

Registered number: 07662658

**AppNexus Europe Limited**

**Annual reports and financial statements**

**for the year ended 31 December 2018**



# **AppNexus Europe Limited**

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# AppNexus Europe Limited

## Strategic report

### Review of the business

AppNexus Europe Limited ("AppNexus Europe" or the "company") and its subsidiaries are subsidiaries of AppNexus Inc. (the "parent company"), a Delaware corporation.

The company provides account management, marketing, implementation, and other support services (collectively "sales and marketing support" services) to the UK, Ireland, the Middle East and Africa. In this role, the activities undertaken by the company include:

- support in building relationships with existing customers;
- promotion and marketing of the products and services provided by AppNexus Inc.;
- managing and monitoring the ongoing relationship with existing customer base;
- providing local/time zone relevant support to existing customers;
- training existing customer base on AppNexus products and services; and

### Key performance indicators

The company's key performance indicators during the year were as follows:

	2018	2017	Change
	£	£	%
Turnover	16,399,458	14,442,866	13.5
Operating profit/(loss)	(2,140,526)	(54,665,331)	96.1
Profit/(Loss) for financial year	(1,728,660)	(54,810,178)	96.8
Average number of employees	89	76	17.1

The turnover of AppNexus Europe for the year was £16,399,458 compared to the previous year turnover of £14,442,866. This increase was due to organic growth. In both 2017 & 2018 an impairment charge was taken against the investment in AppNexus OAS Europe Ltd, but the charge taken in 2017 was much more significant £2,038,791 (2017: £54,652,977) which explains the decrease in the operating loss and the loss for the financial year between 2017 and 2018.

### Principal risks and uncertainties

The company and its subsidiaries have specific policies in place to ensure that operational and business risks are properly identified, evaluated and managed.

The company and its subsidiaries compete for clients in a highly competitive industry which may reduce market share and decrease profit and is dependent on its employees and its parent company. The group manages this risk by providing added value services to its clients and by maintaining strong client relationships. The company recruits and seeks to retain the most talented people by supporting them to expand their skills and capabilities.

The company may be subject to certain regulations that could restrict its activities and may be exposed to liabilities running through its Open AdStream (OAS) offering. The group manages this risk through contractual agreements with its clients.

# **AppNexus Europe Limited**

## **Strategic report (continued)**

### **Future developments**

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of continual investment into the European market by AppNexus Inc.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Bastow', is positioned above the printed name.

**M Bastow**

**Director**

**2 September 2019**

**5 New Street Square,  
London  
United Kingdom  
EC4A 3TW**

# **AppNexus Europe Limited**

## **Directors' report**

The directors present their annual report on the affairs of AppNexus Europe Limited ('the Company'), a private company limited by shares, together with the audited financial statements and auditor's report, for the year ended 31 December 2018.

### **Future developments and events after the balance sheet date**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

### **Going concern**

AppNexus Europe generates significant portion of its turnover from intercompany charges, and the directors have every reason to believe that this arrangement will continue for the future and not be impacted by transfer pricing regulations. The Company is reliant upon the support of the ultimate parent company, AT&T Inc. The ultimate parent Company has expressed its willingness to provide financial support to AppNexus Europe Limited in order to assist the Company in meeting its liabilities for a period of at least twelve months from the date of approval of these financial statements.

In light of the above, and after making other enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting for preparing the annual financial statements.

### **Financial risk management objectives and policies**

AppNexus Europe activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk:

#### ***Cash flow risk***

AppNexus Europe activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Foreign currency transactions are limited and transactions are denominated as much as possible in pounds.

#### ***Credit risk***

AppNexus Europe's principal financial assets are bank balances and cash, other receivables, and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

AppNexus Europe has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

#### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies on the support of its parent company.

### **Dividends**

The directors recommend a final dividend of nil (2017: nil).

# **AppNexus Europe Limited**

## **Directors' report**

### **Directors**

The directors, who served throughout the year, were as follows:

C B O'Kelley	resigned 20 December 2018
M Rubenstein	resigned 20 December 2018

Directors who have been appointed were as follows:

M D Bastow	appointed 5 February 2019
J J Underhill	appointed 20 December 2018

### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP resigned as auditor on 22 January 2019 and Ernst & Young LLP were appointed in their place. A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

### **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder/s have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year.

