Marimedia Ltd

Annual Report and Accounts 2014

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Directors, Secretary & Advisers

Directors

Timothy Grainger Weller
Non-Executive Director and Chairman

Hagai Tal
Chief Executive Officer

Yaniv Carmi
Chief Financial Officer

Maia Shiran
Chief Operating Officer

René Etrain Rechtman
Non-Executive Director

Joanna Rachael Parnell
Non-Executive Director

Neil Garth Jones
Non-Executive Director

Company Secretary

Yaniv Carmi

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Financial & Operational Summary 2014

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

Financial Summary

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

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

Operational Summary

- Admitted to AIM on 28 May 2014; $30 million raised for the Company
- Completed acquisition of Taptica in H2 2014 to address demand from publishers and advertisers to extend reach in mobile market
- Extended coverage through increasing number of advertisers and signing-up increasing number of publishers
- Display revenues (including video advertisements) accounted for 82% of full year Company revenues with mobile accounting for 18% of revenues. In Q4 2014, mobile accounted for 28% of revenues
- Tier 1 clients accounted for 28% of December 2014 revenues
- Revenues from Europe accounted for 45% of Company revenues with North America being the second largest contributor at 36% of overall revenues (2013: 48% (Europe) and 21% (North America))
- Increased capacity and organisational efficiencies:
  - Expanded employee base, primarily key technology personnel but also business development, sales and marketing
  - Implemented organisational changes to enhance video and mobile offering

Tim Weller
Chairman June 2015

Chairman's Statement

I am pleased to be presenting our maiden annual financial report and accounts following our listing on AIM in May 2014. Over the past eight years, Marimedia has grown from a start-up to a company with over 100 employees in multiple global offices and a client base spanning more than 40 countries, and the listing last year marked a new chapter for the company that presents exciting opportunities for accelerated development.

Market growth

Marimedia operates in an expansive and growing market. 2014 saw global digital advertising spend reach $145bn, up from $120bn in 2013, and is expected to grow to $171bn in 2015*. This represents an increase in spending on advertising as a whole and, in particular, digital advertising accounting for a greater proportion of marketing spend as the ecosystems mature and the value of digital advertising becomes ever-more apparent.

In addition to the growth in the sector, 2014 saw the emergence of a significant shift in consumer behaviour away from desktops and laptops toward mobile devices. This trend, as we stated in our trading updates in May, has rapidly accelerated. In the UK, for example, it is predicted that 2015 will see the tipping point where the (non-voice) time spent on mobile devices overtakes that spent on desktops and laptops. As user behaviour changes, advertising spend will inevitably follow, presenting new challenges and opportunities for companies seeking to meet this demand.

Execution on strategy

Marimedia demonstrated its ability to stay ahead of the market by identifying this trend and accelerating its strategy to enhance its mobile offering. Through investment in our technology, organisational changes and, above all, the acquisition of Taptica – which gave us the ability to leverage **Big Data** through the database of user profiles – we were able to significantly advance the mobile segment – the success of which is evidenced by mobile advertising accounting for an increasing proportion of our growing revenues.

Investment in **technology** remains a critical part of Marimedia's strategy as we continue to improve our existing offerings and products as well as develop new ones. As consumer preferences, and the devices they use, evolve, we will undoubtedly see new challenges and opportunities for innovative new products. It is through successfully anticipating demands and developing technology that we will continue to grow.

Key to this is the development of our SSP (Supply Side Platform) for mobile and video, which is due to be launched in 2015 and will be fully integrated with the Taptica DSP (Demand Side Platform), which will be enable us to offer a single platform – a Data Management Platform (DMP) – encompassing all sides of the adtech ecosystem. This will be enhanced by utilising Big Data – which enables quality targeting & retargeting via dynamic promotions – and the creation of a cross platform/device single ad tag to track users' interaction with all online advertising thereby increasing our targeting abilities. Consequently, our technology will allow advertisers to pinpoint **quality** traffic (users) and generate the highest ROI and revenue rather than just installs or registrations/sign ups.

As a result of these advancements, Marimedia will be better able to target and attract **tier 1** customers. We made a significant start to this in 2014 and expect this trend to continue in 2015 with tier 1 customers being an important driver of growth. To further this strategy, in Q1 2015, we opened an office in New York to target the ad agencies and brands that are located on the East Coast and launched a digital advertising analytics tool for enhancing mobile advertising campaigns and the measurement thereof. Similarly, part of the rationale behind the IPO was to enhance the company's profile and visibility with important partners and clients. Again, we made an important start to this during 2014 and plan to significantly increase our brand recognition in 2015 and beyond.

The faster-than-anticipated market transition away from display advertising has had a negative impact, however we are well-positioned to capitalise on the investments and progress that we have made in developing the mobile segment. As a result of this, we expect to report an increase in revenue in 2015 and, going forward, I have every confidence that we will continue to innovate and deliver consistent growth. This is down to the hard work and ability of our staff, and the support of our partners and customers, for which I am very grateful. Finally, I would like to thank you, our shareholders, for your continued support and I look forward to

* *Source: eMarketer.com*

Hagai Tal
Chief Executive Officer June 2015

Chief Executive Officer's Review

This year has been one of the most significant in our history as we were admitted to AIM on 28 May 2014 having raised $50 million before costs and expenses. In our maiden full year results as a listed company, we were pleased to report an increase in revenues of 46% to $63.1 million compared with $43.3 million in 2013. This growth was primarily due to the development and leveraging of our proprietary technology and device-agnostic solutions to increase the number of business partners – publishers and advertisers – enabling us to maximise revenue and return on investment.

Operational review

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

Admission to AIM

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

The placing proceeds have enabled us to accelerate our growth strategy by increasing investment in technology to further develop our real time bidding and mobile market capabilities, and seek access to new customers and markets through targeted acquisitions.

Successful execution on strategy

At the time of the IPO we stated that our growth strategy was based on organic growth, increased utilisation of technology, developing a strong proposition for the mobile market and targeted acquisitions that would complement existing technology and enable better exploitation of the platform. 2014 was a year of strong growth as we successfully executed this strategy. For the first three quarters of the year, the main focus was on signing direct publishers as clients, which we were able to achieve thanks to our expanded technology offering.

We continued to invest in our technology and make it scalable, which enabled us to take advantage of the growth and diversification in the online media market, especially in the areas of video (both in display and mobile) and mobile – across all devices and platforms.

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

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

R&D

During 2014, we invested significantly in the development of our proprietary technology. In particular, Marimedia commenced developing a publisher-focused SSP (Supply Side Platform) for mobile and video. The SSP will enable publishers to sell their advertising

Chief Executive Officer's Review *cont*

inventory via an auction mechanism in real time (via real time bidding), thereby enabling the publisher to auction a greater number of impressions at a higher price. Our SSP will fully integrate with Taptica's DSP (Demand Supply Platform) for advertisers, which leverages Taptica's growing database of user profiles for the accurate targeting/retargeting of users. This will be enhanced by the creation of a cross platform/device single ad tag – which is the code that tells the browser how to display the ad (or other content) that they get from a URL request – that will be utilised for all of our publishers, advertisers and app developers, and for all devices, which will enable the user's interaction with all online advertising to be tracked. As a result, Marimedia's technology will be able to target the user irrespective of the media or device – thereby increasing the efficiency of the advertising campaign and improving the offering to publishers.

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

Outlook

As stated in our trading statement of 4 June 2015, we are cash generative and profitable, and expect to report revenue growth for full year 2015 – primarily due to an acceleration in the mobile segment of the business, which is now our focus. Looking further ahead, our product and service development programmes are on track to meet the changes in the industry and we expect to create significant value to shareholders from the commercialisation of our assets.

