
- (b) the Selling Shareholders have agreed to pay Liberum a commission of 4 per cent., and a discretionary fee of up to 1 per cent., of the gross aggregate value of the Sale Shares at the Placing Price;
- (c) the Company has agreed to pay all other costs and expenses of the Placing and the related arrangements (plus any applicable VAT); and
- (d) the Company and the Directors have given certain warranties to Liberum as to the accuracy of the information in this document and as to other matters relating to the Group and its business and the Company has granted an indemnity to Liberum in respect of certain liabilities arising out of or in connection with the Placing.

The Placing Agreement may be terminated by Liberum if certain customary circumstances occur prior to Admission including a breach of the warranties referred to above.

The following table sets out the number of Sale Shares the Selling Shareholders are selling in the Placing and the interests of the Selling Shareholders following Admission:

Selling Shareholders	Number of Sale Shares to be sold in the Placing		Number of Ordinary Shares owned following Admission	
	No.	Percentage of issued share capital immediately prior to Admission	No.	Percentage of issued share capital following Admission
Or Shani	2,660,069	5.9	29,177,431	47.3
Tomer Naveh	337,548	0.7	3,702,452	6.0
Or Russo	327,731	0.7	3,594,769	5.8
Rafael Zoldan	232,064	0.5	2,545,436	4.1
Ofir Perry	128,878	0.3	1,413,622	2.3
Nir Huberman	73,108	0.2	801,892	1.3
Total	3,759,398	8.3	41,398,102	67.1

Each of the Selling Shareholders is employed by the Company. The business address of each of the Selling Shareholders is the registered office of the Company.

10.2 Lock-up Deed

Pursuant to the terms of the Lock-up Deed each of the Directors, the Trustee, Tomer Naveh, Or Russo, Rafael Zoldan, Ofir Perry and Nir Huberman has undertaken to Liberum and the Company that (i) save in certain limited circumstances, they will not dispose of any interest in their Ordinary Shares and/or Depositary Interests for a period of six months from Admission and (ii) for a further 12 months thereafter they will deal in their Ordinary Shares and/or Depositary Interests only with the prior written consent of Liberum and through Liberum or the Company's broker from time to time.

11 MERGERS, MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

As the Company is incorporated in Israel, it is subject to Israeli law and so the City Code will not apply. However, certain provisions have been incorporated into the Articles which principally aim to mirror the material provisions of Rule 9 of the City Code ("**Rule 9**") to the extent that it is possible to do so.

In particular, the Articles provide that:

- an acquisition of Ordinary Shares which increases the aggregate holding of the acquirer (and his concert parties) to shares carrying 30 per cent. or more of the voting rights of the Company; or
- an acquisition of Ordinary Shares by a person holding (together with his concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company which increases the voting rights of that person (together with his concert parties),

is prohibited unless the consent of the Independent Directors is obtained or it is otherwise a permitted acquisition pursuant to the Articles, which includes circumstances in which such offer would be in compliance with Rule 9. The main difference between these provisions and Rule 9 is that the Takeover Panel does not have any jurisdiction to enforce these provisions. For further information on the Articles, please see paragraph 3 of this Part 4.

11.1 Mergers

11.1.1 A "**merger**" is defined, for the purposes hereof, as the transfer of all assets and liabilities, including conditional, future, known and unknown liabilities of an absorbed company to a surviving company, as a result of which the absorbed company is

wholly absorbed. The Companies Law permits merger transactions, provided that each party to the transaction obtains the approval of its board of directors and shareholders (excluding certain merger transactions which do not require the approval of the shareholders, all as set forth in the Companies Law).

- 11.1.2 The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger and a court will only grant such an order if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.
- 11.1.3 In addition, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares voted on the matter, as well as 75 per cent. of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

11.2 Special Tender Offer

- 11.2.1 The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of 25 per cent. or more of the voting rights in the Company. This rule does not apply if there is already another holder of at least 25 per cent. of the voting rights in the Company.
- 11.2.2 Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45 per cent. of the voting rights in the company, if there is no other shareholder of the company who holds more than 45 per cent. of the voting rights in the company.
- 11.2.3 A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5 per cent. of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5 per cent. of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.
- 11.2.4 If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.
- 11.2.5 Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

11.3 Full Tender Offer

11.3.1 Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90 per cent. of the company's shares or of any class of shares, unless the purchaser makes a full tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. A full tender is deemed completed and approved if, following the full tender offer, either:

- (a) out of the total shareholders that did agree to sell their shares in the tender there is a majority of shareholders that have no Personal Interest in the transaction, and those shareholders that did not agree to sell their shares under the tender, constitute in the aggregate less than 5 per cent. of the total issued and outstanding share capital of the company; or
- (b) those shareholders that did not agree to sell their shares under the tender, constitute in the aggregate less than 2 per cent. of the total issued and outstanding share capital of the company.

