XLMEDIAPLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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27 April 2021

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XLMedia PLC
("XLMedia" or the "Group" or the "Company")

Results for the Year Ended 31 December 2020

XLMedia (AIM: XLM), a leading global digital performance publisher, announces the Company's audited results for the year ended 31 December 2020.

Financial summary

Revenues of $54.8 million (FY 2019: $79.7 million)

- Google search ranking penalty in January on over 100 Casino websites
- Covid-19 measures impacted sports events globally and reduced activity in Financial Services
- Resulted in c. $2 million per month hit to Group revenue for a number of months from March
- Closure of Media business reduced annual revenue by c. $5 million

- Gross profit of $34.3 million (FY 2019: $53.7 million)
- Adjusted EBITDA(1) of $12.2 million (FY 2019: $33.5 million)
- Adjusted profit before tax(2) of $4.5 million (FY 2019: $25.3 million)
- Reported Profit / (Loss) before tax of $1.1 million (FY 2019: ($57.7) million)
- Cash and short-term investments of $13.9 million (31 December 2019: $29.9 million)

1 Adjusted EBITDA in all references is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation, and excluding any share-based payments, impairment and reorganisation costs
2 Excluding loss from impairment and reorganisation costs

Operating summary

- Significant progress in US Sports market through the acquisition of CBWG, a high-growth sports gaming and betting publisher and affiliate
- After period end:
  - Strengthened US Sports position through the acquisition of Sports Betting Dime, a multichannel sports betting affiliate, including the national website sportsbettingdime.com
- Good progress on the business transformation
  - Initial restructure of the organisation, resulting in headcount reduction of around 20%
  - Ongoing asset portfolio upgrade focussing on revenue sustainability and future growth
  - Strengthened Executive Team with the appointment of Iain Balchin as Chief Financial Officer and Ken Dorward as President, North America
- Corporation tax residence moved to the UK - minimal impact on effective tax rate

Casino rebuild

- Narrowed focus to 10 tier 1 penalised Casino websites and other high-performing unpenalised assets
- Removed the penalty from three of 10 websites, after multiple resubmissions
- Concentrating resources on rebuilding new revenue generation from a lower base
- Options to develop assets with partners or create value through disposals

Covid-19 update

- Company operations adjusted well to the remote working requirements caused by Covid-19
- Travel restrictions negatively impacted speed of business transformation

- Materially impacted revenue opportunities in Personal Finance and Sports
- Recovery commenced early in the second half of the year

Outlook

- Exited the year well, with revenue in January 2021 almost at the same level as January 2020
- Recent acquisitions in US Sports and good performance of Personal Finance assets more than offsets ongoing weakness in Casino
- Further investment planned in 2021 to complete the transformation of the business
- Continue to expect material improvement in Group revenue in 2021

Stuart Simms, Chief Executive Officer of XLMedia, commented:

"We entered 2020 with strategic and operational clarity, only to find ourselves knocked off track in the short term by the unforeseen challenges of a Google penalty and the Covid-19 global pandemic. Even against this backdrop the business performed relatively well, and we made significant progress on the priorities of upgrading the asset portfolio and restructuring the organisation, which will drive performance over the longer term.

"Over the last few months, the Company completed two significant acquisitions in the US Sports market. This is a very positive and material step in rebalancing the Group, providing immediate scale in an attractive and high-growth, regulated market.

"Completing the transformation of the business, including the overhaul of the systems supporting it and delivering the long-term operating structure to maximise growth will involve further significant investment in 2021. Notwithstanding this, our level of confidence in the business performance and recovery continues to grow and we have entered 2021 with positive momentum, which we expect to lead to revenue materially ahead of the previous year."

Analyst and Institutional Investor webcast

A presentation webcast and live Q&A conference call for analysts and institutional investors will take place on Tuesday, 27th April 2021 at 9.00 am UK Time, and a webcast of the presentation will be made available on the Company's website at https://www.xlmedia.com/investor-relations/webcasts/

To register for this event, please go to:
https://secure.emincote.com/client/xlmedia/2020-full-year-results

Retail investor webcast

Management will also be hosting a presentation for retail investors in relation to the Company's results on Wednesday, 28th April 2021 at 12.45 pm UK Time.

The presentation will be hosted on the Investor Meet Company ("IMC") digital platform. Investors can sign-up for free and request to meet XLMedia via:

https://www.investormeetcompany.com/xlmedia-plc/register-investor

Investors who already follow XLMedia on this platform will automatically be invited.

For further information, please contact:

XLMedia plc Stuart Simms, Chief Executive Officer Iain Balchin, Chief Financial Officer Kieran McKinney, Investor Relations www.xlmedia.com	ir@xlmedia.com
Vigo Consulting Jeremy Garcia www.vigoconsulting.com	Tel: 020 7390 0233
Cenkos Securities plc (Nomad and Joint Broker) Giles Balleny / Max Gould www.cenkos.com	Tel: 020 7397 8900
Berenberg (Joint Broker) Mark Whitmore / James White / Tejas Padalkar	Tel: 020 3207 7800

www.berenberg.com

Chair's Introduction

2020 was a year of challenge and opportunity for our Company, colleagues, clients and partners. The Covid-19 pandemic is well documented and left no industry or company untouched. I am delighted at the way XLMedia handled the operational impacts of the pandemic, and want immediately to express my gratitude to all our colleagues in Israel, Cyprus, the UK and North America for rising to the challenges it presented and showing total commitment during an extremely difficult time. We are not quite out the other side yet, but we can, I believe, now see light at the end of the tunnel.

Unfortunately, the short-term opportunities presented by Covid-19 in the Casino vertical were all but extinguished by the penalty imposed by Google on many of our assets in this space. The Board and Executive team are very aware of the impact of this on recent financial performance and are working tirelessly to deal with this issue and put it behind us.

In tandem with dealing with these unforeseen challenges, the refreshed Executive team has been executing on the strategic transformation of the business we laid out last year. In response to shifting priorities for major search engines and an increasingly uncertain regulatory backdrop in our foundational European casino markets, we detailed our intention to focus the business on fewer high-quality websites and to take advantage of opportunities in high-growth regulated markets. Under the leadership of our Chief Executive, Stuart Simms, and the Chief Financial Officer we appointed early in 2020, Iain Balchin, the business is being steadily restructured and repositioned. Although no transformation is ever complete, we have made excellent progress on improving our websites, significantly reducing the number and upgrading the content and focus, and restructuring and streamlining the organisation to align with our strategic direction.

As an important part of our transformation, and as Stuart covers in detail in his statement, we made two significant acquisitions in the US Sports market, which gives the Company immediate scale in a huge vertical, which is growing rapidly. To fund the second of these transactions, the Company raised £27 million (gross) through a placing and open offer, both of which were significantly oversubscribed. The Board were delighted to see the faith that our shareholders placed in us through this equity issuance and share their excitement for the prospects of XLMedia going forward.

Governance and Dividend

There were two changes to the Board in 2020. In July, Iain Balchin joined the Board, having been appointed as Chief Financial Officer in February 2020. In August, Amit Ben Yahuda stepped down from the Board and left XLMedia after four years of valuable contribution to the development of the business.

At the start of July, the Company moved its Corporation Tax residence from Cyprus to the UK. This change reflected the increasing senior management presence and the governance concentration in the UK.

As announced in April 2020, we remain committed to completing the transformation of the Company, which requires further investment in the core business and may include taking advantage of additional inorganic opportunities. With this is mind, the Board does not intend to recommend a dividend or share buyback programme.

Outlook

The Company has entered 2021 with optimism and confidence, underpinned by a strong balance sheet and improving financial performance. Most importantly, the business transformation is progressing well and revenue delivery is more diverse, enabling us to deal better with any future uncertainties and to take full advantage of opportunities as they arise.

Christopher Bell
Independent Non-Executive Chair
27 April 2021

Chief Executive Officer review

Business Performance

At the end of 2019, we laid out our priorities for the business to maximise opportunities from evolving regulation and consumer demands, and better align our assets with the structure and standards demanded by major internet search engines. Even with this renewed clarity and focus, 2020 proved to be one of the most challenging years in the history of XLMedia. The challenges were both macro and Company specific. As it did for many sectors and businesses, Covid-19 created operational challenges, which the Company handled very well, and financial impacts through the cancellation of major sporting events and the reduction in marketing activities in our major financial services partners. Specific to XLMedia, in January, Google applied a search ranking penalty to a number of Casino websites which made generating new revenue in this vertical difficult.