Yaniv Carmi
Chief Financial Officer June 2015

Chief Financial Officer's Review

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

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

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

We increased investment in technology with R&D expenses growing by 152% to $2.0 million (2013: $0.7 million). Adjusted EBITDA for the full year ended 31 December 2014 increased by approximately 19% to $10.5 million compared with $8.8 million for the equivalent period in 2013 as follows:

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

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

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

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

Dividend

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

Business Overview

Marimedia Offer

Data-Driven Solutions or Mobile and Video Advertisin

Marimedia – through its Taptica brand – offers data-focused marketing solutions that drive execution and powerful brand insight, leveraging mobile, video, native, and display to reach the most valuable users for every app, service and brand.

- Over 55 billion monthly impressions
- Database of over 200 million users worldwide
- 15 billion requests handled per day
- Data gathered from more than 10,000 campaigns
- Over 50,000 supply and publishing partners worldwide
- Over 450 brand and app customers
- Solutions across video, mobile and desktop
- Serving multiple ad types: display banners, full screen, rich media, native ads, video and pre-roll ads

Technology

Marimedia's proprietary technology is based on artificial intelligence and machine learning on a Big Data scale, which enable data-driven mobile targeting and user acquisition, resulting in maximum ROI.

- Device agnostic programmatic advertising
- Proprietary software uses complex analytic algorithms to establish the optimal, revenue-generating match of publisher ad space with advertisers' inventory
- Driven by vast amounts of data and working in real time to serve the most effective ad per each unique impression, the algorithm is able to predict and optimise the CPM to bid per media source

Solution

Mobile

Enabling brands and app developers to reach, engage and acquire the most valuable mobile users through data-driven mobile targeting, utilising artificial intelligence and machine learning on a Big Data scale.

- Valuable mobile users
- Data driven & contextual
- Convert-to-pay
- Mobile re-targeting
- Programmatic technology
- RTB & direct publishers

Video

Offering device-agnostic solutions for the entire video advertising ecosystem, maximising video ad revenue and realising the potential of video monetisation. Publishers can choose between a full solution including a video player or monetisation only.

- Easy to implement player
- Desktop, mobile web & apps
- Brand-safe ('quality') inventory
- In-stream ads
- Competitive eCPMs
- PMP connections

Real Time Analytics

First-in-market, real-time analytics tool offering a fully transparent view of anonymised user behaviour data, including impressions, clicks, conversions, purchases, money spent, detailed demographic data (such as location, age, gender), operating system, creative and ad spend.

Business Overview

Selection f advertise customers

Selection f publisher customers

Marimedia focus for 2015

- **Technology:**
  Developing “one tag” (unique all-in-one) solution to enable highly efficient user data acquisition across all platforms/devices
- **Big Data:**
  Over 200m user profiles, growing daily, enables quality targeting & retargeting
- **Quality:**
  Allow advertisers to pinpoint quality traffic (users) and generate highest ROI and revenue rather than just installs or registrations/sign ups
- **Tier 1 brands:**
  Improved offering enables growth of tier 1 customer base

Business Overview

Digital advertising ecosystem

DSP: Demand Side Pla orm

DSPs facilitate real time bidding on multiple ad exchanges by offering a scaled approach to reaching target audiences. Enables advertisers to simply deploy multiple targeting strategies.

- Marimedia gained a DSP for advertisers through the acquisition of Taptica. It will be enhanced by the creation of a cross platform/device single ad tag to enable the tracking of the user across all devices to provide greater data on user behaviour – thereby increasing targeting efficiency. 'One tag' expected to be launched in Q2 2015.

SSP: Supply Side Pla orm

Inventory from thousands of online publications is made available via the SSP to enable publishers to receive the highest possible "market value" for ad space via RTB. By automating and optimising the sale of impressions, an "auction" environment is created to allow the impression to be sold to the highest bidder.

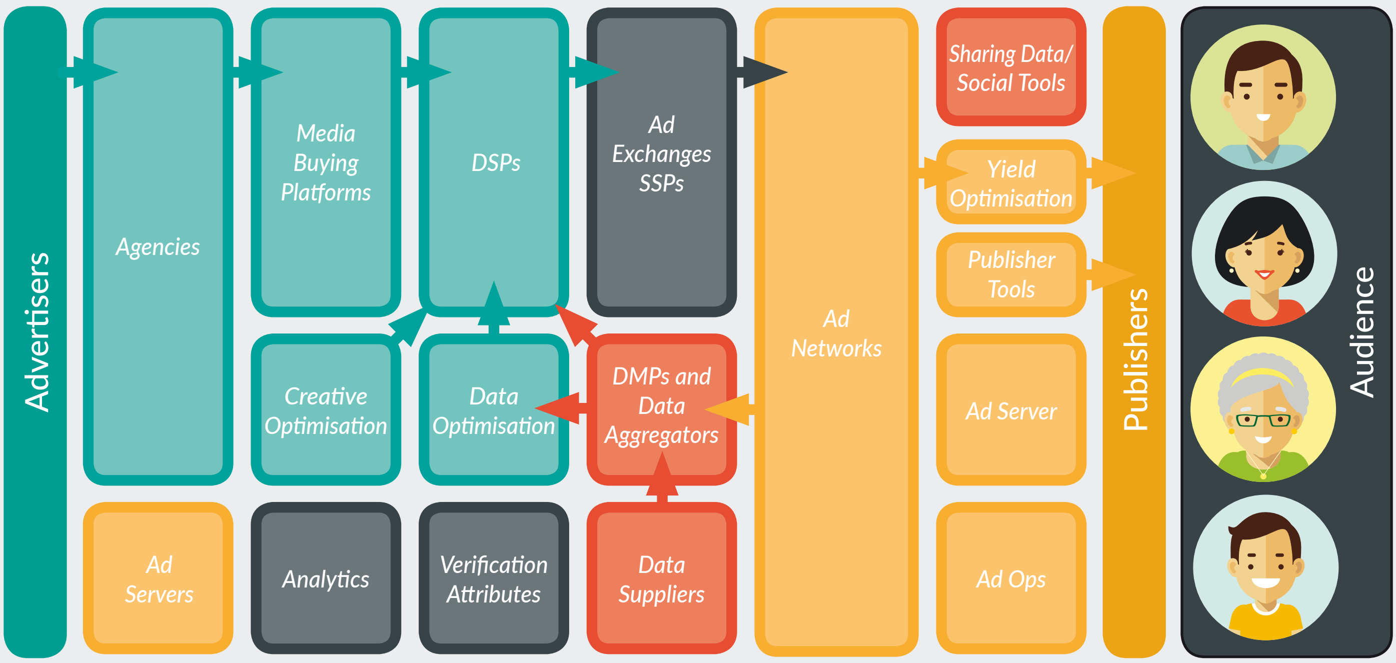
- Marimedia commenced developing a publisher-focused SSP for mobile and video in 2014 to enable publishers to sell their advertising inventory via an auction mechanism in real time (via real time bidding), thereby enabling the publisher to auction a greater number of impressions at a higher price. Expected to be launched by the end of H1 2015.

DMP: Data Management Pla orm

DMPs centralise different kinds of data sets – such as audience data, analytics and reporting – to enable more informed decisions to be taken as to how best to reach the target audience and realise the best ROI.

- Marimedia will fully integrate its SSP and DSP to offer a single, integrated platform – a DMP – encompassing all sides of the adtech ecosystem. Expected to be launched at the beginning of H2 2015. With continuous data acquisition, Marimedia's technology will use machine learning and analytics, on a Big Data scale, to enhance efficiency and provide maximum ROI.

Marimedia encompasses multiple elements of the adtech ecosystem – enabling an integrated, end-to-end offer for more efficient targeting and increased ROI.

