

**eBay (UK) Limited**  
**(Registered number: 3726028)**

**Directors' Report and Financial Statements**  
**for the year ended 31 December 2002**



## eBay (UK) Limited

### Directors' Report for the year ended 31 December 2002

The Directors submit their report and the audited financial statements of eBay (UK) Limited ("the Company") for the year ended 31 December 2002.

#### Results and dividends

The profit for the financial year amounted to £127,000 (2001: £30,000), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

#### Review of business and future developments

eBay (UK) Limited is a subsidiary undertaking of eBay International AG a subsidiary undertaking of eBay Inc., a global internet company incorporated in the USA, which offers an internet based personal trading community.

eBay (UK) Limited is a service provider for eBay International AG, and recommends market penetration and advertising strategies for the UK internet market place to eBay International AG. The Company's revenues are derived from intercompany sales of these services.

The Directors are satisfied with the results for the financial year and are confident that the business will continue to grow and develop in the future.

#### Directors and their interests

The Directors who served during the period were:

Mike Jacobson

Matthew Bannick

(Appointed 1 January 2002; resigned 14 November 2002)

The beneficial interests of the directors in the Ordinary shares of eBay Inc, the Company's ultimate parent undertaking, are shown below.

	At 31 December 2001	At 31 December 2002
<b>Beneficial holdings</b>		
Mike Jacobson	679,982	999,978

Details of options granted to executive directors, under eBay Inc.'s existing equity compensation plans are set out in the table below. Full details of the executive share option scheme are disclosed in the financial statements of eBay Inc.

Option plan	At 31 December 2001	Granted during the period	Exercised during the period	At 31 December 2002	Exercise price (\$)	Option date
Mike Jacobson						
1997	820,030	-	319,996	500,034	2.50	24/8/1998
1998	400,000	-	-	400,000	40.06	12/1/2001
2001	-	125,000	-	125,000	58.05	12/2/2002

## eBay (UK) Limited

### Directors' Report for the year ended 31 December 2002 (Continued)

#### Statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period which 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 those 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 that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Directors are responsible for keeping proper accounting records which 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 1985. 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.

#### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 10 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



#### Director

Registered Office  
c/o Taylor Joynson Garrett  
Carmelite  
50 Victoria Embankment  
Blackfriars  
London EC4Y 0DX

July 1, 2003

## **Auditors' Report to the Members of eBay (UK) Limited**

We have audited the financial statements on pages 5 to 12 which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report.

### **Basis of opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Auditors' Report to the Members of eBay (UK) Limited

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

*10 July*

2003

## eBay (UK) Limited

### Profit and Loss Account for the Year Ended 31 December 2002

		Year ended 31 December 2002 £'000	Period ended 31 December 2001 £'000
	Note		
Turnover	1	3,236	2,368
Cost of sales		(3,075)	(2,309)
<b>Profit on ordinary activities before interest and taxation</b>	2	161	59
Interest income		27	18
<b>Profit on ordinary activities before taxation</b>		188	77
Tax on profit on ordinary activities	4	(61)	(47)
<b>Retained profit for the financial year</b>		127	30

The Company had no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All turnover and operating losses arise from continuing operations.

The notes on pages 7 to 12 form part of these financial statements.

# eBay (UK) Limited

## Balance Sheet at 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
<b>Tangible fixed assets</b>	<b>5</b>	<b>286</b>	<b>188</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	130	459
Cash at bank and in hand		969	389
		1,099	848
<b>Creditors: amounts falling due with one year</b>	<b>7</b>	<b>(1,268)</b>	<b>(1,054)</b>
<b>Net current liabilities</b>		<b>(169)</b>	<b>(206)</b>
<b>Long term assets: amounts falling due after one year</b>		<b>2</b>	<b>17</b>
<b>Total assets less current liabilities</b>		<b>119</b>	<b>(1)</b>
<b>Provisions for liabilities and charges</b>	<b>8</b>	<b>(48)</b>	<b>(55)</b>
<b>Net assets/(liabilities)</b>		<b>71</b>	<b>(56)</b>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Profit and loss account	11	70	(57)
<b>Total shareholders' funds</b>	<b>11</b>	<b>71</b>	<b>(56)</b>

Approved by the Board on ..... 2003 and signed on its behalf by:

  
Director

The notes on pages 7 to 12 form part of these financial statements.

# **eBay (UK) Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2002**

### **1 Accounting policies**

#### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **Turnover**

Turnover represents the revenue excluding VAT, from the providing of services to eBay International AG. Turnover is receivable from group companies. Per the services agreement between eBay International AG and the Company, expenses are recharged to eBay International AG, and are classified as Cost of Sales.

#### **Leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value over an asset's estimated useful life on a straight-line basis.

Fixed assets are depreciated at the following rates:

Computer equipment	-	33% per annum
Leasehold improvement	-	over the term of the lease
Computer software	-	100% per annum
Office furniture	-	33% per annum

#### **Deferred taxation**

FRS19 'Deferred taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. The Company has adopted FRS19 during the period, but this has had no impact on the results as the company has no deferred tax assets or liabilities.

#### **Foreign currencies**

Exchange differences arising on trading transactions are taken to the profit and loss account.

