Catena Operations Limited

Annual Report and Financial Statements

31 December 2017

Company Registration Number: C 62481

Catena Operations Limited

Catena Operations Limited

Directors' report

For the year ended 31 December 2017

The Board of 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 2017.

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

Board of directors

Per Anders Henrik Persson Ekdahl
Johannes Bergh (appointed on 3 October 2017)

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, the Company owns and operates more than 350 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 specialists in the field, the Company 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. The Company holds a strong market position within the online casino sector, which is its core focus market. Whilst it continues to focus on the fast-growing online casino market, the Company has also entered the sports betting segment of the online market, as well as strengthening its social media know-how. The Company has reached the position it has today by building a portfolio of relevant websites combined with sophisticated key word research and content optimization techniques.

The Company utilises 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.

The Company has successfully acquired several marketing affiliates over the past three 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.

Business overview (continued)

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 AskGamblers 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.

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, the Company added three new verticals to its business. In addition to Poker, eSports and Daily Fantasy Sports websites were also acquired. The acquisition of Pokerscout was well timed given the rollout of online gaming in Pennsylvania. The Company is the largest regulated casino affiliate in the US and takes advantage of further re-regulation in what has the potential to become the world's largest iGaming market.

During the current financial year, the Company added a new vertical to its business. The Company acquired the assets of Beyondbits Media Limited to enter the financial services market which is geared towards foreign exchange trading, equity trading, as well as options trading. The Company also acquired Caledonian Publishing, which captured a foothold in the regulated Australian sports market. Furthermore, Casinoonline.jp was acquired, which established the Company as a key player in the fast-growing Japanese casino market.

Market development

All indications show that online casino, sport and finance markets in which the Company operates have reported strong growth in recent years and have a positive outlook. The Company'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 as the Company 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 the US, Sweden, Finland, Norway, Germany (DACH), Italy and the UK, iGaming is growing faster than land-based gaming. Both new online casino operators and old brands in new markets need visibility and, combined, the two-drive growth for the affiliate market through their increased spending on digital marketing, and the pay-per-performance commercial model, such as that offered by the Company, comprises one of the fairest and most accountable acquisition models available.

The upcoming financial year will be a great year for sports, with major events such as the World Cup and the Olympic Games on the agenda. Both of these happenings provide the Company with extraordinary opportunities in 2018. Affiliation for financial services shares many characteristics with iGaming, such as revenue model and the same pattern in end-user behaviour. In addition, it is a highly profitable and fragmented market where we see significant opportunities.

Catena Operations Limited

Directors' report

For the year ended 31 December 2017

Revenues

The Company's revenues totalled EUR 66.4m (2016: EUR 38.4) for the year, corresponding to an increase of 73 percent compared to the previous financial year. Search revenue represented EUR 53.3m (2016: EUR 29.4) of total revenues for the period. The increase in search revenue was driven in part by organic growth and in part through acquisitions made.

Paid revenue amounted to EUR 12.0m (2016: EUR 9.1). This revenue principally related to pay-per-click (PPC) traffic.

Other operating income of EUR 1.1m (2016: nil) related to one-off compensation for loss of revenue received from a partner in relation to PPC traffic during the first and second quarters of 2017.

Expenses

Operating expenses amounted to EUR 39.6m (2016: EUR 21.0). Direct costs related to paid revenue represented the more significant expense component and amounted to EUR 8.8m (2016: EUR 7.2). These costs predominantly related to AdWords (Google spend) costs and similar costs.

Personnel expenses amounted to EUR 8.6m (2016: EUR 4.6). The increase in personnel expenses was due to the recruitment of additional members of top and middle management and other employees across the organisation, which was driven by the strong growth experienced by the Company. The increase in headcount gave rise to corresponding increases in operational expenses such as software charges, licenses and recruitment fees, amongst others. Other operating expenses amounted to EUR 15.0m (2016: EUR 6.9).

Depreciation and amortisation amounted to EUR 3.9m (2016: EUR 0.7). The increase in depreciation and amortisation was mainly attributable to the acquisition of competitor player databases during the current and prior years and capital expenditure related to the new head office in Malta.

Non-recurring costs relating to the bond issue made by the Parent Company amounted to EUR 1.0m (2016: EUR 0.1), costs relating to the listing on Nasdaq Stockholm amounted to EUR 1.3m (2016: EUR 1.6), whilst reorganisation costs amounted to EUR 1.04m (2016: nil).

Review of business development and financial position

During the year ended 31 December 2017 the Company achieved a profit before tax amounting to EUR 22.9m (2016: EUR 17.4). After accounting for taxation, the profit for the year amounted to EUR 13.7m (2016: EUR 11.2). Net equity as at year end amounted to EUR 32.2m (2016: EUR 20.1). The Directors expect both revenues and profit to increase during 2018.

Cash and cash flow

Cash from operating activities amounted to EUR 7.6m (2016: EUR 17.0). Cash flows used in investing activities were EUR 10.7m (2016: EUR 5.6) and were primarily attributable to the asset acquisitions that took place during the year. Cash flows used in financing activities amounted to EUR 2.4m (2016: nil). Cash and cash equivalents amounted to EUR 8.1m (2016: EUR 12.5) at the end of the year.

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Directors' report

For the year ended 31 December 2017

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.

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Directors' report

For the year ended 31 December 2017

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

On 18 January 2018, the Company acquired the affiliate related assets in Dreamworx Online Limited, which is active in sports, casino and financial services. Dreamworx operates sports sites such as Sportwettenanbietercom, Fussballwetten.info and financial sites such as DeutscheFXBroker.de. The purchase price amounts to an upfront payment of EUR 9.5m, of which EUR 4.0m will be paid with newly issued shares in Catena Media plc, and the remaining EUR 5.5m in cash. The acquired assets are expected to generate quarterly sales of approximately EUR 0.6m, with an operating margin of approximately 80 per cent. The Dreamworx assets will form part of the Company´s sports division and be run by the Baybets team, based in Malta. As a consideration, Baybets may add the increased performance of the Dreamworx assets to their existing earn-out calculations, and the maximum earn-out payments to Baybets, as announced by Catena Media plc on December 4, 2017, have therefore been amended. As a result,the expected total earn-out payment for Baybets, in a reasonable scenario, increases from the total amount of EUR 30.5m to EUR 39.0m. In this scenario, the acquired assets of Baybets and Dreamworx needs to generate revenue growth of above 40 per cent per year during the earn-out period.

In February 2018, the Company agreed on amended and advantageous terms for the acquisition of affiliate assets in the US. On 14 December 2016, the Company announced that it had acquired regulated affiliate assets which generate revenues from licensed operators in the regulated Casino and Poker markets in the states of New Jersey and Nevada in the US. In addition to the Regulated Assets, the Company also acquired a range of additional assets which are expected to generate significant revenues, if and when, other US states re-regulate iGaming. The Company has now agreed with the sellers of the assets to amend certain terms of the acquisition regarding the earn out structure of the Regulated Assets and the put/call options for the Additional Assets.