11.3.2 If either one of the conditions set out above is met then the Companies Law provides for a mandatory squeeze out under which the purchaser automatically acquires ownership of all remaining shares. However, if the purchaser's full tender offer is not accepted by shareholders holding more than 95 per cent. or 98 per cent., as applicable, of the company's issued shares or class of shares, the purchaser may not own more than 90 per cent. of the shares or class of shares of the target company.

There are not in existence any current mandatory takeover bids in relation to the Company.

12 NOTIFICATIONS OF SHAREHOLDINGS

The provisions of DTR 5, which do not apply directly as the Company is an Israeli company, shall be deemed to apply to the Company under the Articles as supplemented therein. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter up to 100 per cent. DTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification.

13 TAXATION

The following section is a summary guide only to certain aspects of tax in the UK and Israel, based on current law and published practice, both of which may change at any time (possibly with retrospective effect). This is not a complete analysis of all the potential effects of acquiring, holding or disposing of Ordinary Shares, nor will it relate to the specific tax position of all Shareholders in all jurisdictions. For UK purposes, the following section applies only to shareholders of the Company resident in the UK (except insofar as express reference is made to the treatment of non-UK residents) and, in the case of an individual, domiciled for tax purposes in the UK.

Any persons who are in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK or Israel are strongly recommended to consult their own professional advisers.

13.1 UK Taxation

13.1.1 Taxation of Chargeable Gains

- (a) UK tax resident Shareholders

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

HMRC have confirmed that securities dealt with on AIM will not fail to be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on their availability should consult an appropriate professional adviser.

(b) Non-UK tax resident Shareholders

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT in respect of that disposal on his return to the UK, subject to available exemptions or reliefs.

13.1.2 Taxation of Dividends

The Company is not required to withhold UK tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate dividend received and the tax credit (the “**gross dividend**”), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. A Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate (currently) of 32.5 per cent. to the extent that such sum, when treated as the top slice of the Shareholder’s income, falls above the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual Shareholder who is resident for tax purposes in the UK and who is liable to tax at the “additional” rate will be liable to tax on the gross dividend at the rate of 37.5 per cent, but will be able to set the 10 per cent tax credit off against part of this liability. The effect is that such a Shareholder will be liable to account for additional tax equal to 27.5 per cent. of the gross dividend (or approximately 30.6 per cent. of the net cash dividend) to the extent that the gross dividend exceeds the threshold for the additional rate.

Shareholders who are within the charge to UK corporation tax will generally be exempt from corporation tax on dividends they receive from the Company, provided the dividends fall within an exempt class and certain conditions are met. In general, such dividends are likely to fall within an exempt class, but such Shareholders should consult their own professional advisers.

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividend received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

13.1.3 UK Inheritance Tax

Holders of Ordinary Shares should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through such a company or trust arrangement, or in a situation where there is potential for a charge both to UK inheritance tax and to a similar tax in another jurisdiction, or if they are in any doubt about their UK inheritance tax position.

13.1.4 UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)

Stamp duty at a rate of 0.5% is generally payable in respect of transfers of UK shares (and in certain circumstances non UK shares) in certificated form for consideration. SDRT (also at 0.5%) arises in respect of agreements to transfer shares.

No stamp duty or SDRT will arise on the issue or allotment of new Ordinary Shares by the Company pursuant to the Placing.

(a) Subsequent transfers

Transfers of Ordinary Shares should not be subject to stamp duty or SDRT provided the Ordinary Shares are admitted to trading on a recognised growth market and are not listed on any recognised stock exchange. The AIM market is a recognised growth market for these purposes.

(b) Shares held through CREST via Depositary Interests

Paperless transfers of shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Transfers of Depositary Interests should not be subject to SDRT provided the Ordinary Shares are admitted to trading on AIM and are not listed on a recognised stock exchange.

Special rules apply to shares held through Clearance Services or Depositary Receipt Arrangements. Where Ordinary Shares or Depositary Interests are issued or transferred into a Depositary Receipt Arrangement or Clearance Service no stamp duty or SDRT should apply provided the exemption from stamp duty and SDRT for shares traded on AIM and not listed on a recognised stock exchange applies. Transfers within the clearance service and transfers of depositary receipts are then generally free of stamp duty and SDRT.

The statements in this paragraph 13.1.3 apply to any holders of Ordinary Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

13.2 Israel Taxation

The following statements are based on current Israeli law and practices based on the statutes, regulations, rulings, judicial decisions and other authorities in force and applied in Israel, as at the date of this document, all of which are subject to change and differing interpretations. The information is given by way of general summary only and does not purport to be a comprehensive analysis of the tax consequences applicable to Shareholders and may not apply to certain classes of Shareholders, such as dealers in securities. Such persons may be subject to special rules. In addition, the following statements relate solely to Shareholders who hold the Ordinary Shares as an investment and who are the absolute beneficial owners thereof. The statements further assume that the holders of the Depositary Interests are the beneficial owners of the underlying Ordinary Shares.

