

REGISTERED NUMBER: 07479183 (England and Wales)

**Group Strategic Report,  
Report of the Directors and  
Consolidated Financial Statements  
for the Year Ended 31 December 2014  
for  
Outbrain UK Limited**

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**Outbrain UK Limited (Registered number: 07479183)**

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for the Year Ended 31 December 2014**

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**Outbrain UK Limited**  
**Company Information**  
**for the Year Ended 31 December 2014**

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**Directors:**

Y M Galai  
S S J Edelstyn  
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 2014**

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The directors present their strategic report of the group for the year ended 31 December 2014.

**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 6.

Turnover for the year was £30,304,705 (2013: £12,190,536).

Profit for the year was £770,044 (2013: £163,797).

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

The Group had a highly successful year, and continues to grow quickly, remaining as a leader in the online recommendation market. The content recommendation space, although relatively new, is becoming highly competitive with an increasing number of players. 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 and (ii) continuous improvements in client value-added and productivity

**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.

**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.

**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.

On behalf of the board:

Director

Date:

  
S. EDELSTEIN  
15 September 2015

**Report of the Directors  
for the Year Ended 31 December 2014**

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The directors present their report with the financial statements of the company and the group for the year ended 31 December 2014.

**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 2014.

**Directors**

S S J Edelstyn has held office during the whole of the period from 1 January 2014 to the date of this report.

Other changes in directors holding office are as follows:

Y M Galai - appointed 10 February 2014  
J Davison - resigned 10 February 2014  
M J Kistler - appointed 10 February 2014

**Political and charitable donations**

No political or charitable donations were made during the year under review.

**Statement of directors' responsibilities**

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure of information to auditor**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Outbrain UK Limited (Registered number: 07479183)


**Report of the Directors  
for the Year Ended 31 December 2014**

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**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:**

  
.....  
Director

Date: 15 September 2015

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

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We have audited the financial statements of Outbrain UK Limited for the year ended 31 December 2014 on pages six to twenty one. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditor**

As explained more fully in the Statement of directors' responsibilities set out on page three, 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 Auditor.

**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](http://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 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK 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.

**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: 16 September, 2015

**Outbrain UK Limited (Registered number: 07479183)**

**Consolidated Profit and Loss Account  
for the Year Ended 31 December 2014**

	Notes	2014 £	2013 £
<b>Turnover</b>	2	30,304,705	12,190,536
Cost of sales		<u>(20,274,786)</u>	<u>(7,845,621)</u>
<b>Gross profit</b>		10,029,919	4,344,915
Administrative expenses		<u>(8,929,268)</u>	<u>(4,039,213)</u>
<b>Operating profit</b>	4	1,100,651	305,702
Interest receivable and similar income		<u>849</u>	<u>32</u>
<b>Profit on ordinary activities before taxation</b>		1,101,500	305,734
Tax on profit on ordinary activities	5	<u>(331,456)</u>	<u>(141,937)</u>
<b>Profit for the financial year for the group</b>		<u><u>770,044</u></u>	<u><u>163,797</u></u>

**Continuing operations**

None of the group's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements



**Outbrain UK Limited (Registered number: 07479183)**

**Consolidated Statement of Total Recognised Gains and Losses  
for the Year Ended 31 December 2014**

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	2014 £	2013 £
<b>Profit for the financial year</b>	770,044	163,797
Share based compensation	147,835	114,733
Foreign currency translation reserve	<u>47,563</u>	<u>-</u>
<b>Total recognised gains and losses relating to the year</b>	<u>965,442</u>	<u>278,530</u>

The notes form part of these financial statements

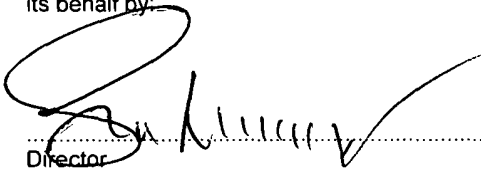
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Outbrain UK Limited (Registered number: 07479183)

Consolidated Balance Sheet  
31 December 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	7	171,184	144,970
Investments	8	<u>2,876</u>	<u>-</u>
		<u>174,060</u>	<u>144,970</u>
<b>Current assets</b>			
Debtors	9	11,632,572	6,423,800
Cash at bank and in hand		<u>1,645,974</u>	<u>732,994</u>
		13,278,546	7,156,794
<b>Creditors</b>			
Amounts falling due within one year	10	<u>(10,099,879)</u>	<u>(4,914,479)</u>
<b>Net current assets</b>		<u>3,178,667</u>	<u>2,242,315</u>
<b>Total assets less current liabilities</b>		<u><u>3,352,727</u></u>	<u><u>2,387,285</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	2,000,000	2,000,000
Foreign currency translation reserve	14	47,563	-
Share based compensation	14	315,841	168,006
Profit and loss account	14	<u>989,323</u>	<u>219,279</u>
<b>Shareholders' funds</b>	18	<u><u>3,352,727</u></u>	<u><u>2,387,285</u></u>

