

C62481/25

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**Catena Operations Limited**

**Annual Report and Financial Statements**

**31 December 2016**

Company Registration Number: C 62481

## Catena Operations Limited

	<b>Pages</b>
Directors' report	1 - 6
Independent auditor's report	7 - 10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 50

# Catena Operations Limited

## Directors' report

For the year ended 31 December 2016

The directors present their annual report together with the financial statements of Catena Operations Limited (the "Company"), registration number C62481 for the year ended 31 December 2016

The Company has its registered address at Quantum Place, Triq ix-Xatt, Ta' Xbiex, Gzira, Malta

### Board of directors

Per Anders Henrik Persson Ekdahl  
Robert Ake Andersson (appointed on 3 May 2016)  
Emil Jonas Mikael Thidell (resigned on 3 May 2016)  
Maarten Dirk Schipper (resigned on 3 May 2016)  
Erik Viktor Bergman (resigned on 3 May 2016)  
Andre Andersen Lavold (resigned on 3 May 2016)

### Principal activity

The Company's principal activity is to attract users through online marketing techniques, principally Search Engine Optimisation (SEO) and Pay-per-click advertising (PPC) and subsequently seek to channel these same users to online and mobile business clients, i.e. i-gaming operators. For this purpose, Catena owns and operates more than 3,000 websites in various languages. Many of the websites rank in top positions in search engine algorithms, and together with a complementing PPC strategy and extensive knowledge of our specialists in the field, Catena Media attracts high value traffic of potential players. The contents of the websites are written by professional writers and are continuously updated to provide the players with the most relevant and up-to-date information.

### Business overview

The Company has a strong focus on delivering high value content, and it primarily focuses on SEO. Catena Operations Limited holds a strong market position within the online casino segment, which is its core focus market. Whilst the Company continues to focus on the fast-growing online casino market, during the current financial year, it has also entered the sports betting segment of the online market, as well as strengthening its social media know-how. Catena Operations Limited has reached the position it has today by building a portfolio of relevant websites combined with sophisticated key word research and content optimization techniques.

Catena Operations Limited utilizes a variety of business intelligence tools in order to track the flow of internet traffic to its websites and its customers. Analysing the quality and conversion of such traffic is crucial in order to be able to develop and improve website content. The investment in technology and business intelligence has increased its competitiveness and has been an important factor in attaining its strong position in its core focus markets. This improves the Company's market position, especially on its efforts in PPC, as well as ensuring that it provides a high-quality product offering to end-users and service to its customers.

# Catena Operations Limited

## Directors' report

For the Year Ended 31 December 2016

### Business overview (continued)

The Company has successfully acquired several marketing affiliates over the past two years and has extensive experience in integrating the acquired assets in order to maximize synergies and increase revenue. Acquisitions are believed to be a strong driver for further growth and the Directors believe that the Company is well positioned to acquire further affiliate marketing operations and to leverage on increased scale advantages and incremental synergies

The Company has been able to scale up its business operations and grow its revenues significantly without having to increase its cost base at the same pace. The in-house developed technology platform and business intelligence analysis, coupled with a flexible and fast moving organisation have enabled the Company to develop and provide a high-quality product and services offering. The ASK Gamblers and CasinoUK acquisitions provided the Company with variations to the affiliate business model and this has proven to be an excellent way to reach additional customer bases.

### Market development

The online casino market in which the Company operates has reported strong growth in recent years. Catena Operations Limited's view is that the demand for lead generation and gambling affiliates will continue to grow because of this.

Within the fragmented affiliate market, there are only a handful of players who can generate a substantial number of new depositing customers (NDC) to operators. The strongest competitors span the same geographical markets and there seems to be a steady trend for launches of new casino brands with their primary focus on the affiliate channel. This leaves opportunities for both geographic expansion as well as acquisitions.

In the Company's core markets, namely Sweden, Finland, Norway, the Netherlands and the UK, iGaming is growing faster than land-based gaming. Both new online casino operators and old brands in new markets need visibility. This is attained through their increased spending on digital marketing, and the pay-per-performance commercial model, such as that offered by the Company. This is one of the fairest and most accountable acquisition models available.

### Revenues

The Company's revenues totalled EUR 38.43 million (2015, EUR 13.95) for the year, corresponding to an increase of 175 percent compared to the previous financial year. Search revenue represented EUR 29.35 million (2015 EUR 13.81) of total revenues for the period. The increase in Search revenue was driven in part by organic growth and in part through acquisitions made during the current and prior financial years.

Paid revenue amounted to EUR 9.08 million (2015 EUR 0.14). This revenue principally related to pay-per-click (PPC) traffic. Revenues relating to the SBAT acquisition, which was finalised during the last quarter, were also included in Paid revenue.

# Catena Operations Limited

## Directors' report

### For the Year Ended 31 December 2016

#### Expenses

Operating expenses amounted to EUR 21.04 million (2015: EUR 5.44). Direct costs related to Paid revenue represented the more significant expense component and amounted to EUR 7.18 million (2015: EUR 0.11). These costs predominantly related to AdWords (Google spend) costs.

Personnel expenses amounted to EUR 4.59 million (2015: EUR 1.92). The increase in personnel expenses was due to more employees, which was driven by the strong growth currently being experienced by the Company, as well as a result of the acquisitions made during the current financial year, in particular Askgamblers.com and SBAT. This also gave rise to the significant increase in other operating expenses as a result of an increase in staff-related support costs such as increased office expenses, additional office rent, more software user licences, recruitment agency fees and other similar items included in other operating expenses.

Further to the above, as a result of this rapid expansion, the Company also witnessed an increase in other operating expenses, which included domain renewal fees for SEO efforts, external consultancy fees and server hosting fees. Other operating expenses amounted to EUR 6.88 million (2015: EUR 1.86).

Depreciation and amortisation amounted to EUR 0.71 million (2015: EUR 0.09). The increase in depreciation and amortisation was mainly attributable to the acquisition of competitor player databases during the current and prior years.

Costs relating to the bond issue made by the Parent Company of EUR 0.09 million (2015: nil) and costs relating to the listing of EUR 1.58 million (2015: EUR 1.46) were included in operating expenses.

#### Review of business development and financial position

During the year ended 31 December 2016 the Company achieved a profit before tax amounting to EUR 17.39 million (2015: EUR 8.53). After accounting for taxation, the profit for the year amounted to EUR 11.23 million (2015: EUR 5.53). Net equity as at year end amounted to EUR 20.15 million (2015: EUR 8.77). The Directors expect both revenues and profit to increase during 2017.

#### Cash and cash flow

Cash from operating activities amounted to EUR 17.02 million (2015: EUR 8.73). Cash flows used in investing activities were EUR 5.62 million (2015: EUR 4.78) and were primarily attributable to the asset acquisitions that took place during the year. During the current year there were no cash flows from financing activities. The amount for the comparative year was EUR 3.25 million. Cash and cash equivalents amounted to EUR 12.52 million (2015: EUR 1.10) at the end of the year.

# Catena Operations Limited

## Directors' report

For the Year Ended 31 December 2016

### Significant risks and uncertainties

#### *Regulatory risk*

Although the Company does not conduct any online gambling operations, it is dependent on the online gambling industry which comprises most of its customers. The laws and regulations surrounding the online gambling industry are complex, constantly evolving and in some cases also subject to uncertainty, and in many countries online gambling is prohibited and/or restricted. If enforcement or other regulatory actions are brought against any of the online gambling operators, which are also the Company's customers, whether current or future, the Company's revenue streams from such customers may be adversely affected. Further, the authority concerned may also claim that the same or similar actions should be brought against any third party having promoted the business of such online gambling operator, including the Company. Accordingly, any such event, including future changes to laws and regulations, could have a material adverse effect on the Company's business, financial condition and results of operations.

