Taptica
Ad the Right User

Mobile
that Moves

Video
that Excites

Social
that Engages

Data-Driven Solutions for Mobile, Video, and Social Advertising

Taptica International Ltd.

Annual Report and Accounts 2015

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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

Joanna Rachael Parnell
Non-Executive Director

Neil Garth Jones
Non-Executive Director

Ronni Zehavi
Non-Executive Director

Company Secretary

Yaniv Carmi

Registered Office

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Nominated Adviser and Broker

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Legal Advisers – Israeli law

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Financial & Operational Summary 2015

- **Transition to a mobile marketing ad-technology business complete**
- **Increased customer retention rate**
- **Record run-rate in revenues from mobile in Q4 2015**
- **Strong operational cash conversion at 84% of adjusted EBITDA**

Financial Summary

- Revenues increased by 20% to $75.8 million (2014: $63.1 million)
- Gross profit of $21.1 million (2014: $19.0 million)
- Adjusted EBITDA* of $7.4 million (2014: $10.5 million)
- Net cash in-flow from operating activities of $6.2 million (2014: $8.6 million)
- Declared dividend per share of $0.00784, equating to a total pay-out of $537,129 representing 25% of net profit for full year 2015
- Cash and bank deposits as at 31 December 2015 were $18.7 million after paying AreaOne's initial cash consideration of $9.3 million and $1.5 million 2014 dividend payment

* Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortisation and share-based payment expenses.

Operational Summary

- In May 2015, took a strategic decision to transition the business' focus more fully towards mobile, and focus Taptica's resources in this area
- Consequently, Taptica's mobile business accounted for 61% of full year 2015 revenues (2014: 18%) with increasing momentum (69% of H2 2015 revenues versus 51% of H1 2015)
- In H2 2015, acquired AreaOne, a performance marketing technology company and accredited Facebook® Marketing Partner
- Through AreaOne, integrated with the Instagram Ads API resulting in advertisers being able to run campaigns across the widest range of traffic sources available today, while leveraging Taptica's proprietary data
- Customer mobile revenue retention rate year-over-year reached 188%
- 220 million user profiles, growing daily, enabling quality targeting & retargeting via dynamic promotions
- Over 50 million installs and 100 million in-app events
- Data gathered from more than 17,000 campaigns
- Over 22 billion requests handled per day on average
- Opened New York office to further advance sales initiatives in the US

Tim Weller
Chairman April 2016

Chairman's Statement

The year 2015 proved to be a pivotal year for the ad-tech industry. The whole ad-tech ecosystem had to adapt rapidly as we consumers moved, almost overnight, to spending more time on our smartphones and other mobile devices than in front of our computers. The advertisers followed this trend quickly too and mobile-ad spend caught up with the time we spent on our mobile devices. We read in various sources that mobile ad spend in 2016 is expected to constitute a majority of digital ad spend, exceeding $100bn worldwide.

The Company's results for the year 2015 reflect the transition it had to make and make very quickly. It is a testimony to the strength of the technology, vision and drive of the management that we continued to grow while going through the transition from a mainly display ad-tech business to a focused mobile ad-tech business. We started the year as Marimedia and ended the year relaunching as Taptica – to reflect the new focus of the business.

Strategic transition

In last year's annual report I wrote "*As user behaviour changes, advertising spend will inevitably follow, presenting new challenges and opportunities for companies seeking to meet this demand*" – and so it came to pass, only quicker than the industry had anticipated. Taptica led the market in its decision to transition.

In May 2015, the Board decided that the staff focus should shift from the display segment to the mobile business, thereby laying the foundations for a more robust and higher value business.

We decided to invest more in mobile R&D, specifically in developing our mobile data analytics tool. We felt that having greater data on mobile phone usage and with the ability to measure it would become a key competitive advantage for the Company given our history in optimising campaign effectiveness, which in turn would improve mobile advertising performance. The other trend that was notable in 2015 was that we saw people increasingly spend time in apps (rather than in mobile browsers) which increases the need for reliable data on users. We expect this trend to continue for the foreseeable future. Unsurprisingly, the app that is most accessed on a mobile device is Facebook. We witnessed advertisers increasingly demanding traffic supply and data collection from social media channels, specifically Facebook. To address this, in September 2015, we completed the acquisition of AreaOne Ltd., a performance marketing technology company and accredited Facebook® Marketing Partner. The addition of social media marketing functionality has provided the Company's clients with more impactful campaigns.

As a result of these advancements, Taptica has been able to better target and attract Tier 1 customers. Similarly, the IPO has enhanced the Company's profile and visibility with important partners and clients. We have made great progress with brand recognition during 2015 which we hope will continue in 2016 as the market grows.

Market growth continues

Taptica operates in an expansive and growing market. 2015 saw global digital advertising spend reach $170bn, up from $145bn in 2014, and it is expected to grow to $197bn in 2016. This represents an increase in spending on advertising as a whole and, in particular, mobile advertising accounting for a greater proportion of marketing spend as the ecosystems mature and the value of digital advertising becomes ever-more apparent.

As people spend more and more time online on their mobile devices and the amount of smartphone owners surpasses 2 billion in 2016, and as smartphones and mobile devices become more accessible across the globe, we believe mobile will become the platform of choice for advertisers as they will be able to reach the global population where it matters most. As data analytics improve, programmatic ad buying will rapidly become more influential and a shift will occur in what is measured.

I have every confidence that we will continue to innovate and take advantage commercially. Our success is down to the hard work and dedication of our talented 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 reporting further progress in due course.

Hagai Tal
Chief Executive Officer April 2016

Chief Executive Officer's Review

This has been a transformational year for Taptica following the strategic decision to move away from the legacy display business and focus on mobile. Thanks to the proactive steps we took, overall Company revenues grew by 20% to $75.8 million in 2015 compared with $63.1 million for 2014. These results validate our strategy to move from our legacy display business to focus on mobile advertising, mirroring the transition that occurred in the ad-tech industry. The mobile business drove revenue growth as more Tier 1 customers ran campaigns on our platform than ever before, resulting in record revenues being generated in Q4 2015. Overall, our customers are staying with us for longer and spending more of their advertising budget with us.

Operational review

During the year, the Board of Directors undertook a number of key actions to facilitate and secure the future growth of the business. Firstly, pre-empting the digital advertising industry's structural shift away from display advertising, we took the decision to focus our efforts on our mobile business. We took this decision as a result of the significant growth in advertising on mobile devices and targeted campaigns run by companies and agencies to reach their audiences. Additionally, through the acquisition of AreaOne we added social media marketing functionality to our product offering. We also invested in the global growth of the business, opening a new office in New York, and increased our marketing to build our brand amongst advertising agencies and Tier 1 corporates.

Transition to a mobile marketing ad-technology business

The strength of the Taptica mobile offer is based on our IP, and we continued to invest in developing our technology throughout 2015. This included database and machine learning advancements in order to further enhance Taptica's ability to leverage data, which is key to enabling mobile targeting and user acquisition for our advertiser clients.

By transforming ourselves into a mobile-focussed business, we have laid the foundations to generate higher and more sustainable growth rates, which were built upon during the second half of the year. The results are there for all to see:

- Customer mobile revenue retention rate year-over-year reached 188%
- 220 million user profiles, growing daily, enabling quality targeting & retargeting via dynamic promotions
- Over 50 million installs and 100 million in-app events
- Data gathered from more than 17,000 campaigns
- Over 22 billion requests handled per day

Acquisition of AreaOne

The key development during the second half of 2015 was the acquisition of AreaOne Ltd., a performance marketing technology company and accredited Facebook® Marketing Partner. The addition of social media marketing functionality provides our clients with more impactful campaigns by enabling access to Facebook – the largest and most popular supplier of media on mobile.