In March 2018, the Company agreed on pre-payment of earn-out in relation to the acquisition of the affiliate related assets in Beyondbits Media Ltd. Under the acquisition agreement, the sellers had the right to an earn-out payment of a maximum of EUR 5.0m after 12 months. The Company agreed with the sellers to make a final pre-payment at the lowest possible earn-out. Under the settlement agreement the Company paid a total amount of EUR 2.0m following which the relationship with Beyondbits was finally settled. The Beyondbits assets were performing strongly and were on route to reach the maximum earn-out payment of EUR 5.0m. However, the sellers wanted to pursue other opportunities, and therefore asked for an early release of their obligations. The Company welcomed the settlement and had a strong team ready to take over the assets and believes this development will be advantageous for the continued performance.

On 28 March 2018, the Company strengthened its position as the leading iGaming affiliate in the regulated New Jersey market through the acquisition of BonusSeeker.com and related assets. The acquired assets currently generate quarterly sales of USD 450,000 with an operating margin of approximately 70 percent. The initial purchase price, payable in conjunction with the transfer of the assets, amounted to an upfront payment of USD 6.5m of which USD 1.0m was paid with newly issued shares at prevailing market rate in Catena Media and the remainder in cash. In addition, there is an earn-out of maximum USD 9.5m which is based on revenue performance over a period of two years. In a reasonably expected scenario, the total cost of the acquisition would be approximately USD 11.0m, i.e. the upfront payment of USD 6.5m and earn-out payments in the total amount of USD 5.5m. In this scenario the acquired assets need to generate revenue growth of between 80 and 140 percent during the earn-out period.

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For the year ended 31 December 2017

Events after the reporting period (continued)

On 13 April 2018, the Company acquired all affiliate assets in ParisSportifs.com, which is a leading sports betting site in France. ParisSportifs.com generates strong traffic number, primarily from search engines and its Twitter and YouTube channels. The acquired assets currently generate quarterly sales of about EUR 500,000. The initial purchase price amounted to an up-front payment of EUR 8.2m, of which EUR 6.2m will be paid in cash, and the remaining EUR 2.0m in newly issued shares in Catena Media plc. There is also an earn-out of a maximum EUR 5.7m, based on revenue performance over a period of one year. In a reasonable anticipated scenario, with a total earn-out payment of EUR 3.2m, the sellers would need to generate revenue growth of between 40 and 60 percent during the earn-out period of one year. Up to 50 percent of the earn-out may be paid with shares in Catena Media plc.

On 25 April 2018, the Company acquired gg.co.uk, a strong and well-respected horse racing brand, with excellent SEO rankings, a wide product offering and content. It enjoys far-reaching recognition in the UK and further enhances the Company's other UK-based assets, such as BettingPro.com. The acquired asset currently generates quarterly sales of about GBP 150.000. The initial purchase price, payable in conjunction with the transfer of the assets, amounted to an upfront, cash-only payment of GBP 2.0m.

On 28 April 2018, the Company acquired all affiliate assets in BrokerDeal.de, one of the leading financial lead generators in Germany. BrokerDeal.de is top-ranked in terms of search engine optimization ("SEO") with regard to several key financial terms. Through this acquisition, the Company strengthened its already leading finance affiliate position in Germany. The acquired assets currently generate quarterly sales of about EUR 300,000. BrokerDeal.de is mainly focusing on larger private investors and is therefore a great complement to the Company's earlier acquisition of the affiliate assets of Beyondbits Media, which included Aktiendepot.com and Qomparo.de, among other sites. The expected total acquisition cost is EUR 3.6m with the initial purchase consideration amounted to an up-front payment of EUR 1.2m, of which EUR 840 000 will be paid in cash, and the remaining EUR 360 000 in newly issued shares in Catena Media plc. Maximum acquisition cost is EUR 4.8m, based on revenue performance over a period of two years.

On 24 May 2018, the Company acquired ForexTraders.com. This acquisition alongside additional sites, lays the foundation for the global ambition within foreign exchange trading content and lead generation. All sites will be used to create an ecosystem of quality content in the area of Foreign exchange as part of the Trade Finance vertical. This provides the opportunity to improve sites currently focusing on advertising so that they instead focus on lead generation. The acquired assets currently generate quarterly sales of about USD 250,000. The initial purchase price of ForexTraders.com, payable in conjunction with the transfer of the assets, amounts to an up-front cash payment of USD 4.08m. In addition, there is an earn-out of a maximum USD 1.58m based on revenue performance over a period of 12 months, and 50 percent of the earn-out may be paid in shares. The expected total acquisition cost is USD 5.26m, with the earn-out likely amounting to USD 1.18m. In a reasonable anticipated scenario, with a total earn-out of USD 1.18m, the sellers would need to generate revenue growth of between 30 and 40 percent over the period.

On 25 May 2018, the Company established a position in Australian financial services vertical by acquiring premium stock market news and analysis site TheBull.com.au together with other key sites, such as the TheBull.asia and the domain FatCat.com.au. To build this brand and stay ahead of the competition the Company has also acquired video-focused sites LearnTrading.com.au and LearnCFDs.com, as well as similar domains, from the author Ashley Jessen, who has published books, articles and several videos on trading. The acquired assets currently generate quarterly sales of about AUD 100,000. The initial purchase price of The Bull, payable in conjunction with the transfer of the assets, amounted to an upfront cash payment of AUD 0.9m. In addition, there is a deferred payment after six months of AUD 0.25m based on hand-over obligations being met. The purchase price of LearnTrading.com.au and related assets amounts to a maximum payment of AUD 0.1m and includes the production of video content for the Company's sites for one year.

Catena Operations Limited

Directors' report

For the year ended 31 December 2017

Dividends

A dividend of EUR 2.4m (2016: nil) was declared during the current year.

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 15th June 2018 and signed on its behalf by:

Per Anders Henrik Persson
Director

Johannes Bergh
Director

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

15th June 2018

Independent auditor's report

To the Shareholders of Catena Operations Limited

Report on the audit of the financial statements

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 2017, 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 8 to 11, comprise:

- the statement of financial position as at 31 December 2017;
- 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.

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.

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.

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.

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

Romina Soler
Partner

15 June 2018

Catena Operations Limited

Statement of comprehensive income

For the year ended 31 December 2017

	Notes	31.12.17	31.12.16
		€	**€**
Continuing operations			
Revenue	5	**65,380,382**	38,426,883
Other operating income		**1,060,002**	-
Total revenue		**66,440,384**	38,426,883
Direct costs related to Paid revenue		**(8,833,913)**	(7,177,867)
Personnel expenses	6	**(8,577,214)**	(4,593,455)
Depreciation and amortisation	12,13	**(3,864,333)**	(712,880)
Non-recurring costs:			
IPO and bond related costs	7	**(2,288,370)**	(1,673,869)
Reorganisation costs	7	**(1,041,130)**	-
Other operating expenses	8	**(15,021,734)**	(6,879,712)
Total operating expenses		**(39,626,694)**	(21,037,783)
Operating profit		**26,813,690**	17,389,100
Interest payable on borrowings recharged by the Parent company		**(5,278,125)**	-
Finance income	9	**1,409,907**	420
Profit before tax		**22,945,472**	17,389,520
Tax expense	10	**(9,198,616)**	(6,160,729)
Profit for the year - total comprehensive income		**13,746,856**	11,228,791

The notes on pages 16 to 57 are an integral part of these financial statements.