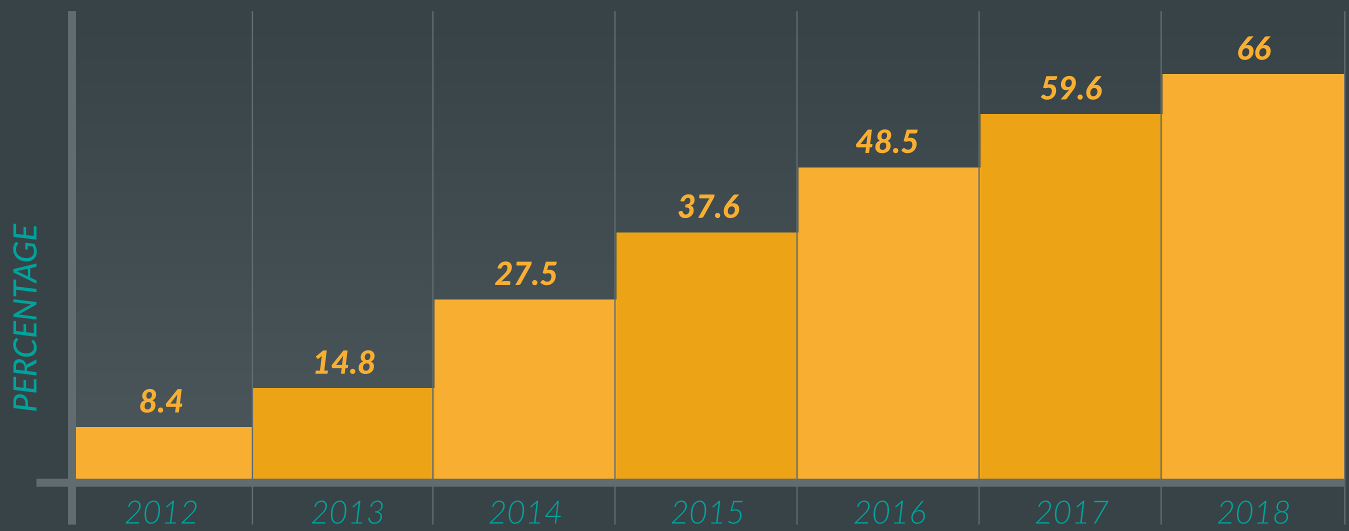


c.**$170bn**
Global digital ad spending in 2015

Mobile advertising to account for almost **50%** of all digital ad expenditure in 2016

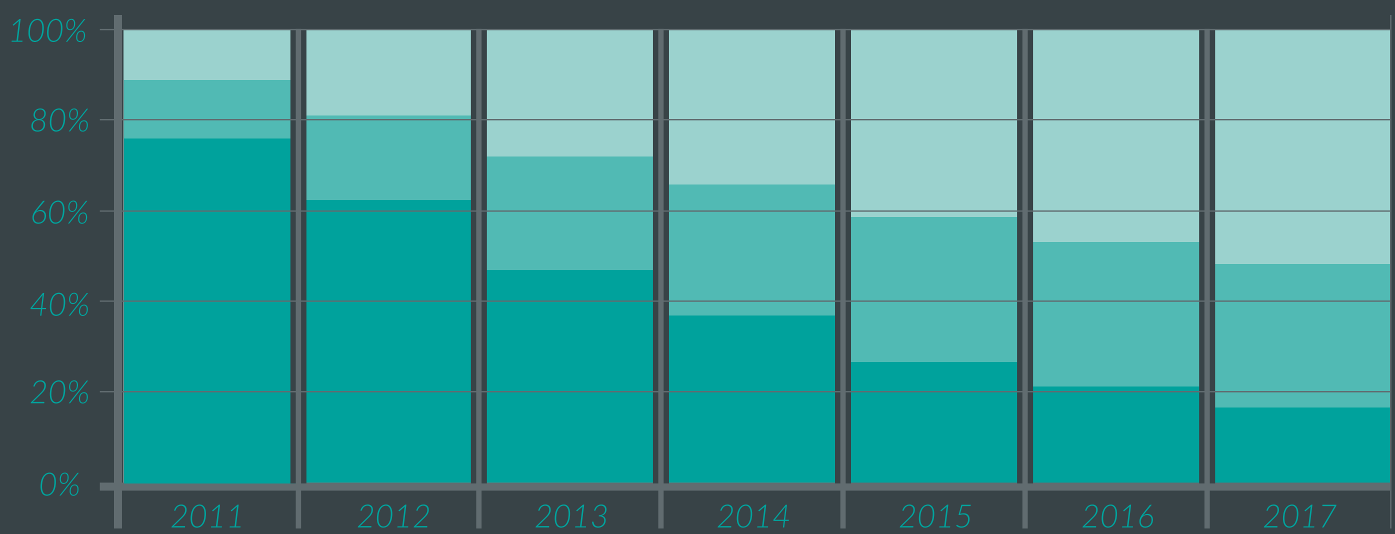
Cross-device campaigns expand share of digital video ad impressions from 17% to 51% Q1 to Q4 2014

Mobile internet ad spending worldwide as percentage of digital spending



Shift in Buying Approach

Non-Programmatic
Non-RTB Programmatic



Source: eMarketer.com

Directors' Biographies

Tim Weller

Non-Executive Director and Chairman

Tim Weller is the founder of Incisive Media and its Group Chief Executive. He successfully floated the company in 2000 and in 2006 he led the £275m management buyout which took the company private again. Mr Weller was non-executive director and chairman of RDF Media from 2005-2010 and was also Non-Executive Chairman of Polestar from 2009-2011 until its sale to Sun European Partners LLP. Mr Weller was a member of the Shadow Cabinet New Enterprise Council, which advised the then Shadow Chancellor of the Exchequer, George Osborne, on business and enterprise prior to the 2010 General Election. Mr Weller is currently chairman of InternetQ, one of the world's most successful mobile, social media and app-based service providers, which is listed on AIM. Tim is also chairman of Trustpilot, a leading provider of trusted company reviews.

Hagai Tal

Chief Executive Officer

Hagai Tal joined Marimedia in 2010 as a major shareholder and became the Company's Chief Executive Officer in December 2013. Mr Tal has invested in, led and developed a number of companies through successful growth, continued investment and the IPO/disposal process. These companies include Kontera, Amadesa, Payoneer, BlueSnap (formerly Plimus) and Spark Networks (NYSE:LOV). Mr Tal's previous positions include being Co-Founder and Chief Executive Officer at BlueSnap (formerly Plimus) and Vice President of Marketing at Spark Networks. Mr Tal holds a Masters in Management Information Technology from the University of Sunderland. Mr Tal is also a member of The Aspen Global Leadership Network.

Yaniv Carmi

Chief Financial Officer

Yaniv Carmi joined Marimedia in 2010 and became Chief Financial Officer at the Company in January 2011. Mr Carmi is an experienced finance professional, whose roles include tax and audit senior at KPMG, Israel. In his current role within the Company, Mr Carmi is responsible for financial strategies, agendas and operations in directing key corporate initiatives. Mr Carmi is a Certified Public Accountant and holds a B.A. degree in Economics and Accounting from Ben-Gurion University and an MBA in Financial Management from Tel Aviv University.

Maia Shiran

Co-Founder and Chief Operating Officer

Maia Shiran is responsible for Marimedia's marketing direction and business development strategy. Ms Shiran has worked in several companies and has occupied senior management roles in a leading marketing company. In 2007, Ms Shiran co-founded Marimedia. Ms Shiran has an undergraduate degree in Arts, Political Science and Communication from the Hebrew University and is in the process of obtaining a Masters in Organisational Behaviour from the Tel Aviv University.