The combination of Taptica and AreaOne technologies has created a single platform that optimises marketing campaigns for advertisers across mobile and social media channels. AreaOne's ability for bid optimisation and budget optimisation in a cost-effective manner across social media channels is a key advantage for advertisers particularly when linked with our ever-growing repository of big data generated from mobile campaigns run on our platform. Furthermore, the acquisition provided Taptica with an initial footprint in China and the Asian market, which the Directors intend to leverage to accelerate the expansion of our presence in Asia.

In addition, in H2 2015, through AreaOne, we integrated with the Instagram Ads API. As a result, advertisers using our platform can run campaigns across the widest range of traffic sources available today.

Instagram is one of the largest and fastest-growing advertising platforms available worldwide with over 400 million users. Integrating with the Instagram Ads API allows us to integrate our software with Instagram's advertising systems enabling Instagram ads to be bought, and incorporated into marketing campaigns, in an automated fashion for the first time.

R&D

During 2015, we continued to invest significantly in the development of our proprietary technology. The strength of our offer is based on our database and machine learning algorithms that enable our Data Management Platform to learn iteratively, continuously responding

to new data, to allow smarter decision making and improved performance.

At the beginning of the period, we launched a data analytics tool that delivers to advertisers advanced insights into mobile user behaviour and demographics for precise mobile ad campaign targeting. Unlike current solutions on the market, our solution utilises an array of anonymised user behaviour data, including impressions, clicks, conversions, purchases and money spent, combined with detailed demographic data such as location, age, gender and operating system, to refine advertising spend according to the customer's target. This has allowed us to achieve a higher user retention rate and an increased return on investment.

Outlook

Looking ahead, we entered 2016 in a better position than we did last year as Taptica's mobile offering continues to gain traction with household-named brands as well as seeing expanding demand for our solutions. We expect significant growth from AreaOne as advertisers increasingly demand traffic supply and data collection from social media channels. The business continues to diversify geographically and we are experiencing sustained growth in our core database. As a result, we are confident of delivering continued revenue growth and look forward to 2016.

Yaniv Carmi
Chief Financial Officer April 2016

Chief Financial Officer's Review

This was a particularly busy period for the finance team as we faced the challenges associated with integrating an acquisition, AreaOne, as well as transitioning to a mobile-focussed business. I would like to thank everyone for their tremendous work, which enabled us to successfully manage these issues and, at the same time, oversee a growth in revenues and, significantly, an improvement in mobile gross margin.

Revenues for the full year ended 31 December 2015 increased by 20% to $75.8 million compared with $63.1 million in 2014.

Total gross margin was 27.8% (H1 2015: 26.4%; 2014: 30.2%), which includes an improvement in mobile gross margin to 27.4% (2014: 24.5%). Gross profit grew by 11% to $21.1 million (2014: $19.0 million), reflecting faster growth in the mobile business.

Cost of sales, which consists primarily of traffic acquisition costs that are directly attributable to revenue generated, increased as a proportion of revenue compared with 2014 due to the significant increase in revenue in the mobile business which has lower margins than traditional display advertising.

Operating costs increased primarily due to investment in the mobile business. R&D expenses more than doubled to $4.1 million (2014: $2.0 million). We increased expenditure on sales & marketing as investments were made to enhance brand recognition and expand the global customer base. General & administrative expenses also increased, largely as a result of the full twelve-month contribution of costs associated with being a public company as well as our opening of a New York office and the strengthening of our San Francisco office.

Operating costs for full year 2015 include the first full year of Taptica Ltd. costs compared with five months in 2014 as well as the AreaOne costs following the acquisition in September 2015.

Adjusted EBITDA for the twelve months ended 31 December 2015 was $7.4 million compared with $10.5 million for 2014, which is comprised as follows:

	2015 $m	2014 $m
Operating profit	2.9	8.5
Depreciation & Amortisation	3.5	1.2
Share-based payments	0.6	0.8
Acquisition-related costs	0.4	0.0
Adjusted EBITDA	**7.4**	**10.5**

We continued to be cash generative with net cash from operating activities of $6.2 million (2014: $8.6 million). As at 31 December 2015, cash and bank deposits were $18.7 million, after distributing $1.5 million of 2014 dividend payments and the initial AreaOne acquisition payment of $9.3 million. This compares with $22.8 million at 30 June 2015 and $24.7 million at 31 December 2014.

Dividend

We continue to maintain our policy of distributing 25% of net profits in dividend payments. As such, the Board has resolved to declare a final dividend of $0.00784 per share, equating to a total dividend pay-out of $537,129, out of the Company's net profits for the 12 months ended 31 December 2015. The dividend will be paid on 16 June 2016 to those shareholders registered on 15 April 2016.

Directors' Biographies

Tim Weller

Non-Executive Director and Chairman

Tim Weller is the founder of Incisive Media and its Chairman and Group Chief Executive. He successfully floated the company on the Main Market of the London Stock Exchange 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 was Chairman of InternetQ from April 2013 – April 2016. Tim is also Chairman of Trustpilot, a leading provider of trusted company reviews.

Hagai Tal

Chief Executive Officer

Hagai Tal joined Taptica 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 Taptica 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.

Directors' Biographies

Joanna Parnell

Non-Executive Director

Joanna Parnell is a Managing Partner at MEC, one of the world's leading media agency networks and owned by WPP plc, where she leads the paid digital team and oversees the agency's focus on data driven campaigns. Prior to moving to MEC in March 2016, Ms Parnell was Director of Strategy and sat on the Board at Unique Digital, with responsibility for setting product and business strategy, including leading the multichannel planning strategy (crossdevice and cross-platform), managing product heads and driving key initiatives across data buying, attribution modelling and biddable media adaptation. 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 Chief Financial Officer and a Director of Huntsworth plc, a healthcare communications and public relations group, which is listed on the Main Market of the London Stock Exchange, since February 2016. He joined Huntsworth from ITE Group plc, the international exhibitions group, where he held the position of Chief Financial Officer from 2008. Between 2003 and 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.

Ronni Zehavi

Non-Executive Director (Effective 20 August 2015)

Ronni Zehavi has 25 years' experience in the technology industry, including holding executive roles at publicly traded companies, with a primary focus on SaaS businesses, IT security and content delivery. Most recently, he was Senior Vice President & General Manager of Akamai Technologies, Inc., a NASDAQ-listed provider of content delivery network services. Mr Zehavi joined Akamai in 2012 when it acquired Cotendo, Inc., a content delivery network and site acceleration services company that he had founded in 2008, for approximately $270m. Prior to Cotendo, he held the position of Vice President of Sales & Business Development of NASDAQ-listed Commtouch Ltd. (now 'CYREN Ltd.'), a cloud-based, internet security technology company.

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 two executive directors, Hagai Tal and Yaniv Carmi, and four non-executive directors, Tim Weller (Chairman of the Board), Neil Jones, Joanna Parnell and Ronni Zehavi.

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 held meetings on 14 occasions during 2015. The meetings were held on 21 January 2015, 24 February 2015, 24 March 2015, 27 March 2015, 27 May 2015, 16 June 2015, 30 June 2015, 9 July 2015, 20 August 2015, 2 September 2015, 3 September 2015, 1 November 2015, 22 November 2015 and 14 December 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 and Joanna Parnell. 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 Committee

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 Ronni Zehavi and is chaired by Joanna Parnell and operates under written terms of reference. The remuneration report on pages 20 to 22 contains a detailed description of the Company's remuneration policy. The Committee held meetings on eight occasions during 2015. The meetings were held on 24 February 2015, 24 March 2015, 27 March 2015, 16 June 2015, 30 June 2015, 9 July 2015, 1 November 2015 and 22 November 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 Ronni Zehavi and is chaired by Ronni Zehavi. The Committee held meetings on four occasions during 2015. The meetings were held on 24 February 2015, 16 June 2015, 9 July 2015 and 3 September 2015 in relation to the re-election of Hagai Tal, Yaniv Carmi and, non-executive director, Tim Weller, which was approved at the Company's 2015 Annual General Meeting, and the nomination of Ronni Zehavi as a non-executive director. Hagai Tal, Yaniv Carmi and, non-executive directors, Tim Weller and Ronni Zehavi will be standing for re-election at the forthcoming Annual General Meeting. In accordance with the Companies Law, the term of office of Neil Jones and Joanna Parnell, 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

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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 experience. The Audit Committee comprises Neil Jones, Joanna Parnell and Ronni Zehavi, 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 held meetings on five occasions during 2015. The meetings were held on 24 March 2015, 16 June 2015, 9 July 2015, 20 August 2015 and 2 September 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 of 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.taptica.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

Corporate Governance Statement

identified on a timely basis and dealt with appropriately. The Company's key internal financial control procedures include:

- 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.