Any Shareholder who is in doubt as to his or her tax position should consult an appropriate professional adviser without delay.

The Israeli taxation summary below is written on the basis that the Company is and remains resident for tax purposes only in Israel and will therefore be subject to the Israeli tax regime. Dividends paid by the Company will be regarded as Israeli dividends.

13.2.1 Taxation of the Company

Israeli companies are subject to income tax on their worldwide income, regardless of the territorial source of such income, and its character-whether it is current or capital. The corporation tax in Israel is 26.5%, which applies to “regular” income.

However, on 1 October 2014, the Company received a pre ruling from the Israeli tax authorities confirming that its enterprise in Tel Aviv whose activity is software development for on-line advertising and automatic campaign advertising management on the web is deemed as an “Industrial Enterprise” as defined in the Law for the Encouragement of Capital Investments, 1959, provided that the Company meets several conditions detailed in the pre ruling, as well as standard conditions stipulated in the abovementioned law.

Therefore, starting 2013, the Company’s income derived from the right to use software, not including certain services as detailed in the pre-ruling, is deemed as “Preferred Income” under the Law for the Encouragement of Capital Investments, 1959. “Preferred Income” is taxed at the rate of 16% (12.5% in 2013) for the year ended 31 December 2014 and until 31 December 2017.

In addition, the Company is entitled, in each tax year, to accelerated depreciation for the manufacturing assets used by the Preferred Enterprise.

If the Company fails to comply with the conditions set in the pre ruling and/or in the Law for the Encouragement of Capital Investments, 1959, the tax benefits it receives could be rescinded, in whole or in part, and it may be required to refund the amount of the saved tax with the addition of Israeli consumer price index linkage adjustments and interest costs. The Company believes that it has currently substantially complied with all such conditions.

13.2.2 Taxation of Israeli Shareholders

(a) Individuals

(i) Dividends

Dividends out of “Regular” Income

Individual Israeli residents who will receive dividend payments out of the Company’s “regular” income, are generally subject to tax at the rate of 25%, which will be withheld at source. With respect to a person who is a “substantial shareholder” at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate and withholding tax rate is 30%.

A “substantial shareholder” is generally a person who alone or together with such person’s “relative” or another person who collaborates with him on a permanent basis, holds, directly or indirectly, at least 10% of any of the “means of control” of the corporation.

“Means of control” generally includes the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right.

“Relative” means a life partner, brother, sister, parent, grandparent, descendant, descendant of a life partner, and a life partner of all of the above; a descendant of a brother or sister, and a brother or a sister of a parent; a corporation held by a person or his “relative”, a person who holds such corporation and a corporation held by such person (“holding” means directly or indirectly, alone or together with “relative” or with another person who collaborates with such person on a permanent basis, at least 25% of any of the “means of control” of the corporation); and a trustee in certain types of trusts.

Notwithstanding the above, with respect to dividends sourced from regular earnings which are distributed to a “substantial shareholder” (see above), that holds its shares in the Company via a “nominee company” (as defined under the Securities Law), a 25% withholding tax rate should apply.

Dividends from “Preferred Income”

Since the Company’s income derived from software activity is recognized as “Preferred Income” (see above), a distribution of dividends from such an income as from 2014 is subject to a tax rate of 20%, that shall be withheld at source.

Withholding Tax

As mentioned above, the tax upon a distribution of dividends is withheld at source.

A shareholder who believes that the withholding tax rate will be higher than the actual tax rate that applies to him, can address the Israeli tax authorities in a request to reduce the withholding tax rate or to provide him with an exemption from withholding tax.

The Company is required to transfer to the Israeli tax authorities the tax withheld in a certain month, not later until the 15th day of the following month.

On the same date, the Company is also required to file to the Israeli tax authorities a report that will detail the amount of dividend it paid during the previous month that was liable to tax or exempt from tax, and the amount of the withheld tax. In addition, the Company is required to file with the Israeli tax authorities an annual report not later than 31 March of every year, in which it must detail the dividends it paid during the previous year and the withheld tax. The Company is also required to provide every Shareholder, not later than 20 March of every year, with a certificate that details the amount of dividends that were paid to such Shareholder, and the tax withheld from such amount.

(ii) Capital Gains

General

Israeli law generally imposes capital gains tax on the sale of any capital asset by residents of Israel, and on the sale of assets located in Israel, including shares in Israeli companies.

“Sale” means also exchange, renunciation, transfer, grant, redemption or any other deed that results in the share exits the possession of a shareholder, bar bequeath.