To manage this risk, the Company is active in regulated and unregulated markets and its customer base is sufficiently diverse.

#### *Reliance on third parties*

Another risk faced by the Company relates to its reliance on its customers when determining the fees to be invoiced by the Company to its customers. Once a player directed by the Company or any of its fellow subsidiaries, has registered with one of its customers, the Company has no direct insight into the activities of such a player. Although the Company may request access to the net revenue calculations upon which the Company's fees are determined, there still remains a risk of miscalculation, including fraudulent or negligent calculations made by its customers or as a result of human error. If such miscalculations occur without being detected and subsequently remedied or retroactively adjusted, the Company could receive a lower fee than it is entitled to under its customer agreements, which in turn would result in less revenue. Accordingly, any such miscalculation could have an adverse effect on the Company's business, financial condition and results of operations.

#### *Other risks*

Apart from the above, the Directors further consider the below risks as being relevant to the Company

- Credit risk being the risk that customers do not pay for the services rendered
- Market risk being the risk arising from adverse movement in the foreign exchange rates and interest rates
- Liquidity risk being the risk of difficulties in obtaining funding to meet the Company's obligations when they fall due
- Operational risk being the risk that the Company loses its ability to maintain efficient SEO and PPC capabilities

Further detail with respect to the above can be found in Note 3 to these financial statements

# Catena Operations Limited

## Directors' report

For the Year Ended 31 December 2016

### Legal disputes and proceedings

This type of risk refers to the costs that may be incurred by the Company for pursuing various legal proceedings, as well as costs of third parties. During the year, the Company was not involved in any disputes that have affected or will affect the Company's position in a material manner

### Events after the reporting period

The Company entered the US market in January 2017 by acquiring regulated affiliate assets targeting the Poker and Casino markets in New Jersey and Nevada. Following this acquisition, Catena Media adds three new verticals to its business. In addition to Poker, eSports and Daily Fantasy Sports websites were also acquired. This acquisition makes the Company the largest regulated casino affiliate in the US. This puts the Company at pole position to take advantage of further re-regulation in what has the potential to become the world's largest iGaming market.

In February 2017, the Company acquired the assets of the Swedish focused casino affiliate, Slotsia.com. The purchase price comprised of an upfront payment of EUR 3.58 million and additional earn-out payments of a maximum of EUR 5 million, based on the revenue performance over a period of two years.

In March 2017, Catena Media secured a long-term partnership with SBAT founder Gary Gillis, whereby the earn-out arrangement under his original acquisition agreement was amended and replaced by an immediate and final payment of EUR 3.25 million as settlement for the asset acquisition. Following the amendment to the acquisition agreement, the SBAT founder entered into an employment agreement with Catena Media.

In May 2017, the Company acquired the assets of a UK based fast growing sports betting affiliate with a strong position within alternative display marketing. By acquiring assets in Online Media, Catena Media adds another market channel to its customer offering and additional strength to the Paid Media segment. The purchase price comprised of an upfront payment of GBP 11.65 million and additional earn-out payments of maximum GBP 5.77 million, based on the revenue performance of the acquired assets over a period of one year from the closing date.

Also in May 2017, the Company acquired the assets of Newcasinos.com, a fast-growing casino affiliate, specialising in reviewing and rating new online casinos. The purchase price amounted to an upfront payment of EUR 7.65 million. In addition, there is an earn-out of maximum EUR 4.25 million which is based on revenue performance over a period of 12 months.

In June 2017, the Company acquired the affiliate assets of Delilah Holdings. MrGamez.net and Spiekekiste.de are casino affiliate sites, focused on German-language casino sites. The business was launched in 2011 with the aim to provide the latest and best offers to casino players. The main markets are Germany and Switzerland, with both markets showing solid underlying growth. The purchase price amounted to an upfront payment of EUR 4.20 million. In addition, there is an earn-out of maximum EUR 2.25 million, which is based on revenue performance over a period of 12 months.

In July 2017, the Company acquired the award-winning sports affiliate Bettingpro.com continuing to grow its sports betting segment. Bettingpro.com is a highly-regarded publisher of sports news, tips and betting advice with a focus on acquiring leads for regulated UK and Australian gaming operators. The acquired assets are expected to generate quarterly sales of approximately EUR 1.20 million and a pre-tax margin of about 55 percent. The consideration for the assets amounted to GBP 13.90, of which GBP 2 million will be paid 6 months after completion, conditional on a successful handover of the assets.

# Catena Operations Limited

## Directors' report (continued)

For the Year Ended 31 December 2016

### Dividends

During the year no dividends were declared and paid (2015 EUR 3 02)

### Statement of Directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss of that period

In preparing the financial statements, the directors are responsible for

- Ensuring that the financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU,
- Selecting and applying appropriate accounting policies,
- Making accounting estimates that are reasonable in the circumstances,
- Ensuring that the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap 386) They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting

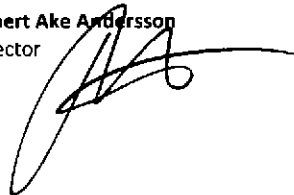
Approved by the Board of Directors on 1 September 2017 and signed on its behalf by

**Per Anders Henrik Persson**  
Director



**Registered office**  
Quantum Place  
Triq ix-Xatt, Ta' Xbiex  
Gzira GZR 1052  
Malta

**Robert Ake Andersson**  
Director



1 September 2017





## *Independent auditor's report*

To the Shareholders of Catena Operations Limited

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- Catena Operations Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2016, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386), and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386)

#### **What we have audited**

Catena Operations Limited's financial statements, set out on pages 11 to 52, comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *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 Financial Statements* section of our report.

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

#### **Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



*Independent auditor's report* continued  
To the Shareholders of Catena Operations Limited

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*Other information*

The directors are responsible for the other information. The other information comprises the *Directors' report* (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the directors' report.

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

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap 386)

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap 386)

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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*Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap 386) and the requirements of the Maltese Companies Act (Cap 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



## *Independent auditor's report* continued

To the Shareholders of Catena Operations Limited

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company'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 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.



*Independent auditor's report - continued*  
To the Shareholders of Catena Operations Limited

***Report on other legal and regulatory requirements***

*Other matters on which we are required to report by exception*

We also have responsibilities under the Maltese Companies Act (Cap 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
- The financial statements are not in agreement with the accounting records and returns
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities

**PricewaterhouseCoopers**  
78, Mill Street  
Qormi  
Malta

A large, stylized handwritten signature in black ink, appearing to read 'Romina Soler'.