In accordance with Companies Law, the Board must appoint an internal auditor nominated following the recommendation of the Audit Committee. The primary role of the internal auditor is to examine whether a company's actions comply with the law and proper business procedure. The internal auditor may be an employee of the Company but may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the Company's independent accounting firm or its representative. The Company's internal auditor is Mrs Irit Segal.

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.

Mandatory bids, squeeze out and sell out rules relating to the ordinary shares

As the Company is incorporated in Israel, it is subject to Israeli law and the City Code on Takeovers and Mergers will not apply to the Company, except to the extent share control limits are incorporated into the Company's Articles of Association, as described below.

Mergers

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

Pursuant to the Company's Articles of Association, the shareholders of the Company are required to approve the merger by the affirmative vote of a majority of the outstanding Ordinary Shares of the Company. In addition, for purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, has voted against the merger.

The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

In addition, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares voted on the matter, as well as 75 per cent. of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

Under the Companies Law, in the event the Company enters into a merger or an "arrangement" under the Companies Law (as described above), the provisions of the Companies Law and the Articles of Association rules with respect to tender offers (as described below) do not apply.

Articles of Association and Special Tender Offer

The Company's Articles of Association contain a prohibition on a person acquiring shares, whether by himself or in concert, which, when aggregated with shares held by his concert parties, carry 25 per cent. or more of the voting rights attributable to the shares of the Company except as a result of a "permitted acquisition". An acquisition is a "permitted acquisition" if (i) the acquisition is made in compliance with any applicable tender offer rules under the Companies Law as may be in effect at such time and (ii) the acquisition is made in circumstances which the Takeover Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the Takeover Code, as if such rule applied.

The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of 25 per cent. or more of the voting rights in the Company. This rule does not apply if there is already another holder of at least 25 per cent. of the voting rights in the Company.

Similarly, the Companies Law provides that an acquisition of shares in a public company

must be made by means of a tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45 per cent. of the voting rights in the company, if there is no other shareholder of the company who holds more than 45 per cent. of the voting rights in the company.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5 per cent. of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5 per cent. of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

Full Tender Offer

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

- the purchaser acquires more than 95 per cent. of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; orthe appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.
- the purchaser acquires more than 98 per cent. of the company's shares or a particular class of shares;

then, the Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95 per cent. or 98 per cent., as applicable, of the company's shares or class of shares, the purchaser may not own more than 90 per cent. of the shares or class of shares of the target company.

Directors' Report

Principal Activities

Taptica International Ltd is a global end-to-end mobile advertising platform that helps the world's top brands reach their most valuable users with the widest range of traffic sources available today, including social. Its proprietary technology leverages big data and, combined with state-of-the-art machine learning, enables quality media targeting at scale. Taptica creates a single arena in which brands can scale and engage more relevantly with mobile audiences, staying ahead of the competition.

Business Review

The information that fulfils the requirements of the business review, including details of the 2015 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 5 to 9.

Admission to AIM

Taptica International Ltd. (formerly Marimedia Ltd.) 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 Notes 11 and 16 to the consolidated financial statements on pages 45 and 51-53. Subsequent to the reporting period, on 24 March 2016, Taptica bought back six million Ordinary Shares, which are held as dormant shares under the Israeli Companies Law. Following this purchase, as of 25 April 2016, the total issued share capital of Taptica is 62,505,477 Ordinary Shares.

Dividends

The Company has paid dividends to its Shareholders in each of the last four 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. For 2015, the Company maintained its policy of distributing 25% of net profits in dividend payments.

Directors

The following Directors held office as indicated below for the year ended 31 December 2015 and up to the date of signing the consolidated financial statements except where otherwise shown.

Tim Weller – Non-Executive Chairman (Throughout 2015-present)

Hagai Tal – Chief Executive Officer (Throughout 2015-present)

Yaniv Carmi – Chief Financial Officer (Throughout 2015-present)

Maia Shiran - Co-Founder and Chief Operating Officer (Resigned effective 20 August 2015)

René Rechtman - Non-Executive Director (Resigned effective 20 August 2015)

Joanna Parnell - Non-Executive Director (Throughout 2015-present)

Neil Jones - Non-Executive Director (Throughout 2015-present)

Ronni Zehavi - Non-Executive Director (20 August 2015-present)

Directors' Remuneration and Interests

The Directors' Remuneration Report is set out on pages 20 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 12 to 15.

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.

The Directors, after considering the risks and uncertainties and after reviewing the Company's operating budgets, investment plans and financing arrangements, consider that the Company has sufficient resources at their disposal to continue their operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Share Capital and Substantial Shareholdings

Details of the share capital of the Company as at 31 December 2015 are set out in Note 11 to the consolidated financial statements.

At 25 April 2016 the total issued and outstanding number of Ordinary Shares were 62,505,477 and 6 million Ordinary Shares were held in treasury as dormant shares. The following hold 3% or more of the ordinary share capital of Taptica:

Shareholder	%
Marimedia Holdings Ltd[1]	35.4
Schroder Investment Mgmt	12.5
Lazarus Mgmt Company LLC	8.0
River & Mercantile Asset Mgmt	7.2
Investec Asset Mgmt	5.4
Dooi Holdings Ltd[2]	5.2
Cababie Holdings Ltd[3]	5.1
Legal & General	4.5
Slater Investments Ltd	3.8
ESOP Mgm and Trust Services Ltd[4]	3.3

(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) Ms Maia Shiran is the sole beneficial owner of Dooi Holdings Ltd.

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

(4) Consideration shares following acquisition of AreaOne Ltd.

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 2015 audit. The total fee paid to the Company's auditors for audit services rendered to the Company during that year was US$ 90,000.

Events after the reporting period

For significant events after the reporting period please refer to Note 18 on page 54 and to the description of the Company share buyback in March 2016 as described on page 18.

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 2015 was as follows (all amounts in GBP – NIS 5.941: GBP 1):

Tim Weller	54,166
Hagai Tal	367,710
Yaniv Carmi	225,588
Maia Shiran*	Nil
Neil Jones	35,107
Joanna Parnell	25,219
René Rechtman*	25,253
Ronni Zehavi**	8,751

** The amounts reflect partial year payments until the non-executive directors' resignation in August 2015.*
*** The amount reflects partial year payment since the non-executive director's appointment in August 2015.*

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 Ronni Zehavi and is chaired by Joanna Parnell and operates under written terms of reference.

