

REGISTERED NUMBER: 07479183 (England and Wales)

**Group Strategic Report,
Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2015
for
Outbrain UK Limited**

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Outbrain UK Limited (Registered number: 07479183)

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for the Year Ended 31 December 2015**

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Outbrain UK Limited
Company Information
for the Year Ended 31 December 2015

Directors:

Y M Galai
M J Kistler

Secretary:

Abogado Nominees Limited

Registered office:

100 New Bridge Street
London
EC4V 6JA

Registered number:

07479183 (England and Wales)

Auditor:

KPMG LLP
15 Canada Square
London
E14 5GL

**Group Strategic Report
for the Year Ended 31 December 2015**

The directors present their strategic report of the company and the group for the year ended 31 December 2015.

Review of business

Outbrain is an online content discovery platform that provides personalised content recommendations that appear as links to articles and videos on digital publishers' web pages and mobile applications.

The results of the Group for the year under review are set out on page 7.

Turnover for the year was £53,322,321 (2014: £30,304,705).

The gross profit for the year was £9,774,177 (2014: £10,029,919).

The net loss for the year was £672,090 (2014: £770,044 – net profit).

The Group is a subsidiary of Outbrain Inc, a company incorporated in the United States of America.

The Group has continued to grow its top line year on year, and despite the increase in costs, remained as a leader in the online recommendation market. The Group's main business objective is to win and retain clients and to service our clients to the very highest level of satisfaction. We endeavour to continue on a number of fronts to grow and succeed in; (i) delivery of high service, (ii) continuous improvements in client value-added and productivity, and (iii) develop and introduce new products to our clients to stay ahead of competition.

Principal risks and uncertainties

The group, in carrying out its business, faces a number of risks and uncertainties as detailed below.

Credit risk

The risk with respect to trade debtors is mitigated by a combination of credit evaluations we perform on our marketers and the short duration of our payment terms for the significant majority of our customer contracts.

Foreign exchange risk

Our consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. A substantial majority of our turnover and cost of sales are denominated in Sterling, with the remainder in Euros and US Dollar. Our operating expenses are generally denominated in the currencies in which our operations are located, with the majority in Sterling. Foreign exchange risk therefore exists due to the potential for loss from exposure to foreign exchange rate fluctuations. Group policies are aimed at minimising this risk.

Market risk

The Group operates in a highly competitive market, and the continued development of technology has the ability to create new competition.

Failure of a critical IT system

The product offered to customers relies upon a complex system of IT infrastructure. Failure of this technology could negatively affect customers and the Company's brand.

Key performance indicators

The Group is monitored on a monthly basis specifically with regard to actual performance to budget and forecast. The review is focused on the Group's 3 headline numbers being turnover, gross profit and net profit. We have made significant progress throughout the year in relation to key elements of our strategy.

Directors Emoluments

No directors exercised share options during the current and prior year.

Future Developments

In the coming year we will continue to grow as our Parent Company develops and introduces new products to our new and existing clients whilst working and collaborating with clients and continuing to deliver a high level of customer care.

Outbrain UK Limited (Registered number: 07479183)

**Group Strategic Report
for the Year Ended 31 December 2015**

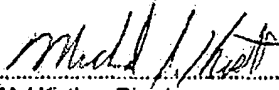
Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Brexit

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding items in which the UK will exit, the directors are not able to assess the impact of the Company or what impact the wider regulatory and legal consequences of the UK leaving the EU would be on the Company.

On behalf of the board:



M J Kistler - Director

Date: 28 September 2016

Outbrain UK Limited (Registered number: 07479183)

**Group Directors' Report
for the Year Ended 31 December 2015**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2015.

Principal activity

The principal activity of the Group remained as an online content discovery platform that provides personalised content recommendations that appear as links to articles and videos on digital publishers' web pages and mobile applications. Outbrain generate revenue from marketers through user engagements with promoted content recommendations that we deliver across a variety of third-party publisher partner properties. We pay traffic acquisition costs to our publisher partners on whose digital property the recommendation is shown. Our marketer solutions are priced using a performance-based model based on the actual number of engagements, or clicks, generated by users. The actual number of engagements generated by users is highly dependent on our ability to generate trustworthy and interesting recommendations to individual users based on our proprietary algorithms.