Catena Operations Limited

Statement of financial position

As at 31 December 2017

	Notes	31-Dec 2017	31-Dec 2016
		€	€
ASSETS			
Non-current assets			
Intangible assets	12	**231,891,026**	70,583,780
Property, plant and equipment	13	**3,206,377**	714,845
Investment in subsidiaries	14	**8,260,029**	8,254,725
Financial investments	15	**588,685**	-
Total non-current assets		**243,946,117**	79,553,350
Current assets			
Trade and other receivables	16	**13,289,960**	10,486,506
Cash and cash equivalents	17	**8,128,832**	12,521,269
Total current assets		**21,418,792**	23,007,775
Total assets		**265,364,909**	102,561,125
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**1,454**	1,454
Share premium	18	**4,999,746**	4,999,746
Other reserves		**902,390**	212,850
Retained earnings		**26,327,570**	14,931,162
Total equity		**32,231,160**	20,145,212
Liabilities			
Non-current liabilities			
Amounts committed on acquisition	20	**27,654,589**	6,195,450
Deferred tax liabilities	21	**17,014,922**	7,817,009
Total non-current liabilities		**44,669,511**	14,012,459
Current liabilities			
Amounts committed on acquisition	20	**33,641,382**	20,741,025
Trade and other payables	22	**154,798,965**	46,209,034
Current tax liabilities		**23,891**	1,453,395
Total current liabilities		**188,464,238**	68,403,454
Total liabilities		**233,133,749**	82,415,913
Total equity and liabilities		**265,364,909**	**102,561,125**

The notes on pages 16 to 57 are an integral part of these financial statements.

The financial statements on pages 12 to 57 were approved and authorised for issue by the Board of Directors on 15th June 2018 and signed on its behalf by:

Per Anders Henrik Persson
Director

Johannes Bergh
Director

Catena Operations Limited

Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total equity
		€	€	€	€	€
Balance at 1 January 2016		1,454	4,999,746	65,306	3,702,371	8,768,877
Comprehensive income						
Profit for the year		-	-	-	11,228,791	11,228,791
Total comprehensive income for the year		-	-	-	11,228,791	11,228,791
Transactions with owners						
Contribution from Parent company		-	-	147,544	-	147,544
Total transactions with owners		-	-	147,544	-	147,544
Balance as at 31 December 2016		**1,454**	**4,999,746**	**212,850**	**14,931,162**	**20,145,212**
Comprehensive income						
Profit for the year		-	-	-	13,746,856	13,746,856
Total comprehensive income for the year		-	-	-	13,746,856	13,746,856
Transactions with owners						
Contribution from Parent company		-	-	689,540	-	689,540
Dividends distributed during the year	19	-	-	-	(2,350,448)	(2,350,448)
Total transactions with owners		-	-	689,540	(2,350,448)	(1,660,908)
Balance as at 31 December 2017		**1,454**	**4,999,746**	**902,390**	**26,327,570**	**32,231,160**

The notes on pages 16 to 57 are an integral part of these financial statements.

Catena Operations Limited

Statement of Cash Flows

For the year ended 31 December 2017

	Notes	31.12.17	31.12.16
		€	€
Cash flows from operating activities			
Profit before tax		**22,945,472**	17,389,520
Adjustments for:			
Depreciation and amortisation	12,13	**3,864,333**	712,880
Impairment of receivables		**80,000**	89,015
Share based payments		**689,540**	147,544
Unrealised exchange differences		**(4,051,421)**	(16,197)
Interest expense		**7,474,478**	-
Interest income		-	(420)
		31,002,402	18,322,342
Changes in:			
Trade and other receivables		**(4,428,454)**	(7,416,559)
Trade and other payables		**(17,528,458)**	6,923,830
Cash generated from operating activities		**9,045,490**	17,829,613
Interest received		**-**	420
Taxation paid		**(1,429,731)**	(811,113)
Net cash generated from operating activities		**7,615,759**	17,018,920
Cash flows used in investing activities			
Acquisition of property, plant and equipment		**(2,835,501)**	(357,415)
Acquisition of intangible assets		**(7,273,368)**	(5,260,500)
Acquisition of investments in subsidiaries and financial investments		**(593,989)**	-
Net cash used in investing activities		**(10,702,858)**	**(5,617,915)**
Cash flows from financing activities			
Dividends paid	19	**(2,350,448)**	-
Net cash used in financing activities		**(2,350,448)**	-
Net movement in cash and cash equivalents		**(5,437,547)**	11,401,005
Cash and cash equivalents at beginning of year		**12,521,269**	1,104,068
Currency translation differences		**1,045,110**	16,196
Cash and cash equivalents at end of year	17	**8,128,832**	12,521,269

The notes on pages 16 to 57 are an integral part of these financial statements.

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 and the requirements 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.

Consolidated financial statements have not been prepared for the Company, comprising the Company and its subsidiaries 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.

Going concern

As at 31 December 2017, the Company's current liabilities exceeded current assets by EUR 167.0m. Current contingent considerations amount to EUR 33.6m. 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 149.6m (2016: EUR 43.4) 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.

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).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2017. Other than for an amendment to IAS 7, Statement of Cash Flows described below, the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

During the year, IAS 7 was amended as a result of the IASB's Disclosure Initiative project. The amendments to IAS 7 require disclosure of change in liabilities arising from financing activities. This amendment does not have an impact on the Company's financial statements.

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

A number of new standards, interpretations and changes to published standards will come into force for fiscal years beginning after January 1, 2018 and have not been applied in the preparation of this financial report. 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, IFRS 15 and IFRS 16 are considered in further detail below.

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 2014. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial assets and liabilities, impairment and hedge accounting.

For financial assets, IFRS 9 retains but simplifies the mixed measurement model in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI (FVOCI) and fair value through P&L (FVTPL). Notwithstanding this change, the directors expect that trade and other receivables which are measured at amortised cost under IAS 39, will also continue to be measured at amortised cost. Investments in equity instruments, which for the Company comprise a strategic investment currently classified as an available-for-sale financial asset, are required to be measured at FVTPL unless the entity makes an irrevocable option at inception to present changes in fair value in OCI instead of the income statement. The directors have elected for a FVOCI classification with respect to the available-for-sale financial asset held as at 31 December 2017. As a result of this election, all movements in fair value of the equity instrument will be recognised in other comprehensive income, and the Company will be prohibited from reclassifying any amounts in the reserves to the income statement in the event of disposal.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 9 also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. This amendment impacts the Company only to the extent of trade and other receivables, and the directors have concluded that there will not be a significant impact on the Company as a result of this amendment. This impairment model does not apply to equity instruments. The hedge accounting provisions in IFRS 9 will not impact the Company.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. This may impact the recognition of fair value movements in the company's bond measured at FVTPL, although the directors do not expect the impact to be material.