The law distinguishes between “real gain” and “inflationary surplus”. The inflationary surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset’s purchase price which is attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

Individual Israeli residents are generally subject to capital gains tax at the rate of 25%, which is levied upon the “real gain”. If the seller is a “substantial shareholder” (see above) at the date of the sale or on any time during the preceding twelve months, the applicable tax rate is 30%. Also, capital gains derived by an individual who deducted interest costs and linkage to price index costs will also be taxed at the rate of 30%. However, the abovementioned tax rates do not apply to dealers in securities. In that case, the applicable tax will be the “marginal” tax rate of the seller.

Withholding Tax

The tax withheld upon the sale of the Ordinary Shares is at the rate of 25%, regardless of whether the seller is a regular shareholder or a “substantial shareholder” (see above) or whether his income is active or passive.

In practice, the imposition of withholding tax may depend on the broker or financial institution through which the shares are held. An Israeli bank or financial institution adopts certain procedures regarding withholding tax, whereas a non Israeli bank or financial institution may not follow such procedures. In order to reduce the withholding tax rate, a Shareholder may be required to provide certain documentation to the Israeli bank or financial institution regarding their tax status, and in some cases, an approach to the Israeli tax authorities for a withholding tax certificate may be required.

(b) Corporations

(i) Dividends

Israeli corporations who are liable for Israeli corporate tax are exempt from Israeli income tax on the receipt of a dividend which is distributed out of an income produced in Israel. Thus, Israeli corporations will be exempt from tax on dividends paid to them by the Company, and no tax has to be withheld at source upon payment of such dividend.

This provision applies to dividends out of “regular” income, as well as to dividends out of “Preferred Income”.

(ii) Capital Gains

General

Israeli corporations are generally subject to capital gains tax at the rate of 26.5%.

In addition, if the corporation is a “substantial shareholder” (see above) at the date of the sale or at any time during the preceding twelve months, and as to the end of the year previous to the year during which the shares were sold, the Company has undistributed earnings that were liable to tax in Israel, those earnings, multiplied by the seller’s percentage of rights in the Company, will be deducted from the capital gain, and will be taxed as a dividend (see above).

Withholding Tax

The tax withheld upon the sale of the Ordinary Shares is at the rate of 26.5%, regardless of whether the seller is a regular shareholder or a “substantial shareholder” (see above) or whether his income is active or passive.

The imposition of withholding tax may depend on the banker or financial institution through which the shares are held. In order to reduce the withholding tax rate, the shareholder may be required to provide certain documentation to the Israeli bank or financial institution regarding their tax status, and in some cases, an approach to the Israeli tax authorities for a withholding tax certificate may be required.

13.2.3 Taxation of non-Israeli Shareholders

(a) Individuals

(i) Dividends

The provisions mentioned above regarding tax on dividends (both out of “regular” income or “Preferred Income”) received by individual Israeli residents are also applicable to individual non Israeli residents, unless a relief is provided under an applicable tax treaty.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the duty to file tax returns in Israel in respect of such income, provided that such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

(ii) Capital Gains

Non Israeli residents are generally exempted from Israeli capital gains tax and withholding tax on any gains derived from the “sale” of shares of Israeli companies publicly traded on a recognized stock exchange or regulated market outside of Israel, provided that such capital gains are not derived from a permanent establishment in Israel, such shareholders are not subject to the Inflationary Adjustments Law, and did not acquire their shares prior to the initial public offering.

In addition, non Israeli residents may also be exempted from Israeli capital gains tax and withholding tax, provided that (i) the capital gains are not derived from a permanent establishment in Israel; (ii) the shares were not transferred to the seller from a “relative” and were also not transferred to him as a part of a tax exempt merging or restructuring in Israel; (iii) the shares are not traded on the Israeli stock market at the time of the sale; and (iv) most of the value of the company whose shares are sold is not derived from immovable property in Israel, “immovable property corporations” as defined in Israeli law, usufruct of immovable property in Israel, and the right to work natural resources in Israel.

A non Israeli resident who becomes an Israeli resident for the first time, or an individual who returns to Israel to become an Israeli resident after at least ten years of being a non Israeli resident, is entitled to a similar exemption, provided that the shares sold were purchased by him during the period in which he was a non Israeli resident.

(b) Corporations

(i) Dividends

The provisions mentioned above regarding tax on dividends (both out of “regular” income or “Preferred Income”) received by non Israeli resident individuals are also applicable to non Israeli corporations, unless a relief is provided under an applicable tax treaty.

(ii) Capital Gains

The provisions mentioned above regarding capital gains tax derived by non Israeli individuals, as well as the exemption provisions, are also applicable to non Israeli corporations.

However, non Israeli corporations will not be entitled to any of the exemptions given to non Israeli residents if an Israeli resident (i) has a controlling interest of 25% or more in such non Israeli corporation; or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non Israeli corporation, whether directly or indirectly.

13.2.4 Withholding Tax from Non Israeli Shareholders-General

The collection procedures of the withholding taxes described above, if any, may depend on several factors (for example, whether the shares are held through an Israeli institution or not), and should be determined on a case by case basis.