René Rechtman

Non-Executive Director

René Rechtman is President, International at Maker Studios Inc. From 2008 to 2013, Mr Rechtman was CEO at Goviral (an AOL company) and Senior Vice President at AOL Advertising Group, responsible for AOL's expansion outside of the US. Before working at AOL, Mr Rechtman spent more than 8 years as Vice President at TradeDoubler, helping it to become a leading European provider of performance-based marketing solutions. Mr Rechtman has a Masters in Politics and International Relations from Copenhagen University.

Directors' Biographies

Joanna Parnell

Non-Executive Director

Joanna Parnell is Director of Strategy at Unique Digital and is a member of the Board of Directors. Ms Parnell is responsible for setting product and business strategy, including leading the multichannel planning strategy (cross-device and cross-platform), managing product heads and driving key initiatives across data buying, attribution modelling and biddable media adaptation. Unique Digital is owned by Syzygy PLC. Prior to promotion to her current role, Ms Parnell was Head of Planning and Account Director at Unique Digital, where she was responsible for operational management of major international client brands. Ms Parnell has a Masters in German and Business from the University of Edinburgh and studied as a postgraduate at the London School of Marketing between 2005 and 2006.

Neil Jones

Non-Executive Director

Neil Jones has been the Group Finance Director of ITE Group plc (which is listed on the Main Market of the London Stock Exchange) since November 2008 and responsible for all financial and statutory reporting and managing external finance relationships, including audit, tax and banking. Mr Jones has also been the chair of the Risk Committee of ITE Group plc since November 2013. From 2003 to 2008, Mr Jones was Group Finance Director at Tarsus Group plc and prior to that, he spent five years as Finance Director (Europe) at Advanstar Communications. Mr Jones has a BA degree in Economics from the University of Manchester and completed the ACA in July 1990 with Price Waterhouse.

Corporate Governance Statement

The Board is responsible to shareholders for effective direction and control of the Company and this report describes the framework for corporate governance and internal control that the directors have established to enable them to carry out this responsibility. As an AIM listed company, the Company is not required to comply with the provisions of the UK Corporate Governance Code (the "Code") and this is not a statement of compliance as required by the Code. However, the Directors recognize the importance of sound corporate governance and, accordingly, comply with the Code, to the extent they believe appropriate for a company of its nature and size. As an Israeli company, the Company also complies with the corporate governance provisions of Israel's Companies Law, 5759-1999 (the "Companies Law").

The Board and Committees

Board

The Board is responsible for the overall strategy and financial performance of the Company and has a formal schedule of matters reserved for its approval. Each Board meeting is preceded by a clear agenda and any relevant information is provided to directors in advance of the meeting. The Company has established properly constituted audit, remuneration and nomination committees of the Board (in accordance with the Companies Law) with formally delegated duties and responsibilities.

The Board is comprised of three executive directors, Hagai Tal, Yaniv Carmi and Maia Shiran, and four non-executive directors, Tim Weller (Chairman of the Board), Neil Jones, Joanna Parnell and René Rechtman.

The performance of the Board, the Board committees and the individual Board members is assessed on an evaluation of Board performance survey conducted on an annual basis via questionnaire and detailed Board discussion. An implementation plan is then actioned for any matters arising.

The Board has met on nine occasions since the Company's admission to the AIM in May 2014. The meetings were held on 9 July 2014, 2 September 2014, 7 October 2014, 9 November 2014, 21 January 2015, 24 February 2015, 24 March 2015, 27 May 2015 and 16 June 2015. The required majority of directors attended these meetings.

The Board also holds regular telephone calls to update the members on operational and other business. The Company provides training to directors where required. No individual or group of directors dominates the Board's decision making. Collectively, the non-executive directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims.

In accordance with the Companies Law, the Board must always have at least two outside directors who meet certain statutory requirements of independence (the "Outside Directors"). The Company's Outside Directors are currently Neil Jones, Joanna Parnell and René Rechtman. The term of office of an Outside Director is three years, which can be extended for two additional three year terms. Under the Companies Law, Outside Directors are elected by shareholders by a special majority and may be removed from office only in limited cases. Any committee of the Board must include at least one Outside Director and the Audit Committee and Remuneration Committee must each include all of the Outside Directors (including one Outside 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.

Remuneration ommi ee

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive Officer, the Chairman of the Board, the executive and non-executive directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for: (i) recommending to the Board a compensation policy for directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total

Corporate Governance Statement

individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration.

The UK Corporate Governance Code recommends a remuneration committee comprise non-executive directors. The Remuneration Committee comprises Neil Jones, Joanna Parnell and René Rechtman and is chaired by Joanna Parnell and operates under written terms of reference. The remuneration report on pages 21 to 22 contains a detailed description of the Company's remuneration policy. The committee met on four occasions since the Company's admission to the AIM in May 2014. The meetings were held on 9 November 2014, 24 February 2015, 24 March 2015 and 16 June 2015. The quorum for meetings is two independent non-executive director members, and this quorum was met for all of the meetings. During these meetings the Committee reviewed and recommended to the Board for its approval grant of equity incentive awards to the Company's employees and an equity incentive plan for the Company's U.S.-based employees, reviewed and recommended to the Board for its approval changes to the remuneration package of the Company's Chief Financial Officer and Director, and determined and agreed with the Board about the Company's remuneration philosophy and the principles of its remuneration policy for executives, ensuring that these are in line with the business strategy, objectives, values and long-term interests of the Company and comply with all regulatory requirements.

Nomination Committee

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board. The Nomination Committee meets not less than twice a year and at such other times as required.

The UK Corporate Governance Code recommends that a majority of members of the nomination committee should be non-executive directors. The Nomination Committee comprises Neil Jones, Joanna Parnell and René Rechtman and is chaired by René Rechtman. The committee met on two occasions since the Company's admission to the AIM in May 2014. The meetings were held on 24 February 2015 and 16 June 2015 in relation to the re-election of Hagai Tal, Yaniv Carmi, Maia Shiran and, non-executive director, Tim Weller, which should be approved at the Company's forthcoming Annual General Meeting. In accordance with the Companies Law, the term of office of Neil Jones, Joanna Parnell and René Rechtman, the Company's Outside Directors, continues until September 2017, and therefore they are not standing for re-election at the forthcoming Annual General Meeting. The required majority of Committee members were present. The Nomination Committee's members believe that the directors put forward for re-election at the forthcoming Annual General Meeting continue to be effective and demonstrate commitment to their role. The Nomination Committee and Board unanimously recommend the re-election of all Board members offering themselves for re-election.

Audit Committee

The Audit Committee has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. In addition, under the Companies Law, the Audit Committee is required to monitor the effectiveness of the internal control environment of the Company, including consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review taxation and transfer pricing, to review the internal auditor's audit plan and to establish and monitor whistle-blower procedures.

The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial

Corporate Governance Statement *cont*

experience. The Audit Committee comprises Neil Jones, Joanna Parnell and René Rechtman, and is chaired by Neil Jones. The Committee operates under written terms of reference and meets at least twice a year with the Company's external auditors, and with the executive directors present by invitation only. The Committee meets with the external auditors without the executive directors present as it considers appropriate. The Committee met on three occasions since the Company's admission to the AIM in May 2014. The meetings were held on 2 September 2014, 24 March 2015 and 16 June 2015. The required majority of members were in attendance on each occasion. Among others, the Committee reviewed the financial performance and financial statements of the Company.

Conflicts f Interest

The Company has procedures for the disclosure and review of any conflicts, or potential conflicts, of interest in compliance with the Companies Law, which the directors may have and for the authorization of such conflict matters by the Board.