Dividends

No dividends will be distributed for the year ended 31 December 2015.

Disclosure of information to auditors

The directors of the company at the date of approval of this directors' report that they confirm, that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

Y M Galai

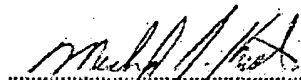
M J Kistler

S S Edelstyn (resigned 30 August 2016)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the board:



M J Kistler - Director

Date: 28 September 2016

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2015**

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS102 The Financial Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the Members of Outbrain UK Limited

We have audited the financial statements of Outbrain UK Limited for the year ended 31 December 2015 on pages seven to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- We have not identified material misstatements in those reports; and
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 29 September 2016

Outbrain UK Limited (Registered number: 07479183)

Consolidated Income Statement and Other Comprehensive Income
for the Year Ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	2	53,322,321	30,304,705
Cost of sales		<u>(43,548,144)</u>	<u>(20,274,786)</u>
Gross profit		9,774,177	10,029,919
Administrative expenses		<u>(10,507,401)</u>	<u>(8,929,268)</u>
Operating (loss)/profit	5	(733,224)	1,100,651
Interest receivable and similar income		<u>3,504</u>	<u>849</u>
(Loss)/profit on ordinary activities before taxation		(729,720)	1,101,500
Tax on (loss)/profit on ordinary activities	6	<u>57,630</u>	<u>(331,456)</u>
(Loss)/profit for the financial year for the group		<u>(672,090)</u>	<u>770,044</u>
(Loss)/profit attributable to: Owners of the parent		<u>(672,090)</u>	<u>770,044</u>
Other comprehensive income			
(Loss)/profit for the financial year		(672,090)	770,044
Share based compensation		99,104	147,835
Foreign currency translation reserve		<u>120,860</u>	<u>47,563</u>
Total comprehensive income attributable to: Owners of the parent		<u>(452,126)</u>	<u>965,442</u>

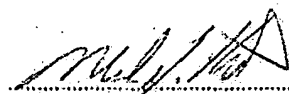
The notes form part of these financial statements

Outbrain UK Limited (Registered number: 07479183)

Consolidated Balance Sheet
31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	8	172,149	171,184
Investments	9	<u>2,876</u>	<u>2,876</u>
		<u>175,025</u>	<u>174,060</u>
Current assets			
Debtors	10	18,510,329	11,632,572
Cash at bank and in hand		<u>4,966,137</u>	<u>1,645,974</u>
		23,476,466	13,278,546
Creditors			
Amounts falling due within one year	11	<u>(20,750,890)</u>	<u>(10,099,879)</u>
Net current assets		<u>2,725,576</u>	<u>3,178,667</u>
Total assets less current liabilities		<u>2,900,601</u>	<u>3,352,727</u>
Capital and reserves			
Called up share capital	13	2,000,000	2,000,000
Foreign exchange reserve	14	168,423	47,563
Share based compensation reserve	14	414,945	315,841
Profit and loss account	14	<u>317,233</u>	<u>989,323</u>
Shareholders' funds	18	<u>2,900,601</u>	<u>3,352,727</u>

The financial statements were approved by the Board of Directors on 28 September 2016 and were signed on its behalf by:



M J Kistler - Director

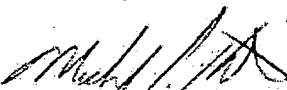
The notes form part of these financial statements

Outbrain UK Limited (Registered number: 07479183)

Company Balance Sheet
31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	8	165,875	165,185
Investments	9	<u>338,286</u>	<u>148,812</u>
		<u>504,161</u>	<u>313,997</u>
Current assets			
Debtors	10	18,484,139	11,614,944
Cash at bank and in hand		<u>4,928,982</u>	<u>1,610,049</u>
		23,413,121	13,224,993
Creditors			
Amounts falling due within one year	11	<u>(20,872,482)</u>	<u>(10,154,597)</u>
Net current assets		<u>2,540,639</u>	<u>3,070,396</u>
Total assets less current liabilities		<u>3,044,800</u>	<u>3,384,393</u>
Capital and reserves			
Called up share capital	13	2,000,000	2,000,000
Foreign exchange reserve	14	177,085	54,148
Share based compensation reserve	14	520,941	281,816
Profit and loss account	14	<u>346,774</u>	<u>1,048,429</u>
Shareholders' funds	18	<u>3,044,800</u>	<u>3,384,393</u>