The financial statements were approved by the Board of Directors on 15 September 2015 and were signed on its behalf by:

  
Director  
**S. EDVESTYN**

The notes form part of these financial statements

Outbrain UK Limited (Registered number: 07479183)

Company Balance Sheet  
31 December 2014

		2014	2013 as restated
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	7	165,185	140,467
Investments	8	<u>148,812</u>	<u>15,275</u>
		<u>313,997</u>	<u>155,742</u>
<b>Current assets</b>			
Debtors	9	11,614,944	6,410,041
Cash at bank and in hand		<u>1,610,049</u>	<u>695,862</u>
		13,224,993	7,105,903
<b>Creditors</b>			
Amounts falling due within one year	10	<u>(10,154,597)</u>	<u>(4,919,519)</u>
<b>Net current assets</b>		<u>3,070,396</u>	<u>2,186,384</u>
<b>Total assets less current liabilities</b>		<u>3,384,393</u>	<u>2,342,126</u>
<b>Capital and reserves</b>			
Called up share capital	13	2,000,000	2,000,000
Foreign currency translation reserve	14	54,148	-
Share based compensation	14	281,816	42,598
Profit and loss account	14	<u>1,048,429</u>	<u>299,528</u>
<b>Shareholders' funds</b>	18	<u>3,384,393</u>	<u>2,342,126</u>

The financial statements were approved by the Board of Directors on 15 September 2015 and were signed on its behalf by:

  
S SJ Edey - Director

The notes form part of these financial statements

Outbrain UK Limited (Registered number: 07479183)

Consolidated Cash Flow Statement  
for the Year Ended 31 December 2014

	Notes	2014 £	2013 £
<b>Net cash inflow from operating activities</b>	1	1,236,299	74,333
<b>Returns on investments and servicing of finance</b>	2	849	32
<b>Taxation</b>		(242,386)	(144,076)
<b>Capital expenditure and financial investment</b>	2	<u>(129,345)</u>	<u>(149,472)</u>
<b>Increase/(decrease) in cash in the period</b>		<u>865,417</u>	<u>(219,183)</u>

**Reconciliation of net cash flow to movement in net funds**

	3		
Increase/(decrease) in cash in the period		<u>865,417</u>	<u>(219,183)</u>
Change in net funds resulting from cash flows		865,417	(219,183)
Increase in foreign currency translation reserve		<u>47,563</u>	<u>-</u>
<b>Movement in net funds in the period</b>		912,980	(219,183)
<b>Net funds at 1 January</b>		<u>732,994</u>	<u>952,177</u>
<b>Net funds at 31 December</b>		<u>1,645,974</u>	<u>732,994</u>

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement  
for the Year Ended 31 December 2014**

**1. Reconciliation of operating profit to net cash inflow from operating activities**

	2014 £	2013 £
Operating profit	1,100,651	305,702
Depreciation charges	99,315	65,172
Loss on disposal of fixed assets	663	6,232
Non cash foreign exchange movements	277	338
Increase in share based compensation	147,835	114,733
Increase in debtors	(5,172,753)	(3,693,381)
Increase in creditors	<u>5,060,311</u>	<u>3,275,537</u>
<b>Net cash inflow from operating activities</b>	<u><b>1,236,299</b></u>	<u><b>74,333</b></u>

**2. Analysis of cash flows for headings netted in the cash flow statement**

	2014 £	2013 £
<b>Returns on investments and servicing of finance</b>		
Interest received	<u>849</u>	<u>32</u>
<b>Net cash inflow for returns on investments and servicing of finance</b>	<u><b>849</b></u>	<u><b>32</b></u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(130,576)	(150,136)
Purchase of fixed asset investments	(2,876)	-
Sale of tangible fixed assets	<u>4,107</u>	<u>664</u>
<b>Net cash outflow for capital expenditure and financial investment</b>	<u><b>(129,345)</b></u>	<u><b>(149,472)</b></u>