Against this backdrop, the Group delivered revenue of $54.8 million (FY 2019: $79.7 million), gross profit of $34.3 million (FY 2019: $53.7 million) and adjusted EBITDA of $12.2 million (FY 2019: $33.5 million). By the end of March monthly revenue was running approximately $2 million behind the expectations at the start of the year. Revenue in the first half was $27.7 million (H1 2019: $42.5 million), with the low point reached in the second quarter of the year. Financial performance stabilised in the middle of the year and improved gradually through the second half, and the Company exited the year and entered 2021 with an encouraging trajectory.

We entered the year with clear strategic priorities, underpinned by a refreshed technology infrastructure, incorporating both proprietary and open-source platforms, and a renewed focus on fully exploiting proprietary data. This will be supported by a slimmer refocused central support and operating structure.

Progress in 2020 in transforming the business performance was slower than I would have hoped. This was hampered by the immediate requirement to address the Google manual penalty issue and by an inability to engage face-to-face across the Company due to the restrictions caused by Covid-19. However, we have made important progress in producing a more sustainable business, fit for the future, and have begun to reshape the organisation. In May, we announced the streamlining of a number of functions, which has simplified the structure, aligning it better to the strategic direction of the Company and creating around $5 million of operating cost headroom to support investment in driving future growth.

We have also reduced the number of sites we own and manage from over 3,000 to fewer than 100. Much of this portfolio has now been upgraded to drive maximum sustainable returns from every asset, with a focus on better serving consumer needs through high-quality, engaging content.

Casino rebuild

As disclosed in January 2020, a number of our high revenue premium Casino websites were penalised by Google through a ranking penalty, which pushes the websites lower in key search results. After a thorough review, we focussed our efforts on ten of the penalised websites and a small number of other high-performing assets to minimise duplication in each target country.

We now believe our remaining Casino sites are high-quality assets, relative to other industry sites successfully addressing the Casino vertical globally. Through the second half of 2020, we submitted the penalised sites to Google for reconsideration on a number of occasions. We have had a degree of success, which resulted in the removal of the penalty for three websites, Casino.pt, Casino.gr and CasinoKiwi.co.nz, and an immediate improvement in their search rankings - although these will take some time to return to historical levels. Based on the development efforts to this point and the quality of the content we have produced, we are disappointed not to have received more successful reconsiderations.

From this point, we are concentrating our resources on growing the new revenue in the Casino vertical from the current lower base. This includes driving further growth from our unpenalised sites and seeking to re-establish the performance of the penalised assets, through partnerships, to successfully remove the penalties or develop new sites. Alongside this, we continue to assess the option of disposing of elements of this business, where we feel the value to another party may exceed that to XLMedia over the longer term.

Regulation

All of XLMedia's business units are subject to regulatory oversight. Even where regulatory change negatively impacts revenue in the short term, I believe that, on the whole, a fully regulated market is better over the longer term for large enterprises like XLMedia, when we factor in the reduced risk of shocks or unforeseen change. The process of achieving the relevant regulatory permissions and operating within clear regulatory parameters is a core competency of XLMedia, as we have shown in recent developments in North American Sports. Our approach of developing high-quality, educational and engaging websites also positions the business well from a sustainability perspective.

US Sports

The opportunity in US sports betting has become increasingly clear, as more states in the US have regulated and opened up to legalised sports betting.

In December, we completed the acquisition of the sports gaming and sports betting business of CBWG Sports ("CBWG"). CBWG is a highly successful and fast-growing digital media publishing group, based in the northeast United States. The business owns and operates the sports and gaming assets CrossingBroad.com, PASportsBooks.com, BetNewJersey.com, EliteSportsNY.com, and PromoCodeKings.com and has agreements in place with leading regulated online sportsbooks in the United States. The business also has an agency arm, which partners with leading sports media brands in the regulated betting markets of Colorado, Illinois, and Tennessee. CBWG has so far significantly outperformed the acquisition case, with unaudited revenues in the first two months of 2021 of $2.67 million compared to $1.11 million in the acquisition case, capitalising on market growth trends and the very strong Q1 seasonality in the US that results from the timing of certain major sporting events.

After the year end, in March 2021, we completed the acquisition of the business and assets of Sports Betting Dime ("SBD"). SBD was a multichannel offshore sports betting digital media platform with a national footprint website, sportsbettingdime.com, which had over 1.2 million visitors in January 2021.

Following the acquisition, SBD is leveraging XLMedia's regulatory licences and deals with regulated operators to rapidly monetise its traffic in the nine regulated US states where XLMedia already operated. In due course, revenue is expected to grow as the wider US market regulates state by state and enables the remaining traffic to be monetised.

I believe these acquisitions are very significant steps in rebalancing the Group, with a greater focus on regulated high-growth markets. The Company has now established immediate scale in US Sports, including acquiring an excellent team with the skills required to drive growth, both organically and through targeted acquisition, assisted by the tailwind of increasing regulation across the US.

Outlook

Overall, 2021 has started well. In North America, the assets of CBWG are delivering ahead of expectations, SBD has made an encouraging start and our personal finance assets continue to perform well, and in Europe our sports assets have benefitted from a full events calendar. As mentioned earlier, the Casino vertical is being rebuilt from a lower base. The combination of these factors should lead to revenue materially ahead of the previous year.

Completing the transformation of the business, including the overhaul of the systems supporting it, and delivering the long-term operating structure to maximise growth will involve further significant investment in 2021. The positive impact this will bring, along with improving financial performance and a strong balance sheet, gives us confidence in the future prospects for the Company.

Stuart Simms
Chief Executive Officer
27 April 2021

Financial Review

$'000	2020	2019	Change
Revenues	54,839	79,695	-31%
Gross profit	34,345	53,693	-36%
Operating expenses	(29,996)	(27,347)	+ 10%
Operating profit before impairment and reorganisation costs	4,349	26,346	-83%
Adjusted EBITDA[2]	12,161	33,471	-64%
Impairment loss	(955)	(81,350)	
Reorganisation costs	(2,481)	(1,682)	
Adjusted[1] profit before tax	4,542	25,302	-82%
Income from discontinued operations	-	2,217	
Profit (loss) before tax	1,106	(57,730)	

[1] Excluding loss from impairment and reorganisation costs

[2] Earnings Before interest, Taxes, Depreciation, Amortisation and excluding share-based payments, impairment and reorganisation costs

XLMedia revenues in 2020 totalled $54.8 million (2019: $79.7 million), a decrease of 31% compared to the previous year due primarily to the closure of our remaining Media operations, the impact of a search ranking penalty imposed by Google on a large number of Casino sites and the initial impact of the Covid-19 pandemic on the Global sporting calendar.

Gross profit for 2020 was $34.3 million and gross margin was 63% (2019: $53.7 million, 67% gross margin), representing a 36% decrease, broadly proportional to the decrease in revenues.

Operating expenses for 2020 were $30.0 million (2019: $27.3 million). Operating expenses increased mainly due to a change in capitalisation policy for proprietary technology, additions of senior management to expedite the expansion of our global operations, and professional fees associated with redomiciling to the UK.

Adjusted EBITDA for 2020 was $12.2 million or 22% of revenues (2019: $33.5 million, or 42% of revenues), a decrease of 64% on the previous year. This decrease in the EBITDA was due mainly to the reduction in revenues.

Net financing expenses for 2020 were $0.1 million (2019: $1.0 million). The decrease in financing expenses mainly reflects changes in lease liabilities as the Company decided not to exercise the option to renew leases.

IAS 36 requires that a company ensures that its assets are carried at no more than their recoverable value. Under IAS 36, when the carrying amount of the assets exceeds its recoverable amount an impairment loss is recorded. Following an independent and comprehensive review of recorded asset values at year end and further reductions following the demotion of the Group's websites by Google in January 2020, XL Media has booked an impairment loss of $1 million in its 2020 accounts (2019: $81.3 million).

In 2020 the Group recorded reorganisation costs of $2.5 million following the commencement of a significant future restructuring plan of the Group (2019: $1.7 million).

Adjusted profit before tax in 2020 was $4.5 million (2019: $25.3 million), a decrease of 82%.

As at 31 December 2020, the Company had $13.9 million in cash and short-term investments (2019: $29.9 million). The change in cash is a reflection of $9.0 million generated by operating activities offset by $20.1 million used for investment activity, and $3.0 million used for financing activities, with $1.5 million of this being the repayment of bank loans. Following the placing and open offer, in mid-April 2021 the Company had approximately $38 million in cash and short-term investments.