Executive Remuneration

The remuneration of the Company's five most highly compensated executives (including two of its executive directors) in 2015 was as follows (all amounts in GBP):

Hagai Tal, CEO	367,710
Tomer Weizman, CTO*	322,800
Yaniv Carmi, CFO	225,588
Tal Feigel, GM, Europe**	214,348
Galia Reichenstein, COO & Head of Sales, US***	185,857

** During 2015, Mr. Weizman was granted options to purchase 587,756 Ordinary Shares with an exercise price of 0.90 GBP. The options were granted with terms such that 50% of such options would vest on the second anniversary of the date of grant, 25% would vest on the third anniversary of the date of grant and the remaining 25% would vest on the fourth anniversary of the date of grant, provided that the employee continued to serve as a Service Provider of the Company. On 7 October 2015, Mr. Weizman ceased serving as a Service Provider of the Company and all such options were terminated without being exercised.*

*** During 2015, Mr. Feigel was granted options to purchase 160,000 Ordinary Shares with an exercise price of 0.65 GBP and an additional previously-granted 160,000 options were re-priced with an exercise price of 0.90 GBP. 50% of such options vest on the second anniversary of the applicable dates of grant, 25% vest on the third anniversary of the applicable dates of grant and the remaining 25% vest on the fourth anniversary of the applicable dates of grant, provided that the employee continues to serve as a Service Provider of the Company. In the event of a "Transaction" (as defined in the Company's Global Share Incentive Plan (2011)), all options shall immediately vest and become exercisable on the date of the Transaction.*

**** During 2015, 160,000 options previously granted to Ms. Reichenstein were re-priced with an exercise price of 0.90 GBP. 50% of such options vest on the second anniversary of the date of grant, 25% vest on the third anniversary of the date of grant and the remaining 25% vest on the fourth anniversary of the date of grant, provided that the employee continues to serve as a Service Provider of the Company. In the event a "Transaction" (as defined in the Company's 2015 U.S. Equity Incentive Plan), all options shall immediately vest and become exercisable on the date of the Transaction.*

During 2015, the Company granted 5,776 thousand options over ordinary shares of NIS 0.01 each to certain employees under the Company's Global Share Incentive Plan (2011). As of 31 December 2015 options were held by employees over an aggregate of 5,144 thousand Ordinary Shares under the Plan. The options have an exercise price of 0.00 GBP to 0.90 GBP, vest in tranches from 2017-2018, and expire in tranches in 2020 and 2024. There are 12,636 options exercisable at 0.00 GBP and 191,293 options exercisable at 0.24 GBP, which were granted to employees of AreaOne as part of the acquisition agreement whereby Taptica agreed to convert unvested options held in AreaOne to unvested options in Taptica with the same terms. The remaining options (excluding those granted to former AreaOne employees) have an exercise price of 0.65 GBP to 0.90 GBP.

Directors' Interests

As of 31 December 2015:

Director	Number of ordinary shares	Number of ordinary shares under option	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	16.7
Yaniv Carmi	449,572	Nil	0.7
Joanna Parnell	Nil	Nil	Nil
Neil Jones	3,267	Nil	0.0
Ronni Zehavi[3]	Nil	Nil	Nil

1) As of 31 December 2015, Taptica had 66,405,157 Ordinary Shares in issue. On 3 February 2016, a further 2,098,102 Ordinary Shares were admitted to trading on AIM pursuant to the acquisition of AreaOne Ltd. and to satisfy the pre-approved director fees following the appointment of Ronni Zehavi. On 24 March 2016, Taptica bought back six million Ordinary Shares, which are held as dormant shares under the Israeli Companies Law. Following this purchase, as of 25 April 2016, the total issued share capital of Taptica was 62,505,477 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) On 3 February 2016, 9,765 Ordinary Shares were issued to Ronni Zehavi to satisfy his pre-approved director fees for the three months ended 20 November 2015. As of 3 February 2016, Mr. Zehavi had an interest in 9,765 Ordinary Shares representing 0.0% of the issued share capital of Taptica.

Consolidated Financial Statements 2015

Independent Auditors' Report

Auditors' Report to the Shareholders of Taptica International Ltd.

We have audited the accompanying consolidated statements of financial position of Taptica International Ltd. (hereinafter – "the Company") as at 31 December 2015 and 2014 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 2015. These financial statements are the responsibility 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 2015 and 2014 and their results of operations, changes in equity and cash flows for each of the two years in the period ended 31 December 2015, in accordance with International Financial Reporting Standards (IFRS).

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

15 March 2016

Consolidated Statements of Financial Position

as at 31 December

	Note	**2015 US$ 000s**	2014 US$ 000s
Assets			
Cash and cash equivalents	9	**10,173**	24,664
Bank deposits	9	**8,516**	–
Investment in money market funds		–	482
Trade receivables, net	7	**19,168**	11,687
Other receivables	7	**1,558**	770
Total current assets		**39,415**	37,603
Property, plant and equipment	5	**514**	569
Intangible assets	6	**36,123**	20,663
Deferred tax assets	4	**180**	284
Total non-current assets		**36,817**	21,516
Total assets		**76,232**	59,119
Liabilities			
Trade payables	8	**20,366**	12,075
Other payables	8	**5,756**	3,118
Total current liabilities		**26,122**	15,193
Employee benefits		**182**	161
Contingent consideration commitment	16	**2,277**	–
Deferred tax liabilities	4	**2,372**	1,433
Total non-current liabilities		**4,831**	1,594
Total liabilities		**30,953**	16,787
Equity	11		
Share capital		**190**	186
Share Premium		**35,566**	35,170
Reserves		**2,450**	525
Retained earnings		**7,073**	6,451
Total equity		**45,279**	42,332
Total liabilities and equity		**76,232**	59,119

Chairman of the Board of Directors CEO CFO

Date of approval of the financial statements: March 15, 2016

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Note	2015 US$ 000s	2014 US$ 000s
Revenues		**75,829**	63,121
Cost of sales		**(54,716)**	(44,087)
Gross profit		**21,113**	19,034
Research and development expenses		**4,092**	2,001
Selling and marketing expenses		**8,634**	5,507
General and administrative expenses	10	**5,464**	2,961
		18,190	10,469
Profit from operations		**2,923**	8,565
Profit from operations before amortization of purchased intangibles and business combination related expenses*		**5,688**	9,286
Financing income		**75**	71
Financing expenses		**(207)**	(410)
Financing expenses, net		**(132)**	(339)
Profit before taxes on income		**2,791**	8,226
Taxes on income	4	**642**	2,127
Profit for the year		**2,149**	6,099
Profit for the year before amortization of purchased intangibles and business combination related expenses (net of tax)**		**4,952**	6,620
Earnings per share			
Basic earnings per share (in USD)	12	**0.033**	0.106
Diluted earnings per share (in USD)	12	**0.033**	0.102
Other comprehensive income items that will not be transferred to profit or loss			
Remeasurement of defined benefit plan		–	**6**
Taxes on other comprehensive income items that will not be transferred to profit or loss	4	–	(1)
Total other comprehensive income for the year that will not be transferred to profit or loss, net of tax		–	5
Total comprehensive income for the year		**2,149**	6,104

* Amounting to USD 2,765 thousand (2014: USD 721 thousand) of amortization of purchased intangibles acquired in business combination and related acquisition expenses, including expenses related to potential acquisitions.

** Amounting to USD 2,803 thousand (2014: USD 721 thousand) of amortization of purchased intangibles acquired in business combination and related acquisition expenses, including expenses related to potential acquisitions.

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 2014	*	–	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	7	7,092	–	–	7,099
Share-based payments	*	126	679	–	805
Exercise of options	1	215	(205)		11
Bonus issue shares	144	(144)	–	–	–
Initial Public Offering	34	27,745	–	–	27,779
Expiration of options	–	136	(136)	–	–
Balance as at 31 December 2014	186	35,170	525	6,451	42,332
Total comprehensive income for the year					
Profit for the year	–	–	–	**2,149**	**2,149**
Total comprehensive income for the year	–	–	–	**2,149**	**2,149**
Transactions with owners, recognized directly in equity					
Business combination			**1,656**		**1,656**
Share-based payments	–	–	**622**	–	**622**
Exercise of options	**4**	**396**	**(353)**	–	**47**
Dividends to owners	–	–	–	**(1,527)**	**(1,527)**
Balances as at 31 December 2015	**190**	**35,566**	**2,450**	**7,073**	**45,279**

* Less than 1 thousand USD

** Includes reserves for share-based payments and remeasurement of defined benefit plan and a commitment to issue shares under business combination (see Note 16) and other comprehensive income.

