

**REGISTERED NUMBER: 07479183 (England and Wales)**

**Group Strategic Report,  
Report of the Directors and  
Consolidated Financial Statements  
for the Year Ended 31 December 2017  
for  
Outbrain UK Limited**

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

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for the Year Ended 31 December 2017**

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**Outbrain UK Limited**  
**Company Information**  
**for the Year Ended 31 December 2017**

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**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 2017**

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The directors present their strategic report of the Company and the Group for the year ended 31 December 2017.

**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 £102,428,136 (2016: £76,214,566). The gross profit for the year was £15,236,969 (2016: £12,604,833). The net loss for the year was £212,116 (2016: £395,454).

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 £3,558,132 (2016: £3,197,917). 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.

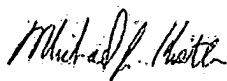
**Future Developments**

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.

**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:**



M J Kistler - Director

Date: 28 September 2018

**Group Directors' Report  
for the Year Ended 31 December 2017**

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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 2017.

**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 2017.

**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**

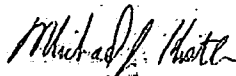
The directors who held office during the year ended 31 December 2017 to the date of this report were as follows:

Y M Galai  
M J Kistler

**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 2018

**Statement of Directors' Responsibilities  
for the Year Ended 31 December 2017**

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**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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting 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 Group and parent company and of their profit or loss 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 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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  
for the Year Ended 31 December 2017**

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

**Opinion**

We have audited the financial statements of Outbrain UK Limited ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Profit and loss account and other comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated cash flow statements and related notes, including the accounting policies in note 1.

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 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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**

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**Independent Auditor's Report to the Members of Outbrain UK Limited  
for the Year Ended 31 December 2017**

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**Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

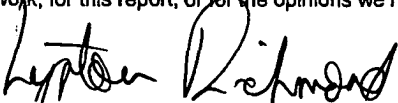
**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.

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

20 September 2018



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

**Consolidated Profit and Loss Account and Other Comprehensive Income  
for the Year Ended 31 December 2017**

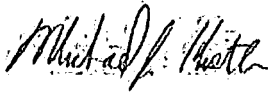
	Notes	2017 £	2016 £
<b>Turnover</b>	<b>2</b>	102,428,136	76,214,566
<b>Cost of sales</b>		<u>(87,191,167)</u>	<u>(63,609,733)</u>
<b>Gross profit</b>		15,236,969	12,604,833
<b>Administrative expenses</b>		<u>(16,145,265)</u>	<u>(12,847,351)</u>
<b>Operating loss</b>	<b>5</b>	(908,296)	(242,518)
<b>Interest receivable and similar income</b>		<u>1,764</u>	<u>113,749</u>
<b>Loss before taxation</b>		(906,532)	(128,769)
<b>Tax credit/(charge) on loss</b>	<b>6</b>	<u>694,416</u>	<u>(266,685)</u>
<b>Loss for the financial year for the Group</b>		<u>(212,116)</u>	<u>(395,454)</u>
<b>Loss attributable to: Owners of the parent</b>		<u>(212,116)</u>	<u>(395,454)</u>
<b>Other comprehensive income</b>			
<b>Loss for the financial year</b>		(212,116)	(395,454)
<b>Share based compensation reserve</b>		48,652	297,140
<b>Foreign currency translation reserve</b>		<u>(179,781)</u>	<u>(303,315)</u>
<b>Total comprehensive loss attributable to: Owners of the parent</b>		<u>(343,245)</u>	<u>(401,629)</u>

Outbrain UK Limited (Registered number: 07479183)