14 MATERIAL CONTRACTS

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

- (a) the Placing Agreement and the Lock-up Deed, details of which are set out in paragraph 10 above;

- (b) the Relationship Agreement, which governs the relationship between the Company and Or Shani to ensure that the Group is able to carry on its business independently. Mr. Shani has, among other things, agreed that he will exercise his votes, and procure that his associates shall exercise their votes, whether as shareholders or directors, to procure that all transactions, agreements and arrangements between him or his associates and the Group shall be on an arm's length basis and normal commercial terms. He has also agreed not to undertake any activity in conflict with those of the Group which may render the Group incapable of carrying on its business independently or lead to transactions and relations between the Group and him (and/or his associates) which are not at arm's length or on normal commercial terms. In addition, Mr. Shani has agreed that (i) except in certain limited circumstances, he shall not propose or vote in favour of a Shareholders' resolution which is intended to effect any cessation of trading of the Company's shares on AIM unless a majority of the Independent Directors have voted in favour of such proposal and (ii) he shall not exercise his voting rights to vary the Articles contrary to the Company's ability to carry on its business independently or be inconsistent with, undermine or breach the AIM Rules for companies. The Relationship Agreement will take effect on Admission and will continue until the later of (i) when Mr. Shani ceases, either on his own or together with any person with whom he is acting in concert, to exercise, or control, 30 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company and (ii) 12 months after the date on which Mr. Shani ceases to be employed by a member of the Group. Mr. Shani has given customary restrictive covenants in respect of the Company and its employees;
- (c) the Nominated Adviser and Broker Agreement pursuant to which the Company has appointed Liberum to act as nominated adviser and broker to the Company with effect on and from Admission. The Company has agreed to pay Liberum a fee of £75,000 (plus applicable VAT) in respect of the 12 month period from Admission and a fee of £75,000 (plus applicable VAT) in respect of each 12 month period thereafter. The appointment of Liberum is for an initial term of 12 months, unless and until the appointment is terminated by either party on two months' written notice (such notice to expire at any time after the first anniversary of Admission). Liberum has reserved the right to terminate the agreement immediately in certain circumstances. Under the agreement, the Company has given certain customary warranties and indemnities to Liberum in connection with its engagement as the Company's nominated adviser and broker;
- (d) the Registrar Agreement pursuant to which the Registrar has agreed to act as Registrar to the Company and to provide certain other administrative services to the Company in relation to its business and affairs with respect to the Ordinary Shares. Under the Registrar Agreement, the Registrar is entitled to receive an annual fee for the provision of its services to the Company. The appointment of the Registrar is for an initial term of three years, after which time either party may terminate the appointment on six months' written notice. Either party may terminate the agreement immediately in certain circumstances. The Company has given certain customary warranties and indemnities to the Registrar in connection with its engagement as the Company's registrar; and
- (e) the Depositary Agreement pursuant to which the Depositary has agreed to act as Depositary to the Company upon the terms of the Deed Poll. Under the Depositary Agreement, the Depositary is entitled to receive set-up fee from the Company of £4,000 and a basic fee of £2.00 per DI holder, subject to a minimum charge of £8,000 per annum. The appointment of the Depositary is for an initial term of three years and will automatically be renewed for a successive 12 month periods unless terminated by either party giving not less than 45 days' written notice (save that the Company's notice to terminate will not expire earlier than the expiry of the initial three year period or subsequent 12 month period, as the case may be). Either party may terminate the agreement immediately in certain circumstances. The Company has given certain customary warranties and indemnities to the Depositary in connection with its engagement as the Company's depositary.

15 RELATED PARTY TRANSACTIONS

Save as set out in paragraph 14 above and other than with respect to the issue of Ordinary Shares immediately prior to, or in connection with, Admission as provided for in paragraphs 2.2(g) to (i) of this Part 4, there are no related party transactions which, as a single transaction or in their

entirety, are or may be material to the Company and have been entered into by the Company or the Subsidiary during the period covered by the financial information and up to the date of this document.

16 WORKING CAPITAL

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the net proceeds of the Placing, the working capital of the Group will be sufficient for its present requirements, that is, for at least the period of 12 months from the date of Admission.

17 LITIGATION

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

18 GENERAL

- 18.1 Save as disclosed in note 15 of the financial information in Part 3 of this document, there has been no significant change in the financial or trading position of the Group since 31 December 2014, the date to which the last audited accounts of the Group were prepared.
- 18.2 The estimated costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 10.1 above) payable by the Company are estimated to amount to approximately £2.4 million. The total net proceeds of the Placing, after settling fees, will be £19.6 million.
- 18.3 Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global have been the auditors of the Company since 2012.
- 18.4 Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global has given and not withdrawn its written consent to the inclusion of its report in Part 3 of this document and the references to its report and to its name in the form and context in which they appear.
- 18.5 Liberum Capital Limited is registered in England and Wales under number 5912554 and its registered office is at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY. Liberum Capital Limited is regulated by the Financial Conduct Authority and is acting in the capacity as nominated adviser and broker to the Company.
- 18.6 Liberum Capital Limited, the nominated adviser and broker to the Company, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 18.7 Save as otherwise disclosed in this document there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 18.8 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
 - (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 18.9 The issue of the New Ordinary Shares will result in existing Shareholders' percentage holdings being diluted by approximately 26.8 per cent. on Admission.