Current assets as at 31 December 2020 were $25.2 million (31 December 2019: $42.4 million). The decrease in current assets was predominantly as a result of the decrease in cash and cash-equivalents mentioned above. Non-current assets as at 31 December 2020 were $66.9 million (31 December 2019: $57.0 million). The increase in non-current assets is mainly from the acquisition of CBWG Sports, with an initial cash consideration of $12.5 million.

Current liabilities as at 31 December 2020 were $23.3 million (31 December 2019: $27.2 million). Non-current liabilities as at 31 December 2020 were $1.6 million (31 December 2019: $8.6 million). The decrease in non-current liabilities is mainly attributable to the lease liability as the Company decided not to exercise the option to renew leases. Total equity as at 31 December 2020 was $67.3 million or 73% of total assets (2019: $63.5 million or 64% of total assets). The increase in the equity was mainly as a result of the issue of $3.6 million of new company shares as part of the initial consideration for the acquisition of CBWG Sports.

2020 was a significant year for the company, where we dealt with many challenges concurrently, including making significant progress in restructuring and repositioning the Company for future growth. We exited the year with a positive trajectory and concluded our first acquisition in the US Sports market. We remain optimistic about the Group's prospects in the years ahead.

Iain Balchin
Chief Financial Officer
27 April 2021

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

XLMEDIA PLC

Opinion

We have audited the consolidated financial statements of XLMedia PLC and its subsidiaries (the Group), which comprise the consolidated statements of financial position as of 31 December 2020 and 2019 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and 2019 and its financial performance and its cash flows for each of the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

	Description of key audit matter	Description of auditor's response
Revenue recognition	Revenues which amounted to USD 54.8 million in 2020 are significant to the consolidated financial statements based on their quantitative materiality. As such, there is inherent risk that revenues may be improperly recognised, inflated or misstated. Recognition of revenues in the accounts of the Group is a highly automated process. The Group is heavily reliant on the reliability and continuity of its in-house IT platform to support automated data processing in its recognition and recording of revenues.	In 2020 in order to gain the required level of assurance, we performed substantive audit procedures relating to the recognition and recording of revenues, including tests of reconciliations from underlying data to the financial accounts. IT audit specialists were deployed to assist in understanding the design and operation of the relevant IT systems and in performing various data analyses in order to test completeness, accuracy and timing of the recognition of revenues. We also evaluated the adequacy of the disclosures provided in relation to revenues in Notes 2 and 16 to the consolidated financial statements.
Domains and Websites and other intangible assets - impairment test	As of 31 December 2020, the total net carrying amount of domains and websites with indefinite useful life and other intangible assets was approximately USD 63.8 million. In accordance with IFRS as adopted by the European Union, the Group is required to annually test these assets for impairment. As a result of the impairment test the Group recorded in 2020 an impairment loss for the amount of USD 955 thousand, which is included in the statement of profit or loss.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group. In particular, we tested the Group's determination of the recoverability of these assets by reviewing management's forecasts of revenues and profitability. We assessed the reliability of these forecasts through, among others, a review of actual performance against previous forecasts. We evaluated and tested the discount rates and attribution of expenses, and we considered the reasonableness of management's other assumptions. We also verified the adequacy of the disclosure of the assumptions and other data in Note 7 to the consolidated financial statements.
Taxation	The Group's operations are subject to income tax in various jurisdictions. Taxation is significant to our audit because the assessment process is complex and judgmental and the amounts involved are material to the consolidated financial statements as a whole.	We included in our team tax specialists to analyse and evaluate the assumptions used to determine tax provisions. We evaluated and tested the underlying support, such as transfer price studies, for the calculation of income taxes in the various jurisdictions. We also assessed the adequacy of the Group's disclosures in Note 14 to the consolidated financial statements.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the board of directors for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the year ended 31 December 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The consolidated financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

The partner in charge of the audit resulting in this independent auditor's report is Eli Barda.

Tel-Aviv, Israel
26 April 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2020	31 December 2019
		USD in thousands	
ASSETS			

CURRENT ASSETS:			
Cash and cash equivalents		12,648	27,108
Short-term investments	4a	1,228	2,785
Trade receivables	5a	5,792	7,755
Other receivables	5b	5,578	4,522
Financial derivatives	11	-	222
		25,246	42,392
NON-CURRENT ASSETS:			
Long-term investments	4b	1,478	682
Property and equipment	6	1,072	9,431
Domains and websites	7	55,941	40,215
Other intangible assets	7	7,925	6,428
Other assets		497	278
		66,913	57,034
		92,159	99,426

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December	
		2020	2019
LIABILITIES AND EQUITY	Note	USD in thousands	
CURRENT LIABILITIES:			
Trade payables		2,000	3,028
Other liabilities and accounts payable	8	8,769	9,625
Income tax provision	14	11,899	11,874
Financial derivatives	11	304	79
Current maturities of long-term bank loans	9	-	1,465
Current maturities of lease liabilities	10	324	1,161
		23,296	27,232
NON-CURRENT LIABILITIES:			
Lease liability	10	366	8,067
Deferred taxes	14	1,243	516
Other long-term liabilities		-	65
		1,609	8,648
Total liabilities		24,905	35,880
EQUITY:	12		
Share capital		*) -	*) -
Share premium		86,022	112,624
Capital reserve from share-based transactions		2,368	2,276
Capital reserve from transaction with non-controlling interests		(2,626)	(2,445)
Treasury shares		-	(30,159)
Accumulated deficit		(18,510)	(19,041)
Equity attributable to equity holders of the Company		67,254	63,255
Non-controlling interests		-	291
Total equity		67,254	63,546
		92,159	99,426

*) Less than USD 1 thousand.

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

26 April 2021			
Date of approval of the financial statements	Chris Bell Chairman of the Board of Directors	Stuart Simms Chief Executive Officer	Iain Balchin Chief Financial Officer

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020	2019
		USD in thousands (except per share data)	
Revenues	16	54,839	79,695
Cost of revenues		20,494	26,002
Gross profit		34,345	53,693
Research and development expenses		2,464	1,554
Sale and marketing expenses		4,202	4,579
General and administrative expenses		23,330	21,214
Operating expenses		29,996	27,347
Operating profit before impairment and reorganisation costs		4,349	26,346
Impairment loss	7	955	81,350
Reorganisation costs	2a	2,481	1,682
Operating profit (loss)		913	(56,686)
Finance expenses		834	1,879
Finance income		695	835
Finance expenses, net		139	1,044
Other income, net		332	-
Profit (loss) before taxes on income		1,106	(57,730)
Taxes on income	14	314	3,188
Profit (loss) from continuing operations		792	(60,918)
Income from discontinued operations, net	15	-	2,217
Profit (loss) and other comprehensive loss		792	(58,701)
Attributable to:			
Equity holders of the Company		531	(59,474)
Non-controlling interests		261	773
		792	(58,701)
Earnings per share attributable to equity holders of the Company:	12e		
Basic and diluted earnings (loss) per share from continuing operation (in USD)		0.003	(0.31)
Basic and diluted earnings per share from discontinued operation (in USD)		-	0.01

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company		
Capital reserve from	Capital reserve from transactions with non-	Non-

	Share capital	Share premium	share-based transactions	controlling interests	Treasury shares	Accumulated deficit	Total	controlling interests	Total equity
	USD in thousands								
Balance as of 1 January 2020	*) -	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546
Net profit and other comprehensive income	-	-	-	-	-	531	531	261	792
Cancelation of treasury shares	-	(30,159)	-	-	30,159	-	-	-	-
Cost of share-based payment	-	-	92	-	-	-	92	-	92
Share capital issuance		3,557	-	-	-	-	3,557	-	3,557
Acquisition of non-controlling interest			-	(181)	-	-	(181)	(291)	(472)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(261)	(261)
Balance as of 31 December 2020	*) -	86,022	2,368	(2,626)	-	(18,510)	67,254	-	67,254

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings (accumulated deficit)	Total	Non-controlling interests	Total equity
	USD in thousands								
Balance as of 1 January 2019	*) -	112,224	2,590	(2,445)	(468)	54,623	166,524	291	166,815
Net loss and other comprehensive income	-	-	-	-	-	(59,474)	(59,474)	773	(58,701)
Acquisition of treasury shares	-	-	-	-	(29,691)	-	(29,691)	-	(29,691)
Income from share-based payment	-	-	(218)	-	-	-	(218)	-	(218)
Dividend to equity holders of the Company	-	-	-	-	-	(14,190)	(14,190)	-	(14,190)
Exercise of options	*) -	400	(96)	-	-	-	304	-	304
Dividend to non-controlling interests	-	-	-	-	-	-	-	(773)	(773)
Balance as of 31 December 2019	*) -	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546