The financial statements were approved by the Board of Directors on 28 September 2016 and were signed on its behalf by:


M J Kistler - Director

The notes form part of these financial statements

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2015**

	Called up share capital £	Profit & loss account £	Foreign exchange reserve £	Share based compensation £	Total equity £
Balance at 1 January 2014	2,000,000	219,279	-	168,006	2,387,285
Changes in equity					
Profit or loss	-	770,044	-	-	770,044
Total comprehensive income	-	-	47,563	147,835	195,398
Balance at 31 December 2014	<u>2,000,000</u>	<u>989,323</u>	<u>47,563</u>	<u>315,841</u>	<u>3,352,727</u>
Changes in equity					
Profit or loss	-	(672,090)	-	-	(672,090)
Other comprehensive income	-	-	120,860	99,104	219,964
Balance at 31 December 2015	<u>2,000,000</u>	<u>317,233</u>	<u>168,423</u>	<u>414,945</u>	<u>2,900,601</u>

Outbrain UK Limited (Registered number: 07479183)

Company Statement of Changes in Equity
For the Year Ended 31 December 2015

	Called up share capital £	Profit & loss account £	Foreign exchange reserve £	Share based compensation £	Total equity £
Balance at 1 January 2014	2,000,000	299,528	-	42,598	2,342,126
Changes in equity					
Profit or loss	-	748,901	-	-	748,901
Total comprehensive income	-	-	54,148	239,218	293,366
Balance at 31 December 2014	<u>2,000,000</u>	<u>1,048,429</u>	<u>54,148</u>	<u>281,816</u>	<u>3,384,393</u>
Changes in equity					
Profit or loss	-	(701,655)	-	-	(701,655)
Total comprehensive income	-	-	122,937	239,125	362,062
Balance at 31 December 2015	<u>2,000,000</u>	<u>346,774</u>	<u>177,085</u>	<u>520,941</u>	<u>3,044,800</u>

The notes form part of these financial statements

**Consolidated Cash Flow Statement
for the Year Ended 31 December 2015**

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	20	3,701,514	1,236,299
Taxes paid		<u>(381,480)</u>	<u>(242,386)</u>
Net cash from operating activities		<u>3,320,034</u>	<u>993,913</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(125,774)	(130,576)
Purchase of fixed asset investments		-	(2,876)
Disposal of tangible fixed assets		1,539	4,107
Interest received		<u>3,504</u>	<u>849</u>
Net cash from investing activities		<u>(120,731)</u>	<u>(128,496)</u>
Cash flows from financing activities			
Share issue		-	-
Net cash from financing activities		-	-
Increase in cash and cash equivalents		3,199,303	865,417
Increase in foreign currency translation reserve		120,860	47,563
Cash and cash equivalents at beginning of year	21	1,645,974	732,994
Cash and cash equivalents at end of year	21	<u>4,966,137</u>	<u>1,645,974</u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2015**

1. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 applicable with UK and the Republic of Ireland.

In the transition to FRS102 from old UK GAAP, the Group has made no measurement and recognition adjustments.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Going Concern

The financial statements have been prepared on the going concern basis because the parent company has confirmed its intention to support the Company for the foreseeable future and will support the Company meet its liabilities as they fall due for at least 12 months from the date of the audit report.

Turnover

Revenue in respect of content recommendations and promoted content is recognised when the Company obtains the right to consideration exchange for its performance which is based on click through rates on a pay-per-click basis. The Company places its content discovery platform on internet publishers' websites; as users click through on the recommended content, or promoted content, the platform records a click, which generates chargeable revenue from the content provider. Content recommendation and promoted content revenues are recorded net of value added tax.