Under the Companies Law, any transaction of the Company with a director or any transaction of the Company in which a director has a personal interest requires the approval of the Board. The transaction must not be approved if it is not in the Company's best interest. If the transaction is an extraordinary transaction (i.e. 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), then Audit Committee approval is required 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 by way of ordinary resolution are required (in that order). 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. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the transaction, then shareholder approval, by way of ordinary resolution, is also required.

The authorization of a conflict matter, and the terms of authorization, may be reviewed at any time by the Board. The Board considers that these procedures are operating effectively.

Relationship with Shareholders

The Company encourages the participation of both institutional and private investors. The Chief Executive Officer, Hagai Tal, and Chief Financial Officer, Yaniv Carmi, meet regularly with institutional investors, usually in regard to the issuance of half and full year results. Communication with private individuals is maintained through the Annual General Meeting and the Company's annual and interim reports. In addition, further details on the strategy and performance of the Company can be found at its website (www.marimedia.com), which includes copies of the Company's press releases. Regular updates are provided to the Board on meetings with shareholders and analysts, and broker's opinions. Non-executive directors are available to meet major shareholders, if required. Investors are encouraged to contact the Company's Investor Relations advisors at Luther Pendragon.

Internal Controls

The Board maintains full control and direction over appropriate strategic, financial, organizational and compliance issues. The Company's organizational structure has clearly defined lines of authority, responsibility and accountability, which is reviewed regularly. The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Company and the digital media industry as a whole along with associated financial risks.

The Board has overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance that issues are identified on a timely basis and dealt with appropriately. The Company's key internal financial control procedures include:

Corporate Governance Statement

- a review by the Board of actual results compared with budget and forecasts;
- reviews by the Board of year end forecasts;
- the establishment of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business;
- the appraisal and approval of proposed acquisitions; and
- the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

The external auditors are engaged to express an opinion on the financial statements. They discuss with management the reporting of operational results and the financial condition of the Company, to the extent necessary to express their audit opinion.

Audit and Auditor Independence

An additional responsibility of the Audit Committee is to keep under review the scope and cost effectiveness of the external audit. This includes recommending to the Board the appointment of the external auditors and reviewing the scope of the audit, approving the audit fee and, on an annual basis, the Committee being satisfied that the auditors are independent.

Somekh Chaikin, member firm of KPMG International, is retained to perform audit and audit-related work on the Company and its subsidiaries. The Audit Committee monitors the nature and extent of non-audit work undertaken by the auditors. It is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. Periodically, the Audit Committee monitors the cost of non-audit work undertaken by the auditors. The Audit Committee considers that it is in a position to take action if at any time it believes that there is a risk of the auditors' independence being undermined through the award of this work.

Directors' Report

Principal Activities

Marimedia Ltd is a global provider of proprietary technology solutions for optimising online revenue across all platforms in the digital advertising ecosystem. Marimedia's device-agnostic solutions, marketed under the Taptica brand, utilise its technology for big data acquisition and analytics. Online media owners and advertisers are empowered to qualitatively monetise their offerings in display and mobile using multiple formats, including video, to connect consumers and brands with targeted content for maximum return on investment.

Business Review

The information that fulfils the requirements of the business review, including details of the 2014 results, principal risks and uncertainties and the outlook for future years, are set out in the Chairman's and Chief Executive Officer's Statements and the Business and Financial Review, on pages 6 to 13.

Admission to AIM

Marimedia was admitted to trading on the AIM market of the London Stock Exchange on 28 May 2014, at which time 11,672,001 new Ordinary Shares and 7,780,224 existing Ordinary Shares were placed to raise gross proceeds of approximately US $29.8 million. Further information relating to movements on share capital is set out in Note 11 to the consolidated financial statements on pages 44 to 45.

Dividends

The Company has paid dividends to its Shareholders in each of the last three years. The Board recognises the importance of dividend income to Shareholders and intends to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Company.

Directors

The following Directors held office as indicated below for the year ended 31 December 2014 and up to the date of signing the consolidated financial statements except where otherwise shown.

Tim Weller – Non-Executive Chairman (28 May 2014-present)

Hagai Tal – Chief Executive Officer (Throughout 2014-present)

Yaniv Carmi – Chief Financial Officer (Throughout 2014-present)

Maia Shiran - Co-Founder and Chief Operating Officer (Throughout 2014-present)

René Rechtman - Non-Executive Director (28 May 2014-present)

Joanna Parnell - Non-Executive Director (28 May 2014-present)

Neil Jones - Non-Executive Director (28 May 2014-present)

Directors' Remuneration and Interests

The Directors' Remuneration Report is set out on pages 21 to 22. It includes details of Directors' remuneration, interests in the Ordinary Shares of the Company and share options.

Corporate Governance

The Board's Corporate Governance Report is set out on pages 16 to 19.

Directors' Responsibilities

The Israeli Companies Law, 1999 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the relevant financial year pursuant to applicable accounting standards.

Share Capital and Substantial Shareholdings

Details of the share capital of the Company as at 31 December 2014 are set out in Note 11 to the consolidated financial statements. At 23 June 2015 the total issued and outstanding number of shares were 66,405,157. The following hold 3% or more of the ordinary share capital of Marimedia:

Marimedia Holdings Limited[1]	34.02%
Cababie Holdings Ltd[2]	16.06%
Dooi Holdings Ltd[3]	16.06%
Investec Asset Management	5.08%
Schroder Investment Management	4.89%
Legal & General	4.24%
River & Mercantile Asset Mgmt.	4.24%
Slater Investments Ltd	3.79%

(1) MTD PTE Ltd, a Singapore company (No. 201128098R), is the beneficial owner of 50% of the issued share capital of Marimedia Holdings Ltd. The shares of MTD PTE Ltd. are held in trust by Fiduciary Holdings PTE Ltd., a Singapore company (No. 200200594R), in favour of YSYHY Ltd., a company organized under the laws of Belize (No. 108,109). Mr Tal is the sole shareholder of YSYHY Ltd. Smart & Simple Ltd is the beneficial owner of 50% of the issued share capital of Marimedia Holdings Ltd. Mr Ehud Levy is the sole beneficial owner of Smart & Simple Ltd.

(2) Mr Ariel Cababie is the sole beneficial owner of Cababie Holdings Ltd.

(3) Ms Maia Shiran is the sole beneficial owner of Dooi Holdings Ltd. Mr Cababie and Ms Shiran are co-habiting.

Independent Auditors

The Audit Committee of the Board of Directors reviews annually the quality and cost effectiveness of the external audit and the independence and objectivity of the external auditors. KPMG Somekh Chaikin was engaged to perform the 2014 audit. The total fee paid to the Company's auditors for audit services rendered to the Company during that year was US$ 50,000.

Directors' Remuneration Report

Directors' Remuneration

The Board recognizes that Directors' remuneration is of legitimate interest to the shareholders. The Company operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation. As an Israeli company, listed on the AIM market of the London Stock Exchange, the Company is not required to comply with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Policy on Directors' Remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the caliber necessary to maintain the Company's position. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Director's responsibilities.

Remuneration

The remuneration of the Directors in 2014 was as follows (all amounts in GBP – NIS 5,999: GBP 1):

Tim Weller*	68,750
Hagai Tal	104,962
Yaniv Carmi	188,378
Maia Shiran	109,786
Neil Jones*	20,419
Joanna Parnell*	14,584
René Rechtman*	20,419

** The amounts reflect partial year payments since the non-executive director's appointment in May 2014.*

The Remuneration Committee is formally required to meet not less than twice a year and at such other times as necessary. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive Officer, the Chairman of the Board, the executive and non-executive Directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for: (i) recommending to the Board a compensation policy for Directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration. The Remuneration Committee comprises Neil Jones, Joanna Parnell and René Rechtman and is chaired by Joanna Parnell and operates under written terms of reference.