- 18.10 Save as disclosed in this document, the Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 18.11 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 18.12 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 18.13 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 18.14 Where information contained in this document has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19 Availability of Admission Document

Copies of this document will be available for inspection during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA from the date of this document to the date one month from the date of Admission and may also be downloaded from the Company's website.

Dated 5 June 2015

PART 5

TERMS AND CONDITIONS OF THE PLACING

1. Introduction

Each Placee which confirms its agreement to Liberum to subscribe for or purchase Placing Shares under the Placing will be bound by these terms and conditions and will be deemed to have accepted them.

Each of the Company and/or Liberum, as applicable, may require a Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit.

2. Agreement to Subscribe for Ordinary Shares

Conditional on, amongst other things: (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 11 June 2015 (or such later time and/or date, not being later than 8.00 a.m. on 30 June 2015, as the Company and Liberum may agree); (ii) the Placing Agreement becoming otherwise wholly unconditional in all respects and not having been terminated in accordance with its terms at any time prior to Admission; and (iii) Liberum confirming to the Placees their allocation of Placing Shares, a Placee agrees to become a member of the Company and agrees to subscribe for or purchase those Placing Shares allocated to it by Liberum at the Placing Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

Multiple applications or suspected multiple applications on behalf of a single investor are liable to be rejected. Fractions of Ordinary Shares will not be issued or transferred.

3. Payment for Ordinary Shares

Each Placee undertakes to pay in full the Placing Price for the Placing Shares issued or sold to such Placee in the manner and by the time directed by Liberum, as applicable. In the event of any failure by a Placee to pay as so directed and/or by the time required by Liberum, as applicable, the relevant Placee shall be deemed hereby to have irrevocably and unconditionally appointed Liberum, as applicable, or any nominee of Liberum as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment shall not have been made as directed, and to indemnify Liberum and its respective affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such Placing Shares shall not release the relevant Placee from the obligation to make such payment for relevant Placing Shares to the extent that Liberum or its nominee has failed to sell such Placing Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, is equal to or exceeds the Placing Price per Share.

4. Representations, Warranties and Undertakings

4.1 By agreeing to subscribe for or purchase Placing Shares, each Placee which enters into a commitment to subscribe for or purchase Placing Shares (for the purposes of this Part 5, a "**Placing Commitment**") will (for itself and for any person(s) procured by it to subscribe for or purchase Placing Shares and any nominee(s) for any such person(s)) be deemed to acknowledge, understand, undertake, represent, warrant to and agree with each of the Company, the Selling Shareholders, the Registrar and Liberum that:

4.1.1 in agreeing to subscribe for or purchase Placing Shares under the Placing, it is relying solely on the Admission Document and any supplementary document issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Placing Shares or the Placing. It agrees that none of the Company, the Selling Shareholders, the Registrar or Liberum, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have against any such persons in respect of any other information or representation;

- 4.1.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Placing Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any such territory or jurisdiction and that it has not taken any action or omitted to take any action which will or might reasonably be expected to result in the Company, the Selling Shareholders, the Registrar or Liberum, or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- 4.1.3 it has carefully read and understands the Admission Document (and any supplementary document issued by the Company) in its entirety and acknowledges that it is acquiring Placing Shares on the terms and subject to the conditions set out in this Part 5 and, as applicable, in the contract note or placing confirmation, as applicable, referred to in paragraph 4.1.11 of this Part 5 (for the purposes of this Part 5, the “**Contract Note**” or the “**Placing Confirmation**”) and the Articles as in force at the date of Admission;
- 4.1.4 it has not relied on Liberum, or any person affiliated with Liberum in connection with any investigation of the accuracy of any information contained in the Admission Document;
- 4.1.5 the content of the Admission Document is exclusively the responsibility of the Company and its Directors and neither the Selling Shareholders, Liberum, the Registrar, nor any person acting on their behalf nor any of their affiliates are responsible for or shall have any liability for any information, representation or statement contained in the Admission Document (and any supplementary document issued by the Company) or any information previously published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing based on any information, representation or statement contained in the Admission Document or otherwise;
- 4.1.6 no person is authorised in connection with the Placing to give any information or make any representation other than as contained in the Admission Document and, if given or made, any information or representation must not be relied upon as having been authorised by Liberum, the Company, the Selling Shareholders, or the Registrar;
- 4.1.7 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to account for tax at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 or to provide a notification under section 68 or 71 of the Finance Act 1986;
- 4.1.8 the price per Placing Share is fixed at the Placing Price and is payable to Liberum on behalf of the Company and/or the Selling Shareholders, in accordance with the terms of this Part 5 and, as applicable, in the Contract Note or Placing Confirmation;
- 4.1.9 it has the funds available to pay in full for the Placing Shares for which it has agreed to subscribe or purchase pursuant to its Placing Commitment and that it will pay the total subscription or purchase price in accordance with the terms set out in this Part 5 and, as applicable, as set out in the Contract Note or Placing Confirmation on the due time and date;
- 4.1.10 its commitment to acquire Placing Shares under the Placing will be agreed orally with Liberum as agent for the Company and the Selling Shareholders, and that a Contract Note or Placing confirmation will be issued by Liberum as soon as possible thereafter. That oral confirmation will constitute an irrevocable, legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company, the Selling Shareholders and Liberum to subscribe for or purchase the number of Placing Shares allocated to it and comprising its Placing Commitment at the Placing Price on the terms and conditions set out in this Part 5 and, as applicable, in the Contract Note or Placing Confirmation and in accordance with the Articles in force as at the date of Admission. Except with the consent of Liberum such oral commitment will not be capable of variation or revocation after the time at which it is made;