**3. Analysis of changes in net funds**

	At 1.1.14 £	Cash flow £	At 31.12.14 £
Net cash:			
Cash at bank and in hand	<u>732,994</u>	<u>912,980</u>	<u>1,645,974</u>
	<u>732,994</u>	<u>912,980</u>	<u>1,645,974</u>
<b>Total</b>	<u><b>732,994</b></u>	<u><b>912,980</b></u>	<u><b>1,645,974</b></u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements  
for the Year Ended 31 December 2014**

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**1. Accounting policies**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention. The directors have considered the factors that impact the Group's future development, performance, cash flows and financial position along with the Group's current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In the prior year Outbrain UK Limited's share based compensation accounting policy was not to charge an expense to the profit and loss as allowed by Financial Reporting Standard for Smaller Entities. For the year ended 31 December 2014 Outbrain UK Limited has changed its accounting policy to record stock based compensation as required by FRS 20. As this results in a change in accounting policy this has been disclosed as a prior year adjustment.

The effect of the prior year adjustment is to increase the stock based compensation expense in 2013 by £21,562. The profit for the financial year ended 31 December 2013 has decreased by £21,562. There is no effect on the shareholders' funds as at 31 December 2013.

In respect of prior periods to 31 December 2013 the charge amounted to £21,036. This amount was transferred between the profit and loss reserve and the share based compensation reserve. There was no effect on the shareholders' funds.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2014.

**Going Concern**

The accounts have been prepared on the going concern basis.

**Turnover**

Revenue in respect of content recommendations and promoted content is recognised 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.

**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 - continued  
for the Year Ended 31 December 2014

1. Accounting policies - continued

**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 compensation**

The cost of share options awarded to employees under the Parent company's share option scheme is measured by reference to their fair values at the grant date. The value determined is recognised on a straight line basis over the vesting period based on an estimate of shares that will eventually vest. The value of the option is determined using the Black Scholes model.

**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 profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2014 £	2013 £
United Kingdom	8,938,928	4,971,933
Europe	15,121,271	4,443,015
United States of America	6,239,553	2,772,658
Rest of World	4,953	2,930
	<u>30,304,705</u>	<u>12,190,536</u>

3. Staff costs

	2014 £	2013 £
Wages and salaries	4,688,847	3,725,472
Social security costs	832,710	625,509
Other pension costs	129,877	99,549
	<u>5,651,434</u>	<u>4,450,530</u>

The cost of contributions of these defined contribution schemes for the year was £129,877 (2013: £99,549). Pension contribution costs accrued, but not paid at the end of the year amounted to £4,152 (2013: £5,261).

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

	2014	2013
General and administrative	13	10
Sales and marketing	<u>53</u>	<u>36</u>
Total average employees	<u>66</u>	<u>46</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

4. Operating profit

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

	2014 £	2013 £
Hire of plant and machinery	936	-
Other operating leases	352,110	288,044
Depreciation - owned assets	99,315	65,172
Loss on disposal of fixed assets	663	6,232
Auditor's remuneration		
- Audit of these financial statements	33,500	11,000
Foreign exchange loss/(gain)	<u>115,405</u>	<u>(18,906)</u>
Directors' remuneration	315,631	359,893
Directors' pension contributions to money purchase schemes	<u>10,850</u>	<u>10,588</u>

Information regarding the highest paid director is as follows:

	2014 £	2013 £
Emoluments	315,631	359,893
Pension contributions to money purchase schemes	<u>10,850</u>	<u>10,588</u>

5. Taxation

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2014 £	2013 £
Current tax:		
UK corporation tax	317,091	95,453
Foreign tax	50,384	46,484
Deferred tax	<u>(36,019)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>331,456</u>	<u>141,937</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is the higher (2013: higher) than the standard rate of corporation tax in the UK (21.5%, 2013: 23.25%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before taxation	<u>1,101,500</u>	<u>305,734</u>
Income tax at the UK tax rate of 21.5% (2013: 23.25%)	236,823	71,083
Provisions	14,942	1,906
Non-deductible expenses	66,767	47,561
Capital allowances in deficit of depreciation	(7,058)	(19,706)
Share based compensation	23,404	-
Other short term timing differences	(11,711)	276
Adjustments to tax in respect of prior years	<u>(6,076)</u>	<u>(5,667)</u>
	<u>317,091</u>	<u>95,453</u>



Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

6. Profit 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 profit for the financial year was £748,901 (2013 - £223,211).