**Consolidated Balance Sheet  
For the Year Ended 31 December 2017**

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	8	214,799	213,651
Investments	9	<u>3,017</u>	<u>2,876</u>
		<u>217,816</u>	<u>216,527</u>
<b>Current assets</b>			
Debtors			
(including £953,488 (2016: £227,376) due after more than one year)	10	28,559,446	23,055,527
Cash at bank and in hand		<u>11,174,852</u>	<u>17,135,248</u>
		39,734,298	40,190,775
<b>Creditors</b>			
Amounts falling due within one year	11	<u>(37,796,387)</u>	<u>(37,908,330)</u>
<b>Net current assets</b>		<u>1,937,911</u>	<u>2,282,445</u>
<b>Total assets less current liabilities</b>		<u>2,155,727</u>	<u>2,498,972</u>
<b>Capital and reserves</b>			
Called up share capital	13	2,000,000	2,000,000
Foreign exchange reserve	14	(314,673)	(134,892)
Share based compensation reserve	14	760,737	712,085
Profit and loss account	14	<u>(290,337)</u>	<u>(78,221)</u>
<b>Shareholders' funds</b>	18	<u>2,155,727</u>	<u>2,498,972</u>

The financial statements were approved by the Board of Directors on 28 September 2018 and were signed on its behalf by:



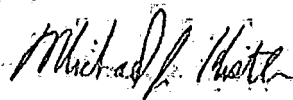
.....  
M J Kistler - Director

Outbrain UK Limited (Registered number: 07479183)

Company Balance Sheet  
For the Year Ended 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	8	201,856	204,343
Investments	9	<u>789,660</u>	<u>586,680</u>
		<u>991,516</u>	<u>791,023</u>
<b>Current assets</b>			
Debtors			
(including £925,639 (2016: £205,191) due after more than one year)	10	28,582,121	23,000,227
Cash at bank and in hand		<u>11,072,532</u>	<u>17,099,495</u>
		39,654,653	40,099,722
<b>Creditors</b>			
Amounts falling due within one year	11	<u>(38,141,665)</u>	<u>(38,150,272)</u>
<b>Net current assets</b>		<u>1,512,988</u>	<u>1,949,450</u>
<b>Total assets less current liabilities</b>		<u>2,504,504</u>	<u>2,740,473</u>
<b>Capital and reserves</b>			
Called up share capital	13	2,000,000	2,000,000
Foreign exchange reserve	14	(332,496)	(141,042)
Share based compensation reserve	14	1,218,634	999,442
Profit and loss account	14	<u>(381,634)</u>	<u>(117,927)</u>
<b>Shareholders' funds</b>	18	<u>2,504,504</u>	<u>2,740,473</u>

The financial statements were approved by the Board of Directors on 28 September 2018 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 2017**

	Called up share capital £	Profit & loss account £	Foreign exchange reserve £	Share based compensation £	Total equity £
<b>Balance at 1 January 2016</b>	2,000,000	317,233	168,423	414,945	2,900,601
<b>Changes in equity</b>					
Loss for the year	-	(395,454)	-	-	(395,454)
Other comprehensive income	-	-	(303,315)	297,140	(6,175)
<b>Balance at 31 December 2016</b>	<u>2,000,000</u>	<u>(78,221)</u>	<u>(134,892)</u>	<u>712,085</u>	<u>2,498,972</u>
<b>Changes in equity</b>					
Loss for the year	-	(212,116)	-	-	(212,116)
Other comprehensive income	-	-	(179,781)	48,652	(131,129)
<b>Balance at 31 December 2017</b>	<u>2,000,000</u>	<u>(290,337)</u>	<u>(314,673)</u>	<u>760,737</u>	<u>2,155,727</u>

Outbrain UK Limited (Registered number: 07479183)

Company Statement of Changes In Equity  
For the Year Ended 31 December 2017

	Called up share capital £	Profit & loss account £	Foreign exchange reserve £	Share based compensation £	Total equity £
<b>Balance at 1 January 2016</b>	2,000,000	346,774	177,085	520,941	3,044,800
<b>Changes in equity</b>					
Loss for the year	-	(464,701)	-	-	(464,701)
Other comprehensive Income	-	-	(318,127)	478,501	160,374
<b>Balance at 31 December 2016</b>	<u>2,000,000</u>	<u>(117,927)</u>	<u>(141,042)</u>	<u>999,442</u>	<u>2,740,473</u>
<b>Changes in equity</b>					
Loss for the year	-	(263,707)	-	-	(263,707)
Other comprehensive Income	-	-	(191,454)	219,192	27,738
<b>Balance at 31 December 2017</b>	<u>2,000,000</u>	<u>(381,634)</u>	<u>(332,496)</u>	<u>1,218,634</u>	<u>2,504,504</u>