*) Less than USD 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2020	Year ended 31 December 2019
	USD in thousands	
Cash flows from operating activities:		
Net income (loss)	792	(58,701)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Adjustments to the profit or loss items:		
Depreciation and amortisation	7,720	7,511
Impairment loss	955	81,350
Finance expense (income), net	824	1,976
Other income	(1,122)	-
Loss from discontinued operation	-	(1,811)
Cost of (income from) share-based payment	92	(218)
Taxes on income	314	3,228
Exchange differences on balances of cash and cash equivalents	(297)	(661)
	8,486	91,375
Changes in asset and liability items:		
Decrease in trade receivables	1,963	6,465
Decrease (increase) in other receivables	(340)	371

Decrease in trade payables	(1,028)	(2,239)
Increase (decrease) in other liabilities and accounts payable	(1,139)	4,482
Decrease in other long-term liabilities	(65)	(183)
	(609)	8,896
Cash received (paid) during the year for:		
Interest paid	(544)	(752)
Interest received	99	101
Taxes paid	(799)	(2,859)
Taxes received	996	2,061
	(248)	(1,449)
Net cash provided by operating activities	8,421	40,121

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2020	2019
	USD in thousands	
Cash flows from investing activities:		
Purchase of property and equipment	(319)	(260)
Acquisition of and additions to domains, websites and other intangible assets	(12,842)	(406)
Acquisition of and additions to technology	(6,642)	(8,447)
Loan to a third party	(500)	-
Proceeds from the sale of discontinued operation (adjustments of proceeds) *)	(270)	1,547
Short- term and long-term investments, net	911	281
Net cash used in investing activities	(19,662)	(7,285)
Cash flows from financing activities:		
Dividend paid to equity holders of the Company	-	(14,190)
Acquisition of treasury shares	-	(29,691)
Acquisition of non-controlling interest	(472)	-
Dividend paid to non-controlling interests	(261)	(652)
Exercise of options	-	270
Repayment of long and short-term liability	(1,500)	(5,500)
Repayment of lease liabilities	(1,283)	(1,253)
Net cash used in financing activities	(3,516)	(51,016)
Exchange differences on balances of cash and cash equivalents	297	661
Decrease in cash and cash equivalents	(14,460)	(17,519)
Cash and cash equivalents at the beginning of the year	27,108	44,627
Cash and cash equivalents at the end of the year	12,648	27,108
Significant non-cash transactions:		
Acquisition of and additions to domains, websites and other intangible assets	3,557	-
Right-of-use asset recognised with corresponding lease liability	6,819	10,550

*) 2019 - Net of cash balance of discontinued operation.

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

NOTE 1:- GENERAL

a. General description of the Group and its operations:

The Group is a leading global digital performance publisher. The Group attracts traffic from multiple online channels and directs them to online businesses who, in turn, convert such traffic into paying customers.

Online traffic is attracted by the Group's publications and are then directed, by the Group, to its customers in return for mainly a share of the revenue generated by such user, a fee generated per user acquired, fixed fees or a hybrid of any of these models.

The Company is incorporated in Jersey and commenced its operations in 2012.

Since March 2014, the Company's shares are traded on the London Stock Exchange's Alternative Investment Market (AIM).

b. Definitions:

In these financial statements:

The Company	-	XLMedia PLC
The Group	-	The Company and its consolidated subsidiaries
Subsidiaries	-	Entities that are controlled (as defined in IFRS 10) by the Company and whose accounts are consolidated with those of the Company. For a list of the main subsidiaries see Note 22.
Related parties	-	as defined in IAS 24
Dollar/USD	-	U.S. dollar

The spread of Coronavirus continues to have an impact on the Group's operations. The Group has a well-balanced portfolio of assets, however many sport events continue to be cancelled around the world which has and will have a negative effect on the Group's revenue.

A similar effect is expected in the Finance and Technology units. It is expected that these decreases will be offset, at least in part, by increases in other verticals, namely Casino and New Business. The Group is continually monitoring and responding to the potential impact of the outbreak, but as there is uncertainty regarding the duration of the impact and future events there is uncertainty regarding the total effect on the Group's operations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of presentation of the consolidated financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU") and in accordance with the requirements of the Companies (Jersey) Law 1991.

The financial statements have been prepared on a cost basis, except for financial assets and liabilities (derivatives) that are presented at fair value through profit or loss.

The Company has elected to present profit or loss items using the function of expense method.

Classification of expenses in profit or loss:

Cost of revenues - includes mainly compensation of personnel, media buying costs, affiliates network costs and websites promotion and content.

Research and development and sale and marketing - includes primarily compensation of personnel.

General and administrative - includes primarily compensation and related costs of personnel, amortisation and depreciation expenses, costs related to the Group's facilities and fees for professional services.

Reorganisation costs - includes primarily termination benefits to former key management personnel and various consulting fees.

b. Consolidated financial statements:

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

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

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10.

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the date of acquisition or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are expensed as incurred.

Contingent consideration is recognised at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost, which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognises the resulting gain on the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of evaluation of impairment of goodwill, goodwill purchased in a business combination is evaluated and attributed to the cash-generating units to which it had been allocated.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

   The functional and presentation currency of the Company and of its subsidiaries is the U.S. dollar ("USD").

2. Transactions, assets and liabilities in foreign currency:

   Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalised to qualifying assets or recorded in equity in hedges, are recognised in profit or loss. Non-monetary assets and liabilities measured at cost in foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term and long-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents.Long-term deposits are deposits with maturity of more than twelve months from the reporting date. The deposits are presented according to their terms of deposit.

g. Revenue recognition:

Revenue from contracts with customers is recognised when the control over the services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms.

Revenue from rendering of services:

Revenue from rendering of services is recognised over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company charges its customers based on payment terms agreed upon in specific agreements.

In determining the amount of revenue from contracts with customers, the Group evaluates whether it is a principal or an agent in the arrangement. The Group is principal when the Group controls the promised services before transferring them to the customer. In these circumstances, the Group recognises revenue for the gross amount of the consideration. When the Group is an agent, it recognises revenue for the net amount of the consideration, after deducting the amount due to the principal.

h. Taxes on income:

Current or deferred taxes are recognised in profit or loss, except to the extent that they relate to items which are recognised in other comprehensive income or equity.

1. Current taxes:

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

2. Deferred taxes:

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

   Deferred taxes are measured at the tax rate that is expected to apply when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

   Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilised. Deductible temporary differences for which deferred tax assets had not been recognised are reviewed at each reporting date and a respective deferred tax asset is recognised to the extent that their utilisation is probable.

   Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Group's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

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

i. Leases:

The Group accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. Recognition of assets and liabilities:

   For leases in which the Group is the lessee, the Group recognises on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Group has elected to recognise the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Group has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate. After the commencement date, the Group measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognised in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term (see j below). The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. Variable lease payments that depend on an index:

On the commencement date, the Group uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Group is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

3. Lease extension and termination options:

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Group remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognised in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognised in profit or loss.

4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Group remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Group recognises a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Group subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

j. Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	Mainly %
Office furniture and equipment	10
Computers and peripheral equipment	33
Right of use leased assets and leasehold improvement (over the lease term)	10 - 15

Right of use leased assets and leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including any extension option held by the Group and intended to be exercised) and the expected life of the asset.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. An asset is derecognised on disposal or when no further economic benefits are expected from its use.

k. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalised development costs, are recognised in profit or loss when incurred.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

Intangible assets (domains and websites) with indefinite useful lives are not systematically amortised and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Since the content of the domains and websites is being updated on a current basis management believes that these assets have indefinite useful lives. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortised systematically over its useful life.

Research and development expenditures:

Research expenditures are recognised in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognised if the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Software:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property and equipment. In contrast, software that adds functionality to the hardware is classified as an intangible asset.

Systems and software (purchased and in-house development cost) are amortised on a straight-line basis over the useful life of three years.