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. This standard replaces IAS 18 "Revenue" which covers revenue arising from the sale of goods and the rendering of services, IAS 11 "Construction contracts" and related interpretations. The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for first interim periods with annual reporting periods beginning on or after 1 January 2018.

The Company earns commission-based fees that are either revenue share contracts, CPA contracts or a hybrid of these two models. In the Company's revenue model, potential players are referred to iGaming operators, and commissions are earned when, and if, the referred players effect deposits or as the case may be, place wagers.

Management has carried out an analysis of the Company's customer contracts within the context of IFRS 15 to identify performance obligations present within those contracts. A key component of revenue recognition under IFRS 15 is that in terms of the standard, consideration based on uncertain future outcome is deemed to be variable consideration. The standard requires that variable considerations be estimated, and that estimate is recognised in the statement of comprehensive income as the performance obligation is satisfied. However, the standard also introduces a limitation on the recognition of variable consideration, such that its recognition (based on estimates) is only allowed if it is highly probable that a change in the estimate will not result in a significant reversal of the revenue recognised. The consideration that the Company is entitled to is not determinable when a contract is entered into, since it is commissions-based fee income dependent upon volumes of referred players who successfully deposit and/or place wagers; the exact amount of revenue per month is however determinable at each month end.

The Company's revenue model lends itself to a narrow exception on variable consideration that is applicable in certain instances where revenue generation is outside of the entity's control. IFRS 15 sets out that variable consideration generated from sales- or usage-based royalties on licences of intellectual property the amount of which is dependent on the licensee's sales or usage efforts and therefore unknown until the licensee uses the intellectual property – is only recognised as revenue

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

when there is no longer any variability, i.e. when the sales or usage occur. Under IFRS 15, the Company will therefore recognise income from revenue share contracts and CPA contracts at the end of each month, when there is no longer any variability on the consideration. On the basis of the above assessment, the directors have concluded that the effects of the introduction of IFRS 15 will not result in any changes to the Company's revenue recognition model and will not have a material effect on its financial statements.

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 a 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. An assessment of the impact of the standard is currently under way and the preliminary conclusion is that the long-term office leases entered into by the Company will fall within the remits of this standard.

As at the reporting date, the Company has non-cancellable operating lease commitments in respect of long-term office leases amounting to EUR 7.1m. However, the Company has not yet assessed what other adjustments, if any, are necessary for example because of the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward. Further, the directors have elected to not apply this standard retrospectively and hence comparative information will not be restated upon application of this standard. Any impact upon initial application will be recognised in opening retained earnings.

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 each of the Company's entities operate ('the functional currency'). The consolidated and separate financial statements are presented in Euro which is the Company's functional and presentation currency.

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

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 Company's revenue is 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.

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 operators who want additional exposure on the Company's websites. This is applicable to casinos, sports betting and finance operators. 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 site. Revenue is recognised in the month that it is earned by the respective 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 operators 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 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 Summary of significant accounting policies (continued)

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 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.

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 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 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 tax asset is realised or the deferred 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 Summary of significant accounting policies (continued)

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 assets 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.

The estimated useful lives are as follows:

• Domains and websites	indefinite
• Player databases	6 – 38 months
• Other intellectual property	36 – 48 months

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 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

2.6.1 Recognition and measurement

Items of property, 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 property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

2.6.2 Subsequent costs

The cost of replacing part of an item of property, 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 property, 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
• Property improvements	5 years
• Motor vehicle	5 years

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

2 Summary of significant accounting policies (continued)

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.

2.8 Financial instruments

Financial assets can be classified into the following categories:
(a) financial assets measured at fair value through profit or loss,
(b) loans and receivables, and
(c) available-for-sale financial assets. The classification is dependent upon the purpose for which the financial asset was acquired. The classification of the financial assets is determined on initial recognition.

The Company has no assets that fall into category (a). Financial liabilities are classified 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 a financial asset 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.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.1 Financial assets and financial liabilities – recognition and derecognition (continued)

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 – initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value.

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.

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 income statement. Subsequent measurement is at fair value and all gains/losses from the liability, are reported in the income statement 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”.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.3 Financial liabilities – measurement (continued)

Contingent considerations arising as a result of asset acquisitions, included in amounts committed on acquisition, are also initially recognised at fair value as at date of acquisition. The amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions. Otherwise subsequent changes in fair value of the contingent consideration are reflected in the statement of financial position by adjusting the intangible asset and the amount committed upon acquisition to reflect the present value of cash flows expected to become payable.

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 as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event(s) has an impact on the estimated future cash flows of that asset that 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 otherwise consider, 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.

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired. If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss.

2 Summary of significant accounting policies (continued)

2.9 Impairment of assets (continued)

2.9.1 Non-derivative financial assets (continued)

The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

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 Catena'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. 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

2 Summary of significant accounting policies (continued)

2.10 Trade and other receivables (continued)

account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

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 Employee benefits

Termination benefits

Termination benefits are payable when an employee’s position is terminated by the Company before the normal date of retirement, or when an employee voluntarily accepts redundancy in exchange for such benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of employees in accordance with a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2 Summary of significant accounting policies (continued)

2.15 Employee benefits (continued)

Bonus plans

The Company recognises a liability and an expense for bonus based on various qualitative and quantitative measures. The Company makes a provision for earned bonuses if there is a there is a legal obligation or an informal obligation owing to previous practice.

Post-employment benefits

The Company has no obligations to employees after they have retired or their employment with the company has been terminated.

Pension expenses and pension commitments

The Company has no pension plans.

Incentive schemes

The Company can offer employees the opportunity to participate in share-based incentive schemes in the form of stock options. Share-based incentive schemes are issued on market terms and are recognized continuously over the term of the scheme. Further detail is included in Note 2.16.

2.16 Share-based payments

The Company's parent, Catena Media p.l.c., operates a number of equity-settled, share-based compensation plans for the entity's employees, under which the entity receives services from employees as consideration for equity instruments of the parent. 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.

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.

2 Summary of significant accounting policies (continued)

2.16 Share-based payments (continued)

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.

When the options are exercised, the Company's parent issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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 of directors 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.

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:

	31.12.17	31.12.16
	€	€
Loans and receivables		
Trade and other receivables (note 16)	**13,289,960**	10,486,506
Cash and cash equivalents (note 17)	**8,128,832**	12,521,269
Total loans and receivables	**21,418,792**	23,007,775
Prepayments not subject to risk	**(479,920)**	(569,327)
Net amounts exposed to credit risk	**20,938,872**	22,438,448

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.

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:

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

3.2.1 Credit risk (continued)

Credit Rating	Carrying amounts 31.12.2017	31.12.2016
	€	€
A+	**1,116,980**	262,709
BBB	**-**	11,945,248
BBB+	**6,520,495**	-
	7,637,475	12,207,957

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.