Executi e Remuneratio

The remuneration of the Company's five most highly compensated executives (including three of its executive directors) in 2014 was as follows (all amounts in GBP):

Yaniv Carmi, CFO	188,378
Tal Feigel, GM, Europe	151,062
Galia Reichenstein, COO & Head of Sales, US	150,562
Ariel Cabable, Co-Founder & Co-COO	109,786
Maia Shiran, Co-Founder and Co-COO	109,786
Hagai Tal, CEO	104,962

Directors' Interests

As of 31 December 2014:

Director	Number of ordinary shares	Number of ordinary shares under optio	Percentage of issued share capital on a fully diluted basis[1]
Tim Weller	81,698	Nil	0.1
Hagai Tal[2]	11,075,508	Nil	17.1
Maia Shiran[3]	10,728,582	Nil	16.6
Yaniv Carmi[4]	Nil	449,572	Nil
René Rechtman	Nil	Nil	Nil
Joanna Parnell	Nil	Nil	Nil
Neil Jones	3,267	Nil	0.0

1) As of 31 December 2014, Marimedia had 64,722,881 Ordinary Shares in issue. On 9 April 2015 a further 1,682,276 Ordinary Shares were admitted to trading on AIM pursuant to an exercise of options under Marimedia's Global Share Incentive Plan. As of 23 June 2015, the total issued share capital of Marimedia was 66,405,157 Ordinary Shares.

2) The Ordinary Shares are registered in the name of Marimedia Holdings Ltd. MTD PTE Ltd, a Singapore company (No. 201128098R) is the beneficial owner of 50% of the issued share capital of Marimedia Holdings Ltd. The shares of MTD PTE Ltd. are held in trust by Fiduciary Holdings PTE Ltd., a Singapore company (No. 200200594R), in favour of YSYHY Ltd., a company organised under the laws of Belize (No. 108,109). Mr Tal is the sole shareholder and beneficial owner of YSYHY Ltd.

3) The Ordinary Shares are registered in the name of Dooi Holdings Ltd. Ms. Shiran is the sole beneficial owner of Dooi Holdings Ltd. Ms. Shiran is co-habiting with Mr. Cababie who is the sole beneficial owner of Cababie Holdings Ltd, which has an interest in 16.06% of the issued share capital of Marimedia.

4) On 9 April 2015 449,572 were issued to Mr. Carmi following the exercise of share options. As of 23 June 2015, Mr. Carmi had an interest in 449,572 Ordinary Shares presenting 0.68% of the enlarged issued share capital of Marimedia.

Consolidated Financial Statements 2014

Independent Auditors' Report

Auditors' Report to the Shareholders of Marimedia Ltd.

We have audited the accompanying consolidated statements of financial position of Marimedia Ltd. (hereinafter – "the Company") as at 31 December 2014 and 2013 and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows, for each of the two years in the period ended 31 December 2014. These financial statements are the responsibillity of the Company's Board of Director and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) – 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of 31 December 2014 and 2013 and their results of operations, changes in equity and cash flows for each of the two years in the period ended 31 December 2014, in accordance with International Financial Reporting Standards (IFRS).

Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International

24 March 2015

Consolidated Statements of Financial Position

as at 31 December

	Notes	**2014 US$ 000s**	2013 US$ 000s
Assets			
Cash and cash equivalents	9	**24,664**	3,216
Investment in money market funds		**482**	537
Trade receivables	7	**11,687**	6,882
Other receivables	7	**770**	852
Total current assets		**37,603**	11,487
Fixed assets	5	**569**	389
Intangible assets	6	**20,663**	827
Deferred tax assets	4	**284**	7
Total non-current assets		**21,516**	1,223
Total assets		**59,119**	12,710
Liabilitie			
Trade payables	8	**12,075**	7,248
Other payables	8	**3,118**	4,768
Total current liabilitie		**15,193**	12,016
Employee benefits		**161**	160
Deferred tax liabilities	4	**1,433**	–
Total non-current liabilitie		**1,594**	160
Total liabilitie		**16,787**	12,176
Equity	11		
Share capital		**186**	*–
Share Premium		**35,170**	–
Reserves		**525**	182
Retained earnings		**6,451**	352
Total equity		**42,332**	534
Total liabilities a d equity		**59,119**	12,710

(*) Less than US$1,000
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

for the year ended 31 December

	Notes	2014 US$ 000s	2013 US$ 000s
Revenues		**63,121**	43,315
Cost of sales		**(44,087)**	(29,189)
Gross profi		**19,034**	14,126
Research and development expenses		**1,557**	795
Selling and marketing expenses		**5,230**	3,149
General and administrative expenses	10	**2,961**	1,753
		9,748	5,697
Amortization of purchased intangibles:			
Research and development		**444**	–
Selling and marketing		**277**	–
		721	–
Profit from operations		**8,565**	8,429
Profit from operating before amortization of purchased intangibles		**9,286**	8,429
Financing income		**71**	148
Financing expenses		**(410)**	(44)
Financing income (expenses), net		**(339)**	104
Profit b fore taxes on income		**8,226**	8,533
Taxes on income	4	**2,127**	1,431
Profit or the year		**6,099**	7,102
Profit for the year before amortization of purchased intangibles (net of tax)		**6,620**	7,102
Earnings per share			
Basic earnings per share (in US$)	12	**0.106**	0.142
Diluted earnings per share (in US$)	12	**0.102**	0.138
Other comprehensive income items that will not be transferred to profit o loss			
Remeasurement of defined benefit plan		**6**	(5)
Taxes on other comprehensive income items that will not be transferred to profit or loss	4	**(1)**	1
Total other comprehensive income for the year that will not be transferred to profit o loss, net of tax		**5**	(4)
Total comprehensive income for the year		**6,104**	7,098

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

Consolidated Statements of Changes in Equity

for the year ended 31 December

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

(*) Less than 1 thousand USD

(**) Includes reserves for share-based payments and remeasurement of defined benefit plan.

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

Consolidated Statements of Cash Flows

for the year ended 31 December

	Notes	2014 US$ 000s	2013 US$ 000s
Cash fl ws from operating a tiviti			
Profit for the year		**6,099**	7,102
Adjustments for:			
Depreciation and amortization	5-6	**1,156**	292
Net financing expense (income)		**252**	(132)
Gain on curtailment or settlement of defined benefit plan		**6**	(5)
Share-based payment transactions	13	**762**	129
Income tax expense	4	**2,127**	1,431
Change in trade and other receivables		**(1,871)**	(3,440)
Change in trade and other payables		**1,665**	3,434
Change in employee benefits		**36**	57
Income taxes received		**278**	–
Income taxes paid		**(1,895)**	(1,607)
Net cash provided by operating a tiviti		**8,615**	7,261
Cash fl ws from investing a tiviti			
Decrease (increase) in pledged deposits		**248**	(206)
Acquisition of fixed assets	5	**(217)**	(209)
Acquisition and development of intangible assets	6	**(858)**	(509)
Disposal of fixed assets	5	**–**	44
Grant of short-term loans		**(1,500)**	–
Proceeds from sale of investments on money market fund		**–**	728
Acquisition of subsidiary, net of cash acquired	16	**(6,531)**	–
Net cash used in investing a tiviti		**(8,858)**	(152)
Cash fl ws from financing a tiviti			
Initial Public Offering		**27,332**	–
Repayment of loans from related parties		**(830)**	–
Repayment of loans from banks		**(1,527)**	–
Proceeds from exercise of share options		**11**	–
Dividends paid	11	**(3,147)**	(6,775)
Net cash provided by (used in) financing a tiviti		**21,839**	(6,775)
Net increase in cash and cash equivalents		**21,596**	334
Cash and cash equivalents as at the beginning of the year		**3,216**	2,836
Effect of exchange rate fluctuations on cash and cash equivalents		**(148)**	46
Cash and cash equivalents as at the end of the year	9	**24,664**	3,216

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

Notes to the Consolidated Financial Statements

1. General

A. Reporting e tit

Marimedia Ltd. (the "Company") was incorporated in Israel under the laws of the state of Israel on March 20, 2007. The address of the registered office is Hashmonaim 121, Tel Aviv 6713328, Israel.

