
REGISTERED NUMBER: 07479183 (England and Wales)

**Group Strategic Report,
Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2016
for
Outbrain UK Limited**

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Outbrain UK Limited (Registered number: 07479183)

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for the Year Ended 31 December 2016**

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Outbrain UK Limited
Company Information
for the Year Ended 31 December 2016

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

Outbrain UK Limited (Registered number: 07479183)

**Group Strategic Report
for the Year Ended 31 December 2016**

The directors present their strategic report of the company and the group for the year ended 31 December 2016.

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 £76,214,566 (2015: £53,322,321).

The gross profit for the year was £12,604,833 (2015: £9,774,177).

The net loss for the year was £395,454 (2015: £672,090).

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

During the year, Outbrain Inc allocated indirect costs relating to server, licences and marketing to Outbrain UK Limited totalling £3,197,917 (2015: £nil).

The Group has continued to grow its top line year on year and, despite the increase in costs, has 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 loss. 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 2016**

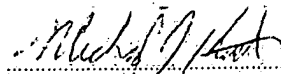
Going concern

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: 27 September 2017

Outbrain UK Limited (Registered number: 07479183)

**Group Directors' Report
for the Year Ended 31 December 2016**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2016.

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 generates 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

The directors do not recommend the payment of a dividend for the year ended 31 December 2016.

Disclosure of information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Directors

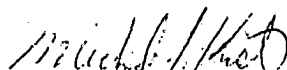
The directors who held office during the year ended 31 December 2016 to the date of this report were as follows:

Y M Galai
M J Kistler
S S Edelistyn (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: 27 September 2017

Outbrain UK Limited (Registered number: 07479183)

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2016**

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report 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 they have elected to prepare the group and parent company 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 each of the group and parent company 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**Independent Auditor's Report to the Members of
Outbrain UK Limited**

We have audited the financial statements of Outbrain UK Limited for the year ended 31 December 2016 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 an auditor's report 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 2016 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 Strategic Report and the Directors' Report for the financial year 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: 28 September 2017

Outbrain UK Limited (Registered number: 07479183)

Consolidated Profit and Loss Account and Other Comprehensive Income
for the Year Ended 31 December 2016

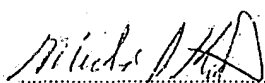
	Notes	2016 £	2015 £
Turnover	2	76,214,566	53,322,321
Cost of sales		<u>(63,609,733)</u>	<u>(43,548,144)</u>
Gross profit		12,604,833	9,774,177
Administrative expenses		<u>(12,847,351)</u>	<u>(10,507,401)</u>
Operating loss	5	(242,518)	(733,224)
Interest receivable and similar income		<u>113,749</u>	<u>3,504</u>
Loss before taxation		(128,769)	(729,720)
Tax on loss on ordinary activities	6	<u>(266,685)</u>	<u>57,630</u>
Loss for the financial year for the group		<u>(395,454)</u>	<u>(672,090)</u>
Loss attributable to: Owners of the parent		<u>(395,454)</u>	<u>(672,090)</u>
Other comprehensive income			
Loss for the financial year		(395,454)	(672,090)
Share based compensation reserve		297,140	99,104
Foreign currency translation reserve		<u>(303,315)</u>	<u>120,860</u>
Total comprehensive loss attributable to: Owners of the parent		<u>(401,629)</u>	<u>(452,126)</u>

Outbrain UK Limited (Registered number: 07479183)