- 4.1.11 its allocation of Placing Shares under the Placing will be evidenced by Contract Note or Placing Confirmation, as applicable, confirming: (i) the number of Placing Shares that such Placee has agreed to acquire; (ii) the aggregate amount that such Placee will be required to pay for such Placing Shares; and (iii) settlement instructions to pay Liberum as agent for the Company. The terms of this Part 5 will be deemed to be incorporated into that Contract Note or Placing Confirmation;
- 4.1.12 settlement of transactions in the Placing Shares following Admission will take place in CREST in the form of Depositary Interests but Liberum reserves the right in its absolute discretion to require settlement in certificated form if, in its opinion, delivery or settlement is not possible or practicable within the CREST system within the timescales previously notified to the Placee (whether orally, in the Contract Note or Placing Confirmation or otherwise) or would not be consistent with the regulatory requirements in any Placee's jurisdiction;
- 4.1.13 none of the Placing Shares have been or will be registered under the laws of the United States, Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction where the extension or availability of the Placing would breach any applicable law. Accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, within the United States, Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction where the extension or availability of the Placing would breach any applicable law unless an exemption from any registration requirement is available;
- 4.1.14 it: (i) is entitled to subscribe for or purchase the Placing Shares under the laws of all relevant jurisdictions; (ii) has fully observed the laws of all relevant jurisdictions; (iii) has the requisite capacity and authority and is entitled to enter into and perform its obligations as a subscriber for or purchaser of Placing Shares and will honour such obligations; and (iv) has obtained all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto;
- 4.1.15 if it is within the United Kingdom, it is a "qualified investor" within the meaning of section 86 of FSMA and also a person who falls within: (i) Articles 19(1) or 19(5) (Investment Professionals); or (ii) Articles 49(2)(A) to (D) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or is a person to whom the Placing Shares may otherwise lawfully be offered whether under such Order or otherwise, or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 4.1.16 if it is a resident in a member state of the EEA (a "**Member State**") other than the United Kingdom, it is a "qualified investor" within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;
- 4.1.17 in the case of any Placing Shares acquired by an investor as a financial intermediary within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive: (i) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Liberum has been given to the offer or resale; or (ii) where Placing Shares have been acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 4.1.18 it is purchasing the Shares outside the United States;

- 4.1.19 it does not have a registered address in, and is not a citizen, resident or national of Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person;
- 4.1.201 if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for or purchase Placing Shares under the Placing and will not be any such person on the date that such Placing is accepted;
- 4.1.21 it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person and you acknowledge and agree that no document or communication in respect of the Placing is being issued by Liberum, in its capacity as an authorised person under section 21 of FSMA and they may not therefore be subject to the controls which would apply if they were made or approved as financial promotion by an authorised person;
- 4.1.22 it is aware of and acknowledges that it is required to comply with all applicable provisions of FSMA with respect to anything done by it in relation to the in, from or otherwise involving, the United Kingdom;
- 4.1.23 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, section 118 of FSMA and the Proceeds of Crime Act 2002 and confirm that it has and will continue to comply with those obligations;
- 4.1.24 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any related materials (and any supplementary document issued by the Company) to any persons within the United States nor will it do any of the foregoing;
- 4.1.25 no action has been taken or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the Ordinary Shares or possession of the Admission Document (and any supplementary document issued by the Company), in any country or jurisdiction where action for that purpose is required;
- 4.1.26 Liberum, nor any of its affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of Liberum and that Liberum has no duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing;
- 4.1.27 that, save in the event of fraud on the part of Liberum, none of Liberum, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding company, nor any of its respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Liberum's role as nominated adviser, broker or otherwise in connection with the Placing and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately and irrevocably waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- 4.1.28 that where it is subscribing for or purchasing Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for or purchase the Placing Shares for each such account; (ii) to make on each such account's behalf the undertakings, acknowledgements, representations, warranties and agreements set out in the Admission Document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and Liberum. It agrees that the provision of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;