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

Consolidated Statements of Cash Flows

for the year ended 31 December

	Note	2015 US$ 000s	2014 US$ 000s
Cash flows from operating activities			
Profit for the year		**2,149**	6,099
Adjustments for:			
Depreciation and amortization	5-6	**3,472**	1,156
Net financing expense		**87**	258
Share-based payment transactions	13	**574**	762
Change in fair value of contingent consideration commitment		**146**	–
Income tax expense	4	**642**	2,127
Change in trade and other receivables		**(6,017)**	(1,871)
Change in trade and other payables		**6,273**	1,665
Change in employee benefits		**(34)**	36
Income taxes received		**105**	278
Income taxes paid		**(1,224)**	(1,895)
Interest received		**18**	–
Interest paid		**(9)**	–
Net cash provided by operating activities		**6,182**	8,615
Cash flows from investing activities			
Decrease (increase) in pledged deposits		**(78)**	248
Acquisition of property, plant and equipment	5	**(336)**	(217)
Acquisition and development of intangible assets	6	**(2,010)**	(858)
Proceeds from sale of property, plant and equipment	5	**74**	–
Grant of short-term loans		**(544)**	(1,500)
Proceeds from sale of investments on money market fund		**482**	–
Acquisition of subsidiaries, net of cash acquired	16	**(8,099)**	(6,531)
Increase in bank deposits, net		**(8,500)**	
Net cash used in investing activities		**(19,011)**	(8,858)
Cash flows from financing activities			
Issuance of shares		–	27,332
Repayment of loans from related parties		**(111)**	(830)
Repayment of loans from banks		–	(1,527)
Proceeds from exercise of share options		**47**	11
Dividends paid	11	**(1,527)**	(3,147)
Net cash provided by (used in) financing activities		**(1,591)**	21,839
Net increase (decrease) in cash and cash equivalents		**(14,420)**	21,596
Cash and cash equivalents as at the beginning of the year		**24,664**	3,216
Effect of exchange rate fluctuations on cash and cash equivalents		**(71)**	(148)
Cash and cash equivalents as at the end of the year	9	**10,173**	24,664

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

Notes to the Consolidated Financial Statements

1. General

A. Reporting entity

Taptica International Ltd. (the "Company" or "Taptica International"), formerly named Marimedia Ltd., has submitted a request to change its name following the Company's annual general meeting, held on 20 August 2015. The Israeli Companies Registrar has formally approved the Company's name change on September 22, 2015 with immediate effect. Since that date, the Company's shares are traded under the new name and TIDM: TAP (previously MARI).

The Company was incorporated in Israel under the laws of the state of Israel on 20 March 2007. The address of the registered office is 121 Hahashmonaim Street Tel Aviv, Israel.

Taptica International Ltd. is a global end-to-end mobile advertising platform that helps the world's top brands reach their most valuable users with the widest range of traffic sources available today, including social. The Company's proprietary technology leverages big data, and combined with state-of-the-art machine learning, enables quality media targeting at scale. Founded in 2007, Taptica International has a worldwide base of partnerships with media companies; maximising value for a wide range of Tier 1 brands including Amazon, Disney, Facebook, Twitter, OpenTable, Expedia, Lyft and Zynga. The Company is headquartered in Tel Aviv with offices in San Francisco, New York and Beijing.

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

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. On 1 August 2014, the Company exercised the option. Following the option exercise, the Company purchased 100% of Taptica's share capital for a total consideration of USD 13.84 million.

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

On 7 September 2015, the Company acquired 100% of the shares and voting interests in AreaOne Ltd ("AreaOne") for a total consideration of USD 15.401 million. AreaOne is a leading mobile user acquisition platform for brands and applications' developers to engage valuable mobile users through social media networks (see Note 16).

B. Definitions

In these financial statements –

(1) The Company – Taptica International Ltd. (former name: Marimedia Ltd.)

(2) The Group – Taptica International Ltd. and its subsidiaries.

(3) Related party – As defined by IAS 24, "Related Party Disclosures".

2. Basis of Preparation

A. Statement of compliance

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

The consolidated financial statements were authorized for issue by the Company's Board of Directors on 15 March 2016.

B. Functional and presentation currency

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

Notes to the Consolidated Financial Statements

2. Basis of Preparation *(continued)*

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
- Contingent consideration commitment

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

D. Use of estimates and judgments

Use of estimates

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

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

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

E. Determination of fair value

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

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

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

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

Use of estimates and 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 of software development, and Note 16, on subsidiaries, with respect to business combination.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies

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

A. Basis of consolidation

(1) Business combinations

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

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred less the net amount of the identifiable assets acquired and the liabilities assumed.

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. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in the fair value of contingent consideration classified as a financial liability in profit or loss, whereas contingent consideration classified as an equity instrument is not remeasured.

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.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service. The unvested portion of the replacement award that is attributed to post-acquisition services is recognized as a compensation cost following the business combination.
If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service. The unvested portion of the replacement award that is attributed to post-acquisition services is recognized as a compensation cost following the business combination.

(2) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced.

(3) Transactions eliminated on consolidation

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

B. Foreign currency transactions

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

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.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

C. Financial instruments

(1) Non-derivative financial assets

Initial recognition of financial assets

The Group initially recognizes loans and receivables on the date that they are created. All other financial assets acquired, 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 for 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 when it is held for trading purposes.

Loans and 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-derivative financial liabilities

Non-derivative financial liabilities include trade and other payables.

Initial recognition of financial liabilities

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

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

Derecognition of financial liabilities

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

Offset of financial instruments

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

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

C. Financial instruments *(continued)*

(3) Share capital

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. Property, plant and equipment

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
Motor vehicles	6.66

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

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

E. Intangible assets

(1) Software development

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.

In subsequent periods, these costs are amortized over the useful economic life of the asset.

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

The estimated useful lives of developed software is three years.

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

(2) Acquired software

Acquired 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 (3-5 years) using the straight line method. Costs associated with maintaining software programs are recognized as an expense as incurred.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

E. Intangbible assets *(continued)*

(3) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets. For information on measurement of goodwill at initial recognition, see Note 3 A(1).

In subsequent periods goodwill is measured at cost less accumulated impairment losses. The Group has identified its entire operation as a single cash generating unit (CGU). As of 31 December 2015 and 2014, the CGU's recoverable amount was based on the fair value of the Company's quoted share price (level 1). According to management assessment, no impairment in respect to goodwill has been recorded.

(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) Amortization

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

Internally generated intangible assets, such as software development costs, 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. Goodwill is not systematically amortized as well, but is tested for impairment at least once a year.

The Group examines the amortization methods, useful life and accumulated residual values of its intangible assets at least once a year (usually at the end of each reporting period) in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

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 reflects the expected pattern of consumption of the future economic benefits embodied in each asset.

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

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

F. Impairment of financial assets

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of trade receivables and other receivables at a specific asset level.

Losses are recognized in profit or loss and reflected in a provision for loss against the balance of the receivable.

G. Impairment of non-financial assets

Non-financial 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.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

H. Employee benefits

(1) Post-employment benefits

The Group's main post-employment benefit plan is under section 14 to the Severance Pay Law ("Section 14"), which is accounted for as a defined contribution plan. In addition, for certain employees, the Group has an additional immaterial plan that is accounted for as a defined benefit plan. These plans are usually financed by deposits with insurance companies or with funds managed by a trustee.

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income in the periods during which related services are rendered by employees.

According to Section 14 the payment of monthly deposits by a company into recognized severance and pension funds or insurance policies releases it from any additional severance obligation to the employees that have entered into agreements with the company pursuant to such Section 14. The Company has entered into agreements with a majority of its employees in order to implement Section 14. Therefore, the payment of monthly deposits by the Company into recognized severance and pension funds or insurance policies releases it from any additional severance obligation to those employees that have entered into such agreements and therefore the Company incurs no additional liability with respect to such employees.

(b) Defined benefit plans

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

(2) Short-term benefits

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

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

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

(3) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense unless it is eligible for capitalization under IAS 38 (see Note 3E.1), 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 vesting conditions, is adjusted to reflect the number of awards that are expected to vest.