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 0.2 m (2017: EUR 0.1). The ageing of these impaired receivables is as follows:

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

3.2.1 Credit risk (continued)

	Carrying amounts	
	31.12.2017	31.12.2016
	€	€
1 - 60 days	**105,309**	703,465
61 - 120 days	**40,381**	344,521
120+ days	**319,147**	277,723
	464,837	1,325,709

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

	31.12.2017	31.12.2016
	€	€
At 1 January	**121,031**	32,017
Provision for impairment recognised during the year	**80,000**	89,014
At 31 December	**201,031**	121,031

As at 31 December 2017, trade receivables of EUR 1.1m (2016: 1.2) 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.

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

3.2.1 Credit risk (continued)

The ageing analysis of these trade receivables is as follows:

	Carrying amounts	
	31.12.2017	31.12.2016
	€	€
1 - 60 days	**687,721**	294,602
61 - 120 days	**170,889**	501,712
120+ days	**257,648**	352,824
	1,116,258	1,149,138

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.

As at 31 December 2017, the Company's current liabilities exceeded current assets by EUR 167.0m (2016: EUR 45.4). Trade and other payables include current contingent considerations amounting to EUR 33.6 million as at 31 December 2017 (2016: EUR 26.9). 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. Furthermore, trade and other payables include an amount of EUR 149.6m (2016: EUR 43.4) 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.

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

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

3.2.2 Liquidity risk (continued)

twelve months equal their carrying balances, as the impact of discounting is not significant. Additional information regarding amounts committed on acquisition are disclosed in Note 4.

	Less than 1 year	Between 1 and 2 years	Total
	€	€	€
At 31 December 2017			
Amounts committed on acquisition	**33,641,382**	**27,654,589**	**61,295,971**
Trade payables	**2,190,400**	**-**	**2,190,400**
Amounts owed to parent company	**149,573,782**	**-**	**149,573,782**
Amounts owed to subsidiaries	**1,236,673**	**-**	**1,236,673**
VAT Payable	**142,161**	**-**	**142,161**
Accruals and deferred income	**1,551,148**	**-**	**1,551,148**
Other payables	**104,801**	**-**	**104,801**
	188,440,347	**27,654,589**	**216,094,936**
At 31 December 2016			
Amounts committed on acquisitions	20,741,024	6,195,450	26,936,474
Trade payables	1,068,501	-	1,068,501
Amounts owed to parent company	43,365,357	-	43,365,357
Amounts owed to subsidiaries	1,283,149	-	1,283,149
VAT Payable	113,441	-	113,441
Accruals and deferred income	378,587	-	378,587
	66,950,059	6,195,450	73,145,509

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

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 entity's functional currency, primarily the Swedish Kroner (SEK), Norwegian Kroner (NOK), United States Dollar (USD), Great Britain Pound (GBP), Australian dollar (AUD), Japanese Yen (JPY) and Serbian Dinars (RSD).

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 around 61% 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. Capital risk is monitored on a regular basis

3 Financial risk management (continued)

3.3 Capital risk management (continued)

through reporting the net interest-bearing liabilities against targets set by the board, prior periods and any covenants or other requirements set by third parties.

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 2017 and 2016, the carrying amounts of all other 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 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:

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 61.3m (2016: EUR 26.9) is an amount of EUR 58.9m relating to contingent consideration as at 31 December 2017 (2016: EUR 15.0). Out of the total contingent consideration, EUR 33.6m (2016: EUR 8.8) falls due within one year. The maximum amount that could be payable in relation to contingent consideration is EUR 128.3m (2016: EUR 22.4).

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. During the current financial year, amounts committed on acquisition relating to contingent considerations have been adjusted by an amount of EUR 11.4m to reflect a change in estimates.

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.

4 Critical accounting estimates and judgements (continued)

4.2 Impairment of other intangible assets with an indefinite useful life (continued)

Having considered the Company's future plans, and the recent timing of the Company's acquisitions, management considers that the Company's intangibles assets are not impaired. Further disclosures on key assumptions is included in note 12.

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

All revenue generated from the various acquisitions and through the different marketing methodologies is being treated as one revenue segment in line with internal management reporting. This conclusion will be assessed and aligned to reflect any changes to the internal management reporting and decision-making process.

5.1 The revenue for the Company is analysed as follows:

	31.12.17	31.12.16
	€	€
Search revenue	**53,336,950**	29,351,304
Paid revenue	**12,043,432**	9,075,579
	65,380,382	38,426,883

5 Revenue (continued)

5.1 The revenue for the Company is further analysed as follows:

	31.12.17	31.12.16
	€	€
Casino revenue	**50,747,405**	36,280,638
Sports revenue	**13,583,490**	2,146,245
Finance revenue	**1,049,487**	-
	65,380,382	38,426,883

5.2 Other operating income amounts to EUR 1.1m (2016: nil). This relates to a one-off compensation for loss of revenue received from a partner in relation to PPC traffic.

6 Personnel expenses

Personnel expenses incurred during the year are analysed as follows:

	31.12.17	31.12.16
	€	€
Directors' remuneration	**415,789**	262,120
Salaries and wages	**7,127,070**	3,083,143
Social security contribution	**344,815**	1,100,648
Share based payments	**689,540**	147,544
	8,577,214	4,593,455

Average number of employees by the Company during the current financial year was 142 (2016: 98).

7 Non-recurring costs

Non-recurring costs relate to costs which are not expected to recur, including IPO, bond and reorganisation costs. IPO and bond related costs for 2017 amount to EUR 2.3m (2016: EUR 1.7). Out of the total IPO relates costs, EUR 0.9m relates to IPO costs recharged by the parent company. Reorganisation costs, which comprise termination benefits and the share option cost subject to an accelerated vesting upon termination of employment amount to EUR 1.0m (2016: nil) for year ended 31 December 2017.

8 Other operating expenses

8.1 The Company's other operating expenses consist of the following:

	31.12.17	31.12.16
	€	€
SEO support costs	**8,531,399**	3,592,099
Professional fees	**1,243,594**	640,031
HR and recruitment costs	**545,820**	561,654
Rent	**1,119,935**	341,045
Corporate and investor relations costs	**312,565**	204,434
Movement in debtors' impairment provision	**80,000**	89,015
General office and administration costs	**428,971**	272,604
Marketing costs	**711,630**	153,662
Travel and entertainment	**852,910**	377,734
ICT expenses	**502,840**	272,650
Other expenses	**692,070**	374,784
	15,021,734	6,879,712

8.2 Fees charged by the auditor for services rendered during the financial period ended 31 December 2017 and the preceding period are shown in the table below.

	31.12.17	31.12.16
	€	€
Annual statutory audit	**129,820**	80,000
Tax advisory and compliance services	**42,143**	21,727
Other assurance services	**10,000**	46,031
Other non-audit services	**360,843**	183,012

9 Finance income

During the year ended 31 December 2017 finance income comprises foreign currency exchange differences netted off against the notional interest charge on the contingent considerations.