Approved by the Board and signed on its behalf by:



M Bastow

Director  
2 September 2019

5 New Street Square, London, EC4A 3TW

# **AppNexus Europe Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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 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), 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- 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 transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **AppNexus Europe Limited**

### **Independent auditor's report to the members of AppNexus Europe Limited (continued)**

#### **Report on the audit of the financial statements**

##### **Opinion**

We have audited the financial statements of AppNexus Europe Limited for the year ended 31 December 2018 which comprise the Profit and loss Account, the Balance sheet, the Statement of other comprehensive income, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its 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.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### **Other information**

The other information comprises the information included in the annual reports set out on pages 1 to 5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material



## **AppNexus Europe Limited**

### **Independent auditor's report to the members of AppNexus Europe Limited (continued)**

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

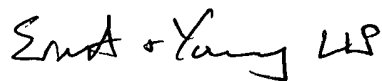
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **AppNexus Europe Limited**

### **Independent auditor's report to the members of AppNexus Europe Limited (continued)**

#### **Use of our report**

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.



Philip Young (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 6 September 2019

# AppNexus Europe Limited

## Profit and loss account

For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	16,399,458	14,442,866
Administrative expenses		<u>(18,539,984)</u>	<u>(69,108,197)</u>
Operating loss		(2,140,526)	(54,665,331)
Finance costs (net)	4	<u>(337)</u>	<u>(1,038)</u>
Loss on ordinary activities before taxation	5	(2,140,863)	(54,666,369)
Tax on loss on ordinary activities	9	<u>412,203</u>	<u>(143,809)</u>
Loss for the financial year attributable to the equity shareholders of the Company		<u><u>(1,728,660)</u></u>	<u><u>(54,810,178)</u></u>

## AppNexus Europe Limited

### Statement of other comprehensive income For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Loss for the financial year</b>		(1,728,660)	(54,810,178)
(Loss)/gains arising on exchange difference of tangible fixed assets			
Shared based payment expense	10	<u>802,979</u>	<u>661,606</u>
<b>Total comprehensive income/(loss) attributable to equity shareholders of the Company</b>		<u>(2,531,639)</u>	<u>(55,471,784)</u>

# AppNexus Europe Limited

## Balance sheet

As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	11	72,967	320,713
Investments	12	15,563	15,563
		<u>88,530</u>	<u>336,276</u>
<b>Current assets</b>			
Debtors	13		
- due within one year		2,592,239	2,671,409
- due after one year		825,410	646,374
Cash at bank and in hand		358,436	832,774
		<u>3,776,085</u>	<u>4,150,557</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(2,713,702)</u>	<u>(2,072,751)</u>
<b>Net current assets</b>		<u>1,062,383</u>	<u>2,077,806</u>
<b>Total assets less current liabilities</b>		<u>1,150,913</u>	<u>2,414,082</u>
Creditors: amounts falling due after one year		<u>(40,182)</u>	<u>-</u>
<b>Net assets</b>		<u>1,110,731</u>	<u>2,414,082</u>
<b>Capital and reserves</b>			
Called-up share capital	15	101	101
Share premium		53,452,975	53,452,975
Share based payment reserve		1,974,688	1,549,379
Profit and loss account		<u>(54,317,033)</u>	<u>(52,588,373)</u>
<b>Shareholder's fund</b>		<u>1,110,731</u>	<u>2,414,082</u>

The financial statements of AppNexus Europe Limited (registered number 09230917) were approved by the board of directors and authorised for issue on 2 September 2019. They were signed on its behalf by:



Director

M Bastow

## AppNexus Europe Limited

### Statement of changes in equity For the year ended 31 December 2018

	Called-up share capital £	Share Premium £	Share based payment reserve £	Profit and loss account £	Total £
<b>At 31 December 2016</b>	100	-	887,773	2,221,805	3,109,678
Loss for the financial year	-	-	-	(54,810,178)	(54,810,178)
<b>Total comprehensive income</b>					
Expenses of equity share issues	-	-	661,606	-	661,606
Issue of share capital	1	53,452,975	-	-	53,452,976
<b>At 31 December 2017</b>	101	53,452,975	1,549,379	(52,588,373)	2,414,082
Loss for the financial year	-	-	-	(1,728,660)	(1,728,660)
<b>Total comprehensive income</b>	101	53,452,975	1,549,379	(54,317,033)	685,422
Credit to equity for equity settled share-based payment	-	-	802,979	-	802,979
Equity replacement plan disbursement	-	-	(377,670)	-	(377,670)
<b>At 31 December 2018</b>	101	53,452,975	1,974,688	(54,317,033)	1,110,731

# **AppNexus Europe Limited**

## **Notes to the financial statements** **For the year ended 31 December 2018**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **a. General information and basis of accounting**

AppNexus Europe Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, AT&T Inc. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### **b. Going concern**

Considering the Company is loss making, the group is reliant upon the support of the ultimate parent company, AT&T Inc. The ultimate parent Company has expressed its willingness to provide financial support to AppNexus Europe Limited in order to assist the Company in meeting its liabilities.

In light of the above, and after making other enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting for preparing the annual financial statements.

#### **c. Intangible assets – goodwill, patents and trademarks**

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over a period of between 10 to 12 years which is their estimated useful economic life. Provision is made for any impairment.

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss account over its estimated economic life.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

#### **d. Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures & Fittings 3 years

Leasehold improvements over the remaining life of lease

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

# AppNexus Europe Limited

## Notes to the financial statements For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### *e. Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

#### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### *e. Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



# **AppNexus Europe Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2018 (continued)**

### **1. Accounting policies (continued)**

#### ***f. Turnover***

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### ***g. Employee benefits***

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### ***h. Foreign currency***

Transactions in foreign currencies are recorded at the monthly average rate of exchange applicable for the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### ***i. Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### ***j. Share-based payment***

The company's ultimate parent was acquired by AT&T Inc. on 15 August 2018. All outstanding options and RSU's were cancelled as of this date. Prior to the acquisition by AT&T Inc the Company's parent AppNexus Inc. issued equity-settled share options and cash-settled share appreciation rights to certain employees within the Company. Equity-settled share-based payment transactions were measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value was determined at the grant date of the equity-settled share-based payments and was expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that would eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value was measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The fair value for 2018 was based on the acquisition price put on the company by AT&T.

A liability equal to the portion of the services received was recognised at and remeasured based on the current fair value determined at each balance sheet date for cash-settled share appreciation rights, with any changes in fair value recognised in profit or loss.

## **AppNexus Europe Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2018 (continued)**

#### **2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### ***a. Critical judgements in applying the Company's accounting policies***

A critical judgement is one that the directors have made in the process of applying the company's accounting policies and that will have the most significant effect on the amounts recognised in the financial statements.

Determining whether goodwill is impaired is a critical judgement which requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Goodwill and the intangible assets are considered fully impaired at the Company level. The value that comes from these assets has been transferred to another part of the group as customers move to our main product Console. As there are no intangibles or Goodwill, the value of these assets is zero.

##### ***b. Key sources of estimation uncertainty***

No key sources of estimation uncertainty within the financial statements have been identified by the directors.

## **AppNexus Europe Limited**

### **Notes to the financial statements**

For the year ended 31 December 2018 (continued)

#### **3. Turnover and revenue**

An analysis of the Company's turnover by class of business is set out below.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Turnover:</b>		
Intercompany Revenue	<u>16,399,458</u>	<u>14,442,866</u>

An analysis of the Company's turnover by geographical market is set out below.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Turnover:</b>		
Geographical market UK	<u>16,399,458</u>	<u>14,442,866</u>

An analysis of the Company's revenue is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Rendering of services	<u>16,399,458</u>	<u>14,442,866</u>

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 4. Finance costs

	2018 £	2017 £
Interest payable	337	1,038

### *Interest payable and similar charges*

	2018 £	2017 £
Interest expense	273	1,005
Other	64	33
	<u>337</u>	<u>1,038</u>

### 5. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	278,912	367,706
Impairment charge	2,038,791	54,652,977
Foreign exchange (gain)/loss	<u>56,987</u>	<u>54,046</u>

### 6. Auditor's remuneration

Fees payable to Ernst & Young and their associates for the audit of the Company's annual financial statements were £32,700 (2017: Fee payable to Deloitte LLP £175,733).