Consolidated Balance Sheet
31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	8	213,651	172,149
Investments	9	<u>2,876</u>	<u>2,876</u>
		<u>216,527</u>	<u>175,025</u>
Current assets			
Debtors			
(including £20,933 (2015: £289,248) due after more than one year)	10	23,055,527	18,510,329
Cash at bank and in hand		<u>17,135,248</u>	<u>4,966,137</u>
		40,190,775	23,476,466
Creditors			
Amounts falling due within one year	11	<u>(37,908,330)</u>	<u>(20,750,890)</u>
Net current assets		<u>2,282,445</u>	<u>2,725,576</u>
Total assets less current liabilities		<u>2,498,972</u>	<u>2,900,601</u>
Capital and reserves			
Called up share capital	13	2,000,000	2,000,000
Foreign exchange reserve	14	(134,892)	168,423
Share based compensation reserve	14	712,085	414,945
Profit and loss account	14	<u>(78,221)</u>	<u>317,233</u>
Shareholders' funds	18	<u>2,498,972</u>	<u>2,900,601</u>

The financial statements were approved by the Board of Directors on 27 September 2017 and were signed on its behalf by:



M J Kistler - Director

Outbrain UK Limited (Registered number: 07479183)

Company Balance Sheet
31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	8	204,343	165,875
Investments	9	<u>586,680</u>	<u>338,286</u>
		<u>791,023</u>	<u>504,161</u>
Current assets			
Debtors			
(including £20,933 (2015: £289,248) due after more than one year)	10	23,000,227	18,484,139
Cash at bank and in hand		<u>17,099,495</u>	<u>4,928,982</u>
		40,099,722	23,413,121
Creditors			
Amounts falling due within one year	11	<u>(38,150,272)</u>	<u>(20,872,482)</u>
Net current assets		<u>1,949,450</u>	<u>2,540,639</u>
Total assets less current liabilities		<u>2,740,473</u>	<u>3,044,800</u>
Capital and reserves			
Called up share capital	13	2,000,000	2,000,000
Foreign exchange reserve	14	(141,042)	177,085
Share based compensation reserve	14	999,442	520,941
Profit and loss account	14	<u>(117,927)</u>	<u>346,774</u>
Shareholders' funds	18	<u>2,740,473</u>	<u>3,044,800</u>

The financial statements were approved by the Board of Directors on 27 September 2017 and were signed on its behalf by:



M J Kistler - Director

Outbrain UK Limited (Registered number: 07479183)

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2016

	Called up share capital £	Profit & loss account £	Foreign exchange reserve £	Share based compensation £	Total equity £
Balance at 1 January 2015	2,000,000	989,323	47,563	315,841	3,352,727
Changes in equity					
Loss for the year	-	(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>
Changes in equity					
Loss for the year	-	(395,454)	-	-	(395,454)
Other comprehensive income	-	-	(303,315)	297,140	(6,175)
Balance at 31 December 2016	<u>2,000,000</u>	<u>(78,221)</u>	<u>(134,892)</u>	<u>712,085</u>	<u>2,498,972</u>

Outbrain UK Limited (Registered number: 07479183)

Company Statement of Changes in Equity
For the Year Ended 31 December 2016

	Called up share capital £	Profit & loss account £	Foreign exchange reserve £	Share based compensation £	Total equity £
Balance at 1 January 2015	2,000,000	1,048,429	54,148	281,816	3,384,393
Changes in equity					
Loss for the year	-	(701,655)	-	-	(701,655)
Other 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>
Changes in equity					
Loss for the year	-	(464,701)	-	-	(464,701)
Other comprehensive income	-	-	(318,127)	478,501	160,374
Balance at 31 December 2016	<u>2,000,000</u>	<u>(117,927)</u>	<u>(141,042)</u>	<u>999,442</u>	<u>2,740,473</u>

Outbrain UK Limited (Registered number: 07479183)

Consolidated Cash Flow Statement
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	20	12,803,995	3,701,514
Taxes paid		<u>(246,049)</u>	<u>(381,480)</u>
Net cash from operating activities		<u>12,557,946</u>	<u>3,320,034</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(271,101)	(125,774)
Disposal of tangible fixed assets		71,832	1,539
Interest and other income received		<u>113,749</u>	<u>3,504</u>
Net cash from investing activities		<u>(85,520)</u>	<u>(120,731)</u>
Increase in cash and cash equivalents		12,472,426	3,199,303
(Decrease)/Increase in foreign currency translation reserve		(303,315)	120,860
Cash and cash equivalents at beginning of year	21	4,966,137	1,645,974
Cash and cash equivalents at end of year	21	<u>17,135,248</u>	<u>4,966,137</u>

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

1. **Accounting policies**

Outbrain UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2016. 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 to 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.