Non-competition and Agencies Relationships is amortised on a straight-line basis over the agreement term (between 2 to 3 years).

l. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

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

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

The following criteria are applied in assessing impairment of these specific assets:

1. Goodwill:

   The Company reviews goodwill for impairment once a year as of 31 December, or more frequently if events or changes in circumstances indicate that there is need for such review.

   Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognised if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

2. Intangible assets with an indefinite useful life that are not systematically amortised (domains and websites):

   The impairment test is performed annually, on 31 December, or more frequently if events or changes in circumstances indicate that there is an impairment.

m. Financial instruments:

1. Financial assets:

   Financial assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

   The Company classifies and measures debt instruments in the financial statements based on the following criteria:

   - The Company's business model for managing financial assets; and

   - The contractual cash flow terms of the financial asset.

   a) Debt instruments are measured at amortised cost when:

      The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortised cost using the effective interest rate method, less any provision for impairment.

   b) Financial assets held for trading:

      Financial assets held for trading (derivatives) are measured through profit or loss unless they are designated as effective hedging instruments.

2. Impairment of financial assets:

   The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are measured at amortised cost. The Company has short-term trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

   An impairment loss on debt instruments measured at amortised cost is recognised in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

3. Derecognition of financial assets:

   A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

4. Financial liabilities:

   a) Financial liabilities measured at amortised cost:

      Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the issue of the financial liability.

      After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest rate method, except for:

      - Financial liabilities at fair value through profit or loss such as derivatives;
      - Contingent consideration recognised by the buyer in a business combination within the scope of IFRS 3.

   b) Financial liabilities measured at fair value through profit or loss:

      At initial recognition, the Company measures financial liabilities that are not measured at amortised cost at fair value. Transaction costs are recognised in profit or loss.

      After initial recognition, changes in fair value are recognised in profit or loss.

5. Derecognition of financial liabilities:

   A financial liability is derecognised only when it is extinguished, that is when the obligation is discharged or cancelled or expires.

n. Fair value measurement:

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

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

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

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

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

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 (valuation techniques which use inputs that are not based on observable market data).

o. Provisions:

A provision in accordance with IAS 37 is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense is recognised in profit or loss net of the reimbursed amount.

p. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are financed by contributions to insurance companies or pension funds and classified as defined contribution plans.

The Israeli subsidiaries of the Group have defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the subsidiary pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognised as an expense when contributed concurrently with performance of the employee's services.

q. Share-based payment transactions:

The Group's employees and officers are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions:

The cost of equity-settled transactions with employees and officers is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model - additional details are given in Note 13.

In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account.

The cost of equity-settled transactions is recognised in profit or loss together with a corresponding increase in equity during the period which the performance is to be satisfied ending on the date on which the relevant employees or officers become entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

r. Discontinued operations:

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation (including comparative data) are presented separately in profit or loss, net of the tax effect.

s. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of Ordinary Shares outstanding during the period. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company. If the number of Ordinary Shares outstanding increases as a result of a capitalisation, bonus issue, or share split, the calculation of earnings per share for all periods presented are adjusted retrospectively.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

t. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

Amendment to IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment").

The Amendment clarifies that in order to meet the definition of a "business", an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

The Amendment is to be applied to business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The initial application of the Amendment did not have a material effect on the Company's financial statements but it may have an effect on the assessment of the definition of a "business" for acquisitions completed after January 1, 2020.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Estimations and assumptions:

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

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Impairment of domains and websites:

  The Group reviews domains and websites for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating units to which the assets are allocated and also to choose a suitable discount rate for those cash flows. See also Note 7.

- Income taxes:

  The Group is subject to income tax in various jurisdictions and judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises tax liabilities based on assumptions supported by, among others, transfer price studies. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. See also Note 14.

NOTE 4:- SHORT-TERM AND LONG-TERM INVESTMENTS

	Annual interest rate (1)	31 December 2020	31 December 2019
	%	USD in thousands	
a. Short-term investments:			
Short-term bank deposits (2):			
Held in USD	0.01	850	1,308
Held in NIS	0.01	373	1,470
Held in EURO		5	7
		1,228	2,785
b. Long-term investments:			
Bank deposits - held in NIS (2)	0.8	1,478	682

(1) The above interest rates are the weighted average rates as of 31 December, 2020.

(2) Deposits for the amount of USD 2,706 thousand with fixed liens recorded as security for credit card transactions in connection with advertising campaigns and other online purchasing over the internet as well as for financial derivative transactions and bank guarantee provided in connection with a lease agreement on property.

NOTE 5:- TRADE AND OTHER RECEIVABLES

a. Trade receivables:

	31 December 2020	31 December 2019
	USD in thousands	
Open accounts	6,867	8,666
Less - allowance for doubtful accounts	1,075	911
Trade receivables, net	5,792	7,755

1. As of 31 December, 2020, the Group has no material amounts that are past due and not impaired.
2. Doubtful accounts expenses included in general and administrative expenses of USD 164 thousand (2019 - USD 211 thousand).
3. See Note 11b(2) on credit risk of trade receivables.

b. Other receivables:

	31 December 2020	31 December 2019
	USD in thousands	
Prepaid expenses	2,721	2,391
Government authorities	2,357	2,012
Other receivables	500*	119
	5,578	4,522

* In December 2020, the Company lent USD 0.5 million to a third party for a period of 12 months. The loan carries an interest rate of 5%.

NOTE 6:- PROPERTY AND EQUIPMENT

	Computers, furniture, office equipment and others	Leasehold improvements	Right of use leased assets - offices (2)	Total
	USD in thousands			
Cost:				
Balance as of 1 January 2019	2,992	506	-	3,498
Initial application of IFRS 16	-	-	10,470	10,470
Acquisitions during the year	208	52	47	307
Adjustments for indexation	-	-	33	33
Decreases during the year:				
Discontinued operation (1)	(384)	(20)	-	(404)
Termination of leases	-	-	(879)	(879)
Balance as of 31 December 2019	2,816	538	9,671	13,025
Additions (2)	-	-	472	472
Acquisitions during the year	309	21	-	330
Adjustments for indexation	-	-	(12)	(12)
Decreases during the year:				
Termination of leases (2)	-	-	(6,806)	(6,806)
Balance as of 31 December 2020	3,125	559	3,325	7,009
Accumulated depreciation:				
Balance as of 1 January 2019	1,992	210	-	2,202
Depreciation during the year	337	59	1,402	1,798
Decreases during the year:				
Discontinued operation (1)	(321)	(10)	-	(331)
Termination of leases (2)	-	-	(75)	(75)
Balance as of 31 December 2019	2,008	259	1,327	3,594
Depreciation during the year	723	300	1,320	2,343
Balance as of 31 December 2020	2,731	559	2,647	5,937
Depreciated cost as of 31 December 2020	394	-	678	1,072
Depreciated cost as of 31 December 2019	808	279	8,344	9,431

(1) See Note 15.

(2) See Note 10.

NOTE 7:- INTANGIBLE ASSETS

a. Composition and movement:

	Goodwill	Domains and websites	Non-competition	Agencies Relationships	Systems, software and other	Total
	USD in thousands					
Cost:						
Balance as of 1 January 2019	30,052	93,958	4,955	-	25,247	154,212
Acquisitions during the year	-	408	-	-	1,342	1,750
Costs capitalised during the year (in-house development cost)	-	-	-	-	7,105	7,105
Balance as of 31 December 2019	30,052	94,366	4,955	-	33,694	163,067
Acquisitions during the year (1)	-	16,681	-	232	1,472	18,385
Costs capitalised during the year (in-house development cost)	-	-	-	-	5,170	5,170
Balance as of 31 December 2020	30,052	111,047	4,955	232	40,336	186,622
Accumulated amortisation and impairment:						
Balance as of 1 January 2019	6,400	1,905	4,374	-	16,682	29,361
Amortisation during the year	-	-	477	-	5,236	5,713
Impairment loss (2)	23,652	52,246	104	-	5,348	81,350
Balance as of 31 December 2019	30,052	54,151	4,955	-	27,266	116,424
Amortisation during the year	-	-	-	8	5,369	5,377
Impairment loss (2)	-	955	-	-	-	955
Balance as of 31 December 2020	30,052	55,106	4,955	8	32,635	122,756
Amortised cost as of 31 December 2020	-	55,941	-	224	7,701	63,866
Amortised cost as of 31 December 2019	-	40,215	-	-	6,428	46,643

(1) Material acquisition during the year:
In December 2020, the Company acquired the domain of sports gaming, and sports betting of CBWG Sports for a total consideration of USD 12.5 million in cash (including USD 0.5 million acquisition expenses) and issuance of 7,954,546 new Company's shares representing an aggregate value of USD 3.5 million. As well as potential future contingent consideration of up to an additional USD 9.5 million in cash, based on net revenue performance of the acquired assets, payable over three years up to the end of 2023. The Company accounted for this acquisition as an asset acquisition since substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets.