Fees payable to Ernst & Young and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Sales, Account management & Marketing	79	68
Administration	10	8
	<u>89</u>	<u>76</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	9,197,509	7,485,850
Social security costs	1,342,198	1,344,613
Other pension costs	348,527	294,491
Share-based payments	802,979	661,606
	<u>12,068,884</u>	<u>9,786,560</u>

Other pension costs includes only those items included within operating costs.

### 8. Directors' remuneration and transactions

	2018 £	2017 £
<i>Directors' remuneration</i>		
Emoluments	<u>5,973</u>	<u>-</u>

During 2018 one director (2017: none) was remunerated by the company for their qualifying services. Remuneration of the remaining directors (2017: all) have been paid through other group companies. No recharge was made by other group companies to the company on the basis that any allocation of the cost to the company will not be material

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 9. Tax on profit/(loss)

The tax charge/(credit) comprises:

	2018 £	2017 £
<b>Current tax on loss on ordinary activities</b>		
UK corporation tax	(162,000)	172,121
Overseas corporation tax	-	-
Foreign withholding tax suffered/(credited)	-	-
	<hr/>	<hr/>
Adjustments in respect of prior years		
UK corporation tax	11,797	-
	<hr/>	<hr/>
<b>Total current tax</b>	(150,203)	172,121
<b>Deferred tax</b>		
Origination and reversal of timing differences	(358,000)	(30,720)
Effect of increase in tax rate on opening liability	38,000	3,587
Adjustments in respect of previous year	58,000	(1,179)
	<hr/>	<hr/>
<b>Total deferred tax (see note 16)</b>	(262,000)	(28,312)
	<hr/>	<hr/>
<b>Total tax on loss on ordinary activities</b>	(412,203)	143,809
	<hr/>	<hr/>

The standard rate of tax applied to reported loss on ordinary activities is 19.00 per cent (2017: 19.25 per cent).

There is no expiry date on timing differences, unused tax losses or tax credit

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 £	2017 £
<b>Profit/(Loss) before tax</b>	(2,140,863)	(54,666,369)
	<hr/>	<hr/>
<b>Tax on profit/(loss) at standard UK corporation tax rate of 19.00 per cent (2017: 19.25 per cent)</b>	(406,764)	(10,523,276)
<b>Effects of:</b>		
- Expenses not deductible for tax purposes	(46,274)	39,230
- Non qualifying depreciation	5,840	-
- Adjustments to tax charge in respect of prior periods	70,000	(1,179)
- Tax rate changes	36,752	3,587
- Share options	(71,757)	82,034
- Foreign withholding tax suffered/(credited)	-	-
- Losses	-	10,543,413
	<hr/>	<hr/>
<b>Total tax charge/(credit) for period</b>	412,203	143,809
	<hr/>	<hr/>

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 9. Tax on profit/(loss) (continued)

The Finance Act 2016, which provides for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 was substantively enacted on 26 October 2016.

On 15 September 2016 the UK government enacted a further reduction in the main tax rate down to 17% effective from 1 April 2020. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date which has been calculated at 17%.

### 10. Share-based payments

#### *Equity-settled share option schemes*

The company's ultimate parent was acquired by AT&T Inc. on 15 August 2018. Prior to the acquisition of the company's ultimate parent by AT&T Inc. the company maintained a sub plan to the AppNexus Inc. 2012 Stock Option and Grant Plan (the "Plan"). Under the Plan eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of common stock of AppNexus Inc, the parent company.