Romina Soler  
Partner

1 September 2017

# Catena Operations Limited

## Statement of comprehensive income

For the Year Ended 31 December 2016

	Notes	31.12.16 €	31.12.15 €
<b>Continuing operations</b>			
Revenue	5	38,426,883	13,954,777
Direct costs related to Paid revenue		(7,177,867)	(113,243)
Personnel expenses	6	(4,593,455)	(1,915,006)
Depreciation and amortisation	10,11	(712,880)	(92,230)
IPO related costs		(1,673,869)	(1,457,301)
Other operating expenses	7	(6,879,712)	(1,858,397)
Total operating expenses		<u>(21,037,783)</u>	<u>(5,436,177)</u>
<b>Operating profit</b>		17,389,100	8,518,600
Finance costs		-	(10,041)
Finance income		420	5,769
Other non-operating income		-	19,849
<b>Profit before tax</b>		<u>17,389,520</u>	<u>8,534,177</u>
Tax expense	8	(6,160,729)	(3,005,160)
<b>Profit for the year - total comprehensive income</b>		<u>11,228,791</u>	<u>5,529,017</u>

The notes on pages 15 to 52 are an integral part of these financial statements.

# Catena Operations Limited

## Statement of financial position

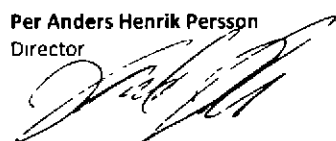
As at 31 December 2016

	Notes	31-Dec 2016	31-Dec 2015
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	70,583,780	13,441,370
Property, plant and equipment	11	714,845	408,142
Investment in subsidiaries	12	8,254,725	8,254,723
<b>Total non-current assets</b>		<b>79,553,350</b>	<b>22,104,235</b>
<b>Current assets</b>			
Trade and other receivables	13	10,486,506	3,158,961
Cash and cash equivalents	14	12,521,269	1,104,068
<b>Total current assets</b>		<b>23,007,775</b>	<b>4,263,029</b>
<b>Total assets</b>		<b>102,561,125</b>	<b>26,367,264</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	16	1,454	1,454
Share premium	16	4,999,746	4,999,746
Other reserves		212,860	65,306
Retained earnings		14,931,162	3,702,371
<b>Total equity</b>		<b>20,145,212</b>	<b>8,768,877</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	15	6,195,450	2,639,622
Deferred tax liabilities	18	7,817,009	1,680,564
<b>Total non-current liabilities</b>		<b>14,012,459</b>	<b>4,320,186</b>
<b>Current liabilities</b>			
Trade and other payables	15	66,950,059	11,037,977
Current tax liabilities		1,453,395	2,240,224
<b>Total current liabilities</b>		<b>68,403,454</b>	<b>13,278,201</b>
<b>Total liabilities</b>		<b>82,415,913</b>	<b>17,598,387</b>
<b>Total equity and liabilities</b>		<b>102,561,125</b>	<b>26,367,264</b>

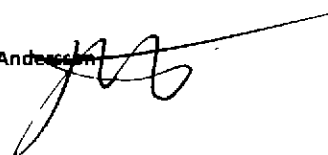
The notes on pages 15 to 52 are an integral part of these financial statements

The financial statements on pages 11 to 52 were approved and authorised for issue by the Board of Directors on 1 September 2017 and signed on its behalf by

Per Anders Henrik Persson  
Director



Robert Ake Andersson  
Director



# Catena Operations Limited

## Statement of Changes in Equity

For the Year Ended 31 December 2016

Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	€	€	€	€	€
Balance at 1 January 2015	1 200	-	-	1,188,983	1 190,183
<b>Comprehensive income</b>					
Profit for the year	-	-	-	5,529,017	5,529,017
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,529,017</b>	<b>5,529,017</b>
<b>Transactions with owners</b>					
Issue of share capital	16 254	4,999,746	-	-	5,000,000
Dividends distributed during the year	17 -	-	-	(3,015,629)	(3 015,629)
Contribution from Parent company	-	-	65,306	-	65 306
<b>Total transactions with owners</b>	<b>254</b>	<b>4 999 746</b>	<b>65,306</b>	<b>(3,015,629)</b>	<b>2,049 677</b>
<b>Balance as at 31 December 2015</b>	<b>1,454</b>	<b>4,999,746</b>	<b>65,306</b>	<b>3,702,371</b>	<b>8,768,877</b>
Balance at 1 January 2016	1,454	4,999,746	65,306	3 702 371	8,768,877
<b>Comprehensive income</b>					
Profit for the year	-	-	-	11,228,791	11 228 791
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,228,791</b>	<b>11,228,791</b>
<b>Transactions with owners</b>					
Contribution from Parent company	-	-	147,544	-	147 544
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>147,544</b>	<b>-</b>	<b>147,544</b>
<b>Balance as at 31 December 2016</b>	<b>1,454</b>	<b>4,999,746</b>	<b>212,850</b>	<b>14,931,162</b>	<b>20,145,212</b>

The notes on pages 15 to 52 are an integral part of these financial statements

# Catena Operations Limited

## Statement of Cash Flows

For the Year Ended 31 December 2016

	Notes	31.12.16	31.12.15
		€	€
<b>Cash flows from operating activities</b>			
Profit before tax		17,389,520	8,534,177
Adjustments for			
Depreciation and amortisation		712,880	92,230
Loss on disposal of property, plant and equipment		-	391
Impairment of receivables		89,015	32,017
Share based payments		147,544	65,306
Unrealised exchange differences		(16,197)	-
Interest expense		-	10,041
Interest income		(420)	(5,769)
		<u>18,322,342</u>	<u>8,728,393</u>
Changes in			
Trade and other receivables		(7,416,559)	(1,604,673)
Trade and other payables		6,923,830	1,596,071
<b>Cash generated from operating activities</b>		<u>17,829,613</u>	<u>8,719,791</u>
Interest received		420	5,769
Taxation paid		(811,113)	-
<b>Net cash generated from operating activities</b>		<u>17,018,920</u>	<u>8,725,560</u>
<b>Cash flows used in investing activities</b>			
Acquisition of property, plant and equipment		(357,415)	(372,170)
Acquisition of intangible assets		(5,260,500)	(2,821,686)
Net acquisition of investments		-	(1,583,897)
Interest paid		-	(3,008)
<b>Net cash used in investing activities</b>		<u>(5,617,915)</u>	<u>(4,780,761)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	17	-	(3,015,629)
Net movement on loans		-	(223,012)
Interest paid		-	(7,033)
<b>Net cash used in financing activities</b>		<u>-</u>	<u>(3,245,674)</u>
<b>Net movement in cash and cash equivalents</b>		<u>11,401,005</u>	<u>699,125</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>1,104,068</u>	<u>404,943</u>
Currency translation differences		16,196	-
<b>Cash and cash equivalents at end of year</b>	14	<u>12,521,269</u>	<u>1,104,068</u>

The notes on pages 15 to 52 are an integral part of these financial statements



# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 1 Reporting entity

Catena Operations Limited, (the "Company") is a limited liability company domiciled and incorporated in Malta

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention apart from financial liabilities which are recognised at fair value through profit and loss.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 4 – Critical accounting estimates and judgements).

Consolidated financial statements have not been prepared for the group comprising the company and its subsidiary since the company is exempt from preparing consolidated financial statements by virtue of Article 174 of the Maltese Companies Act (Cap. 386) on the grounds that the Company is included in the IFRS consolidated financial statements of its ultimate parent company, which will be filed in Malta. Accordingly these financial statements present information about the Company as an individual undertaking, and not about its group.