7. Tangible fixed assets

Group

	Fixtures and fittings £	Computer equipment £	Totals £
<b>Cost</b>			
At 1 January 2014	110,572	116,057	226,629
Additions	73,771	56,805	130,576
Disposals	-	(7,738)	(7,738)
Exchange differences	-	(435)	(435)
At 31 December 2014	<u>184,343</u>	<u>164,689</u>	<u>349,032</u>
<b>Depreciation</b>			
At 1 January 2014	28,651	53,008	81,659
Charge for year	50,309	49,006	99,315
Eliminated on disposal	-	(2,968)	(2,968)
Exchange differences	-	(158)	(158)
At 31 December 2014	<u>78,960</u>	<u>98,888</u>	<u>177,848</u>
<b>Net book value</b>			
At 31 December 2014	<u>105,383</u>	<u>65,801</u>	<u>171,184</u>
At 31 December 2013	<u>81,921</u>	<u>63,049</u>	<u>144,970</u>

Company

	Fixtures and fittings £	Computer equipment £	Totals £
<b>Cost</b>			
At 1 January 2014	110,572	109,323	219,895
Additions	73,771	52,776	126,547
Disposals	-	(7,738)	(7,738)
At 31 December 2014	<u>184,343</u>	<u>154,361</u>	<u>338,704</u>
<b>Depreciation</b>			
At 1 January 2014	28,651	50,777	79,428
Charge for year	50,309	46,750	97,059
Eliminated on disposal	-	(2,968)	(2,968)
At 31 December 2014	<u>78,960</u>	<u>94,559</u>	<u>173,519</u>
<b>Net book value</b>			
At 31 December 2014	<u>105,383</u>	<u>59,802</u>	<u>165,185</u>
At 31 December 2013	<u>81,921</u>	<u>58,546</u>	<u>140,467</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

8. Fixed asset investments

Group

	Unlisted investments £
<b>Cost</b>	
Additions	<u>2,876</u>
At 31 December 2014	<u>2,876</u>
<b>Net book value</b>	
At 31 December 2014	<u>2,876</u>

Outbrain UK Limited hold a 0.27% 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 99.73%.

Company

	Unlisted investments £
<b>Cost</b>	
At 1 January 2014	15,275
Additions	<u>133,537</u>
At 31 December 2014	<u>148,812</u>
<b>Net book value</b>	
At 31 December 2014	<u>148,812</u>
At 31 December 2013	<u>15,275</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.

9. Debtors

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Amounts falling due within one year:				
Trade debtors	9,641,367	4,527,849	9,641,367	4,527,849
Amounts owed by group undertakings	1,381,118	1,380,303	1,381,118	1,379,005
Other debtors	115,485	404,332	110,798	400,988
Deferred tax asset	36,019	-	35,900	-
Prepayments	<u>185,466</u>	<u>111,316</u>	<u>172,644</u>	<u>102,199</u>
	<u>11,359,455</u>	<u>6,423,800</u>	<u>11,341,827</u>	<u>6,410,041</u>
Amounts falling due after more than one year:				
Other debtors	<u>273,117</u>	<u>-</u>	<u>273,117</u>	<u>-</u>
Aggregate amounts	<u>11,632,572</u>	<u>6,423,800</u>	<u>11,614,944</u>	<u>6,410,041</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

9. Debtors - continued

Deferred tax asset

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Deferred tax	<u>36,019</u>	<u>-</u>	<u>35,900</u>	<u>-</u>

A deferred tax asset of £36,019 is recognised on the balance sheet at 31 December 2014. This balance comprises predominately of temporary differences relating to stock based compensation of £48,431 offset by other timing differences of £12,412.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

10. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans and overdrafts (see note 11)	-	-	-	5
Trade creditors	1,823,888	1,383,718	1,809,034	1,338,479
Amounts owed to group undertakings	43,437	9,816	193,113	147,048
Corporation tax	160,317	35,228	155,094	13,337
Social security and other taxes	324,817	368,561	304,405	348,860
Value added tax	115,379	17,107	147,575	39,430
Other creditors	29,269	7,652	29,269	7,652
Accruals and deferred income	<u>7,602,772</u>	<u>3,092,397</u>	<u>7,516,107</u>	<u>3,024,708</u>
	<u>10,099,879</u>	<u>4,914,479</u>	<u>10,154,597</u>	<u>4,919,519</u>

11. Loans

An analysis of the maturity of loans is given below:

	Company	
	2014	2013
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>-</u>	<u>5</u>

12. Operating lease commitments

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

Group	Other operating leases	
	2014	2013
	£	£
Expiring:		
Within one year	6,940	17,724
Between one and five years	<u>348,051</u>	<u>231,945</u>
	<u>354,991</u>	<u>249,669</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

12. Operating lease commitments - continued

Company

	Other operating leases 2014 £	2013 £
Expiring:		
Within one year	3,660	16,050
Between one and five years	<u>348,051</u>	<u>231,945</u>
	<u>351,711</u>	<u>247,995</u>