Financial instruments

In the Outbrain UK Limited balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Tangible fixed assets

Tangible fixed assets are recorded at historical cost less accumulated depreciation. Cost comprises the purchase price and any costs directly attributable to bringing the asset to its working condition and location for its intended use. Depreciation is provided at the following annual rates in order to write down the cost of each asset to its estimated residual value over its estimated useful life:

Computer equipment	2 - 5 years straight line
Fixtures and fittings	3 years straight line

Deferred tax

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The results of the Group's foreign operations are translated at the average rates of exchange during the period and its balance sheet at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of the operation are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2015

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

Share based payments

The Company issues equity-settled share options to certain employees within the Group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line base over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Investments

Investments held as fixed assets are stated at cost. Income from investments is recorded in the profit and loss account when the right to receive that income has been confirmed.

2. **Turnover**

The turnover and loss (2014 - profit) before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2015 £	2014 £
United Kingdom	24,237,345	8,938,928
Europe	28,024,330	15,121,271
United States of America	1,048,825	6,239,553
Rest of World	11,821	4,953
	<u>53,322,321</u>	<u>30,304,705</u>

3. **Staff costs**

	2015 £	2014 £
Wages and salaries	5,148,045	4,688,847
Social security costs	983,922	832,710
Other pension costs	194,061	129,877
	<u>6,326,028</u>	<u>5,651,434</u>

The cost of contributions of these defined contribution schemes for the year was £194,061 (2014: £129,877). Pension contribution costs accrued, but not paid at the end of the year amounted to £11,726 (2014: £4,152).

The average monthly number of employees during the year was as follows:

	2015	2014
General and administrative	14	13
Sales and marketing	81	53
Total average employees	<u>95</u>	<u>66</u>

The notes form part of these financial statements

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

4 Directors' emoluments

	2015	2014
	£	£
Directors' remuneration	279,733	315,631
Directors' pension contributions to money purchase schemes	<u>11,043</u>	<u>10,850</u>

Information regarding the highest paid director is as follows:

	2015	2014
	£	£
Emoluments etc	279,733	315,631
Pension contributions to money purchase schemes	<u>11,043</u>	<u>10,850</u>

No directors exercised share options during the year (2014 - nil).

5. Operating (loss)/profit

The operating loss (2014 - operating profit) is stated after charging:

	2015	2014
	£	£
Hire of plant and machinery	-	936
Other operating leases	413,151	352,110
Depreciation - owned assets	121,474	99,315
Loss on disposal of fixed assets	-	663
Auditors' remuneration	42,579	33,500
Stock based compensation	248,816	154,710
Foreign exchange differences	<u>185,747</u>	<u>115,405</u>

6. Taxation

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2015	2014
	£	£
Current tax:		
UK corporation tax	-	317,091
Foreign tax	61,440	50,384
Deferred tax	<u>(119,070)</u>	<u>(36,019)</u>
Tax on (loss)/profit on ordinary activities	<u>(57,630)</u>	<u>331,456</u>

The current tax charge for the period is higher (2014: higher) than the standard rate of corporation tax in the UK (20.25%, 2014: 21.5%). The differences are explained below:

	2015	2014
	£	£
(Loss)/profit on ordinary activities before tax	<u>(729,720)</u>	<u>1,101,500</u>
Income tax at the UK tax rate of 20.25% (2014: 21.5%)	(147,768)	236,823
Provisions	44,484	14,942
Non-deductible expenses	66,930	66,767
Capital allowances in deficit of depreciation	(1,254)	(7,058)
Shared based compensation	14,973	23,404
Current year under provision on UK corporation tax	-	(5,973)
Foreign tax differences	13,960	16,929
Unutilised losses	(31,459)	-
Other short term timing differences	(11,523)	(8,302)
Adjustments to tax in respect of prior years	<u>(5,973)</u>	<u>(6,076)</u>
Tax on (loss)/profit on ordinary activities	<u>(57,630)</u>	<u>331,456</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

7. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the Profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(701,655) (2014 - £748,901 profit).