I. 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 Mil Impression (CPM) and performance based metrics that include Cost per Click (CPC) and Cost per Action (CPA) options.

Revenue from advertising services is recognized by multiplying an agreed amount per mil impression/click/ action with the volumes of these units delivered.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

J. Classification of expenses

Cost of revenues

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

Research and development

Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new and existing products and services. Where required, development expenditures are capitalized in accordance with the Company's standard internal capitalized development policy in accordance with IAS 38 (also see Note 3E). All research costs are expensed when incurred.

Selling and marketing

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

General and administrative

General and administrative expenses consist primarily of compensation and related costs for personnel and facilities, and include costs related to the Company's 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.

K. Financing income and expenses

Financing income comprises interest income on funds invested, changes in the fair value of financial assets held for trading 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.

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.

L. Income tax expense

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive income except to the extent that they relate to a business combination.

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.

Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill; and
- Differences relating to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing taxable dividends in respect of the investment.

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.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

L. Income tax expense *(continued)*

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.

M. 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 weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which mainly comprise of share options granted to employees and certain equity instruments resulting from business combination transactions.

N. 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.

O. Leases

The Group's leases are classified as operating leases, and the leased assets are not recognized on the Group's statement of financial position. Payments made under operating leases, other than conditional lease payments, are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under operating leases are recognized in profit or loss as incurred.

P. New standards and interpretations not yet adopted

IFRS 9 (2014), Financial Instruments

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

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

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

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

IFRS 15, Revenue from Contracts with Customers

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

IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 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.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(continued)*

P. New standards and interpretations not yet adopted *(continued)*

IFRS 16, Leases

The standard replaces International Accounting Standard 17 – Leases (IAS 17) and its related interpretations. The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements. Similarly, the standard determines new and expanded disclosure requirements from those required at present.

The standard will become effective for annual periods as of January 1, 2019, with the possibility of early adoption, so long as the company has also early adopted IFRS 15 – Revenue from contracts with customers. The standard includes a number of alternatives for the implementation of transitional provisions, so that companies can choose one of the following alternatives at the implementation date: full retrospective implementation or implementation from the effective date while adjusting the balance of retained earnings at that date.

The Group has not yet commenced examining the effects of IFRS 16 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 2014-2015:

2014 – 26.5%

2015 – 26.5%

On 5 January 2016 the Israeli Parliament passed the Law for Amendment of the Israeli Tax Ordinance (Amendment 216), by which, the corporate income tax rate would be reduced by 1.5% to 25% as of 2016 and thereafter.

(b) According to various amendments to the Income Tax Ordinance (New Version) – 1961 (hereinafter – "the Ordinance"), IFRS shall not apply when determining the taxable income for the 2007 through 2013, tax years even if IFRS was applied when preparing the financial statements.

(2) Benefits under 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.

Notes to the Consolidated Financial Statements

4. Income Tax *(continued)*

B. Composition of income tax expense

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
Current tax expense		
Current year	**624**	2,103
Adjustment for prior years, net	**37**	(1)
	661	2,102
Deferred tax expense (income)		
Creation and reversal of temporary differences	**(20)**	13
Change in tax rate	**1**	12
	(19)	25
Income tax expense	**642**	2,127

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

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
Profit before taxes on income	**2,791**	8,226
Primary tax rate of the Company	**26.5%**	26.5%
Tax calculated according to the Company's primary tax rate	**740**	2,180
Additional tax (tax saving) in respect of:		
Non-deductible expenses	**156**	193
Effect of reduced tax rate on preferred income according to the Law for the Encouragement of Capital Investments – 1959	**(134)**	(854)
Differences in basis of measurements for financial reporting and tax return purposes	**(298)**	648
Other differences	**178**	(40)
Income tax expenses from continuing operations	**642**	2,127

Notes to the Consolidated Financial Statements

4. Income Tax *(continued)*

D. Deferred tax assets and liabilities

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

	Intangible assets	Carry-forward tax deductions and losses	Initial public offering costs	Other	Total
	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)
Balance of deferred tax assets (liability) as at 1 January 2015	**(2,269)**	**770**	**284**	**66**	**(1,149)**
Changes recognized in profit or loss	**683**	**(618)**	**(158)**	**113**	**20**
Recognized in respect of business combination	**(1,173)**	**56**	–	**21**	**(1,096)**
Effect of change in tax rate	**1**	–	**(2)**	–	**(1)**
Effect of change due to transition to Dollar Regulations	–	–	**34**	–	**34**
Balance of deferred tax assets (liability) as at 31 December 2015	**(2,758)**	**208**	**158**	**200**	**(2,192)**

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

Notes to the Consolidated Financial Statements

5. Property, Plant and Equipment

	Computers	Motor vehicles	Office furniture and equipment	Installations and leasehold improvements	Total
			US$ thousands		
Cost					
Balance as at 1 January 2014	265	117	39	189	610
Additions	61	-	31	125	217
Business combination	62	-	27	5	94
Balance as at 31 December 2014	388	117	97	319	921
Additions	**42**	**-**	**27**	**267**	**336**
Business combination	**23**	**-**	**34**	**24**	**81**
Disposals	–	**(117)**	–	–	**(117)**
Balance as at 31 December 2015	**453**	–	**158**	**610**	**1,221**
Depreciation					
Balance as at 1 January 2014	148	11	8	54	221
Additions	79	18	6	28	131
Balance as at 31 December 2014	227	29	14	82	352
Additions	**95**	**14**	**10**	**279**	**398**
Disposals	–	**(43)**	–	–	**(43)**
Balance as at 31 December 2015	**322**	–	**24**	**361**	**707**
Carrying amounts					
As at 1 January 2014	117	106	31	135	389
As at 31 December 2014	161	88	83	237	569
As at 31 December 2015	**131**	–	**134**	**249**	**514**

Notes to the Consolidated Financial Statements

6. Intangible Assets

	Software*	Trademarks	Customer relationships	Technology	Residual Goodwill	Total
	US$ thousands					
Cost						
Balance as at 1 January 2014	1,066	–	–	–	–	1,066
Additions	1,074	–	–	–	–	1,074
Business combination	–	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
Additions	**1,794**	–	–	–	–	**1,794**
Business combination	–	**2,100**	**1,319**	**3,993**	**9,328**	**16,740**
Balance as at 31 December 2015	**3,934**	**5,007**	**1,858**	**9,615**	**20,047**	**40,461**
Amortization						
Balance as at 1 January 2014	239	–	–	–	–	239
Additions	304	234	43	444	–	1,025
Balance as at 31 December 2014	543	234	43	444	–	1,264
Additions	**731**	**730**	**198**	**1,415**	–	**3,074**
Balance as at 31 December 2015	**1,274**	**964**	**241**	**1,859**	–	**4,338**
Carrying amounts						
As at 1 January 2014	827	–	–	–	–	827
As at 31 December 2014	1,597	2,673	496	5,178	10,719	20,663
As at 31 December 2015	**2,660**	**4,043**	**1,617**	**7,756**	**20,047**	**36,123**

*Including development costs capitalized in the period amounting to USD 1,313 thousand (2014: USD 741 thousand)

Amortization

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

Notes to the Consolidated Financial Statements

7. Trade and Other Receivables

	31 December	
	2015	2014
	US$ 000s	US$ 000s
Trade receivables, net (1)	**19,168**	11,687
Other receivables		
Advances to suppliers and prepaid expenses	**156**	337
Institutions	**653**	403
Related parties (see Note 15)	**55**	–
Pledged deposits	**150**	30
Short-term loan	**544**	–
	1,558	770
	20,726	12,457

(1) Including trade receivables due from related parties in the amount of USD 7 thousand and USD 145 thousand, as at 31 December 2015 and 2014, respectively. (See also Note 14B).