#### **Cashflow statement**

In accordance with Financial Reporting Standard Number 1 (Revised 1996) ("Cashflow Statements"), the Company has not published a cashflow statement as it qualifies as a wholly owned subsidiary.



# eBay (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2002

(Continued)

### 2 Operating profit

	Year ended 31 December 2002 £'000	Period ended 31 December 2001 £'000
The operating profit is stated after charging:		
Wages and salaries	1,967	1,255
Social security costs	224	130
Auditors' remuneration for audit services	13	9
Depreciation	81	64
Operating lease rentals – building	108	139

### 3 Directors and employees

The Directors have not received any emoluments for their services to the Company in respect of the period ended 31 December 2002.

	Year ended 31 December 2002 £'000	Period ended 31 December 2001 £'000
Employee costs consist of:		
Wages and salaries	1,967	1,255
Social security costs	224	130
<b>Total</b>	<b>2,191</b>	<b>1,385</b>

The average number of employees during the period was as follows:

	Year ended 31 December 2002 £'000	Period ended 31 December 2001 £'000
Management	7	7
Administration and operations	31	25
<b>Total</b>	<b>38</b>	<b>32</b>

## eBay (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2002

(Continued)

#### 4 Taxation

The charge for taxation is based upon the taxable profit for the year and comprises:

	Year ended 31 December 2002 £'000	Period ended 31 December 2001 £'000
<b>Current tax:</b>		
UK corporation at 30% (2001: 30%)	61	47

Factors affecting the tax charge for the period:

The difference between the current tax charge and the standard rate of corporation tax in the UK (30%) is explained below:

	Year ended 31 December 2002 £'000	Period ended 31 December 2001 £'000
Profit on ordinary activities before tax	188	77
Profit on ordinary activities before tax multiplied by the standard rate of tax in the UK	56	23
Effects of:		
Depreciation in excess of capital allowances	-	24
Adjustments to tax charge in respect of the previous period	5	-
Current tax charge for the period	61	47

# eBay (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2002

(Continued)

### 5 Tangible fixed assets

	Computer equipment £'000	Leasehold improvements £'000	Software £'000	Office furniture £'000	Construction in progress £'000	Total £'000
<b>Cost</b>						
At 31 December 2001	89	158	7	21	-	275
Additions in the period	43	-	11	6	118	178
Disposals in the period	(11)	-	(7)	-	-	(18)
<b>At 31 December 2002</b>	<b>121</b>	<b>158</b>	<b>11</b>	<b>27</b>	<b>118</b>	<b>435</b>
<b>Depreciation</b>						
At 31 December 2001	(39)	(33)	(7)	(8)	-	(87)
Charge for the period	(34)	(34)	(5)	(6)	-	(79)
Disposals in the period	10	-	7	-	-	17
<b>At 31 December 2002</b>	<b>(63)</b>	<b>(67)</b>	<b>(5)</b>	<b>(14)</b>	<b>-</b>	<b>(149)</b>
<b>Net Book Amount</b>						
<b>At 31 December 2002</b>	<b>59</b>	<b>91</b>	<b>6</b>	<b>13</b>	<b>118</b>	<b>286</b>
<b>Net Book Amount</b>						
<b>At 31 December 2001</b>	<b>50</b>	<b>125</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>188</b>

### 6 Debtors

	2002 £'000	2001 £'000
Prepaid expenses	75	55
Other debtors	55	404
<b>Total</b>	<b>130</b>	<b>459</b>

# eBay (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2002

(Continued)

### 7 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	165	42
Accruals	156	192
Corporation tax	54	40
Taxation and social security	10	-
Amounts due to group undertakings	883	780
<b>Total</b>	<b>1,268</b>	<b>1,054</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

### 8 Provisions for liabilities and charges

	2002 £'000	2001 £'000
Provision arising on eBay Inc. stock option plan	48	55

The provision relates to potential National Insurance charges arising on share options granted after 5 April 1999. The company is responsible for paying this charge for options granted to employees up to 1 October 2001.

### 9 Operating lease commitments

The Company had annual commitments under a non-cancellable operating lease which expires as follows:

	Land and buildings 2002 £'000	Land and buildings 2001 £'000
Within 1 year	110	-
Within 2 to 5 years	209	429
<b>Total</b>	<b>319</b>	<b>429</b>

A new agreement to enter into a lease was signed on 6 December 2002. No obligation for payment of rent existed for this in the year ended 31 December 2002.

# eBay (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2002

(Continued)

### 10 Called up share capital

	2002 £	2001 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Called up, issued and fully paid</b>		
999 ordinary shares of £1 each	999	999

### 11 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
At beginning of period	1	(57)	(56)
Profit in period	-	127	127
<b>At end of period</b>	<b>1</b>	<b>70</b>	<b>71</b>

### 12 Ultimate parent undertaking

The immediate parent undertaking is eBay International AG.

The ultimate parent undertaking and controlling party is eBay Inc., a company incorporated in Delaware, USA. eBay Inc. is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the eBay Inc. financial statements may be obtained from:

eBay Inc.  
2145 Hamilton Avenue  
San Jose CA  
USA 95125

### 13 Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing transactions with other group companies as more than 90% of the voting rights are controlled within the group.