Options granted under the Plan expire ten years from the date of grant or upon 90 days after termination of the optionee's service. The options generally vest over a requisite service period of four years either (i) with 25% of the grant vesting on the first anniversary of the date of the grant and the remainder vesting monthly over the remaining vesting period or (ii) rateably over the four year vesting period.

Details of the share options outstanding during the year are as follows:

	2018		2017	
	Number of share options	Weighted average exercise price (\$)	Number of share options	Weighted average exercise price (\$)
Outstanding at beginning of period	7,665,798	1.52	7,948,040	0.68
Granted during the period	18,052	1.50	1,444,104	1.40
Exercised during the period	(6,562,465)	0.49	(296,918)	0.78
Cancelled during the period	(1,121,385)	1.68	(1,429,428)	1.52
Outstanding at the end of the period	-		7,665,798	1.52
Exercisable at the end of the period	-		6,725,080	0.43

The fair value of the share options at the grant date was calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value. Valuation in 2018 was based on the acquisition price of the company.

The company accounted for the provision of these options granted to its employees as an equity transaction. The company is not required to reimburse AppNexus Inc. (the parent company) for the options provided to company employees.

Shares cancelled were replaced by an Equity Replacement bonus plan. The plan pays out based on the original vesting schedule of the equity options. These are charged to the Share Based Payment Reserve as the plan is paid out 2018 £377,670.

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 11. Tangible fixed assets

<b>Company</b>	<b>Leasehold improvements £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 January 2018	675,456	725,533	1,400,989
Additions	31,166	-	31,166
At 31 December 2018	<u>706,622</u>	<u>725,533</u>	<u>1,432,155</u>
<b>Depreciation</b>			
At 1 January 2018	463,391	616,885	1,080,276
Charge for the year	204,926	73,986	278,912
At 31 December 2018	<u>668,317</u>	<u>690,871</u>	<u>1,359,188</u>
<b>Net book value</b>			
At 31 December 2018	<u>38,305</u>	<u>34,662</u>	<u>72,967</u>
At 31 December 2017	<u>212,065</u>	<u>108,648</u>	<u>320,713</u>

### 12. Fixed asset investments

	<b>2018 £</b>	<b>2017 £</b>
Subsidiary undertakings	<u>15,563</u>	<u>15,563</u>
Total	<u>15,563</u>	<u>15,563</u>

#### **Investments**

The Company has investments in the following subsidiary undertakings, associates and other significant investments, which are all directly held.

The investment of the Company in Appnexus OAS Europe has been fully impaired.



## AppNexus Europe Limited

### Notes to the financial statements

For the year ended 31 December 2018 (continued)

#### 12. Fixed asset investments (continued)

##### *Principal AppNexus Europe investments*

The parent company and AppNexus Europe have investments in the following subsidiary undertakings. Those directly held are shown with a \*.

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Holding</i>	<i>%</i>
AppNexus Australia*	Australia	Local sales & marketing support	Parent	100
AppNexus Japan*	Japan	Local sales & marketing support	Parent	100
AppNexus Singapore*	Singapore	Local sales & marketing support	Parent	100
AppNexus Spain*	Spain	Local sales & marketing support	Parent	100
AppNexus OAS Europe Ltd *	UK	Sales, support activities & marketing of & implementation of advertising technologies	Parent	100
AppNexus ADS France SAS	France	Sales, support activities & marketing of & implementation of advertising technologies	Group	100
AppNexus OAS Switzerland SA	Switzerland	Sales, support activities & marketing of & implementation of advertising technologies	Group	100
AppNexus OAS Germany GmbH	Germany	Sales, support activities & marketing of & implementation of advertising technologies	Group	100
AppNexus Sweden AB	Sweden	Sales, support activities & marketing of & implementation of advertising technologies	Group	100