Outbrain UK Limited (Registered number: 07479183)

**Consolidated Cash Flow Statement  
for the Year Ended 31 December 2017**

		2017 £	2016 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	(5,902,436)	12,500,680
Taxes refunded/(paid)		<u>124,602</u>	<u>(246,049)</u>
Net cash from operating activities		<u>(5,777,834)</u>	<u>12,254,631</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(222,316)	(271,101)
Disposal of tangible fixed assets		38,131	71,832
Increase in investments		(141)	-
Interest and other income received		<u>1,764</u>	<u>113,749</u>
Net cash from investing activities		<u>(182,562)</u>	<u>(85,520)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(5,960,396)</b>	<b>12,169,111</b>
<b>Cash and cash equivalents at beginning of year</b>	21	<b>17,135,248</b>	<b>4,966,137</b>
<b>Cash and cash equivalents at end of year</b>	21	<b><u>11,174,852</u></b>	<b><u>17,135,248</u></b>

Notes to the Consolidated Financial Statements  
for the Year Ended 31 December 2017

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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 2017. 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 Group's loss for the financial year was £212,116 (2016: £395,454) while net current assets were £1,937,911 (2016: £2,282,445). The financial statements have been prepared on the going concern basis because the parent company has confirmed its intention to support the Group for the foreseeable future and will support the Group to meet its liabilities as they fall due for at least 12 months from the date of these financial statements.

**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.

**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 2017

**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 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:

	2017 £	2016 £
United Kingdom	21,582,938	25,245,341
Europe	80,403,565	50,861,596
United States of America	284,090	16,595
Rest of World	157,543	91,034
	<u>102,428,136</u>	<u>76,214,566</u>

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

**3. Staff costs**

	2017 £	2016 £
Wages and salaries	7,145,316	6,681,499
Social security costs	1,333,237	1,270,149
Other pension costs	298,047	268,619
	<u>8,776,600</u>	<u>8,220,267</u>

The cost of contributions of these defined contribution schemes for the year was £298,047 (2016: £268,619). Pension contribution costs accrued, but not paid at the end of the year amounted to £26,708 (2016: £14,311).

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

	2017	2016
General and administrative	17	17
Sales and marketing	<u>95</u>	<u>90</u>
Total average employees	<u>112</u>	<u>107</u>



Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

4 Directors' emoluments

	2017	2016
	£	£
Directors' remuneration	-	199,706
Directors' pension contributions to money purchase schemes	-	2,765

Information regarding the highest paid director is as follows:

	2017	2016
	£	£
Emoluments etc	-	199,706
Pension contributions to money purchase schemes	-	2,765

No directors exercised share options during the year (2016 – nil).

The directors are remunerated by the parent entity, Outbrain Inc. The estimated proportion of their remuneration attributable to the Group and these accounts are considered immaterial.

5. Operating loss

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

	2017	2016
	£	£
Other operating leases	688,588	581,018
Depreciation - owned assets	169,066	167,751
Loss/(Gain) on disposal of fixed assets	17,246	(1,886)
Auditor's remuneration	42,100	55,700
Share based compensation	283,601	318,853
Net foreign exchange loss/(gain)	1,754,763	(1,403,826)

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

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

6. Taxation

Analysis of the tax (credit)/charge:

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

	2017 £	2016 £
<b>Current Tax</b>		
UK corporation tax	(356,734)	-
Adjustments in respect of prior periods - UK	(48,817)	(13,069)
Foreign corporation tax	370,945	283,189
Adjustments in respect of prior periods - Foreign Tax	(54,502)	84,844
<b>Total current tax</b>	<u>(89,108)</u>	<u>354,964</u>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	(649,913)	(78,438)
Adjustments in respect of prior periods	(5,490)	(11,659)
Impact of change of tax rates	50,095	1,818
<b>Total current tax</b>	<u>(694,416)</u>	<u>266,685</u>