10 Taxation

The tax charge for the year comprises the following:

	31.12.17	31.12.16
	€	€
Current tax expense	**703**	24,284
Deferred tax expense	**9,197,913**	6,136,445
	9,198,616	6,160,729

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 effective tax rate applicable in Malta, are reconciled as follows:

	31.12.17	31.12.16
	€	€
Profit before tax	**22,945,472**	17,389,520
Theoretical tax expense using the tax rate of 35%	**8,030,915**	6,086,332
Tax effect of:		
- expenses not deductible for tax purposes	**1,038,063**	51,640
- other	**129,638**	22,757
	9,198,616	6,160,729

11 Share-based payments

Share options are granted to selected employees. The Company's parent entered into share option agreements with eight (2016: six) of its employees, and committed a total of 522,368 shares (2016: 145,000).

The average exercise price of options granted during the current financial year is equal to EUR 11.71 for 8 option arrangements. The average exercise price of options granted in the preceding financial year was equal to EUR 6.57 for 6 option arrangements. Options are conditional on the employee completing 36 months of service (the vesting period). 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 Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

	31.12.17		31.12.16	
	Average exercise price in € per option	**Options no.**	Average exercise price in € per option	Options no.
At 1 January	**2.29**	**1,283,010**	1.57	1,138,010
Granted	**11.71**	**522,368**	6.57	145,000
Vested	**2.35**	**980,150**	-	-
Cancelled	**7.62**	**157,000**	-	-
At 31 December	**8.01**	**668,228**	2.29	1,283,010

Out of the 668,228 (2016: 1,283,010) outstanding options, no options (2016: nil) were exercisable at 31 December 2017. During the current financial year, 980,150 share options were subject to an accelerated vesting upon termination of employment. A further 157,000 share options were cancelled upon termination of employment.

Valuation of share options for the year ended 31 December 2017

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was EUR 1.5092 per share under option. The significant inputs into the model were weighted average share price of EUR 9.71 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.

11 Share-based payments (continued)

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 1.7362 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.

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
Sep 2015	Mar 2019	2.06	43,620
Sep 2015	Mar 2019	1.83	110,000
Oct 2015	Apr 2019	2.06	43,620
Oct 2015	Apr 2019	1.83	43,620
Oct 2016	Apr 2020	7.93	35,000
Jan 2017	Jul 2020	11.57	262,368
Jun 2017	Jan 2021	13.79	30,000
Nov 2017	Apr 2021	11.64	100,000
			668,228

From the 668,228 (2016: 1,283,010) shares granted under option agreements, the Company estimates that 30% of these will not vest resulting in a total of 467,760 (2016: 898,107) shares committed. The effect of this was also taken into account in the statement of comprehensive income.

12 Intangible assets

12.1 Composition and movement

	Domains and websites	Player databases	Other intellectual property	Total
	€	€	€	€
At 1 January 2016				
Cost	13,020,702	539,907	-	13,560,609
Additions	55,068,000	2,298,132	366,568	57,732,700
Balance at 31 December 2016	68,088,702	2,838,039	366,568	71,293,309
Additions	162,817,876	10,173,885	3,194,288	176,186,049
Fair value adjustment	(10,904,101)	(454,338)	-	(11,358,439)
Balance at 31 December 2017	**220,002,477**	**12,557,586**	**3,560,856**	**236,120,919**
Accumulated depreciation and impairment losses				
At 1 January 2016	-	(119,239)	-	(119,239)
Amortisation charge	-	(590,290)	-	(590,290)
Balance at 31 December 2016	-	(709,529)	-	(709,529)
Amortisation charge	-	(2,890,462)	(629,902)	(3,520,364)
Balance at 31 December 2017	**-**	**(3,599,991)**	**(629,902)**	**(4,229,893)**
Carrying amounts				
At 31 December 2016	68,088,702	2,128,510	366,568	70,583,780
At 31 December 2017	**220,002,477**	**8,957,595**	**2,930,954**	**231,891,026**

The Company's acquisitions primarily comprises domains and websites, player databases and in certain instances other components of intellectual property. The consideration paid for player databases is determined by reference to the historical average revenue per active player for the portfolio of acquired players. In the instances where other components of intellectual property are identified, the allocation of the consideration was based on an estimate of the replacement value of the asset. The residual value is being allocated to domains and websites. During the current financial year, amounts committed on acquisition relating to contingent considerations have been adjusted by an amount of EUR 11.4m (2016: nil) to reflect a change in estimates.

12 Intangible assets (continued)

12.2 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 operations of the Company are managed and monitored as one business unit.

As at 31 December 2017, the directors have evaluated domains and websites for impairment. The directors are of the view that the carrying amount of domains amounting to EUR 220.0m (2016: EUR 68.1) 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.

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 and hence a sensitivity analysis in this regard is not disclosed. The recoverable amount was based on the cash flow projections reflecting actual income from operations in 2017, the budget for 2018 as confirmed by the entity's Board, the business plan for year 2018 – 2021 and an annual growth rate of 2% (2016: 2%) beyond that period.

The projected cashflows were discounted by 15% (2016: 15%) after tax. The effective tax rate was estimated at 35% (2016: 35%). The Company's 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.

13 Property, plant and equipment

	Computer equipment and software	Fixtures and fixtures	Property improvements	Motor vehicle	Total
	€	€	€	€	€
Cost					
Balance at 1 January 2016	267,107	190,709	-	-	457,816
Additions	307,981	121,312	-	-	429,293
Balance at 31 December 2016	575,088	312,021	-	-	887,109
Additions	173,064	1,275,390	1,349,488	37,559	2,835,501
Balance at 31 December 2017	**748,152**	**1,587,411**	**1,349,488**	**37,559**	**3,722,610**
Accumulated depreciation					
Balance at 1 January 2016	(39,265)	(10,409)	-	-	(49,674)
Depreciation	(107,130)	(15,460)	-	-	(122,590)
Balance at 31 December 2016	(146,395)	(25,869)	-	-	(172,264)
Depreciation	(138,941)	(99,627)	(102,271)	(3,130)	(343,969)
Balance at 31 December 2017	**(285,336)**	**(125,496)**	**(102,271)**	**(3,130)**	**(516,233)**
Carrying amounts					
At 31 December 2016	428,693	286,152	-	-	714,845
At 31 December 2017	**462,816**	**1,461,915**	**1,247,217**	**34,429**	**3,206,377**

14 Investment in subsidiaries

	31.12.17	31.12.16
	€	€
Molgan Ltd.	**1,199**	1,199
Catena Media UK Limited	**8,253,524**	8,253,524
Catena Media doo Beograd	**1**	1
Catena Media U.S. INC	**1**	1
Catena Media Australia Pty Ltd	**67**	-
Catena Media K.K.	**75**	-
Catena Media Sverige AB	**5,162**	-
	8,260,029	8,254,725

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	
			%	%
			2017	2016
Molgan Ltd	Malta	Ordinary shares	**99.9**	99.9
Catena Media UK Limited	UK	Ordinary shares	**100**	100
Catena Media doo Beograd	Serbia	Ordinary shares	**100**	100
Catena Media U.S. INC	U.S.	Ordinary shares	**100**	100
Catena Media Australia Pty Ltd	Australia	Ordinary shares	**100**	-
Catena Media K.K.	Japan	Ordinary shares	**100**	-
Catena Media Sverige AB	Sweden	Ordinary shares	**100**	-

14.1 On 12 October 2017, the Company acquired 100% of the share capital of Catena Media K.K incorporated in Japan.

14.2 On 4 September 2017 the Company acquired 100% of the share capital of Catena Media Sverige AB incorporated in Sweden.