##### Registered addresses of subsidiary undertakings:

AppNexus Australia	- c/o Norton Rose Fullbright, GPO Box 3872, Sydney, NSW 2001, Australia
AppNexus Japan	- c/o DLA Piper, Meiji Seimei Kan 7F, Chiyoda-ku, Tokyo 100-0005, Japan
AppNexus Singapore	- 80 Robinson Road., #02-00, Singapore 068898
AppNexus Spain	- Calle Pradillo, 20, bajo B, Madrid, Spain
AppNexus OAS Sweden AB	- c/o Advokatfirma DLA Nordic KB, Box 7315, 103 90 Stockholm, Sweden
AppNexus ADS France SAS	- 17 boulevard de la Madeleine, 75008 Paris, France
AppNexus OAS Germany GmbH	- Maximilianstr. 13, 80539 Munich, Germany
AppNexus OAS Switzerland SA	- rue des Alpes 15bis, c/o Schellenberg Wittmer Ltd, 1201 Geneva, Switzerland
AppNexus OAS Europe Ltd	- 5 New Street Square, London EC4A 3TW, UK

##### *Subsidiary undertakings*

As at 31 December 2018 subsidiary undertakings have not been consolidated by AppNexus Europe Limited. as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of AT&T Inc.

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 13. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Amounts owed by AppNexus Group undertakings	1,968,478	1,992,258
VAT	116,414	211,515
Other debtors	10,246	7,137
Prepayments and accrued income	45,256	354,319
Corporation tax	261,845	-
Deferred tax asset	190,000	106,180
	<u>2,592,239</u>	<u>2,671,409</u>
Amounts falling due after one year:		
Deferred tax asset	170,000	-
Other debtors	655,410	646,374
	<u>825,410</u>	<u>646,374</u>

### 14. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	130,234	81,011
Amounts owed to AppNexus Group undertakings	390,779	458,623
Other taxation and social security	-	444,648
Corporation tax	-	182,624
Other creditors	-	101,792
Accruals and deferred income	2,136,802	757,298
Defined contribution pension scheme accrual	55,887	46,755
	<u>2,713,702</u>	<u>2,072,751</u>

### 15. Creditors: amounts falling due after more than one year

	Company	
	2018 £	2017 £
Accruals and deferred income	40,812	-
	<u>40,812</u>	<u>-</u>

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

### 16. Provisions for liabilities

	Deferred taxation £
<b>Company</b>	
At 1 January 2017	(106,180)
Adjustment in respect of prior years	8,180
Charged to profit and loss account	(262,000)
	<hr/>
At 31 December 2017	(360,000)
	<hr/>

#### Deferred tax

Deferred tax is provided as follows:

	2018 £	2017 £
<b>Company</b>		
Accelerated capital allowances	(115,000)	(46,567)
Short term timing differences	-	(59,613)
Tax loss carried forward	(235,000)	-
Pension costs	(10,000)	-
	<hr/>	<hr/>
<b>Provision for deferred tax</b>	(360,000)	(106,180)
	<hr/>	<hr/>

### 17. Called-up share capital and reserves

	2018 £	2017 £
Allotted, called-up and fully-paid	101	101
2 ordinary shares of £1 each (2016: 1 ordinary share of 1£)		
	<hr/>	<hr/>
	101	101
	<hr/>	<hr/>

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The Share premium reserve contains the premium arising on issue of equity shares

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

# AppNexus Europe Limited

## Notes to the financial statements

For the year ended 31 December 2018 (continued)

	Share Premium £
At 1 January 2018	53,452,975
Share issue	-
	<hr/>
At 31 December 2018	53,452,975
	<hr/>

### 18. Employee benefits

#### *Defined contribution schemes*

AppNexus Europe operates defined contribution retirement benefit schemes for all employees. The total expense charged to profit or loss in the year ended 31 December 2018 was £348,527 (2017: £294,491).

### 19. Related party transactions

#### *Other related party transactions*

The Company has arm's length agreements in place with its subsidiaries. These trading amounts in relation to these transactions are disclosed in the creditors and debtor's notes.

### 20. Controlling party

The parent company is AppNexus Inc., a Delaware corporation.

The ultimate controlling party and largest consolidation group of which the company is a member is AT&T Inc, which is registered in the United States of America. This is the parent company of the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements are available from the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) or may be obtained by contacting AT&T Inc's investor relations department on the web at [www.att.com](http://www.att.com) or at the following address: AT&T Inc., 208 S Akard St, Dallas, TX752 02. USA.