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.

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

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. Equily-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 basis 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 before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2016 £	2015 £
United Kingdom	25,245,341	25,281,061
Europe	50,861,596	28,024,330
United States of America	16,595	5,109
Rest of World	91,034	11,821
	<u>76,214,566</u>	<u>53,322,321</u>

Turnover generated through United Kingdom but promoted on publishers across the World is recognised within United Kingdom above.

3. Staff costs

	2016 £	2015 £
Wages and salaries	6,681,499	5,148,045
Social security costs	1,270,149	983,922
Other pension costs	268,619	194,061
	<u>8,220,267</u>	<u>6,326,028</u>

The cost of contributions of these defined contribution schemes for the year was £268,619 (2015: £194,061). Pension contribution costs accrued, but not paid at the end of the year amounted to £14,311 (2015: £11,726).

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

	2016	2015
General and administrative	17	14
Sales and marketing	90	81
Total average employees	<u>107</u>	<u>95</u>

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

4 Directors' emoluments

	2016	2015
	£	£
Directors' remuneration	199,706	279,733
Directors' pension contributions to money purchase schemes	<u>2,765</u>	<u>11,043</u>

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	199,706	279,733
Pension contributions to money purchase schemes	<u>2,765</u>	<u>11,043</u>

No directors exercised share options during the year (2015 - nil).

5. Operating loss

The operating loss is stated after charging/(crediting):

	2016	2015
	£	£
Other operating leases	581,018	413,151
Depreciation - owned assets	167,751	121,474
(Gain)/Loss on disposal of fixed assets	(1,886)	1,342
Auditors' remuneration	55,700	42,579
Stock based compensation	318,853	248,816
Net foreign exchange (gain)/loss	<u>(1,403,828)</u>	<u>185,747</u>

The movement on net foreign exchange from a loss to a gain in the current year is primarily due to the devaluation of the Sterling following Brexit.

6. Taxation

Analysis of the tax charge/(credit)

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

	2016	2015
	£	£
UK corporation tax	(13,069)	47,478
UK deferred tax	(81,095)	(119,113)
Foreign corporation tax	368,033	13,962
Foreign deferred tax	<u>(7,184)</u>	<u>43</u>
Tax on loss on ordinary activities	<u>266,685</u>	<u>(57,630)</u>

The current tax charge for the period is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016	2015
	£	£
Loss on ordinary activities before tax	<u>(128,769)</u>	<u>(729,720)</u>
Income tax at the UK tax rate of 20% (2015: 20.25%)	(25,754)	(147,768)
Non-deductible expenses	54,406	83,830
Foreign tax - current	360,849	14,005
Double tax relief	(82,020)	-
Difference in foreign tax rates	(17,885)	(9,216)
Change in tax rate - deferred tax	1,818	1,317
Other short term timing differences	-	167
Adjustments to tax in respect of prior years	<u>(24,729)</u>	<u>35</u>
Tax on loss on ordinary activities	<u>266,685</u>	<u>(57,630)</u>

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

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 £464,701 (2015 - £701,655).