#### *Standards, interpretations and amendments to published standards effective in 2016*

In 2016, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Company's accounting policies.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### *Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2016. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the possible exception of IFRS 9, IFRS 15 and IFRS 16, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. There is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Company is considering the implications of the standard and its impact on the Company's financial results and position, together with the timing of its adoption.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts, an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Company also adopting IFRS 15. The Company is assessing the impact of IFRS 16.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### **2 Summary of significant accounting policies (continued)**

#### **2.1 Basis of preparation (continued)**

##### *Going concern*

At the statement of financial position date, the Company's current liabilities exceeded current assets by EUR 45.40 million (2015: EUR 9.02). Moreover, trade and other payables also include current contingent considerations amounting to EUR 8.78 million as at 31 December 2016 (2015: EUR 8.18). Since the contractual terms of related acquisitions are such that future payments depend on the achievements of target earnings, the directors consider that the liquidity risk associated with these transactions is less significant. Trade and other payables include an amount of EUR 43.37 (2015: EUR 0.96) which relates to amounts due to the parent company. The Directors confirm that no amounts will be requested by the parent company unless alternative funds are made available.

On the basis of the above and also the future prospects the Board believes that it remains appropriate to prepare the financial statements on a going concern basis.

#### **2.2 Foreign currency translation**

##### **2.2.1 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). These financial statements are presented in Euro which is Catena Operations Limited's functional and presentation currency.

##### **2.2.2 Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis.

#### **2.3 Revenue**

The revenue of the Company is mainly derived from online and affiliate marketing. The Company recognises revenue when the amount of revenue can be reliably measured, and it is probable that the economic benefits will flow to the entity.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.3 Revenue (continued)

##### 2.3.1 Commission income

The Company's revenue consists of revenue generated in the form of commission on players directed to gaming operators as well as advertising fees charged to gaming operators who want additional exposure on the Company's websites. The commission takes the form of:

##### 2.3.1.1 Revenue share

For a revenue share deal the Company receives a share of the revenues that the gaming operator has generated as a result of a player playing on their iGaming site. Revenue is recognised in the month that it is earned by the respective gaming operator.

##### 2.3.1.2 Cost per acquisition

For cost per acquisition deals, a client pays a one-time fee for each player who deposits money on the client's site. Cost per acquisition contracts consist of a pre-agreed rate with the client. Revenue from such contracts is recognised in the month in which the deposits are made.

##### 2.3.1.3 Fixed fees

The Company also generates revenues by charging a fixed fee for new casinos who would like to be listed and critically reviewed on the Company's sites as well as through advertising revenue whereby an advertising space is sold to gaming operators who wish to promote their brands more prominently on one of the many sites the Company has to offer. Such revenue is apportioned on an accruals basis over the whole term of the contract.

##### 2.3.2 Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

#### 2.4 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.4 Income tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### 2.5 Intangible assets

##### 2.5.1 Recognition and measurement

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. The cost of a separately acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Where the cost of acquisition includes contingent consideration, cost is determined to be the current fair value of the contingent consideration as determined on the date of acquisition. Any subsequent changes in estimates of the likely outcome of the contingent event are reflected in the statement of financial position. The cost of acquisition of intangible assets for which the consideration comprises an issue of equity shares is calculated as being the fair value of the equity instruments issued in the transaction.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2.5 Intangible assets (continued)

#### 2.5.1 Recognition and measurement (continued)

The estimated useful lives are as follows

- |                               |             |
|-------------------------------|-------------|
| • Domains and websites        | indefinite  |
| • Player databases            | 3 years     |
| • Other intellectual property | 3 - 4 years |

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the statement of comprehensive income in the period of derecognition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### 2.5.2 Amortisation

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 with indefinite useful lives are not systematically amortised and are tested for impairment annually or whenever there is an indication that the other intangible asset may be impaired. 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.

### 2.6 Plant and equipment

#### 2.6.1 Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains or losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised in profit or loss.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.6 Plant and equipment (continued)

##### 2.6.2 Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

##### 2.6.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- |                          |          |
|--------------------------|----------|
| • Computer equipment     | 4 years  |
| • Furniture and fixtures | 10 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### 2.7 Investments in subsidiaries

In the Company's financial statements investments in subsidiaries are accounted for by the cost method of accounting.

Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

The dividend income from such investments is included in the statement of comprehensive income in the accounting year in which the Company's rights to receive payment of any dividend is established.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.7 Investments in subsidiaries (continued)

Prior to the current period, the Company classified acquisitions of competitor assets as intellectual property with an estimated useful life of three years. During 2015, the Company re-evaluated the nature of the underlying assets acquired, and re-classified its intangible assets into websites, domains and player accounts. As part of this evaluation, management has determined that websites and domains effectively have an indefinite useful life. The effect of the change is accounted for during the current period.

#### 2.8 Financial instruments

The Company classifies its financial assets as loans and receivables and its financial liabilities as financial liabilities at amortised cost and as financial liabilities at fair value through profit or loss.

##### 2.8.1 Financial assets and financial liabilities – recognition and derecognition

The Company recognises loans and receivables on the date that they are originated and the Company becomes a party to the contractual provisions of the instrument. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

The Company derecognises a financial asset when the contractual right to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset.

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. If payment of the amounts is expected in one year or less they are classified as current liabilities. If not, they are presented as non-current liabilities.

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

##### 2.8.2 Financial assets - measurement

###### *Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise cash and cash equivalents and receivables.



# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.8.2 Financial assets – measurement (continued)

##### *Cash and cash equivalents*

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and cash held at financial intermediaries

#### 2.8.3 Financial liabilities – measurement

Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Subsequent measurement is at fair value and all gains/losses from the liability, are reported in the statement of comprehensive income as "Other losses on financial liability at fair value through profit or loss", whilst the related interest expenses are reported within "Interest payable on borrowings"

Other financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

### 2.9 Impairment of assets

#### 2.9.1 Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if results of one or more events occurred after the initial recognition of the asset (a "loss event"), and that the loss event(s) had an impact on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When an event occurring after the impairment was recognised, causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.9 Impairment of assets (continued)

##### 2.9.2 Non-financial assets

Non-financial assets with indefinite useful lives are reviewed at each reporting date to determine whether there is any impairment. The carrying amounts of the Company's non-financial assets with finite useful lives, as well as those with indefinite useful lives, are reviewed for impairment whenever there is an indication that the asset may be impaired. The asset's recoverable amount is estimated annually for intangible assets with indefinite useful lives, and is also estimated for all non-financial assets if an indication of impairment exists.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ('CGUs').

The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 2.9). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.11 Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.12 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

#### 2.13 Share capital

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

#### 2.14 Dividends declared

Final dividends are recognised when approved by the Company's shareholders and interim dividends are recognised when declared by the directors and paid by the Company. Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### 2.15 Share-based payments

The Company's parent, Catena Media plc, administers equity-settled, share-based compensation plans for the entity's employees, whereby equity instruments of the parent are granted to selected employees in exchange for their services. Through these equity-settled schemes, eligible employees are granted share options.