- 4.1.29 it irrevocably appoints any Director and any director of Liberum to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Placing Shares comprising its Placing Commitment, in the event of its own failure to do so;
- 4.1.30 if the Placing does not proceed or the conditions to the Placing under the Placing Agreement are not satisfied or the Placing Shares for which valid application are received and accepted are not admitted to listing and trading on AIM for any reason whatsoever then none of the Selling Shareholders, Liberum, the Company nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 4.1.31 in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 (for the purposes of this Part 5, together the "Money Laundering Regulations") and that its application for Placing Shares under the Placing is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied for Placing Shares. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Regulations;
- 4.1.32 due to anti-money laundering requirements, Liberum may require proof of identity and verification of the source of the payment before the application for Placing Shares under the Placing can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Liberum may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify Liberum against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- 4.1.33 it is aware of, has complied with and will at all times comply with its obligations in connection with money laundering under the Money Laundering Regulations;
- 4.1.34 any personal data provided by it to the Company or Registrar will be stored both on the Registrar's computer system and manually. Such personal data is used by the Registrar to maintain the Company's register of Shareholders and holders of Depositary Interests and mailing lists and this may include sharing such data with third parties in one or more other countries when: (a) effecting the payment of dividends and other distributions to Shareholders; and (b) filing returns of Shareholders and their respective transactions in Ordinary Shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used. By becoming registered as a holder of Ordinary Shares a person becomes a data subject (as defined in the Data Protection Act 1998) and is deemed to have consented to the processing by the Company or the Registrar of any personal data relating to them in the manner described above.
- 4.1.35 Liberum is entitled to exercise any of their rights under the Placing Agreement (including, without limitation, rights of termination) or any other right in its absolute discretion without any liability whatsoever to them;
- 4.1.36 the representations, undertakings and warranties contained in this Part 5 and, as applicable, in the Contract Note or Placing Confirmation, are irrevocable. It acknowledges that Liberum and the Company and their respective affiliates will rely

upon the truth and accuracy of the foregoing representations, warranties and undertakings and it agrees that if any of the representations or warranties or undertakings made or deemed to have been made by its subscription of the Placing Shares under the Placing are no longer accurate, it shall promptly notify Liberum and the Company;

- 4.1.37 where it or any person acting on behalf of it is dealing with Liberum any money held in an account with Liberum on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the Financial Conduct Authority (for the purposes of this Part 5, the "FCA") which therefore will not require Liberum to segregate such money, as that money will be held by Liberum under a banking relationship and not as trustee;
- 4.1.38 any of its clients, whether or not identified to Liberum will remain its sole responsibility and will not become clients of Liberum for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.1.39 the allocation of Placing Shares in respect of the Placing shall be determined by Liberum in its absolute discretion (in consultation with the Company) and that Liberum may scale down any Placing Commitment on such basis as they may determine (which may not be the same for each Placee);
- 4.1.40 time shall be of the essence as regards its obligations to settle payment for the Placing Shares subscribed for or purchased under the Placing and to comply with its other obligations under the Placing;
- 4.1.41 it authorises Liberum to deduct from the total amount subscribed under the Placing the aggregation commission (if any) (calculated at the rate agreed with the Placee) payable on the number of Placing Shares allocated under the Placing; and
- 4.1.42 the commitment to subscribe for Placing Shares on the terms set out in this Part 5 and, as applicable, in the Contract Note or Placing Confirmation will continue notwithstanding any amendment that may in the future be made to the terms of the Placing and that it will have no right to be consulted or require that its consent be obtained with respect to the Company's conduct of the Placing.

The Company, the Selling Shareholders, the Registrar and Liberum will rely upon the truth and accuracy of the foregoing representations, warranties, undertakings and acknowledgements. You agree to indemnify and hold each of the Company, the Selling Shareholders, the Registrar, Liberum and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach of the representations, warranties, undertakings, agreements and acknowledgements in this Part 5.

5. Supply and Disclosure of Information

If Liberum, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for or purchase Placing Shares under the Placing, such Placee must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

6. Miscellaneous

The rights and remedies of Liberum, the Selling Shareholders, the Registrar, and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be sent by post to such Placee at an address notified by such Placee to Liberum.

Each Placee agrees to be bound by the Articles (as amended from time to time) once the Placing Shares, which the Placee has agreed to subscribe for or purchase pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for or purchase Placing Shares under the

Placing and the appointments and authorities mentioned in this Admission Document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Liberum, the Company, the Selling Shareholders, and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Placing Shares under the Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

Liberum, the Company and the Selling Shareholders expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined. The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and to the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in Part 4 of this Admission Document.