The tax assessed for the period is lower (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Loss on activities before tax	<u>(906,532)</u>	<u>(128,769)</u>
Income tax at the UK tax rate of 19.25% (2016: 20%)	(174,508)	(25,754)
Non-deductible expenses	(11,879)	54,406
Permanent differences to reserves	(800,296)	-
Foreign tax	311,755	360,849
Double tax relief	-	(82,020)
Difference in foreign tax rates	(15,276)	(17,885)
Change in tax rate - deferred tax	50,095	1,818
Prior Year True-ups - deferred tax	(5,490)	-
Adjustments to tax in respect of prior years	<u>(48,817)</u>	<u>(24,729)</u>
<b>Tax on loss on ordinary activities</b>	<u>(694,416)</u>	<u>(266,685)</u>

7. Loss for the financial year of the Company

Section 408 of the Companies Act 2006 permits that, where Group financial statements are prepared in accordance with this legislation, the individual profit and loss account of the Company need not be presented. The Company's loss for the financial year was £263,707 (2016: £464,701).

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

8. Tangible fixed assets

Group

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
<b>Cost</b>				
At 1 January 2017	35,690	178,285	331,861	545,836
Additions	69,071	32,724	120,521	222,316
Disposals	(24,280)	(29,625)	(83,776)	(137,681)
Exchange differences	488	5,627	5,187	11,302
<b>At 31 December 2017</b>	<b>80,969</b>	<b>187,011</b>	<b>373,793</b>	<b>641,773</b>
<b>Depreciation</b>				
At 1 January 2017	9,492	101,926	220,767	332,185
Charge for year	12,628	50,871	105,567	169,066
Eliminated on disposal	(14,164)	(21,275)	(46,864)	(82,303)
Exchange differences	153	4,180	3,693	8,026
<b>At 31 December 2017</b>	<b>8,109</b>	<b>135,702</b>	<b>283,163</b>	<b>426,974</b>
<b>Net book value</b>				
At 31 December 2017	<u>72,860</u>	<u>51,309</u>	<u>90,630</u>	<u>214,799</u>
At 31 December 2016	<u>26,198</u>	<u>76,359</u>	<u>111,094</u>	<u>213,651</u>

Company

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
<b>Cost</b>				
At 1 January 2017	35,690	178,285	312,364	526,339
Additions	69,071	32,724	112,631	214,426
Disposals	(24,280)	(29,625)	(82,836)	(136,741)
Exchange differences	488	5,627	4,353	10,468
<b>At 31 December 2017</b>	<b>80,969</b>	<b>187,011</b>	<b>346,512</b>	<b>614,492</b>
<b>Depreciation</b>				
At 1 January 2017	9,492	101,926	210,578	321,996
Charge for year	12,628	50,871	100,973	164,472
Eliminated on disposal	(14,164)	(21,275)	(45,923)	(81,362)
Exchange differences	153	4,180	3,197	7,530
<b>At 31 December 2017</b>	<b>8,109</b>	<b>135,702</b>	<b>268,825</b>	<b>412,636</b>
<b>Net book value</b>				
At 31 December 2017	<u>72,860</u>	<u>51,309</u>	<u>77,687</u>	<u>201,856</u>
At 31 December 2016	<u>26,198</u>	<u>76,359</u>	<u>101,786</u>	<u>204,343</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

9. Fixed asset Investments  
Group

	Unlisted investments £
<b>Cost</b>	
At 1 January 2017	2,876
Additions	<u>141</u>
At 31 December 2017	<u>3,017</u>
<b>Net book value</b>	
At 31 December 2017	<u>3,017</u>
At 31 December 2016	<u>2,876</u>

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

Company

	Unlisted investments £
<b>Cost</b>	
At 1 January 2017	586,680
Additions	<u>202,980</u>
At 31 December 2017	<u>789,660</u>
<b>Net book value</b>	
At 31 December 2017	<u>789,660</u>
At 31 December 2016	<u>586,680</u>

Outbrain UK Limited holds 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. The increase in investments by the Company is related to share-based payment transactions.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

10. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	26,087,773	21,536,769	26,087,772	21,536,769
Amounts owed by Group undertakings	647,616	611,632	647,616	611,632
Other debtors	442,285	418,216	436,379	412,552
Deferred tax asset	812,728	206,443	784,879	184,258
Prepayments	153,035	261,534	124,219	234,083
Social security and other taxes	275,249	-	360,496	-
	<u>28,418,686</u>	<u>23,034,594</u>	<u>28,441,361</u>	<u>22,979,294</u>
Amounts falling due after more than one year:				
Other debtors	<u>140,760</u>	<u>20,933</u>	<u>140,760</u>	<u>20,933</u>
Aggregate amounts	<u>28,559,446</u>	<u>23,055,527</u>	<u>28,582,121</u>	<u>23,000,227</u>

Deferred Tax Asset

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred tax	<u>812,728</u>	<u>206,443</u>	<u>784,879</u>	<u>184,258</u>

A deferred tax asset of £812,728 is recognised on the balance sheet at 31 December 2017. This balance comprises predominately of temporary differences relating to losses carried forward of £627,284, share based compensation of £165,168 and other timing differences of £20,276.

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 asset at the balance sheet date has been calculated based on these rates.

11. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	7,795,107	6,219,789	7,771,875	6,210,390
Amounts owed to Group undertakings	5,910,895	12,614,428	6,444,889	13,117,699
Corporation tax	51,262	6,451	43,188	-
Social security and other taxes	-	229,389	-	135,479
Value added tax	102,396	1,203,799	131,655	1,233,418
Other creditors	320,534	423,149	320,534	423,149
Accruals	<u>23,616,193</u>	<u>17,211,325</u>	<u>23,429,524</u>	<u>17,030,137</u>
	<u>37,796,387</u>	<u>37,908,330</u>	<u>38,141,665</u>	<u>38,150,272</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

12. Operating lease commitments

The following operating lease payments are committed to be paid:

Group

	Other operating leases 2017 £	2016 £
Within one year	322,108	692,060
Between one and five years	1,022,580	108,755
More than five years	116,701	-
	<u>1,461,389</u>	<u>800,815</u>

Company

	Other operating leases 2017 £	2016 £
Within one year	317,556	687,695
Between one and five years	1,022,580	108,755
More than five years	116,701	-
	<u>1,456,837</u>	<u>796,450</u>

13. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
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 2017	(78,221)	(134,892)	712,085	498,972
Loss for the year	(212,116)	-	-	(212,116)
Other reserves	-	(179,781)	48,652	(131,129)
At 31 December 2017	<u>(290,337)</u>	<u>(314,673)</u>	<u>760,737</u>	<u>155,727</u>

Company

	Profit and loss account £	Foreign exchange reserve £	Share based compensation reserve £	Totals £
At 1 January 2017	(117,927)	(141,042)	999,442	740,473
Loss for the year	(263,707)	-	-	(263,707)
Other reserves	-	(191,454)	219,192	27,738
At 31 December 2017	<u>(381,634)</u>	<u>(332,496)</u>	<u>1,218,634</u>	<u>504,504</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

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.

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 were transferred over totalling £9,156,157 (2016: £4,092,288).

The Company recharged expenses paid for on behalf of Outbrain Inc totalling £57,513 (2016: £141,562).

Purchases paid for by Outbrain Inc on behalf of the Company were recharged totalling £250,045 (2016: £5,701).

Outbrain, Inc. charged the Company £5,121,576 (2016: £3,810,728) for use of IP.

During the year there were no transfers and therefore nil interest (2016: £136,892 transferred at nil interest from the Company to Outbrain Inc).

During the year, Outbrain Inc allocated costs relating to server, licences, marketing and payroll to Outbrain UK Limited totalling £3,558,131 (2016: £3,197,917).

	2017 £	2016 £
Amount due to related party at the balance sheet date	<u>5,578,500</u>	<u>12,312,365</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. end. - 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 £35,866 (2016: £21,441) were transferred to the Company.