(2) See b below.

b. Additional information on impairment:

In January 2020, 107 of the Group's sites were demoted in search results by Google, of which 23 were premium sites. The demotion of the sites had a material impact on the Group's future revenues.

Based on the value in use of the Publishing operations of the Group performed by an independent valuation specialist, the carrying amount of the goodwill was written down to nil in 2019. The remaining amount of the impairment loss was allocated to the other intangible assets based on their relative carrying amounts.

The Company recorded an impairment loss for the amount of USD 955 thousands (2019- USD 81,350 thousands) , which is included in the statement of profit or loss.
The pre-tax discount rate applied to the cash flow projection is 14.5% (2019 - 15.5%). The projected cash flows are estimated using mainly fixed growth rate of 4.5% for the years 2022-2025 and terminal growth rate of 3% (2019 - 3%).

The key assumptions used in calculating the value in use:

Revenues and operational profit - the revenues and the profit rate assumptions are based on management expectations and forecasts for the coming year and the management's forecasted cash flows for the following three years. These forecasts included an evaluation of those specific sites that suffered a demotion or other factors which could adversely affect revenues and profitability.

Discount rate - the discount rate reflects management's assumptions regarding the Group's specific risk premium.

Growth rate - the growth rate applied for the period beyond the four-year forecasted period is based on the long-term average growth rate as customary in similar industries.

Sensitivity analyses of changes in assumptions:

With respect to the assumptions used in determining the value in use, management believes that a significant change in key assumptions, in particular, a decrease in forecasted revenues, would result in a further impairment of the intangible assets.

NOTE 8:- OTHER LIABILITIES AND ACCOUNTS PAYABLE

	31 December	
	2020	2019
	USD in thousands	
Employees and payroll accruals	4,221	5,073
Government authorities	990	724
Accrued expenses	3,108	3,043
Other liabilities	450	785
	8,769	9,625

NOTE 9:- LOANS FROM BANK

a. Loan term:

In December 2017, a subsidiary of the Company received a loan from a bank for the amount of USD 5 million. The loan was repayable in 24 equal instalments and carried an interest rate of USD Libor +4.45%. The loan was repaid fully in 2019.

In June 2018, a subsidiary of the Company received a loan from a bank for the amount of USD 6 million. The loan is repayable in 24 equal instalments and carries an interest rate of USD Libor +4.4% (31 December, 2019 - 6.36 %). The loan was repaid fully on 30 June 2020.

b. Liens, see Note 17.

NOTE 10:- LEASE LIABILITIES

a. Composition:

	31 December	
	2020	2019
	USD in thousands	
Lease liabilities	690	9,228
Less - current maturities	324	1,161
	366	8,067

Group companies (as lessee) have entered into commercial real estate lease agreements. The leases include an exit point in December 2020 (with extension option periods) with annual lease fees of approximately USD 1.6 million.

The Group recorded fixed liens on bank deposit in connection with these agreements (see Note 5).

In September 2019 the Company terminated, without penalty, a lease of office space which was originally leased till 2028 with an annual lease payment of USD 83 thousand. As a result, the Company derecognised the right-of-use leased asset for the net amount of USD 804 thousand and the related liability for the amount of USD 893 thousand.

In 2020, the Company decided not to exercise an option to renew a lease, which renewal period was originally included in the determination of the lease liabilities and corresponding right-of-use assets in the 2019 consolidated financial statements. Accordingly, the Company derecognised the lease liabilities by approximately USD 7.9 million and the related right-of-use and other assets by approximately USD 6.8 million. The impact on the profit before taxes on income was of approximately USD 1.1 million as other income.

In December 2020, the Company signed three new real estate lease agreements. The leases's commencement dates are December 31, 2020, January 1, 2021 and February 15, 2021. The impact for 2020 is an increase in the Group's total assets and liabilities in the amount of approximately USD 0.5 million. The expected impact on assets and liabilities for 2021 is USD 8.3 million.

b. Information on leases in which the Company is a lessee:

	31 December 2020	31 December 2019
	USD in thousands	
Depreciation expense for right-of-use assets	1,320	1,402
Finance expense (including exchange rate differences) for lease liability	512	1,310
Total cash outflow for leases	1,635	1,697

NOTE 11:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and liabilities:

The financial assets and financial liabilities in the statement of financial position are classified by groups of financial instruments as follows:

	31 December 2020	31 December 2019
	USD in thousands	
Financial assets:		
Financial assets at fair value through profit or loss:		
Financial derivatives	-	222
Financial assets measured at amortised cost:		
Cash and cash equivalents	12,648	27,108
Short-term and long-term investments	2,706	3,467
Trade receivables	5,792	7,755
Other receivables	500	25
Total financial assets measured at amortised cost	21,646	38,355
Total financial assets	21,646	38,577
Total current	20,168	37,895
Total non-current	1,478	682
Financial liabilities:		
Financial assets at fair value through profit or loss:		
Financial derivatives	304	79
Financial liabilities measured at amortised cost:		
Trade payables	2,000	3,028
Other liabilities and account payables	7,594	8,480
Lease liabilities	690	9,228
Bank loan	-	1,465
Total financial liabilities measured at amortised cost	10,284	22,201
Total financial liabilities	10,588	22,280
Total current	10,223	14,213
Total non-current	366	8,067

b. Financial risks factors:

The Group's activities expose it to various financial risks.

1. Market risk - Foreign exchange risk:

A significant portion of the Group's revenues are received in EURO. The Group also has revenues that are received in GBP. A significant portion of the Israeli subsidiaries` expenses are paid in New Israeli Shekels ("NIS"). Therefore, the Group is exposed to fluctuations in the foreign exchange rates in EURO, GBP and NIS against the USD.

The Company entered into forward contracts with the intention to reduce the foreign exchange risk of forecasted cash flows. These contracts are not designated as hedges for accounting purposes and are measured at fair value through profit or loss.

For the year ended 31 December, 2020 the Group recorded foreign exchange rate differences income, net for the amount of USD 318 thousand (net of gain on forward transactions, see below) (2019 - expenses of USD 619 thousand).

The open positions as of 31 December, 2020, all for period until end of December 2021:

Forward transactions for the sale of EURO in exchange for USD totaling EURO 10.6 million (USD 12.8 million).

Forward transactions for the sale of GBP in exchange for USD totaling GBP 2.0 million (USD 2.7 million).

As of 31 December, 2020, the total fair value of the above forward transactions amounted to USD 304 thousand in liabilities.

2. Credit risk:

The Group usually extends 30-60 day term to its customers. The Group regularly monitors the credit extended to its customers and their general financial condition but does not require collateral as security for these receivables.

The Group maintains cash and cash equivalents and short-term investments and long-term investments in various financial institutions. These financial institutions are located in the EU, Israel and US.

3. Liquidity risk:

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
	USD in thousands					
Trade payables	2,000	-	-	-	-	2,000
Other liabilities and account payables	7,594	-	-	-	-	7,594
Financial derivatives	304	-	-	-	-	304
Lease liabilities	331	108	108	108	108	763
	10,229	108	108	108	108	10,661

31 December 2019

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
	USD in thousands					
Trade payables	3,028	-	-	-	-	3,028
Other liabilities and account payables	8,480	-	-	-	-	8,480
Financial derivatives	79	-	-	-	-	79
Lease liabilities	1,586	1,650	1,650	1,676	4,629	11,191
Bank loan	1,465	-	-	-	-	1,465
	14,638	1,650	1,650	1,676	4,629	24,243

c. Fair value:

The carrying amounts of the Group's financial assets and liabilities approximate their fair value.