Marimedia enables publishers (e.g. websites, blogs) to optimize their advertising revenue. Marimedia uses its proprietary technology, Qadabra, that gathers the maximum relevant advertiser bids and creates an auction for the publisher's on-line advertising space on a per impression/view basis. Marimedia's comprehensive trading desk solution optimizes monetization (conversion of ad space to revenue) for small to large publishers globally through analyzing and leveraging extensive advertiser demand.

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

On 28 May 2014, the Company's shares were listed for trading on the London Stock Exchange in the Company's initial public offering.

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

B. Definitio

In these financial st tements –

(1) The Company – Marimedia Ltd.

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

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

2. Basis of Preparatio

A. Statement of compliance

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

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

B. Functional and p esentation cur ency

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

C. Basis of measurement

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

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

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

Notes to the Consolidated Financial Statements

2. Basis of Preparation *(continued)*

D. Use of estim tes and judgments

Use of estimates

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

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

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

Determination f fair value

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

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

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

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

Use of judgments

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

3. Significa t Accounting olicies

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

A. Basis of consolidatio

(1) Business combination

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

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

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

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

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

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

(2) Subsidiary

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

(3) Transactions elimin ted on consolidatio

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

B. Foreign currency transaction

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

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

C. Financial instruments

(1) Non-derivati e financial ass ts

Initial recognition of financial assets

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

Derecognition of financial assets

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

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

Classification of financial assets into categories and the accounting treatment of each category

The Group classifies its financial assets according to the following categories:

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

sale decisions based on their fair value in accordance with the Group investment strategy. Attributable transaction costs are recognized in the statement of comprehensive income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the statement of comprehensive income.

Receivables

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

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

(2) Non-derivati e financial liabi itie

Non-derivative financial liabilities include trade and other payables.

Initial recognition of financial liabilities

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

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

Derecognition of financial liabilities

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

Offset of financial instruments

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

(3) Share capital

Ordinary shares

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

D. Fixed assets

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

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

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

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

E. Intangible assets

(1) Computer soft are development

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

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group are recognized as intangible assets when all the criteria in IAS 38 are met.

Development costs are capitalized only when it is probable that future economic benefit will result from the project and the following criteria are met:

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

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

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

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

(2) Acquired computer soft are

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

(3) Goodwill

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

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

(4) Other intangible assets

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

(5) Amortiz tio

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

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

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

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

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

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

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

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

F. Impairment of non-financial ass ts

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

G. Employee benefits

(1) Post-employment benefit

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

(a) Defined ontribution plan

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

(b) Defined b nefit plan

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

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

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

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

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

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

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

(2) Short-term benefit

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

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

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

(3) Share-based payment transaction

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

H. Revenue recognition

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

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

Advertising evenue

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

I. Classific tion f expenses

Cost of revenues

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

Research and development

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

Selling and marketin

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

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

General and administrati e

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

J. Financing income and expenses

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

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

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

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

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

K. Income tax expense

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

Current taxes

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

Deferred taxes

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

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

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

Offset of deferred tax assets and liabilities

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

L. Earnings per share

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

Notes to the Consolidated Financial Statements

3. Significa t Accounting olicies *(continued)*

M. Dividends

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

N. New standards and interpretations n t yet adopted

IFRS 9 (2014), Financial Instruments

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

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

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

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

4. Income Tax

A. Details regarding the tax environment of the Group

(1) Corporate tax rate

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

2013 – 25%

2014 – 26.5%

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

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

Notes to the Consolidated Financial Statements

4. Income Tax *(continued)*

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

Amendment to the Law for the Encouragement of Capital Investments – 1959

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

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

During 2013, the Company obtained a tax ruling (the "Ruling") from the Israeli Tax Authorities (the "ITA"), effective for years 2012 – 2016, which determines that the Company owns an industrial enterprise as defined in the Law for the Encouragement of Capital Investments – 1959.

Based on the Ruling, income derived from the industrial enterprise, which is considered "Preferred Income", should be eligible for tax benefits during the aforementioned period (Non A development area), subject to the limitations set forth in the Ruling. However, the Ruling has determined that income which is not considered part of the Company's "Preferred Income" shall not be entitled to the "Preferred Income" tax benefits and will be subject to the standard Israeli corporate tax rate.

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

B. Composition f income tax expense

	Year ended 31 December	
	2014	2013
	US$ 000s	US$ 000s
Current tax expense	**2,102**	1,420
Deferred tax expense (income)		
Creation and reversal of temporary differences	**25**	12
Change in tax rate	–	(1)
	25	11
Income tax expense	**2,127**	1,431

Notes to the Consolidated Financial Statements

4. Income Tax *(continued)*

C. Reconciliation b tween the theoretical tax on the p e-tax profit and the tax xpense:

	Year ended 31 December	
	2014	2013
	US$ 000s	US$ 000s
Profit (loss) before taxes on income	**8,226**	8,533
Primary tax rate of the Company	**26.50%**	25%
Tax calculated according to the Company's primary tax rate	**2,180**	**2,133**
Additional tax (tax saving) in respect of:		
Non-deductible expenses	**193**	45
Effect of reduced tax rate on preferred income according to the Law for the Encouragement of Capital Investments – 1959	**(854)**	(757)
Differences in basis of measurements for financial reporting and tax return purposes	**(40)**	(14)
Income tax expenses from continuing operations	**2,127**	1,431

D. Deferred tax assets and liabilitie

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

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

Notes to the Consolidated Financial Statements

4. Income Tax *(continued)*

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

Notes to the Consolidated Financial Statements

5. Fixed Assets

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

Notes to the Consolidated Financial Statements

6. Intangible Assets

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

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

Amortiz tio

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

Notes to the Consolidated Financial Statements

7. Trade and Other Receivables

	31 December	
	2014	2013
	US$ 000s	US$ 000s
Trade receivables (1)	**11,687**	6,882
Other receivables		
Advances to suppliers and prepaid expenses	**337**	87
Institutions	**403**	550
Related parties (Note 15)	–	9
Pledged deposits (Note 15)	**30**	206
	12,457	7,734

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

8. Trade and Other Payables

	31 December	
	2014	2013
	US$ 000s	US$ 000s
Trade payables (1)	**12,075**	7,248
Other payables		
Advances from customers	**1,319**	802
Wages and salaries	**694**	701
Provision for vacation	**144**	54
Institutions	**590**	25
Dividends payable	–	3,147
Related parties	**245**	-
Others	**126**	39
	15,193	12,016

(1) Including trade payables due to related parties in the amount of USD 245 thousand and USD 90 thousand, as at 31 December 2014 and 2013, respectively.