13. Called up share capital

Allotted, issued and fully paid:  
Number: Class:

	Nominal value:	2014 £	2013 £
2,000,000 Ordinary	£1	<u>2,000,000</u>	<u>2,000,000</u>

14. Reserves

Group

	Profit and loss account £	Foreign currency translation reserve £	Share based compensation £	Totals £
At 1 January 2014	219,279	-	168,006	387,285
Profit for the year	770,044			770,044
Other reserves	-	47,563	147,835	195,398
At 31 December 2014	<u>989,323</u>	<u>47,563</u>	<u>315,841</u>	<u>1,352,727</u>

Company restated

	Profit and loss account £	Foreign currency translation reserve £	Share based compensation £	Totals
At 1 January 2014	299,528	-	-	299,528
Prior year adjustment (note 1)	-	-	42,598	42,598
At 1 January 2014 restated	299,528	-	42,598	342,126
Profit for the year	748,901			748,901
Other reserves	-	54,148	239,218	293,366
At 31 December 2014	<u>1,048,429</u>	<u>54,148</u>	<u>281,816</u>	<u>1,384,393</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 2014

16. Related party disclosures

**Outbrain Inc**

Immediate parent

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

Revenues invoiced by Outbrain Inc to customers within the Company's territory of £6,082,077 (2013: £2,576,696) were transferred to the Company.

The Company recharged expense paid on behalf of Outbrain Inc totalling £54,155 (2013: £7,179).

Purchases paid by Outbrain Inc on behalf of the Company were recharged totalling £11,048 (2013: £20,318).

Outbrain Inc charged the Company £1,515,112 (2013: £895,712) for use of IP and reimbursed £nil (2013: £2,499,345) in respect of marketing subsidy.

During the period £4,759,037 (2013: £4,103,640) was transferred at nil interest from Outbrain Inc to the Company.

	2014 £	2013 £
Amount due from related party at the balance sheet date	<u>1,231,604</u>	<u>1,379,005</u>

**Outbrain Services Monetização de Conteúdo Ltda**

A company in which Outbrain UK Limited hold an investment

Revenues invoiced by the Company to customers within the territory of Outbrain Services Monetização de Conteúdo Ltda were transferred over totalling £33,303 (2013: £3,856).

	2014 £	2013 £
Amount due to related party at the balance sheet date	<u>37,159</u>	<u>3,856</u>

**Outbrain Singapore Pte. Ltd**

Subsidiary of Outbrain Inc

The Company recharged expenses paid on behalf of Outbrain Singapore Pte. Ltd totalling £nil (2013: £769).

Purchases paid by Outbrain Israel Ltd on behalf of the Company were recharged totalling £nil (2013: £6,247).

	2014 £	2013 £
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 £318 (2013: £481).

	2014 £	2013 £
Amount due to related party at the balance sheet date	<u>799</u>	<u>481</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

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 £537 (2013: £nil)

	2014 £	2013 £
Amount due from related party at the balance sheet date	<u>537</u>	<u>-</u>

**Outbrain Japan KK**  
Subsidiary of Outbrain Inc

During the year revenues invoiced by Outbrain Japan KK to customers within the Company's territory of £148,977 (2013: £nil) were transferred to the Company.

	2014 £	2013 £
Amount due from related party at the balance sheet date	<u>148,977</u>	<u>-</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**

	2014 £	2013 £
Profit for the financial year	770,044	163,797
Share based compensation reserve	147,835	114,733
Foreign currency translation reserve	<u>47,563</u>	<u>-</u>
<b>Net addition to shareholders' funds</b>	965,442	278,530
Opening shareholders' funds	<u>2,387,285</u>	<u>2,108,755</u>
<b>Closing shareholders' funds</b>	<u>3,352,727</u>	<u>2,387,285</u>

**Company**

	2014 £	2013 as restated £
Profit for the financial year	748,901	223,211
Share based compensation reserve	239,218	21,563
Foreign currency translation reserve	<u>54,148</u>	<u>-</u>
<b>Net addition to shareholders' funds</b>	1,042,267	244,774
Opening shareholders' funds	<u>2,342,126</u>	<u>2,097,352</u>
<b>Closing shareholders' funds</b>	<u>3,384,393</u>	<u>2,342,126</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014

19. Share based contributions

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.

72 (2013: 44) employees benefit from the plans. The movement to 31 December 2014 is shown below:

	Options Outstanding	
	Number	Weighted Average Exercise Price \$
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