The fair value of financial derivatives is categorised within level 2 of fair value hierarchy.

d. Sensitivity tests relating to changes in market factors:

	31 December 2020	31 December 2019
	USD in thousands	
Sensitivity test to changes in Euro to Dollar exchange rate:		
Gain (loss) from the change:		
Increase of 10% in exchange rate	(890)	(295)
Decrease of 10% in exchange rate	890	295
Sensitivity test to changes in NIS to Dollar exchange rate:		
Gain (loss) from the change:		
Increase of 10% in exchange rate	266	299
Decrease of 10% in exchange rate	(266)	(299)
Sensitivity test to changes in GBP to Dollar exchange rate:		
Gain (loss) from the change:		
Increase of 10% in exchange rate	(170)	(184)
Decrease of 10% in exchange rate	170	184

The sensitivity tests reflect effects of reasonably possible changes in exchange rates on hedging position of the Group for the above currencies as of the end of the year. As described in (b) 1 above, these contracts are intended to reduce the Group's exposure to fluctuations in exchange rates on future revenues and expenses. Therefore, although it is expected the above effects will be offset by contra effects upon the recording of the revenues and expenses, the timing of these effects may not coincide in the same reporting period.

Sensitivity tests and principal assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Group has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the effects (before tax) on profit or loss and equity in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date.

The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

The Group does not have significant exposure to interest rate risk.

e. Changes in liabilities arising from financial activities:

	Long term loans	Leases liabilities	Total liabilities arising from financing activities
		USD in thousands	
Balance as of 1 January 2019	6,965	-	6,965
New finance lease obligation recognised	-	10,517	10,517
Cash flows	(5,500)	(1,697)	(7,197)
Effect of changes in exchange rate	-	33	33
Termination of leases	-	(893)	(893)
Other changes	-	1,268	1,268
Balance as of 31 December 2019	1,465	9,228	10,693
New finance lease obligation recognised	-	472	472
Cash flows	(1,500)	(1,635)	(3,135)
Effect of changes in exchange rate	-	(12)	(12)
Termination of leases	-	(7,960)	(7,960)
Other changes	35	597	632

Balance as of 31 December 2020	-	690	690

NOTE 12:- EQUITY

a. Composition of share capital:

	31 December 2020		31 December 2019	
	Authorised	Issued and outstanding *)	Authorised	Issued and outstanding *)
	Number of shares			
Ordinary Shares of USD 0.000001 par value	100,000,000,000	191,767,684	100,000,000,000	183,813,138

*) Net of treasury shares, see below.

In addition to the above issued shares, as of 31 December 2020, 3,315,521 Ordinary shares are held in trust to satisfy the Company's share based payment plan.

b. Movement in share capital:

1. In 2019 the Company issued 438,216 Ordinary shares upon the exercise of options.

2. In December 2020 the Company issued 7,954,546 Ordinary shares as part of the consideration of the websites acquisition in the amount of approximately USD 3.5 million.

c. In 2018 the board of the Company had approved a buyback programme (the "Programme") to buy back up to USD 10 million of the Company's Ordinary shares (the "shares").

The Programme ran from 18 December, 2018 to the conclusion of the 2019 annual general meeting of the Company. At the 2019 annual general meeting another buyback programme was approved to buy back up to additional USD 10 million of the Company's shares (the Company has not purchased all the additional shares).

On 16 July, 2019 the Company ceased the buyback programme and published a tender offer, which was accepted on 16 August, 2019. As a result, the Company purchased 19,675,000 Shares at 80 pence per share at a cost of USD 20,034 thousand including transaction expenses. During 2019 the Company acquired 32,731,441 Shares at a total cost of USD 29,691 thousand.

On 16 April, 2020 the Company resolved to cancel 33,223,743 shares currently held in treasury. Following the cancellation, the Company does not hold any Ordinary Shares in treasury.

d. Dividends paid to equity holders of the Company:

Date	Total amount	Per share
	USD in millions	USD
5 April 2019	8.4	0.040
4 October 2019	5.8	0.031

e. Net earnings per share:

Details of the number of shares and income used in the computation of earnings per share:

	Year ended 31 December 2020		Year ended 31 December 2019		
	Weighted number of shares	Net income from continuing operating attributable to equity holders of the Company	Weighted number of shares	Net loss from continuing operating attributable to equity holders of the Company	Net income from discontinued operations
	In thousands	USD in thousands	In thousands	USD in thousands	
Number of shares and					

income (loss) for the computation of basic net earnings	184,271	792	198,396	(61,691)	2,217
Effect of potential dilutive Ordinary shares *)	98	-	-	-	-
For the computation of diluted net earnings	184,369	792	198,396	(61,691)	2,217

*) Options, see Note 13. In 2019 all options have been excluded because their effect on loss per shar is antidilutive.

NOTE 13:- SHARE-BASED PAYMENT

The expense (income) recognised in the financial statements for services received is shown in the following table:

	Year ended 31 December	
	2020	2019
	USD in thousands	
Total expense (income) arising from share-based payment transactions	92	(218)

a. In August 2013 the Company adopted a Share Option Plan. In December 2017 the Company adopted an additional plan. According to the plans, the Company's Board of Directors are entitled to grant certain employees, officers and other service providers (together herein "employees") of the Group remuneration in the form of equity-settled share-based payment transactions.

Pursuant to the plans, the Company's employees may be granted options to purchase the Company's Ordinary shares. These options may be exercised, subject to the continuance of engagement of such employees with the Company, within a period of eight years from the grant date, at an exercise price to be determined by the Company's Board of Directors at the grant date.

All grants to Israeli employees were made in accordance with Section 102 of the Income Tax Ordinance, capital-gains track (with a trustee).

2020 grants:

In July 2020, the Company granted 3,982,848 restricted shares to the Company's CFO and other key management personnel. The CFO's restricted shares are subject to a three-year performance period with vesting subject to a performance target comparing the average net return achieved by the Company relative to the net return achieved by the constituents of the FTSE AIM 100 during the three-year period ending in July 2023, followed by a two-year holding period. The other key management personnel's restricted shares are subject to three years vesting period.

The following table specifies the inputs used for the fair value measurement of the CFO's grant using the Monte Carlo simulation:

Exercise price GBP (USD)	-
Dividend yield (%)	-
Expected volatility of the share price (%)	67.49
Risk- free interest rate (GBP curve)	0.21%
Expected life of share options (years)	3
Share price GBP (USD)	0.23 (0.29)

The total fair value of the restricted shares was calculated at USD 251 thousand at the grant date (average of USD 0.22 per restricted share).

The total fair value of the other key management personnel's restricted shares was calculated at USD 821 thousand at the grant date (average of USD 0.29 per restricted share equal to the share price at the grant date).

2019 grants:

In March and November 2019, the Company granted 323,500 options to employees exercisable to 323,500 Ordinary shares at an exercise price subject to adjustment for dividends. The options vest over a period of 4 years from the grant date and are exercisable for a period of up to 8 years.

The following table specifies the inputs used for the fair value measurement of the March and November 2019 granted using the Black-Scholes option pricing model:

Exercise price GBP (USD)	0.6-0.63 ,(0.84-.0.78)
Dividend yield (%)	0
Expected volatility of the share price (%)	50.67% ,52.94%
Risk- free interest rate (GBP curve)	,0.76% 0.53%
Expected life of share options (years)	5.2
Share price GBP (USD)	0.56 (0.74), 0.69 (0.89)

The total fair value of the options granted was calculated at USD 123 thousand at the grant date (average of USD 0.37 per option).

In November 2019, the Company granted the Group's CEO 920,223 options exercisable to 920,223 Ordinary shares with nill exercise price. The number of options granted was determined as 150% of the CEO's annual remuneration divided by the share price at the grant date. The vesting of the option is subject to a performance target comparing the average net return achieved by the Company relative to the net return achieved by the constituents of the FTSE AIM 100 during the three-year period ending in October 2022.

The following table specifies the inputs used for the fair value measurement using the Monte Carlo simulation:

Exercise price GBP (USD)	-
Dividend yield (%)	-
Expected volatility of the share price (%)	54.9
Risk- free interest rate (GBP curve)	1.58%
Expected life of share options (years)	3
Share price GBP (USD)	0.58 (0.75)

The performance target for 2020 was not achieved.

b. Movement during the year of share options:

	2020		**2019**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	In thousands	**USD**	**In thousands**	**USD**
Share options outstanding at beginning of year	5,526	0.99	8,110	1.56
Granted	-	-	1,244	0.21
Forfeited	(2,192)	1.48	(3,390)	2.24
Exercised	-	-	(438)	0.69
Share options outstanding at end of year	3,334	0.37	5,526	0.99
Share options exercisable at end of year	2,196	0.97	3,490	1.09

c. Movement during the year of restricted shares unit:

	2020	
	Number of restricted shares	**Weighted average exercise price**
	In thousands	**USD**
Restricted shares unit outstanding at beginning of year	-	-
Granted	3,983	-
Forfeited	(917)	-
Vested	-	-
Restricted shares unit outstanding at end of year	3,066	-

d. The weighted average remaining contractual life for the options outstanding as of 31 December 2020 was 6.7 years (2019 - 5 years).

e. The range of exercise prices for options outstanding as of 31 December 2020 was USD 0.67-1.83 (2019- USD 0.65-2.52).