Notes to the Consolidated Financial Statements

9. Cash and Cash Equivalents

	31 December	
	2014	2013
	US$ 000s	US$ 000s
Cash	**10,061**	3,116
Bank deposits	**14,603**	100
Cash and cash equivalents	**24,664**	3,216

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

10. General and Administrative Expenses

	Year ended 31 December	
	2014	2013
	US$ 000s	US$ 000s
Wages and salaries	**1,191**	554
Share-based payments (see also Note 13)	**153**	129
Rent and office maintenance	**600**	181
Depreciation and amortization	**165**	292
Professional services, legal and audit fees	**212**	161
Traveling and car expenses	**162**	86
Doubtful debts	**111**	-
Other administrative expenses	**367**	350
	2,961	1,753

11. Capital and Reserves

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

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

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

Notes to the Consolidated Financial Statements

11. Capital and Reserves *(continued)*

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

On 28 May 2014, the Company's shares were listed for trading on the London Stock Exchange Alternative Investment Market ("AIM") in the Company's initial public offering ("IPO"). As part of the IPO, the Company issued 11,672,001 ordinary shares, of NIS 0.01 par value in consideration for a gross amount of £17,858,162 (approximately $30,000,000). The share issue costs amounted to $2.1 million (net to tax) and the net consideration amounted to approximately $28 million. Subsequent to the IPO, the number of Company shares issued and outstanding was 61,913,744. In addition, as part of the IPO, pre-IPO Company shareholders sold 7,780,224 shares to the public in consideration of £11,903,743 (approximately $20,000,000).

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

On 31 of July 2014 the Company purchased 100% of the issued share capital of Taptica Ltd. ("Taptica") for an amount equal to USD 13.84 million. Under the terms of the acquisition, the Company paid part of the purchase price in cash and part through issuance of 2,619,137 ordinary shares of the Company (see also Note 16).

B. Dividends

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

	Year ended 31 December	
	2014	2013
	US$ 000s	US$ 000s
USD nil (2013: US$ 405) per ordinary share	–	4,046

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

	Year ended 31 December	
	2014	2013
	US$ 000s	US$ 000s
USD nil (2013: US$ 315) per ordinary share	–	*3,147

* Paid in 2014.

12. Earnings per Share

Basic earnings per share

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

	Year ended 31 December	
	2014	2013
	US$ 000s	US$ 000s
Profit for the year	**6,099**	7,102

Notes to the Consolidated Financial Statements

12. Earnings per Share *(continued)*

Weighted average number of ordinary shares:

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

Diluted earnings per share

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

Weighted average number of ordinary shares (diluted):

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

Notes to the Consolidated Financial Statements

13. Share-Based Payment Arrangements

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

Grant date	**Number of instruments (thousands)**	**Exercise price**
Options granted on 20 October 2011	960	0.03
Options granted on 16 July 2012	735	0.03
Options granted on 27 January 2013	475	0.03
Options granted on 29 October 2013	160	0.03
Options granted on 1 January 2014	160	0.57
Options granted on 1 February 2014	1,360	2.28
Options granted on 9 November 2014	400	2.44

Each option is exercisable into one share of NIS 0.01 par value.

The options are exercisable within three years and will expire 10 years from the date of their issuance.

Options granted on 9 November 2014 are exercisable within 2 and 3 years and will expire within 4 years from the date of their issuance.

A. The number of share options is as ollows:

	Weighted average exercise price		Number of options	
	2014	**2013**	**2014**	**2013**
	(US$)		**(000s)**	
Outstanding at 1 January	0.03	0.03	2,065	1,535
Forfeited during the year	1.57	0.03	(385)	(105)
Exercised during the year*	0.03	–	(383)	–
Granted during the year	.217	0.03	1,920	635
Outstanding at 31 December			**3,217**	2,065
Exercisable at 31 December			**1,647**	–

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

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

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

An amount of USD 678 thousand (2013: USD 129 thousand) was recognized as an expense in the consolidated statements of comprehensive income.

Notes to the Consolidated Financial Statements

13. Share-Based Payment Arrangements *(continued)*

Equity-settled sha e-based payment

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

	Share option p ograms				
	27 January 2013	29 October 2013	15 January 2014	1 February 2014	9 November 2014
Grant date fair value	0.32	1.11	0.85	0.26	0.70
The parameters used to calculate fair value:					
Share price (on grant date)	0.34	1.13	1.31	1.33	2.43
Exercise price	0.03	0.03	0.57	2.28	2.44
Expected volatility (weighted average)	35%	35%	35%	35%	35%
Expected life (weighted average)	10	10	5.8	5.8	4
Expected dividends	0%	0%	0%	0%	0%
Risk-free interest rate	4.02%	3.57%	2.11%	1.82%	1.28%

14. Financial Instruments

A. Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

B. Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows:

	31 December	
	2014	2013
	US$ 000s	US$ 000s
Cash and cash equivalents	**24,664**	3,216
Investment in money market funds (*)	**482**	537
Trade receivables (**)	**11,798**	6,882
Other receivables	**30**	215
	36,974	10,850

(*) The Group invests in money market funds with banks and financial institutions rated AA+.

(**) The Group included provision to doubtful debts are USD 111 thousand (2013: nil) in respect ofspecific debtors that their collectability is in doubt.

Notes to the Consolidated Financial Statements

14. Financial Instruments *(continued)*

C. Market risk

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

(1) Linkage and foreign currency risks

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group, the US dollar (USD). The principal currencies in which these transactions are denominated are NIS and Euro.

At any point in time, the Group aims to match the amounts of its assets and liabilities in the same currency in order to hedge the exposure to changes in currency.

Furthermore, a major portion of the employees' salaries, paid in NIS consists of bonuses linked to the functional currency of the Group, the USD. This provides an economic hedge without derivatives being entered into and without the application of hedge accounting.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

D. Fair value

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

All investments in money market fund are in Level 1.

15. Related Partie

A. Compensation and ben fits o key management personnel

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

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

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

	Year ended 31 December			
	2014		2013	
	Number of people	Amount US$000s	Number of people	Amount US$000s
Share-based payments			1	40
Other compensation and benefits(*)			3	1,121
				1,161

(*) Including management fees as indicated in Section B below.

Notes to the Consolidated Financial Statements

15. Related Parties *(continued)*

B. Transactio s with related partie

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

		Year ended 31 December	
		2014	2013
		Value of transaction	
		US$000s	
Related party	**Nature of transactio**		
Sprintile Ltd.	Sale and purchase of media by/from the Company.		674
Other related parties	Sale and purchase of media by/from the Company.		(3)
Other related parties	Provision of office services and rentals.		100
Cababie Holdings Ltd.	Payment of management fees to the parent company.		412
Dooi Holdings Ltd.	Payment of management fees to the parent company.		408

C. Guarantees and liens of the entit for debts of related parties and an i terested party

The Group is a guarantor for the debt of a related party in amount of USD nil thousand as at 31 December 2014 (USD 206 thousand as at 31 December 2013).

16. Subsidiary

Acquisition f subsidiary

Business combination during the perio

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

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

In the five months to December 31, 2014 the subsidiary contributed USD 437 thousand and USD 8,661 thousand to the Group's profit and revenue, respectively (excluding fair value adjustments impact recognized upon acquisition). If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been USD 72,082 thousand and consolidated profit for the year would have been USD 4,685 thousand (excluding fair value adjustments impact recognized upon acquisition).

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

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

Notes to the Consolidated Financial Statements

16. Subsidiary *(continued)*

(i) Equity instruments issued

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

Identifia e assets acquired and liabilities ass med:

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

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

Measurement of fair values

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

Trade name and Technology

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

Customer Relationships

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

The aggregate cash fl ws derived for the Group as a result of the acquisition

	US$ thousands
Cash and cash equivalents paid	6,745
Cash and cash equivalents of the subsidiary	214
	6,531

Notes to the Consolidated Financial Statements

16. Subsidiary *(continued)*

Goodwill

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

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

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

Acquisition- elated costs

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

Notes

Notes

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