	2017 £	2016 £
Amount due to related party at the balance sheet date	<u>277,381</u>	<u>241,515</u>

**Outbrain Singapore Pte. Ltd**

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

Purchases paid for by Outbrain Singapore Pte. Ltd on behalf of the Company were recharged totalling £486 (2016: £nil)

	2017 £	2016 £
Amount due to related party at the balance sheet date	<u>5,964</u>	<u>5,478</u>

Outbrain UK Limited (Registered number: 07479183)

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

16. Related party disclosures - continued

**Outbrain Israel Ltd**

Subsidiary of Outbrain Inc, located at 6 Arye Regev St., 2nd & 3rd Floor, Netanya, Israel 4250213.

During the year there were no purchases paid for by Outbrain Israel Ltd on behalf of the Company (2016: £21,560).

Purchases paid for by the Company on behalf of Outbrain Israel Ltd totalled £1,219 (2016: £nil)

	2017	2016
	£	£
Amount due to related party at the balance sheet date	<u>49,052</u>	<u>50,271</u>

**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 there were no expenses paid for by the Company on behalf of Outbrain Australia PTY Ltd (2016: £nil).

	2017	2016
	£	£
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 Kalkan, 2-5, Toranomon 2-chome, Minato-ku, Tokyo.

Net revenues invoiced by Outbrain Japan KK to customers within the Company's territory of £35,984 (2016: £160,117) were transferred to the Company.

	2017	2016
	£	£
Amount due from related party at the balance sheet date	<u>642,822</u>	<u>606,838</u>

17. Ultimate controlling party

The directors consider Outbrain Inc to be the ultimate controlling party of the Company.



Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

18. Reconciliation of movements in shareholders' funds

Group	2017	2016
	£	£
Loss for the financial year	(212,116)	(395,454)
Share based compensation reserve	48,652	297,140
Foreign exchange reserve	(179,781)	(303,315)
<b>Net reduction to shareholders' funds</b>	<b>(343,245)</b>	<b>(401,629)</b>
Opening shareholders' funds	2,498,972	2,900,601
<b>Closing shareholders' funds</b>	<b>2,155,727</b>	<b>2,498,972</b>
<b>Company</b>	<b>2017</b>	<b>2016</b>
	£	£
Loss for the financial year	(263,707)	(464,701)
Share based compensation reserve	219,192	478,501
Foreign exchange reserve	(191,454)	(318,127)
<b>Net reduction to shareholders' funds</b>	<b>(235,969)</b>	<b>(304,327)</b>
Opening shareholders' funds	2,740,473	3,044,800
<b>Closing shareholders' funds</b>	<b>2,504,504</b>	<b>2,740,473</b>

19. Share-based payment transactions

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

New employee share 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 share options vest monthly over 48 months. IPO share 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.

140 (2016: 127) employees benefit from the plans. The movements to 31 December 2016 and to 31 December 2017 are shown below:

	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
Transferred in		
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
	Options	Outstanding Weighted Average Exercise Price \$
	Number	
Outstanding as at 31 December 2016	1,350,107	\$3.30
Granted	345,000	\$4.41
Exercised	(89,500)	\$1.02
Cancelled	(327,608)	\$4.20
Outstanding as at 31 December 2017	1,277,999	\$3.52
Exercisable at 31 December 2017	630,165	\$3.40

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2017

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

	2017 £	2016 £
Operating loss	(908,296)	(242,518)
Depreciation charges	169,066	187,751
(Gain)/Loss on disposal of fixed assets	17,246	(1,886)
Non cash foreign exchange movements	(3,275)	(8,098)
Increase in share based compensation	48,652	297,140
(Decrease) in foreign currency translation reserve	(179,781)	(303,315)
Increase in debtors	(4,897,635)	(4,487,329)
(Decrease)/increase in creditors	(148,413)	17,078,935
<b>Net cash inflow from operating activities</b>	<b>(5,902,436)</b>	<b>12,500,680</b>

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 2017

	2017 £	2016 £
Cash and cash equivalents	<u>11,174,852</u>	<u>17,135,248</u>

Year ended 31 December 2016

	2017 £	2016 £
Cash and cash equivalents	<u>17,135,248</u>	<u>4,966,137</u>