NOTE 14:- TAXES ON INCOME

a. Starting 2018 the Company was subject to Cyprus tax at the standard corporate income tax rate of 12.5%.

During 2020 the tax residency of the Company moved to UK and since then is subject to UK tax at the standard corporate income tax rate of 19%.

b. Tax law applicable to the Company's Israeli subsidiaries is the Israeli tax law- Income Tax Ordinance (New Version) 1961.

- The Israeli corporate income tax rate was 23% in 2020 and 2019.
- Amendments to the Law for the Encouragement of Capital Investments, 1959:

According to Amendment 71 to the Law, the tax rate for certain preferred enterprises is reduced to a flat tax rate of 16%.

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

- Amendment 73 to the Law also prescribes special tax tracks for technological enterprises, which became effective in 2017, as follows:

Technological preferred enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A technological preferred enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property.

Any dividends distributed to "foreign companies", as defined in the Law, deriving from income from the technological enterprises will be subject to a withholding tax at a rate of 4%.

The above amendments apply for one of the Group's subsidiaries.

c. The applicable U.S. federal statutory income tax rate for the Company's subsidiary for 2020 is 21% (2019 - same). In addition, state and city taxes are applicable.

d. Final tax assessments:

In 2017 two subsidiaries in Israel reached a final tax assessment agreement with the Income Tax Authorities in Israel for the years 2012 - 2015.

e. Losses carried forward for tax purposes:

As of 31 December 2020, carry-forward capital tax losses of the Company total approximately USD 5.9 million. The tax benefit in respect of losses has not been recorded in the financial statements due to the uncertainty of their utilisation.

f. Taxes on income included in profit or loss:

	Year ended 31 December	
	2020	**2019**
	USD in thousands	
Current taxes	225	3,991
Deferred taxes	727	615
Taxes in respect of previous years	(638)	(1,418)
Total	314	3,188

g. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income and expenses were taxed at the statutory tax rate for the UK (2020) and Cyprus (2019) and the taxes on income recorded in profit or loss is as follows:

	Year ended 31 December	
	2020	2019
	USD in thousands	
Profit (loss) from continuing operation before taxes on income	1,106	(57,730)
Statutory tax rate	19%	12.5%
Tax computed at the statutory tax rate	210	(7,216)
Adjustment due to the difference between the Company's statutory tax rate and tax rates applicable to the subsidiaries	(262)	24
Non-deductible expenses for tax purposes	(279)	10,246
Tax benefit of net additional deduction	(408)	(1,527)
Taxes in respect of previous years	33	(1,418)
Increase in unrecognised tax losses in the year	845	-
Unrecognised temporary differences and others	(383)	3,079
Total taxes	314	3,188

h. Deferred taxes:

Composition:

	Statements of financial position		Statements of profit or loss	
			Year ended	
	31 December		31 December	
	2020	2019	2020	2019
	USD in thousands			
Deferred tax liabilities:				
Domains and websites	772	608	164	387
Other intangible assets	639	173	466	173
Property and equipment	-	-	-	(6)
	1,411	781		
Deferred tax assets:				
Property and equipment	12	8	(4)	(8)
Lease liability	7	122	115	(122)
Other intangible assets	-	-	-	213
Allowance for doubtful account	-	7	7	8
Employee benefits	149	128	(21)	(30)
	168	265		
Deferred tax expenses			727	615
Deferred tax liabilities, net	1,243	516		

The deferred taxes are computed at the tax rates of 12% based on the tax rates that are expected to apply upon realisation.

NOTE 15:- DISCONTINUED OPERATIONS

a. In February 2019, the Company's board of directors decided to reduce certain parts of its Media activities (comprising one CGU) which had lower profit margins. In August 2019, the Company completed the sale of Webpals Mobile Ltd ("Mobile") which is a substantial component of the CGU. Under the terms of the agreement Mobile paid the inter-company balances to the Group on completion. The gain derived from the sale is USD 1,8 million.

b. Below is data of the operating results attributed to the discontinued operation:

	Year ended 31 December	
	2020	2019
	USD in thousands	
Revenues from sales	-	9,752
Cost of sales	-	7,733
Gross profit	-	2,019
Sale, general and administrative expenses and research and development expenses	-	1,610
Operating income	-	409
Financial income, net	-	37
Gain from sale of discontinued operation	-	1,811
Income before taxes on income from discontinued operation	-	2,257
Taxes on income on discontinued operation	-	40
Income from discontinued operation, net	-	2,217

c. Below is data of the net cash flows provided by (used in) the discontinued operation:

	Year ended 31 December	
	2020	2019
	USD in thousands	
Operating activities	-	1,109
Investing activities	(270)	80

NOTE 16:- OPERATING SEGMENTS

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance.

In 2019 the main part of the Group's Media activities was classified as a discontinued activity and sold. Other Media activities which provided complementary activities to the Publishing activities were integrated into the Publishing segment activities. Subsequent to this integration the Group has one operating segment - Publishing, which consists the operation of over 100 owned informational websites in 18 languages. These websites refer potential customers to online businesses. The sites' content, written by professional writers, is designed to attract online traffic which the Group then directs to its customers online businesses.

b. Geographic information:

Revenues classified by geographical areas based on user location:

	Year ended 31 December	
	2020	2019
	USD in thousands	
Scandinavia	21,387	34,667
Other European countries	15,473	21,458
North America	11,514	16,162
Asia	35	224
Oceania	941	1,375
Other countries	61	104

	2020	2019
Total revenues from identified locations	49,411	73,990
Revenues from unidentified locations	5,428	5,705
Total revenues	54,839	79,695

NOTE 17:- LIENS

In 2019, as collateral for subsidiary's bank loans, fixed charges have been placed on the subsidiary's share capital and goodwill and floating charges on the subsidiary's assets.

NOTE 18:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Year ended 31 December	
	2020	**2019**
	USD in thousands	
a. Balances:		
Current liabilities:		
Management fees and other short-term payables	499	785
Non-current liability	-	3
	499	788
b. Benefits to key management personnel: *)		
Short-term benefits	1,808	1,749
Termination benefits	-	739
Cost (income) of share-based payments	41	(205)
	1,849	2,283

*) Including directors.

NOTE 19:- POST-EMPLOYMENT BENEFITS

The post-employment employee benefits are financed by contributions classified as defined contribution plans.

	Year ended 31 December	
	2020	**2019**
	USD in thousands	
Expenses in respect of defined contribution plans *)	1,867	1,739

*) Including discontinued operation for the amount of USD 95 thousand for 2019.

NOTE 20:- SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December	
	2020	**2019**
	USD in thousands	
Employee benefit expenses are included in: (1) (2)		
Cost of revenues	9,921	11,980
Research and development before capitalisation	7,736	8,828
Sale and marketing	3,993	5,027
General and administrative	7,875	6,229
Reorganisation costs	982	918
	30,507	32,982

(1) Includes cost of share based payment.

(2) Including discontinued operation for the amount of USD 1,750 thousand for 2019.

NOTE 21:- SUBSEQUENT EVENTS

a. In March 2021, the Company announced that it acquired the business activity and assets of Sports Betting Dime ("SBD") for a total consideration of USD 24.7 million made up of: USD 11 million initial cash consideration paid upon completion, USD 10 million deferred consideration payable on the first anniversary and USD 3.7 million deferred consideration payable after 18 months.

b. In March and April 2021, the Company also raised gross proceeds of USD 37.4 million by means of a placing, a direct subscription with the Company and an Open Offer and has thus issued and allotted 67.5 million new shares. The amount of transaction costs is approximately USD 1.5 million.

NOTE 22:- LIST OF MAIN SUBSIDIARIES

	2020		2019	
	Shares conferring voting rights	Shares conferring rights to profits	Shares conferring voting rights	Shares conferring rights to profits
	%			
XLMedia Finance Limited	100	100	100	100
XLMedia Publishing Limited	100	100	100	100
Webpals Holdings Ltd	100	100	100	100
Webpals Systems S.C Ltd	100	100	100	100
Marmar Media Ltd	100	100	100	100
Webpals, Inc.	100	100	100	100