8. Tangible fixed assets

Group

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
Cost				
At 1 January 2016	2,786	212,416	254,808	470,010
Additions	32,468	68,266	170,367	271,101
Disposals	-	(116,138)	(95,671)	(211,809)
Exchange differences	436	13,741	2,357	16,534
At 31 December 2016	35,690	178,285	331,861	545,836
Depreciation				
At 1 January 2016	77	136,137	161,647	297,861
Charge for year	9,379	58,811	99,561	167,751
Eliminated on disposal	-	(99,241)	(42,622)	(141,863)
Exchange differences	36	6,219	2,181	8,436
At 31 December 2016	9,492	101,926	220,767	332,185
Net book value				
At 31 December 2016	<u>26,198</u>	<u>76,359</u>	<u>111,094</u>	<u>213,651</u>
At 31 December 2015	<u>2,709</u>	<u>76,279</u>	<u>93,161</u>	<u>172,149</u>

Company

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
Cost				
At 1 January 2016	2,786	212,416	242,096	457,298
Additions	32,468	68,266	164,114	264,848
Disposals	-	(116,138)	(94,215)	(210,353)
Exchange differences	436	13,741	369	14,546
At 31 December 2016	35,690	178,285	312,364	526,339
Depreciation				
At 1 January 2016	77	136,137	155,209	291,423
Charge for year	9,379	58,811	95,959	164,149
Eliminated on disposal	-	(99,241)	(41,594)	(140,835)
Exchange differences	36	6,219	1,004	7,259
At 31 December 2016	9,492	101,926	210,578	321,996
Net book value				
At 31 December 2016	<u>26,198</u>	<u>76,359</u>	<u>101,786</u>	<u>204,343</u>
At 31 December 2015	<u>2,709</u>	<u>76,279</u>	<u>86,887</u>	<u>165,875</u>

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

9. Fixed asset investments

Group

Unlisted investments
£

Cost

At 31 December 2016

2,876

Net book value

At 31 December 2016

2,876

At 31 December 2015

2,876

Outbrain UK Limited hold a 1% share in Outbrain Services Monetização de Conteúdo Ltda, a company incorporated in Brazil and registered at Rua Leopoldo Couto de Magalhães Jr., 758-11º, CEP 04534-040, São Paulo. Outbrain Inc, a company incorporated in the United States of America, holds the remaining 99%

Company

Unlisted investments
£

Cost

At 1 January 2016

338,286

Additions

248,394

At 31 December 2016

586,680

Net book value

At 31 December 2016

586,680

At 31 December 2015

338,286

Outbrain UK Limited hold a 100% share in Outbrain Sweden AB, a company incorporated in Sweden and registered at Eriksbergsgatan 42, SE 114 30, Stockholm.

Outbrain UK Limited hold a 100% share in Outbrain Italy Srl, a company incorporated in Italy and registered at Corso Magenta 56, Milano, Cap 20123.

Outbrain UK Limited hold a 100% share in Outbrain Spain S.L., a company incorporated in Spain and registered at Ronda General Mitre, 28-30, Barcelona 08017.

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

10. Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	21,536,769	16,444,079	21,536,769	16,444,079
Amounts owed by group undertakings	611,632	359,239	611,632	359,239
Other debtors	418,216	135,941	412,552	130,354
Deferred tax asset	206,443	148,574	184,258	148,573
Prepayments	<u>261,534</u>	<u>1,133,248</u>	<u>234,083</u>	<u>1,112,646</u>
	<u>23,034,594</u>	<u>18,221,081</u>	<u>22,979,294</u>	<u>18,194,891</u>
Amounts falling due after more than one year:				
Other debtors	<u>20,933</u>	<u>289,248</u>	<u>20,933</u>	<u>289,248</u>
Aggregate amounts	<u>23,055,527</u>	<u>18,510,329</u>	<u>23,000,227</u>	<u>18,484,139</u>

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

10. Debtors - continued

Deferred tax asset

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred tax	<u>206,443</u>	<u>148,574</u>	<u>184,258</u>	<u>148,573</u>

A deferred tax asset of £206,443 is recognised on the balance sheet at 31 December 2016. This balance comprises predominately of temporary differences relating to stock based compensation of £160,127 plus other timing differences of £46,316.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was 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, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at balance sheet date has been calculated based on these rates.

11. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	6,219,789	3,991,038	6,210,390	3,978,823
Amounts owed to group undertakings	12,614,428	5,500,649	13,117,699	5,690,467
Corporation tax	6,451	2,000		
Social security and other taxes	229,389	128,504	135,479	89,127
Value added tax	1,203,799	383,581	1,233,418	439,340
Other creditors	423,149	179,380	423,149	179,380
Accruals	<u>17,211,325</u>	<u>10,565,738</u>	<u>17,030,137</u>	<u>10,495,345</u>
	<u>37,908,330</u>	<u>20,750,890</u>	<u>38,150,272</u>	<u>20,872,482</u>

12. Operating lease commitments

The following operating lease payments are committed to be paid:

Group

	Other operating leases	
	2016	2015
	£	£
Within one year	692,060	434,340
Between one and five years	<u>108,755</u>	<u>448,454</u>
	<u>800,815</u>	<u>882,794</u>

Operating lease commitments - continued

Company

	Other operating leases	
	2016	2015
	£	£
Within one year	687,695	431,988
Between one and five years	<u>108,755</u>	<u>448,454</u>
	<u>796,450</u>	<u>880,442</u>

Outbrain UK Limited (Registered number: 07479183)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

13. Called up share capital

Number:	Class:	Nominal value:	2016	2015
			£	£
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 2016	317,233	168,423	414,945	900,601
Loss for the year	(395,454)	-	-	(395,454)
Other reserves	-	(303,315)	297,140	(6,175)
At 31 December 2016	<u>(78,221)</u>	<u>(134,892)</u>	<u>712,085</u>	<u>498,972</u>
Company	Profit and loss account £	Foreign exchange reserve £	Share based compensation reserve £	Totals £
At 1 January 2016	346,774	177,085	520,941	1,044,800
Loss for the year	(464,701)	-	-	(464,701)
Other reserves	-	(318,127)	478,501	160,374
At 31 December 2016	<u>(117,927)</u>	<u>(141,042)</u>	<u>999,442</u>	<u>740,473</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. Both the highest and lowest levels at which the results of the Group are consolidated are in the accounts of Outbrain Inc. These accounts are not publicly available. Outbrain Inc is registered at 615 South DuPont Highway, Dover, Delaware 19901.

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

16. Related party disclosures

Outbrain Inc
Immediate parent

During the year the following transaction took place with Outbrain Inc.

Net revenues invoiced by the Company to customers within the territory of Outbrain Inc were transferred over totalling £4,092,288 (2015: £1,043,677 net revenues invoices by Outbrain Inc to customers within the Company's territory)

The Company recharged expense paid on behalf of Outbrain Inc totalling £141,562 (2015: £138,305).

Purchases paid by Outbrain Inc on behalf of the Company were recharged totalling £5,701 (2015: £35,766)

Outbrain, Inc. charged the Company £3,810,728 (2015: £2,666,118) for use of IP.

During the period £136,892 was transferred at nil interest from the Company to Outbrain Inc (2015: £2,217,262 transferred at nil interest from Outbrain Inc to the Company).

During the prior year, Outbrain Inc issued an intercompany loan to the Company of £2,600,000, with interest charged at the short term monthly Applicable Federal Rate as per the loan agreement. This loan was fully repaid during the current year. Interest charged for the period totalled £5,236 (2015: £5,235).

During the year, Outbrain Inc allocated indirect costs relating to server, licences and marketing to Outbrain UK Limited totalling £3,197,917 (2015: £nil).

	2016 £	2015 £
Amount due to / (from) related party at the balance sheet date	<u>12,312,365</u>	<u>(5,279,237)</u>

Outbrain Services Monetização de Conteúdo Ltda

A company in which Outbrain UK Limited hold an investment, registered office address Rue Leopoldo, Couto de Magalhães Jr., 758 - 11. and - 1134A - São Paulo - SP 04542-000, Brasil.