14.3 On 28 June 2017, the Company acquired 100% of the share capital of Catena Media Australia Pty LTD incorporated in Australia.

14.4 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.

14 Investment in subsidiaries (continued)

14.5 On 4 May 2016, the Company acquired 100% of the share capital of Catena Media doo Beograd incorporated in Serbia.

15 Financial investments

Financial investments include available-for-sale financial assets. The fair value of the available-for-sale financial assets, which at reporting date amounted to EUR 0.6m (2016: 0.6m), was determined by reference to the cost of acquiring the shares. The directors considered that there were no significant changes in the fair value of the shares in the intervening period between the acquisition date and the reporting date. The fair value has been categorised within the IFRS 13 fair value hierarchy as Level 3.

16 Trade and other receivables

	31.12.17	31.12.16
	€	€
Trade receivables	**11,498,821**	8,988,453
Amounts owed by subsidiaries	**423,074**	109,670
Amounts owed by other related parties	**14,468**	14,468
Prepayments and accrued income	**460,444**	502,393
Other receivables	**893,153**	871,522
	13,289,960	10,486,506

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

16.2 Receivables are stated net of an impairment provision of €201,031 (2016: €121,031).

17 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:

	31.12.17	31.12.16
	€	€
Cash in hand	**3,596**	1,198
Cash at bank	**7,637,475**	12,337,962
Cash held by payment processors	**487,761**	182,109
	8,128,832	12,521,269

18 Share capital

At 31 December 2017 and 2016, the authorised share capital of the Company comprised of 1,500 ordinary shares of EUR 1 each.

In 2015, 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	
	31.12.17	31.12.16
	€	€
Authorised, issued and fully paid		
In issue at 1 January and 31 December	**1,454**	1,454

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.

19 Dividends

A dividend of EUR 2.4m was distributed during the year ended 31 December 2017. No dividends were distributed during 2016.

20 Amounts committed in acquisition

	31.12.17	31.12.16
	€	€
Non-current		
Amounts committed on acquistion	**27,654,589**	6,195,450
Current		
Amounts committed on acquistion	**33,641,382**	20,741,025
	61,295,971	26,936,475

Amounts committed on acquisitions consist of contractual obligations resulting from the purchase of intangible assets from third parties. Some of the obligations have a predetermined value, while others include future payments whose value depends on target earnings. The latter are further referred to as contingent considerations.

Total amounts committed on acquisition as at 31 December 2017 of EUR 61.3m (2016: EUR 26.9) include an amount of EUR 58.9m (2016: EUR 15.0) which is contingent. The current portion of amounts committed on acquisition of EUR 33.6m (2016: EUR 20.7) includes an amount of EUR 31.2m (2016: EUR 8.8) which is contingent. The fair value adjustment to the expected cash flows as recognised in amounts committed on acquisition is of EUR 7.5m (2016: nil), EUR 3.0m (2016: nil) of which is attributable to amounts committed on acquisition due within twelve months from the end of the current financial year. The corresponding adjustment impacts the value of the assets acquired as recognised in the statement of financial position.

The notional interest charge on the contingent considerations is included in 'Finance income', net of foreign exchange differences.

During the current financial year, amounts committed on acquisition relating to contingent considerations have been adjusted by an amount of EUR 11.4m (2016: nil) to reflect a change in estimates.

The maximum potential undiscounted amount that the Company may be required to settle under such contingent consideration arrangements is EUR 128.3m (2016: EUR 22.4) which comprises EUR 66.4m (2016: EUR 13.9) gross of fair value adjustment of EUR 7.5m (2016: nil), as recognised in the statement of financial position as at 31 December 2017, whilst the remaining amount has not been recognised on the basis of management estimates.

21 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 2017	Recognised in profit and loss	Balance at 31 December 2017
	€	€	€
Deferred tax assets			
Unutilised tax losses	**(1,839,213)**	**(18,572,480)**	**(20,411,693)**
	(1,839,213)	**(18,572,480)**	**(20,411,693)**
Deferred tax liability			
Property, plant and equipment	**31,158**	**34,649**	**65,807**
Intangible assets	**9,667,425**	**26,345,755**	**36,013,180**
Provision for bad debts	**(42,361)**	**(28,000)**	**(70,361)**
Unrealised exchange gains	**-**	**1,417,989**	**1,417,989**
	9,656,222	**27,770,393**	**37,426,615**
Net movement	**7,817,009**	**9,197,913**	**17,014,922**

	Balance at 1 January 2016	Recognised in profit and loss	Balance at 31 December 2016
	€	€	€
Deferred tax assets			
Unutilised tax losses	-	(1,839,213)	(1,839,213)
	-	(1,839,213)	(1,839,213)
Deferred tax liability			
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)
	1,680,564	7,975,658	9,656,222
Net movement	1,680,564	6,136,445	7,817,009

22 Trade and other payables

	31.12.17	31.12.16
	€	€
Current		
Trade payables	**2,190,400**	1,068,501
Amounts owed to parent company	**149,573,782**	43,365,357
Amounts owed to subsidiaries	**1,236,673**	1,283,149
VAT payable	**142,161**	113,441
Accruals and deferred income	**1,551,148**	378,587
Other payables	**104,801**	-
Total current payables	**154,798,965**	46,209,035

22.1 The amounts owed to parent and subsidiaries 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.

23 Related party transactions

On 1 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.

23 Related party transactions (continued)

The following transactions were carried out with related parties:

(a) Key management personnel

	31.12.17	31.12.16
	€	€
Directors' salaries	**415,789**	262,120
Executive management	**546,364**	90,784
Share based payment (note 11)	**689,540**	147,544

(b) Other related party transactions

	31.12.17	31.12.16
	€	€
Recharges from:		
Entities with significant shareholding *	**2,351,618**	1,369,085

*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. The maximum amount that could be due under this agreement is EUR 2.8m (2016: EUR 0.3). The agreement was terminated on 9 November 2017.

24 Minimum lease payments and commitments

Future minimum fees referring to non-cancellable rental agreements are estimated as follows:

	31.12.17	**31.12.16**
	€	€
- within one year	**1,546,140**	757,912
- within two to five years	**5,527,188**	6,565,634
- after five years	-	507,694
	7,073,328	7,831,240

Leasing costs, comprising rent, are recognised in operating expenses.