8. Tangible fixed assets

Group

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
Cost				
At 1 January 2015	-	184,343	164,689	349,032
Additions	2,786	28,073	94,915	125,774
Disposals	-	-	(4,229)	(4,229)
Exchange differences	-	-	(567)	(567)
At 31 December 2015	<u>2,786</u>	<u>212,416</u>	<u>254,808</u>	<u>470,010</u>
Depreciation				
At 1 January 2015	-	78,960	98,888	177,848
Charge for year	77	57,177	64,617	121,871
Eliminated on disposal	-	-	(1,348)	(1,348)
Exchange differences	-	-	(510)	(510)
At 31 December 2015	<u>77</u>	<u>136,137</u>	<u>161,647</u>	<u>297,861</u>
Net book value				
At 31 December 2015	<u>2,709</u>	<u>76,279</u>	<u>93,161</u>	<u>172,149</u>
At 31 December 2014	<u>-</u>	<u>105,383</u>	<u>65,801</u>	<u>171,184</u>

Company

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
Cost				
At 1 January 2015	-	184,343	154,361	338,704
Additions	2,786	28,073	91,185	122,044
Disposals	-	-	(3,450)	(3,450)
At 31 December 2015	<u>2,786</u>	<u>212,416</u>	<u>242,096</u>	<u>457,298</u>
Depreciation				
At 1 January 2015	-	78,960	94,559	173,519
Charge for year	77	57,177	61,725	118,979
Eliminated on disposal	-	-	(1,075)	(1,075)
At 31 December 2015	<u>77</u>	<u>136,137</u>	<u>155,209</u>	<u>291,423</u>
Net book value				
At 31 December 2015	<u>2,709</u>	<u>76,279</u>	<u>86,887</u>	<u>165,875</u>
At 31 December 2014	<u>-</u>	<u>105,383</u>	<u>59,802</u>	<u>165,185</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

9. Fixed asset investments

Group

	Unlisted Investments £
Cost	
At 31 December 2015	<u>2,876</u>
Net book value	
At 31 December 2015	<u>2,876</u>
At 31 December 2014	<u>2,876</u>

Outbrain UK Limited hold a 1% share in Outbrain Services Monetização de Conteúdo Ltda, a company incorporated in Brazil. Outbrain Inc, a company incorporated in the United States of America, hold the remaining 99%.

The directors have considered the carrying value of investment through review of the forecasts of the business and the net assets of the entities. Follow this exercise they do not believe any impairments are required.

Company

	Unlisted Investments £
Cost	
At 1 January 2015	148,812
Additions	<u>189,474</u>
At 31 December 2015	<u>338,286</u>
Net book value	
At 31 December 2015	<u>338,286</u>
At 31 December 2014	<u>148,812</u>

Outbrain UK Limited hold a 100% share in Outbrain Sweden AB, a company incorporated in Sweden.
Outbrain UK Limited hold a 100% share in Outbrain Italy Srl, a company incorporated in Italy.
Outbrain UK Limited hold a 100% share in Outbrain Spain S.L., a company incorporated in Spain.

The directors have considered the carrying value of investment through review of the forecasts of the business and the net assets of the entities. Follow this exercise they do not believe any impairments are required.

10. Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	16,444,079	9,641,367	16,444,079	9,641,367
Amounts owed by group undertakings	359,239	1,381,118	359,239	1,381,118
Other debtors	135,941	115,485	130,354	110,798
Deferred tax asset	148,574	36,019	148,573	35,900
Prepayments	<u>1,133,248</u>	<u>185,466</u>	<u>1,112,646</u>	<u>172,644</u>
	<u>18,221,081</u>	<u>11,359,455</u>	<u>18,194,891</u>	<u>11,341,827</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

10. Debtors - continued

Amounts falling due after more than one year:

Other debtors	<u>289,248</u>	<u>273,117</u>	<u>289,248</u>	<u>273,117</u>
Aggregate amounts	<u>18,510,329</u>	<u>11,632,572</u>	<u>18,484,139</u>	<u>11,614,944</u>
Deferred tax asset				
	2015	2014	2015	2014
	£	£	£	£
Deferred tax	<u>148,574</u>	<u>36,019</u>	<u>148,573</u>	<u>35,900</u>

A deferred tax asset of £148,574 is recognised on the balance sheet at 31 December 2015. This balance comprises predominately of temporary differences relating to stock based compensation of £81,927 plus other timing differences of £66,647.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