Equity-settled share based payment transactions are measured at the grant date fair value for employee services, which requires a valuation of the options. Once the fair value has been determined, the amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-marketing performance conditions at the vesting date.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 2 Summary of significant accounting policies (continued)

#### 2.15 Share based payments (continued)

In the case of share options given that the employees will forfeit the rights under the scheme should they not continue to be employed by the Company, the options are not considered to vest immediately and thus the cost is recognised over the period specified in the agreement

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date

Since the share options are granted in the equity instruments of the parent at no cost to the company, the parent would have in substance provided a contribution to the entity. Accordingly, the amount recognised as a share option expense in the statement of comprehensive income is recognised in equity as a capital contribution, in order to reflect its substance

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction

### 3 Financial risk management

#### 3.1 Risk management framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board, together with the management of the Company, are responsible for developing and monitoring the Company's risk management policies

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

The Board oversees how the management monitor compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 3 Financial risk management (continued)

#### 3.2 Financial risk factors

The Company has exposure to the following risks

- credit risk
- liquidity risk
- market risk

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

##### 3.2.1 Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from outstanding receivables due by the Company's customers and cash and cash equivalents. The Company's exposure to credit risk at the end of the reporting period is analysed as follows

	31.12.16	31.12.15
	€	€
<b>Loans and receivables</b>		
Trade and other receivables (note 13)	10,486,506	3,158,961
Cash and cash equivalents (note 14)	12,521,269	1,104,068
<b>Total loans and receivables</b>	<b>23,007,775</b>	4,263,029
Prepayments not subject to risk	(569,327)	(34,092)
<b>Net amounts exposed to credit risk</b>	<b>22,438,448</b>	4,228,937

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company does not hold any collateral as security in this respect.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 3 Financial risk management (continued)

#### 3.2 Financial risk factors (continued)

##### 3.2.1 Credit risk (continued)

Cash and cash equivalents are held both with a leading local financial institution and other financial institutions based outside Malta. Credit ratings as per international rating agency Fitch are as follows:

Credit Rating	Carrying amounts	
	31.12.2016	31.12.2015
	€	€
A+	262,709	-
BBB	11,945,248	-
BBB+	-	1,095,874
	<b>12,207,957</b>	<b>1,095,874</b>

This spread reduces dependency on one financial institution as well as simultaneously mitigating country risk. Credit risk from cash held with financial intermediaries is not considered to be significant.

The Company usually extends 30-day credit to its customers. The Company regularly monitors the credit extended to its customers and assesses the credit quality of its customers taking into account financial position, past experience and other factors. The Company monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Company's receivables, taking into account historical experience in collection of accounts receivable.

The Company manages credit limits and exposures actively and in practicable manner such that past due amounts receivable from customers are within controlled parameters. The Company's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

Trade and other receivables are assessed to determine whether there is objective evidence that an impairment loss has been incurred but not yet been identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 3 Financial risk management (continued)

#### 3.2 Financial risk factors (continued)

##### 3.2.1 Credit risk (continued)

Impaired trade receivables principally relate to customers for which reconciliations are in progress and to a much lesser extent to customers from which the Company has received limited response as at date of reporting. The Company, on the basis of historical patterns in such instances, expects that a significant portion of these receivables will be recovered and has recognised impairment losses of EUR 0.12 million (2015: EUR 0.03). The ageing of these impaired receivables is as follows:

	Carrying amounts
	31.12.2016
	€
1 - 60 days	703,465
61 - 120 days	344,521
120+ days	277,723
	<u>1,325,709</u>

Movements in the provision for impairment of trade receivables is as follows:

	31.12.2016	31.12.2015
	€	€
At 1 January	32,017	-
Provision for impairment recognised during the year	<u>89,014</u>	<u>32,017</u>
At 31 December	<u>121,031</u>	<u>32,017</u>

As at 31 December 2016, trade receivables of EUR 1.15 million were past due but not impaired. These related to a number of customers for whom there is no recent history of default. Categorisation of receivables as past due is determined by the Company on the basis of the nature of the credit terms in place and the credit arrangements actually utilised in the managing exposures with customers. The ageing analysis of these trade receivables is as follows:

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 3 Financial risk management (continued)

#### 3.2 Financial risk factors (continued)

##### 3.2.1 Credit risk (continued)

	Carrying amounts
	31.12.2016
	€
1 - 60 days	294,602
61 - 120 days	501,712
120+ days	352,824
	<u>1,149,138</u>

During the previous financial year, the Company's receivables which are not impaired financial assets are principally in respect of transactions with customers for whom there is no recent history of default. These were analysed as follows:

	Carrying amounts
	31.12.2015
	€
2 months	623,644
3 months	310,408
4 months	145,027
5 months and over	173,456
	<u>1,252,535</u>

##### 3.2.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations comprising trade and other payables as they fall due, within one year from the end of the reporting period.

At the statement of financial position date, the Company's current liabilities exceeded current assets by EUR 45.40 million (2015: EUR 9.02). Trade and other payables include amounts committed on acquisition amounting to EUR 26.94 million as at 31 December 2016 (2015: EUR 10.82). A portion of the amounts committed on acquisition amounting to EUR 14.97 million, depends on the achievement of target earnings and thus the directors consider that the liquidity risk associated with these transactions is less significant. Furthermore, trade and other payables include an amount of EUR 43.37 (2015: EUR 0.96) which relates to amounts due to the parent company. The parent company has undertaken that no amounts will be requested for settlement unless alternative funds are available to the Company.



# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 3 Financial risk management (continued)

#### 3.2 Financial risk factors (continued)

##### 3.2.2 Liquidity risk (continued)

The approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management also monitors rolling forecasts for the Company's liquid assets, which consist of cash and cash equivalents, on the basis of expected cash flows.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Total</b>
	€	€	€
<b>At 31 December 2016</b>			
Amounts committed on acquisitions	<b>20,741,024</b>	<b>6,195,450</b>	<b>26,936,474</b>
Trade payables	<b>1,068,501</b>	-	<b>1,068,501</b>
Amounts owed to parent company	<b>43,365,357</b>	-	<b>43,365,357</b>
Amounts owed to subsidiaries	<b>1,283,149</b>	-	<b>1,283,149</b>
VAT payable	<b>113,441</b>	-	<b>113,441</b>
Accruals and deferred income	<b>378,587</b>	-	<b>378,587</b>
	<b>66,950,059</b>	<b>6,195,450</b>	<b>73,145,509</b>
<b>At 31 December 2015</b>			
Amounts committed on acquisitions	8,182,425	2,639,622	10,822,047
Trade payables	397,783	-	397,783
Amounts owed to parent company	959,475	-	959,475
Amounts owed to subsidiaries	107,071	-	107,071
Amounts owed to other related parties	1,450	-	1,450
VAT payable	62,357	-	62,357
Accruals and deferred income	1,327,416	-	1,327,416
	<b>11,037,977</b>	<b>2,639,622</b>	<b>13,677,599</b>

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### **3.2.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### **3.2.3.1 Currency risk**

The Company operates internationally and is exposed to currency risk on revenue, expenses and bank balances that are denominated in a currency other than the Company's functional currency, primarily the Swedish Kroner (SEK), Norwegian Kroner (NOK), United States Dollar (USD), Great Britain Pound (GBP) and Serbian Dinars (RSD).

### **3 Financial risk management (continued)**

#### **3.2 Financial risk factors (continued)**

#### **3.2.3 Market risk (continued)**

##### **3.2.3.1.1 Exposure to currency risk**

Historically, foreign exchange risk and exposure to currency fluctuations has not had a material impact on the Company's business, financial condition or results of operations. The functional currency of the entity is the EUR. Foreign currency exposure for the operations in Malta is limited since more than 73% of the Company's revenue stream is attributable to EUR, and so is the main part of its costs.

The net exposure to currency risk with respect to other foreign currencies is not considered to be material and accordingly a sensitivity analysis for foreign exchange risk disclosing how profit or loss would have been impacted by changes in these foreign exchange rates is not deemed necessary.