Net revenues invoiced by Outbrain Services Monetização de Conteúdo Ltda to customers within the Company's territory of £21,441 were transferred to the Company (2015: £192,048 net revenues invoiced by the Company to customers within the territory of Outbrain Services Monetização de Conteúdo Ltda).

	2016 £	2015 £
Amount due to related party at the balance sheet date	<u>241,515</u>	<u>191,943</u>

Outbrain Singapore Pte. Ltd

Subsidiary of Outbrain Inc, registred office address 6 Battery Road, #010-01, Singapore 049909.

	2016 £	2015 £
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, located at 6 Arye Regev St., 2nd & 3rd Floor, Netanya, Israel 4250213

Purchases paid by Outbrain Israel Ltd on behalf of the Company were recharged totalling £21,560 (2015: £20,489).

	2016 £	2015 £
Amount due to related party at the balance sheet date	<u>50,271</u>	<u>22,000</u>

Outbrain UK Limited (Registered number: 07479183)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

16 Related party disclosures - continued

Outbrain Australia PTY Ltd

Subsidiary of Outbrain Inc, registered office address Suite 2204, Level 22, 520 Oxford Street, Bondi Junction, NSW, 2022.

During the year the Company recharged expenses paid on behalf of Outbrain Australia PTY Ltd totalling £nil (2015: £4,257)

	2016 £	2015 £
Amount due from related party at the balance sheet date	<u>4,794</u>	<u>4,794</u>

Outbrain Japan KK

Subsidiary of Outbrain Inc, registered office address c/o SCS Global Tax Consulting Corporation, 4F, Kyoudoutsushin Kaikan, 2-5, Toranomon 2-chome, Minato-ku, Tokyo.

Net revenues invoiced by Outbrain Japan KK to customers within the Company's territory of £160,117 (2015: £192,088) were transferred to the Company.

	2016 £	2015 £
Amount due from related party at the balance sheet date	<u>606,838</u>	<u>354,445</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

	2016 £	2015 £
Loss for the financial year	(395,454)	(672,090)
Share based compensation reserve	297,140	99,104
Foreign exchange reserve	<u>(303,315)</u>	<u>120,860</u>
Net reduction to shareholders' funds	(401,629)	(452,126)
Opening shareholders' funds	<u>2,900,601</u>	<u>3,352,727</u>
Closing shareholders' funds	<u>2,498,972</u>	<u>2,900,601</u>

Company

	2016 £	2015 £
Loss for the financial year	(464,701)	(701,655)
Share based compensation reserve	478,501	239,125
Foreign exchange reserve	<u>(318,127)</u>	<u>122,937</u>
Net reduction to shareholders' funds	(304,327)	(339,593)
Opening shareholders' funds	<u>3,044,800</u>	<u>3,384,393</u>
Closing shareholders' funds	<u>2,740,473</u>	<u>3,044,800</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

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.

127 (2015: 94) employees benefit from the plans. The movements to 31 December 2015 and to 31 December 2016, are shown below:

	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

	Options	Outstanding Weighted Average Exercise Price \$
	Number	
Outstanding as at 31 December 2015	1,251,377	\$3.06
Granted	261,165	\$4.71
Transferred out	(24,750)	\$4.70
Exercised	(8,854)	\$1.35
Cancelled	(128,831)	\$3.15
Outstanding as at 31 December 2016	1,350,107	\$3.30
Exercisable at 31 December 2016	629,988	\$2.53

20. Reconciliation of operating loss to net cash inflow from operating activities

	2016	2015
	£	£
Operating loss	(242,518)	(733,224)
Depreciation charges	167,751	121,871
(Gain)/Loss on disposal of fixed assets	(1,886)	1,342
Non cash foreign exchange movements	(8,098)	57
Increase in share based compensation	297,140	99,104
Increase in debtors	(4,487,329)	(6,765,202)
Increase in creditors	17,078,935	10,977,566
Net cash inflow from operating activities	12,803,995	3,701,514

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

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 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u>17,135,248</u>	<u>4,966,137</u>

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>