11. Creditors: amounts falling due within one year

	2015	2014	2015	2014
	£	£	£	£
Trade creditors	3,991,038	1,823,888	3,978,823	1,809,034
Amounts owed to group undertakings	5,500,649	43,437	5,690,467	193,113
Corporation tax	2,000	160,317	-	155,094
Social security and other taxes	128,504	324,817	89,127	304,405
Value added tax	383,581	115,379	439,340	147,575
Other creditors	179,380	29,269	179,380	29,269
Accruals and deferred income	<u>10,565,738</u>	<u>7,602,772</u>	<u>10,495,345</u>	<u>7,516,107</u>
	<u>20,750,890</u>	<u>10,099,879</u>	<u>20,872,482</u>	<u>10,154,597</u>

12. Operating lease commitments

The following operating lease payments are committed to be paid within one year:

Group

	2015	2014
	£	£
Expiring:		
Within one year	540,932	354,991
Between one and five years	<u>892,714</u>	<u>1,111,815</u>
	<u>1,433,646</u>	<u>1,466,806</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

12. Operating lease commitments - continued

Company

	Other operating leases 2015 £	2014 £
Expiring:		
Within one year	466,169	351,711
Between one and five years	<u>892,714</u>	<u>1,111,815</u>
	<u>1,358,883</u>	<u>1,463,526</u>

13. Called up share capital

Allotted, issued and fully paid:
Number: Class:

	Nominal value:	2015 £	2014 £
2,000,000 Ordinary	£1	<u>2,000,000</u>	<u>2,000,000</u>

14. Reserves

Group

	Profit and loss account £	Foreign exchange reserve £	Share based compensation reserve £	Totals £
At 1 January 2015	989,323	47,563	315,841	1,352,727
Deficit for the year	(672,090)	-	-	(672,090)
Other reserves	-	120,860	99,104	219,964
At 31 December 2015	<u>317,233</u>	<u>168,423</u>	<u>414,945</u>	<u>900,601</u>

Company

	Profit and loss account £	Foreign exchange reserve £	Share based compensation reserve £	Totals £
At 1 January 2015	1,048,429	54,148	281,816	1,384,393
Deficit for the year	(701,655)	-	-	(701,655)
Other reserves	-	122,937	239,125	362,062
At 31 December 2015	<u>346,774</u>	<u>177,085</u>	<u>520,941</u>	<u>1,044,800</u>

15. Ultimate parent company

Outbrain Inc (incorporated in United States of America) is regarded by the directors as being the company's ultimate parent company.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

16. Related party disclosures

Outbrain Inc

Immediate parent

During the year the following transaction took place with Outbrain, Inc:

Net revenues invoiced by Outbrain Inc to customers within the Company's territory of £1,043,677 (2014: £6,082,077) were transferred to the Company.

The Company recharged expense paid on behalf of Outbrain Inc totalling £138,305 (2014: £54,155).

Purchases paid by Outbrain Inc on behalf of the Company were recharged totalling £35,766 (2014: £11,048).

Outbrain, Inc. charged the Company £2,666,118 (2014: £1,515,112) for use of IP.

During the period £2,217,262 (2014: £4,759,037) was transferred at nil interest from Outbrain Inc to the Company.

During the period, Outbrain Inc issued an intercompany loan to the Company of £2,600,000 (2014: £nil), with interest charged at the short term monthly Applicable Federal Rate as per the loan agreement. Interest charged for the period totalled £5,235 (2014: £nil).

	2015 £	2014 £
Amount due (from)/to related party at the balance sheet date	<u>(5,279,237)</u>	<u>1,231,604</u>

Outbrain Services Monetização de Conteúdo Ltda

A company in which Outbrain UK Limited hold an investment

Net revenues invoiced by the Company to customers within the territory of Outbrain Services Monetização de Conteúdo Ltda were transferred over totalling £192,048 (2014: £33,303).

	2015 £	2014 £
Amount due to related party at the balance sheet date	<u>191,943</u>	<u>37,159</u>

Outbrain Singapore Pte. Ltd

Subsidiary of Outbrain Inc

	2015 £	2014 £
Amount due to related party at the balance sheet date	<u>5,478</u>	<u>5,478</u>

Outbrain Israel Ltd

Subsidiary of Outbrain Inc

Purchases paid by Outbrain Israel Ltd on behalf of the Company were recharged totalling £20,489 (2014: £318).