##### **3.2.3.2 Interest rate risk**

The directors consider that the Company is not exposed to significant interest rate risk.

#### **3.3 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern whilst maximising the return to shareholders through the optimisation of debt and equity balances. Strategies are expected to remain unchanged in the foreseeable future.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The capital structure of the Company consists of equity attributable to equity holders comprising issued share capital, other reserves and retained earnings.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 3 Financial risk management (continued)

#### 3.4 Fair values estimation

The different levels of fair values of financial instruments have been defined as follows

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Contingent consideration arrangements relating to the purchase of intangible assets entered into by the Company are measured at fair value. These arrangements require the Company to pay variable amounts of consideration ('earn-outs') in addition to the amount payable on the date of purchase. The contingent amounts payable are dependent on the revenues generated by the underlying assets and vary by contract. The fair value of the contingent consideration is included in Level 3 of the fair value hierarchy and is disclosed in note 15 of these financial statements.

The fair value is determined on the date of purchase and subsequently, at each reporting date, by calculating the expected cash outflow on each purchase agreement. The expected cash flows are discounted to present value by utilising a discount rate of 6.75%, the parent company's borrowing rate. Expectations of cash outflows are made by the directors for each asset acquisition on the basis of their knowledge of the industry and how the economic environment is likely to impact it. The maximum potential undiscounted amount that the Company may be required to make under such contingent consideration arrangements is disclosed in note 4.1.

Had a higher/lower discount rate been used in the present value calculation, the resulting fair value of the contingent consideration would have been lower/higher. The directors are however of the view that a reasonable shift in the discount rate used in the calculation of the present value of future expected cash flows would not have a significant impact on the fair value of the contingent consideration.

At 31 December 2016 and 2015, the carrying amounts of all financial assets and liabilities reflected in the financial statements are reasonable estimates of their fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company's directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their disclosure as critical in terms of the requirements of IAS 1 except for:

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 4 Critical accounting estimates and judgements (continued)

#### 4.1 Determination of contingent consideration on acquisition of intangible assets

The Company enters into contractual obligations to purchase intangible assets from third parties. The contractual terms differ between contracts, some have a pre-determined value, whilst others further include future payments the value of which can only be determined with the passage of time with reference to contracted targets.

The Company exercises judgement in measuring and recognising liabilities where the consideration is contingent on target earnings. Included in amounts payable amounting to EUR 26.94 million is an amount of EUR 14.97 million relating to contingent consideration as at 31 December 2016 (2015: EUR 10.82). Out of the total contingent consideration, EUR 8.78 million (2015: EUR 8.18) falls due within one year. The maximum amount that could be payable in relation to contingent consideration is EUR 22.37 million.

Due to the inherent uncertainty in the evaluation of related future earnings, actual amounts payable may differ from the liability estimated at the point of the acquisition.

Any changes in estimates will impact the carrying amount of the recognised contingent consideration, and the effect of any changes are offset against the related asset recognised in the statement of financial position. Estimates made in the current and preceding financial year have been achieved and no adjustments have been made to the carrying amount of the recognised contingent consideration.

#### 4.2 Impairment of other intangible assets with an indefinite useful life

IFRS requires management to undertake an annual test for impairment of intangible assets with an indefinite useful life.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections that have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectation of growth in EBITDA. The Company prepares and approves management plans for its operations, which are used in the calculations.

Having considered the Company's future plans, and the recent timing of the Company's acquisitions, management considers that the Company's intangible assets are not impaired. Further disclosures on key assumptions is included in note 10.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 5 Revenue

The Company attracts end users and generates revenue by using two primary online marketing methodologies:

- Generating organic traffic by Search Engine Optimisation (SEO)
- Paid media by using Pay-Per-Click (PPC) media channels

The SEO traffic contributed to all of the Company's revenue up until end of October 2015. The paid media revenues were added in November 2015 following the strategic acquisition of Catena Media UK Ltd ("RCM")

All revenue generated from the various acquisitions and through the different marketing methodologies are being treated as one cash generating unit and accordingly as one revenue segment

The Company's revenue is further analysed as follows

	<b>31.12.16</b>	<b>31.12.15</b>
	€	€
Search revenue	<b>29,351,304</b>	13,812,563
Paid revenue	<b>9,075,579</b>	142,214
	<b><u>38,426,883</u></b>	<u>13,954,777</u>

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 6 Personnel expenses

Personnel expenses incurred during the year are analysed as follows

	31.12.16	31.12.15
	€	€
Directors' remuneration	262,120	192,592
Salaries and wages	3,083,143	1,481,003
Social security contribution	1,100,648	176,105
Share based payments	147,544	65,306
	<u>4,593,455</u>	<u>1,915,006</u>

Average number of persons employed by the Company during the year was 98 (2015: 37).

### 7 Other operating expenses

7.1 The Company's other operating expenses consist of the following

	31.12.16	31.12.15
	€	€
SEO support costs	3,592,099	377,175
Professional fees	640,031	412,832
HR and recruitment costs	561,654	280,430
Rent	341,045	161,901
Corporate and investor relations costs	204,434	92,482
Movement in debtors' impairment provision	89,015	32,017
General office and administration costs	272,604	86,380
Travel and entertainment	377,734	181,602
ICT expenses	272,650	85,992
Other expenses	528,446	147,586
	<u>6,879,712</u>	<u>1,858,397</u>

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 7 Other operating expenses (continued)

7.2 Other operating expenses include fees charged by the auditor for services rendered during the financial year ended 31 December 2016 and 2015 are shown in the table below

	31.12.16	31.12.15
	€	€
Annual statutory audit	80,000	46,350
Tax advisory and compliance services	21,727	114,419
Other assurance services	46,031	20,000
Other non-audit services	183,012	353,553

### 8 Taxation

The tax charge for the year is made up as follows

	31.12.16	31.12.15
	€	€
Current tax expense	24,284	1,429,211
Deferred tax expense	6,136,445	1,575,949
	<u>6,160,729</u>	<u>3,005,160</u>

The Company has generated all revenues from Malta and is subject to the corporate tax rate of 35%.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 8 Taxation (continued)

The tax on the Company's profit before tax differs from the theoretical tax expense that would arise using the applicable tax rates as shown in the following table. The tax expense for the year and the result of the accounting profit multiplied by the applicable tax rate enacted in Malta, are reconciled as follows:

	<b>31.12.16</b>	<b>31.12.15</b>
	€	€
Profit before tax	<b>17,389,520</b>	8,534,177
Theoretical tax expense using the tax rate of 35%	<b>6,086,332</b>	2,986,962
Tax effect of		
- expenses not deductible for tax purposes	<b>51,640</b>	18,198
- other	<b>22,757</b>	-
	<b>6,160,729</b>	3,005,160

### 9 Share-based payments

Share options are granted to selected employees. The Company's parent, Catena Media plc, entered into 6 (2015: 8) share option agreements with the Company's employees, and committed a total of 145,000 shares (2015: 1,138,010).

The average exercise price of options granted during the current financial year is equal to EUR 7.93 for 6 option arrangements. The average exercise price of options granted in the preceding financial year was equal to EUR 1.57 for 8 option arrangements. Options are conditional on the employee completing 36 months of service (the vesting period). Share option agreements can be exercised after 36 months from the date in which they have been granted, and have a contractual term of 42 months. The Group has no legal or constructive obligation to repurchase or settle the options in cash.



# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 9 Share-based payments (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31.12.2016		31.12.2015	
	Average exercise price in € per option	Options no	Average exercise price in € per option	Options no
At 1 January	1.57	1,138,010	-	-
Granted	7.93	145,000	1.57	1,138,010
At 31 December	2.29	1,283,010	1.57	1,138,010

Out of the 1,283,010 (2015: 1,138,010) outstanding options, no options (2015: nil) were exercisable at 31 December 2016.

#### *Valuation of share options for the year ended 31 December 2016*

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was EUR 0.6293 per share under option. The significant inputs into the model were weighted average share price of EUR 7.80 at the grant date, exercise price shown above, volatility of 30%, an expected option life of 3 years and an annual risk-free interest rate of 2%. The volatility assumption and the dividend yield assumption were based on the variables observed for listed companies in similar industries.

#### *Valuation of share options for the year ended 31 December 2015*

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was EUR 0.5320 per share under option. The significant inputs into the model were weighted average share price of EUR 1.834 at the grant date, exercise price shown above, volatility of 25%, an expected option life of 3 years and an annual risk-free interest rate of 2%. The volatility assumption and the dividend yield assumption were based on the variables observed for listed companies in similar industries.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 9 Share-based payments (continued)

Share options outstanding at the end of the period have the following expiry date and exercise prices.

Grant date	Expiry date	Exercise price in € per option	Share options
Jul 2015	Jan 2019	1.12	450,000
Jul 2015	Jan 2019	1.83	327,150
Sep 2015	Mar 2019	1.83	60,000
Sep 2015	Mar 2019	2.06	43,620
Sep 2015	Mar 2019	1.83	60,000
Sep 2015	Mar 2019	1.83	110,000
Oct 2015	April 2019	2.06	43,620
Oct 2015	April 2019	1.83	43,620
May 2016	Nov 2019	7.93	100,000
Oct 2016	April 2020	7.93	45,000
			<u>1,283,010</u>

From the 1,283,010 shares granted under option agreements, the Company estimates that 30% of these will not be vested, resulting in a total of 898,107 shares committed. The effect of this was also taken into account in the statement of comprehensive income.

### 10 Intangible assets

#### 10.1 Composition and movement

The Company's acquisitions primarily comprise player databases, websites and domains and in certain instances other components of intellectual property. The consideration paid for player database is determined on the basis of the average historical value of the NDCs for the portfolio of the players acquired. In instances where other components of intellectual property are identified, the allocation of the consideration is based on an estimate of the replacement value of the asset. The residual value is being allocated to domains and websites.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 10 Intangible assets (continued)

#### 10.1 Composition and movement (continued)

	<b>Domains and websites</b>	<b>Player databases</b>	<b>Other intellectual property</b>	<b>Total</b>
	€	€	€	€
<b>At 1 January 2015</b>				
Cost	1,070,485	43,200	-	1,113,685
Additions	11,950,217	496,707	-	12,446,924
<b>Balance at 31 December 2015</b>	<b>13,020,702</b>	<b>539,907</b>	<b>-</b>	<b>13,560,609</b>
Additions	55,068,000	2,298,132	366,568	57,732,700
<b>Balance at 31 December 2016</b>	<b>68,088,702</b>	<b>2,838,039</b>	<b>366,568</b>	<b>71,293,309</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>At 1 January 2015</b>				
	(65,331)	(2,578)	-	(67,909)
Amortisation charge	65,331	(116,661)	-	(51,330)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>(119,239)</b>	<b>-</b>	<b>(119,239)</b>
Amortisation charge	-	(590,290)	-	(590,290)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>(709,529)</b>	<b>-</b>	<b>(709,529)</b>
<b>Carrying amounts</b>				
At 31 December 2015	13,020,702	420,668	-	13,441,370
<b>At 31 December 2016</b>	<b>68,088,702</b>	<b>2,128,510</b>	<b>366,568</b>	<b>70,583,780</b>

#### 10.2 Amortisation and impairment

Management has concluded that the acquired domains and websites are a single cash-generating unit for the purposes of IAS 36. This conclusion is based on the fact that the performance and cashflows of the different assets is dependent on those generated by other assets. Further, the discontinuing of one of the assets would not result in any overall leakage of customers.

As at 31 December 2016, the directors have evaluated, domains and websites for impairment. The directors are of the view that the carrying amount of domains amounting to EUR 68.1 million is recoverable on the basis that the cashflows generated from these assets are in line, or exceed, the estimated projections made prior to the acquisitions. The directors are satisfied that the judgements made are appropriate to the circumstances.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 10 Intangible assets (continued)

#### 10.2 Amortisation and impairment (continued)

The recoverable amount of the acquired domains and websites was assessed on the basis of value-in-use calculations. A detailed assessment was performed at the end of the reporting period. The Company's conclusion is that the recoverable amount is well in excess of the carrying amount. The recoverable amount was based on the cash flow projections reflecting actual income from operations in 2016, the budget for 2017 as confirmed by the entity's Board, the business plan for year 2018 – 2021 and an annual growth rate of 2% beyond that.

The projected cashflows were discounted by 15% after tax. The effective tax rate was estimated at 35%. The Company management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market. Consequently, the directors have assessed that there is no need to impair the acquired domains and websites.

### 11 Property, plant and equipment

	<b>Computer equipment and software</b>	<b>Fixtures and fixtures</b>	<b>Total</b>
	€	€	€
<b>Cost</b>			
Balance at 1 January 2015	53,214	32,923	86,137
Additions	216,236	157,786	374,022
Disposal	(2,343)	-	(2,343)
<b>Balance at 31 December 2015</b>	<b>267,107</b>	<b>190,709</b>	<b>457,816</b>
Additions	307,981	121,312	429,293
<b>Balance at 31 December 2016</b>	<b>575,088</b>	<b>312,021</b>	<b>887,109</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2015	(7,125)	(1,749)	(8,874)
Depreciation	(32,240)	(8,660)	(40,900)
Disposals	100	-	100
<b>Balance at 31 December 2015</b>	<b>(39,265)</b>	<b>(10,409)</b>	<b>(49,674)</b>
Depreciation	(107,130)	(15,460)	(122,590)
<b>Balance at 31 December 2016</b>	<b>(146,395)</b>	<b>(25,869)</b>	<b>(172,264)</b>
<b>Carrying amounts</b>			
At 31 December 2015	227,842	180,300	408,142
<b>At 31 December 2016</b>	<b>428,693</b>	<b>286,152</b>	<b>714,845</b>

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 12 Investment in subsidiaries

	<b>31.12.16</b>	<b>31.12.15</b>
	€	€
Catena Media UK Limited	<b>8,253,524</b>	8,253,524
Molgan Ltd	<b>1,199</b>	1,199
Catena Media doo Beograd	<b>1</b>	-
Catena Media U S INC	<b>1</b>	-
	<b>8,254,725</b>	8,254,723

The subsidiary undertakings at 31 December are shown below:

Subsidiaries	Country of incorporation	Class of shares held	Percentage of ownership and voting rights held by the Company	
			%	%
			<b>2016</b>	2015
Molgan Ltd	Malta	Ordinary shares	<b>99.9</b>	99.9
Catena Media UK Limited	UK	Ordinary shares	<b>100</b>	100
Catena Media doo Beograd	Serbia	Ordinary shares	<b>100</b>	-
Catena Media U S INC	U S	Ordinary shares	<b>100</b>	-

- 12.1 On 4 May 2016, the Company acquired 100% of the share capital of Catena Media doo Beograd incorporated in Serbia
- 12.2 On 6 December 2016, the Company acquired 100% of the share capital of Catena Media U S INC a company incorporated in the U S
- 12.3 On 23 October 2015, the Company acquired 100% of the share capital of Catena Media UK Limited formerly known as Right Casino Media Limited in the UK

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 13 Trade and other receivables

	31.12.16	31.12.15
	€	€
Trade receivables	8,988,453	3,108,370
Amounts owed by subsidiaries	109,670	-
Amounts owed by other related parties	14,468	16,499
Prepayments and accrued income	502,393	34,092
Other receivables	871,522	-
	<u>10,486,506</u>	<u>3,158,961</u>

13 1 The amounts owed by subsidiaries and other related parties are unsecured, interest free and repayable on demand

13 2 Receivables are stated net of an impairment provision of €121,031 (2015: €32,017).