8. Trade and Other Payables

	31 December	
	2015	2014
	US$ 000s	US$ 000s
Trade payables (1)	**20,366**	12,075
Other payables		
Advances from customers	**1,360**	1,319
Wages and salaries	**1,461**	694
Provision for vacation	**321**	144
Institutions	**215**	590
Related parties (see Note 15)	**27**	245
Contingent consideration commitment (see Note 16B)	**2,302**	–
Others	**70**	126
	5,756	3,118
	26,122	15,193

(1) Including trade payables due to related parties in the amount of USD 46 thousand and USD 142 thousand, as at 31 December 2015 and 2014, respectively. (See also Note 14B).

Notes to the Consolidated Financial Statements

9. Cash and Cash Equivalents and Bank Deposits

	31 December	
	2015	2014
	US$ 000s	US$ 000s
Cash	**10,111**	10,061
Bank deposits	**62**	14,603
Cash and cash equivalents*	**10,173**	24,664
Bank deposits**	**8,516**	–

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

* At 31 December 2015, USD 491 thousand are held in NIS, USD 372 thousand are held in GBP, and USD 271 thousand are held in EUR, with the remainder held in USD.

** Bank deposits are held in USD at two large banks in Israel, for a duration of 6 months, carrying a weighted average interest rate of 0.6%.

10. General and Administrative Expenses

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
Wages and salaries	**1,919**	1,191
Share-based payments (see also Note 13)	**48**	153
Rent and office maintenance	**1,139**	600
Depreciation and amortization	**374**	165
Professional services, legal and audit fees	**871**	212
Traveling and car expenses	**168**	162
Doubtful debts	**300**	111
Changes in fair value of contingent consideration commitment	**146**	–
Other administrative expenses	**499**	367
	5,464	2,961

Notes to the Consolidated Financial Statements

11. Equity

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

	Ordinary shares	
	2015	2014
Issued and paid-in share capital as at 31 December	**66,405**	64,723
Authorized share capital	**300,000**	300,000

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.

On 28 May 2014, the Company's shares were admitted to trading on the AIM Market of the London Stock Exchange ("AIM") in the Company's initial public offering ("IPO"). As part of the IPO, the Company issued 11,672,001 ordinary shares, of NIS 0.01 par value in consideration for a gross amount of £17,858,162 (approximately USD30 million). The share issue costs amounted to USD2.2 million (net of tax) and the net consideration amounted to approximately USD27.5 million (£16.4 million). Immediately following the IPO, the number of Company shares issued and outstanding was 61,913,744. In addition, as part of the IPO, pre-IPO Company shareholders sold 7,780,224 shares to the public in consideration of £11,903,743 (approximately USD20 million).

As a result of the exercise of share options by employees, 1,682,276 and 382,724 Ordinary Shares were issued during 2015 and 2014 respectively (see Note 13).

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

On 7 September the Company purchased 100% of issued share capital of AreaOne for an amount equal to USD 15.401 million. Under the terms of the acquisition and as part of the purchase price, the company will issue 2,088,337 ordinary shares of the Company (see Note 16).

B. Dividends

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

	Year ended 31 December	
	2015	2014
USD 0.023 (2014: nil) per ordinary share	1,527	–

Notes to the Consolidated Financial Statements

12. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2015 and 2014 was based on the profit for the year divided by a weighted average number of ordinary shares outstanding, calculated as follows:

Profit for the year

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
Profit for the year	**2,149**	6,099

Weighted average number of ordinary shares:

	Year ended 31 December	
	2015	2014
	Shares of NIS 0.01 par value	Shares of NIS 0.01 par value
Weighted average number of ordinary shares used to calculate basic earnings per share as at 31 December	**65,990,349**	57,700,506
Basic earnings per share	0.033	0.106

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2015 and 2014 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	
	2015	2014
	Shares of NIS 0.01 par value	Shares of NIS 0.01 par value
Weighted average number of ordinary shares used to calculate basic earnings per share	**65,990,349**	57,700,506
Effect of share options on issue	**11,360**	1,998,538
Weighted average number of ordinary shares used to calculate diluted earnings per share	**66,001,709**	59,699,044
Diluted earnings per share	**0.033**	0.102

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.
- Vesting conditions are based on a service period of between 3-5 years.

Grant date	Number of options (thousands)	Exercise price
Options granted on 20 October 2011	960	USD 0.03
Options granted on 16 July 2012	735	USD 0.03
Options granted on 27 January 2013	475	USD 0.03
Options granted on 29 October 2013	160	USD 0.03
Options granted on 1 January 2014	160	USD 0.57
Options granted on 1 February 2014 (1)	1,360	USD 2.28
Options granted on 9 November 2014	400	GBP 1.54
Options granted on 24 February 2015 (1)	2,328	GBP 1.32
Options granted on 30 June 2015	1,509	GBP 0.90
Options granted on 1 November 2015	1,632	GBP 0.65
Options granted on 22 November 2015	157	GBP 0-0.24
Options granted on 14 December 2015	150	GBP 0.65

Each option is exercisable into one share of NIS 0.01 par value.
The options granted on 2014 and 2015 have a vesting period of two to four years and will expire between four to ten years from grant date.

(1) In June 2015, the Board of the Company approved a change in the exercise price and vesting terms relating to 2,861,000 options for ordinary shares held by certain employees under the Plan (the "Amended Options"). The Amended Options were originally granted as follows:

- 1,015,000 were granted on 1 February 2014 exercisable from 1 February 2016 at a price of USD 2.28 each with an expiry date of 1 February 2024
- 1,846,000 were granted on 24 February 2015 with an exercise price of GBP 1.3232, with the same gradual four-year vesting period as that described above for the New Options (with the exercise period commencing on the second anniversary of 24 February 2015) and an expiry date of 24 February 2020

The Amended Options are exercisable at a price of 90 pence each. The options granted on 1 February 2014 will now vest and become exercisable on 30 June 2017, while the expiration date remains on 1 February 2024. The vesting and exercise periods of the options granted on 24 February 2015 remain unchanged. The incremental fair value (amounting to USD 451 thousand) is recognized over the remaining vesting period.

Notes to the Consolidated Financial Statements

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

A. The number of share options is as follows:

	Weighted average exercise price		Number of options	
	2015	**2014**	**2015**	**2014**
	(**US$)**		**(000s)**	
Outstanding at 1 January	0.76	0.03	3,217	2,065
Forfeited during the year	1.61	1.57	(2,167)	(385)
Exercised during the year(*)	0.03	0.03	(1,682)	(383)
Granted during the year	1.26	2.17	5,776	1,920
Outstanding at 31 December			**5,144**	3,217
Exercisable at 31 December			**19**	1,872

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

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

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

An amount of USD 574 thousand (2014: USD 762 thousand) was recognized as an expense in the consolidated statements of comprehensive income.

As part of business combination the Company has recorded additional amount of USD 48 thousand on account of vested options of AreaOne employees.

Equity-settled share-based payment

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

	15 January 2014	1 February 2014	9 November 2014	24 February 2015	30 June 2015	1 November 2015	22 November 2015	14 December 2015
Grant date fair value in USD	0.85	0.26	0.70	0.68	0.37	0.32	0.59-0.96	0.32

The parameters used to calculate fair value:

	USD	*USD*	*GBP*	*GBP*	*GBP*	*GBP*	*GBP*	*GBP*
Share price (on grant date)	1.31	1.33	1.53	1.32	0.81	0.63	0.63	0.64
Exercise price	0.57	2.28	1.54	1.3232	0.9	0.65	0.01-0.24	0.65
Expected volatility (weighted average)	35%	35%	35%	35%	35%	35%	35%	35%
Expected life (weighted average)	5.8	5.8	4	5	5	5	5	5
Expected dividends	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	2.11%	1.82%	1.28%	1.55%	1.63%	1.52%	0.67-1.24%	1.66%

Notes to the Consolidated Financial Statements

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.