	2015 £	2014 £
Amount due to related party at the balance sheet date	<u>22,000</u>	<u>799</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

16. Related party disclosures - continued

Outbrain Australia PTY Ltd
Subsidiary of Outbrain Inc

During the year the Company recharged expenses paid on behalf of Outbrain Australia PTY Ltd totalling £4,257 (2014: £537)

	2015 £	2014 £
Amount due from related party at the balance sheet date	<u>4,794</u>	<u>537</u>

Outbrain Japan KK
Subsidiary of Outbrain Inc

Net revenues invoiced by Outbrain Japan KK to customers within the Company's territory of £192,088 (2014: £148,977) were transferred to the Company.

	2015 £	2014 £
Amount due from related party at the balance sheet date	<u>354,445</u>	<u>148,977</u>

17. Ultimate controlling party

The directors do not consider there to be any one ultimate controlling party.

18. Reconciliation of movements in shareholders' funds

Group

	2015 £	2014 £
(Loss)/profit for the financial year	(672,090)	770,044
Share based compensation reserve	99,104	147,835
Foreign exchange reserve	<u>120,860</u>	<u>47,563</u>
Net (reduction)/addition to shareholders' funds	(452,126)	965,442
Opening shareholders' funds	<u>3,352,727</u>	<u>2,387,285</u>
Closing shareholders' funds	<u>2,900,601</u>	<u>3,352,727</u>

Company

	2015 £	2014 £
(Loss)/profit for the financial year	(701,655)	748,901
Share based compensation reserve	239,125	239,218
Foreign exchange reserve	<u>122,937</u>	<u>54,148</u>
Net (reduction)/addition to shareholders' funds	(339,593)	1,042,267
Opening shareholders' funds	<u>3,384,393</u>	<u>2,342,126</u>
Closing shareholders' funds	<u>3,044,800</u>	<u>3,384,393</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

19. Share-based payment transactions

The Group adopted stock option plans to benefit the stockholders of Outbrain Inc and to align the interests of such employees with those of the Company's stockholders.

New employee stock options have vesting terms of 25% after 1 year and the balance in equal monthly instalments over the next 36 months thereafter. Refreshments and anniversary stock options vest monthly over 48 months. IPO stock options vest 100% on IPO or a Change of Control. Options granted under the CSOP Plan will not vest until an Exit Event (IPO or Change of Control) or upon termination of employment, and then only in respect to the portion set out in the terms of the optionee's agreement.

94 (2014: 72) employees benefit from the plans. The movements to 31 December 2014 and to 31 December 2015 are shown below:

	Options	Outstanding Weighted Average Exercise Price \$
	Number	
Outstanding as at 31 December 2013	742,640	\$1.44
Granted	467,622	\$4.52
Transferred within the group	5,000	\$1.25
Exercised	(3,385)	\$1.25
Cancelled	(32,500)	\$3.34
Outstanding as at 31 December 2014	1,179,377	\$2.61
Exercisable at 31 December 2014	341,460	\$1.12

	Options	Outstanding Weighted Average Exercise Price \$
	Number	
Outstanding as at 31 December 2014	1,179,377	\$2.61
Granted	137,500	\$5.95
Transferred out	(5,000)	\$4.70
Transferred in	29,000	\$4.00
Exercised	(46,901)	\$0.90
Cancelled	(42,599)	\$3.15
Outstanding as at 31 December 2015	1,251,377	\$3.06
Exercisable at 31 December 2015	541,649	\$1.98

20. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2015 £	2014 £
Operating (loss)/profit	(733,224)	1,100,651
Depreciation charges	121,871	99,315
Loss on disposal of fixed assets	1,342	663
Non cash foreign exchange movements	57	277
Increase in share based compensation	99,104	147,835
Increase in debtors	(6,765,202)	(5,172,753)
Increase in creditors	10,977,566	5,060,311
Net cash inflow from operating activities	3,701,514	1,236,299

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2015

21. Cash and cash equivalents

The amounts disclosed on the Consolidated cash flow statement in respect of cash and cash equivalents are in respect of these Balance sheet amounts:

Year ended 31 December 2015

	31.12.15 £	1.1.15 £
Cash and cash equivalents	<u>4,966,137</u>	<u>1,645,974</u>

Year ended 31 December 2014

	31.12.14 £	1.1.14 £
Cash and cash equivalents	<u>1,645,974</u>	<u>732,994</u>