### 14 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances with banks and cash held by payment processors. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows

	31.12.16	31.12.15
	€	€
Cash in hand	1,198	-
Cash at bank	12,337,962	1,095,874
Cash held by payment processors	182,109	8,194
	<u>12,521,269</u>	<u>1,104,068</u>

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 15 Trade and other payables

	31.12.16	31.12.15
	€	€
<b>Current</b>		
Trade payables	1,068,501	397,783
Amounts committed on acquisition	20,741,024	8,182,425
Amounts owed to parent company	43,365,357	959,475
Amounts owed to subsidiaries	1,283,149	107,071
Amounts owed to other related parties	-	1,450
VAT payable	113,441	62,357
Accruals and deferred income	378,587	1,327,416
<b>Total current payables</b>	<b>66,950,059</b>	<b>11,037,977</b>
<b>Non-current</b>		
Amounts committed on acquisition	6,195,450	2,639,622
<b>Total non-current payables</b>	<b>6,195,450</b>	<b>2,639,622</b>
<b>Total payables</b>	<b>73,145,509</b>	<b>13,677,599</b>

**15.1** The amounts owed to parent, subsidiaries and other related parties are unsecured, interest free and repayable upon demand, however the parent company has undertaken that no amounts will be requested unless alternative funds are available to the Company.

**15.2** Amounts committed on acquisitions consist of contractual obligations upon purchase of intangible assets from third parties. Some of the obligations have a pre-determined value, whilst others include future payments whose value depends on target earnings.

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 16 Share capital

At 31 December 2016 and 2015, the authorised share capital of the Company comprised of 1,500 ordinary shares of EUR 1 each. In the preceding financial year, the Company issued 254 ordinary shares with a nominal value of EUR 1 each at a premium of EUR 4,999,746.

Details of the Company's share capital

	Ordinary shares of €1 each - fully paid up	
	31.12.16	31.12.15
	No.	No.
<b>Authorised, issued and fully paid</b>		
In issue at 1 January	1,454	1,200
Issued as part of an acquisition	-	254
<b>In issue at 31 December - fully paid</b>	<b>1,454</b>	<b>1,454</b>

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.



# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 17 Dividends

No dividends were distributed during the year ended 31 December 2016. The dividends paid in 2015 are disclosed below.

Period covered	Date paid	Net dividend paid (€)	Dividend per share (€)	Shares entitled to dividends during the period (no. of shares)
28-Feb-15	23-Apr-15	150,000	125.10	1,199
31-Mar-15	05-May-15 27-May-15 22-Jun-15	1,000,000	687.76	1,454
30-Apr-15	19-May-15	365,629	251.46	1,454
30-May-15	22-Jun-15	200,000	137.55	1,454
30-Jun-15	30-Jul-15	750,000	515.82	1,454
31-Jul-15	28-Aug-15	500,000	343.88	1,454
31-Aug-15	10-Dec-15	50,000	34.39	1,454
		<u>3,015,629</u>		

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

### 18 Deferred tax liabilities

Deferred tax is calculated on all temporary differences under the statement of financial position liability method using the tax rate that is expected to apply to the period when the assets/liabilities are settled, based on the tax rates expected in the tax jurisdictions concerned

The movement in deferred tax balances is analysed as follows

	Balance at 1 January 2016	Recognised in profit and loss	Balance at 31 December 2016
	€	€	€
<b>Deferred tax assets</b>			
Unutilised tax losses	-	(1,839,213)	(1,839,213)
	-	(1,839,213)	(1,839,213)
<b>Deferred tax liability</b>			
Property, plant and equipment	70,315	(39,157)	31,158
Intangible assets	1,610,249	8,057,176	9,667,425
Provision for bad debts	-	(42,361)	(42,361)
	<u>1,680,564</u>	<u>7,975,658</u>	<u>9,656,222</u>
Net movement	<u>1,680,564</u>	<u>6,136,445</u>	<u>7,817,009</u>
	<b>Balance at 1 January 2015</b>	<b>Recognised in profit and loss</b>	<b>Balance at 31 December 2015</b>
	€	€	€
Property, plant and equipment	2,703	67,612	70,315
Intangible assets	106,162	1,504,087	1,610,249
Previously recognised deferred tax	(4,250)	4,250	-
	<u>104,615</u>	<u>1,575,949</u>	<u>1,680,564</u>

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 19 Related party transactions

On 1st June 2015, Catena Media p l c acquired 100% of the share capital of the Company. The Company's shareholders prior to this transaction became shareholders of Catena Media p l c. In view of the shareholding structure of Catena Media p l c, the Company's immediate parent, Catena Operations Limited has no ultimate controlling party. All transactions with the Company's parent, subsidiaries and entities under common control together with its shareholders, are considered by the directors to be related parties.

The following transactions were carried out with related parties

#### (a) Sales of services

	31.12.16	31.12.15
	€	€
Entities under common control	-	1,360,135
Entities with significant shareholding	2,305,469	-

#### (b) Key management personnel

	31.12.16	31.12.15
	€	€
Directors' salaries	262,120	192,592
Executive management	90,784	-
Loan repayment to	-	223,012
Share based payment (note 9)	147,544	65,306

# Catena Operations Limited

## Notes to the financial statements

For the Year Ended 31 December 2016

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### 19 Related party transactions (continued)

#### (c) Other related party transactions

	31 12 16	31 12 15
	€	€
Dividends distributed, net	-	3,015,629
<i>Purchases of services*</i>		
Entities under common control	-	60,603
Entities with significant shareholding	<b>1,369,085</b>	-
<i>Recharges from**</i>		
Subsidiaries	<b>3,948,024</b>	206,823
<i>Loan repayment from</i>		
Entities under common control	-	259,218

*\*Purchases of services from entities with significant shareholding comprise consultancy, advisory and success fees payable to Optimizer Invest Limited. Fees relating to acquisitions reflect the amount paid during the periods and not the maximum amount that could be due in terms of contractual agreements in place which are dependent on the achievement of target earnings.*

*\*\* Recharges from subsidiaries comprise of management and services fees and other recharged costs in relation to paid revenue.*

### 20 Statutory information

Catena Operations Limited is a limited liability company and is incorporated in Malta

Catena Operations Limited is fully owned by Catena Media p l c which is also a company registered in Malta, having the same registered address as Catena Operations Limited

In view of the shareholding structure of Catena Media p l c, the Company had no ultimate controlling party