Exposure to credit risk

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

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

	31 December	
	2015	2014
	US$ 000s	US$ 000s
Cash and cash equivalents	**10,173**	24,664
Bank deposits	**8,516**	–
Investment in money market funds (*)	–	482
Trade receivables, net (**)	**19,168**	11,687
Other receivables	**749**	30
	38,606	36,863

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

(**) The Group included provision to doubtful debts are USD 510 thousand (2014: 217) in respect of specific debtors that their collectability is in doubt.

C. Market risk

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

Linkage and foreign currency risks

Currency risk

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

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

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

Notes to the Consolidated Financial Statements

14. Financial Instruments *(continued)*

C. Market risk *(continued)*

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.

D. Fair value

The Company's financial instruments consist mainly of cash and cash equivalents, bank deposits, marketable securities, trade and other receivables, trade and other payables and contingent consideration. The carrying amounts of these financial instruments, except for the contingent consideration, approximate their fair value because of the short maturity of these investments. The contingent consideration is classify as level 3 under IFRS 13. Such amounts have recorded initially and subsequently at their fair value (see note 16).

15. Related Parties

A. Compensation and benefits to key management personnel

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

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

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

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
Share-based payments	–	167
Other compensation and benefits(*)	**1,322**	950
	1,322	1,117

(*) Including management fees that were paid directly to key management personnel.

Notes to the Consolidated Financial Statements

15. Related Parties *(continued)*

B. Transactions with related parties

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

		Year ended 31 December	
		2015	2014
		Value of Transactions	
		US$ 000s	US$ 000s
Related party	**Nature of transaction**		
Sprintile Ltd.	Sale and purchase of media by/from the Company.	–	181
Webisaba Ltd.	Sale of media from the Company.	**51**	248
	Purchase of media by the Company	**(48)**	(467)

C. See also Notes 7 and 8.

16. Subsidiaries

A. Details in respect of subsidiaries

Subsidiaries including consolidated structured entities

Presented hereunder is a list of the Group's subsidiaries:

		The Group's ownership interest in the subsidiary for the year ended December 31	
Name of Company	Principal location of the company's activity	**2015**	2014
Taptica LTD	Israel	**100%**	100%
Taptica INC	USA	**100%**	100%
AreaOne LTD	Israel	**100%**	–
SocialClicks INC	USA	**100%**	–

B. Acquisition of subsidiaries

Business combination during the current period - AreaOne Ltd.

On 7 September 2015 (hereinafter – the Acquisition Date) the Company acquired 100% of the outstanding share capital of AreaOne. AreaOne is a leading mobile user acquisition platform for brands and applications' developers to engage valuable mobile users through social media networks.

Upon the closing of the transaction, the Company paid USD 9,288 thousand in cash and USD 2 million, satisfied by the allotment of 2,088,337 newly issued ordinary shares of the Company, calculated based on 61 pence per share, following the receipt by AreaOne of a tax ruling from the Israeli tax authority (see Note 18). Those shares are held in escrow, in the name of ESOP Management & Trust Services Ltd., the escrow agent, for 30 months. In addition, the consideration includes two contingent deferred payments - payable at 12 months and 24 months after the closing of the transaction - each consist of up to USD 1 million in cash and up to USD 1.5 million satisfied by the allotment of 3,132,504 New Ordinary Shares calculated based on 61 pence per share, are payable subject to compliance with certain performance criteria. The Company has an option through 30 June 2016 to substitute the 2,088,337 ordinary shares held in escrow with a USD 2 million cash payment, and to substitute the ordinary shares included in the contingent deferred payments with cash.

Notes to the Consolidated Financial Statements

16. Subsidiaries *(continued)*

B. Acquisition of subsidiaries *(continued)*

During 2015 AreaOne contributed negatively to the Group's profit with a loss of USD 592 thousand, and contributed USD 3,409 thousand to the Group's revenue (excluding fair value adjustments impact recognized upon acquisition). If the acquisition had occurred on January 1, 2015, the combined consolidated revenue would have been USD 85,019 thousand and consolidated profit for the year would have been USD 1,110 thousand. In determining these amounts, fair value adjustments, determined provisionally, that arose on the Acquisition Date would have been considered as if the acquisition had occurred on January 1, 2015.

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

Consideration transferred

	US$ thousands
Cash	9,288
Equity instruments (2,088,337 ordinary shares) (i)	1,656
Replacement share-based awards (ii)	48
Contingent consideration (iii)	4,409
	15,401

(i) Equity instruments

The fair value of the equity instrument was based on the quoted price of the Company's share on the Acquisition Date, deducted by the value of the embedded share repurchase option, measured based on Black & Scholes model (exercise price and share value – $0.96, risk-free interest rate – 0.48%, volatility – 40%). Also see Note 18.

(ii) Replacement of share-based payment awards

The terms of the acquisition agreement required the Group to exchange share-based payment awards held by employees of the acquiree (hereinafter – the acquiree's awards) for share-based payment awards of the Group (hereinafter – the replacement awards). Details of the acquiree's awards and replacement awards are as follows:

- The acquiree's awards were granted before the acquisition of AreaOne.
- The vesting date of the replacement awards is the same as the acquiree's awards.

	Acquiree's award	**Replacement awards**
Market-based value at acquisition date	USD 176 thousand	USD 176 thousand

The Group recognized USD 48 thousand as part of the cost of the business combination on the basis of the portion of the replacement awards that can be attributed to services provided before the business combination. An amount of USD 128 thousand will be recognized as post-acquisition compensation cost.

(iii) Contingent consideration

The contingent consideration, as discussed above with respect to 3,132,504 shares, has been recorded as a financial liability at fair value. The fair value has then been measured based on the price per share, the probability of achievement of the performance criteria and the value of the option to settle in cash. Accordingly, the Group has included USD 4,409 thousand as contingent consideration as part of the purchase price. Such contingent consideration is subsequently measured at fair value with result in differences recognized in profit or loss.

Notes to the Consolidated Financial Statements

16. Subsidiaries *(continued)*

B. Acquisition of subsidiaries *(continued)*

Identifiable assets acquired and liabilities assumed (based on provisional amounts as described hereunder):

	US$ thousands
Cash and cash equivalents	1,189
Trade receivables	1,231
Other receivables	341
Property, plant and equipment	81
Intangible assets*	7,412
Other payables	(772)
Trade payables	(2,311)
Deferred tax liabilities, net	(1,098)
Net identifiable assets	6,073

* Comprised from trade name, technology and customer relationships.

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:

a. *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).

b. *Customer Relationships*

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

(ii) The fair value of intangible assets related to this business combination have been determined provisionally pending completion of an independent valuation.

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

	US$ thousands
Cash and cash equivalents paid	9,288
Cash and cash equivalents of the subsidiaries	(1,189)
	8,099

Goodwill

Goodwill was recognized as a result of the acquisition as follows (provisional amounts):

	US$ thousands
Consideration transferred	15,401
Less fair value of identifiable net assets	(6,073)
Goodwill	9,328

Acquisition-related costs

The Company incurred acquisition-related costs of USD 114 thousands related to legal fees and due diligence costs. These costs have been included in general and administrative expenses in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

17. Operating Segments

The Group has a single reportable segment as a provider of marketing services.

A. Revenue from media channels

Total revenues from external customers divided on the basis of Company's media channels are as follows:

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
Mobile	**46,448**	11,362
Non-mobile	**29,381**	51,759
	75,829	63,121

B. Entity level disclosures

Information on geographical segments

The Company is domiciled in Israel and it produces its income primarily in USA, Israel and UK.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Year ended 31 December	
	2015	2014
	US$ 000s	US$ 000s
External revenues		
America	**45,137**	37,666
Europe	**13,444**	5,584
Asia	**6,664**	8,988
Israel	**5,211**	5,361
Others	**5,373**	5,522
Consolidated	**75,829**	63,121

18. Subsequent Events

Following the receipt by AreaOne of the required tax ruling from the Israeli Tax Authority relating to the agreement to acquire AreaOne, see Note 16. In January 2016, application has been made for the issue and allotment of 2,088,337 ordinary shares of the Company.

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