25 Events after the reporting period

On 18 January 2018, the Company acquired the affiliate related assets in Dreamworx Online Limited, which is active in sports, casino and financial services. Dreamworx operates sports sites such as Sportwettenanbietercom, Fussballwetten.info and financial sites such as DeutscheFXBroker.de. The purchase price amounts to an upfront payment of EUR 9.5m, of which EUR 4.0m will be paid with newly issued shares in Catena Media plc, and the remaining EUR 5.5m in cash. The acquired assets are expected to generate quarterly sales of approximately EUR 0.6m, with an operating margin of approximately 80 per cent. The Dreamworx assets will form part of the Company´s sports division and be run by the Baybets team, based in Malta. As a consideration, Baybets may add the increased performance of the Dreamworx assets to their existing earn-out calculations, and the maximum earn-out payments to Baybets, as announced by Catena Media plc on December 4, 2017, have therefore been amended. As a result,the expected total earn-out payment for Baybets, in a reasonable scenario, increases from the total amount of EUR 30.5m to EUR 39.0m. In this scenario, the acquired assets of Baybets and Dreamworx needs to generate revenue growth of above 40 per cent per year during the earn-out period.

In February 2018, the Company agreed on amended and advantageous terms for the acquisition of affiliate assets in the US. On 14 December 2016, the Company announced that it had acquired regulated affiliate assets which generate revenues from licensed operators in the regulated Casino and Poker markets in the states of New Jersey and Nevada in the US. In addition to the Regulated Assets, the Company also acquired a range of additional assets which are expected to generate significant revenues, if and when, other US states re-regulate iGaming. The Company has now agreed with the sellers of the assets to amend certain terms of the acquisition regarding the earn out structure of the Regulated Assets and the put/call options for the Additional Assets.

In March 2018, the Company agreed on pre-payment of earn-out in relation to the acquisition of the affiliate related assets in Beyondbits Media Ltd. Under the acquisition agreement, the sellers had the right to an earn-out payment of a maximum of EUR 5.0m after 12 months. The Company agreed with the sellers to make a final pre-payment at the lowest possible earn-out. Under the settlement agreement the Company paid a total amount of EUR 2.0m following which the relationship with Beyondbits was finally settled. The Beyondbits assets were performing strongly and were on route to reach the maximum earn-out payment of EUR 5.0m. However, the sellers wanted to pursue other opportunities, and therefore asked for an early release of their obligations. The Company welcomed the settlement and had a strong team ready to take over the assets and believes this development will be advantageous for the continued performance.

On 28 March 2018, the Company strengthened its position as the leading iGaming affiliate in the regulated New Jersey market through the acquisition of BonusSeeker.com and related assets. The acquired assets currently generate quarterly sales of USD 450,000 with an operating margin of approximately 70 percent. The initial purchase price, payable in conjunction with the transfer of the assets, amounted to an upfront payment of USD 6.5m of which USD 1.0m was paid with newly issued shares at prevailing market rate in Catena Media and the remainder in cash. In addition, there is an earn-out of maximum USD 9.5m which is based on revenue performance over a period of two years. In a reasonably expected scenario, the total cost of the acquisition would be approximately USD 11.0m, i.e. the upfront payment of USD 6.5m and earn-out payments in the total amount of USD 5.5m. In this scenario the acquired assets need to generate revenue growth of between 80 and 140 percent during the earn-out period

25 Events after the reporting period (continued)

On 13 April 2018, the Company acquired all affiliate assets in ParisSportifs.com, which is a leading sports betting site in France. ParisSportifs.com generates strong traffic number, primarily from search engines and its Twitter and YouTube channels. The acquired assets currently generate quarterly sales of about EUR 500,000. The initial purchase price amounted to an up-front payment of EUR 8.2m, of which EUR 6.2m will be paid in cash, and the remaining EUR 2.0m in newly issued shares in Catena Media plc. There is also an earn-out of a maximum EUR 5.7m, based on revenue performance over a period of one year. In a reasonable anticipated scenario, with a total earn-out payment of EUR 3.2m, the sellers would need to generate revenue growth of between 40 and 60 percent during the earn-out period of one year. Up to 50 percent of the earn-out may be paid with shares in Catena Media plc.

On 25 April 2018, the Company acquired gg.co.uk, a strong and well-respected horse racing brand, with excellent SEO rankings, a wide product offering and content. It enjoys far-reaching recognition in the UK and further enhances the Company's other UK-based assets, such as BettingPro.com. The acquired asset currently generates quarterly sales of about GBP 150.000. The initial purchase price, payable in conjunction with the transfer of the assets, amounted to an upfront, cash-only payment of GBP 2.0m.

On 28 April 2018, the Company acquired all affiliate assets in BrokerDeal.de, one of the leading financial lead generators in Germany. BrokerDeal.de is top-ranked in terms of search engine optimization ("SEO") with regard to several key financial terms. Through this acquisition, the Company strengthened its already leading finance affiliate position in Germany. The acquired assets currently generate quarterly sales of about EUR 300,000. BrokerDeal.de is mainly focusing on larger private investors and is therefore a great complement to the Company's earlier acquisition of the affiliate assets of Beyondbits Media, which included Aktiendepot.com and Qomparo.de, among other sites. The expected total acquisition cost is EUR 3.6m with the initial purchase consideration amounted to an up-front payment of EUR 1.2m, of which EUR 840 000 will be paid in cash, and the remaining EUR 360 000 in newly issued shares in Catena Media plc. Maximum acquisition cost is EUR 4.8m, based on revenue performance over a period of two years.

On 24 May 2018, the Company acquired ForexTraders.com. This acquisition alongside additional sites, lays the foundation for the global ambition within foreign exchange trading content and lead generation. All sites will be used to create an ecosystem of quality content in the area of Foreign exchange as part of the Trade Finance vertical. This provides the opportunity to improve sites currently focusing on advertising so that they instead focus on lead generation. The acquired assets currently generate quarterly sales of about USD 250,000. The initial purchase price of ForexTraders.com, payable in conjunction with the transfer of the assets, amounts to an up-front cash payment of USD 4.08m. In addition, there is an earn-out of a maximum USD 1.58m based on revenue performance over a period of 12 months, and 50 percent of the earn-out may be paid in shares. The expected total acquisition cost is USD 5.26m, with the earn-out likely amounting to USD 1.18m. In a reasonable anticipated scenario, with a total earn-out of USD 1.18m, the sellers would need to generate revenue growth of between 30 and 40 percent over the period.

25 Events after the reporting period (continued)

On 25 May 2018, the Company established a position in Australian financial services vertical by acquiring premium stock market news and analysis site TheBull.com.au together with other key sites, such as the TheBull.asia and the domain FatCat.com.au. To build this brand and stay ahead of the competition the Company has also acquired video-focused sites LearnTrading.com.au and LearnCFDs.com, as well as similar domains, from the author Ashley Jessen, who has published books, articles and several videos on trading. The acquired assets currently generate quarterly sales of about AUD 100,000. The initial purchase price of The Bull, payable in conjunction with the transfer of the assets, amounted to an upfront cash payment of AUD 0.9m. In addition, there is a deferred payment after six months of AUD 0.25m based on hand-over obligations being met. The purchase price of LearnTrading.com.au and related assets amounts to a maximum payment of AUD 0.1m and includes the production of video content for the Company's sites for one year.

26 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.