

eBay (UK) Limited

**Directors' report and financial statements
for the year ended 31 December 2005**



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eBay (UK) Limited

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eBay (UK) Limited

Directors' Report for the year ended 31 December 2005

The Directors submit their report and the audited financial statements of eBay (UK) Limited ("the Company") for the year ended 31 December 2005.

Principal activities

eBay (UK) Limited is a service provider for eBay International AG, the Company's immediate parent, 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.

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

Review of business and future developments

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.

Results and dividends

The profit for the financial year amounted to £1,141,000 (2004: £314,000), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors who served during the period were:

Mike Jacobson
Douglas McCallum
William Cobb

The Directors have no interest in the shares of the company but have interests in the capital of the ultimate parent company eBay Inc.

As the company is a wholly owned subsidiary of a company incorporated outside of Great Britain, interests of the directors in the shares of group companies are not required to be disclosed by virtue of the exemption provided in Statutory Instrument 1985/802 "Companies (Disclosure of Directors' Interests)(Exceptions) Regulations 1985".

Charitable donation

The company made a £5,800 charitable donation to The Father Thames Trust in respect of London's Arcadia Project (2004: £nil).

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Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

X 

Director

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

Report of the independent auditors to the members of eBay (UK) Limited

We have audited the financial statements of eBay (UK) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 other transactions is not disclosed.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31 March 2006

eBay (UK) Limited

Profit and Loss Account for the year ended 31 December 2005

	Note	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Turnover	1	10,182	8,665
Cost of sales		<u>(9,695)</u>	<u>(8,212)</u>
Operating profit	2	487	453
Interest receivable		27	24
Interest payable	4	<u>(64)</u>	<u>(2)</u>
Profit on ordinary activities before taxation		450	475
Tax on profit on ordinary activities	5	691	(161)
Retained profit for the financial year	13	<u>1,141</u>	<u>314</u>

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 8 to 14 form part of these financial statements.


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Balance Sheet at 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	6	<u>1,026</u>	<u>1,349</u>
Current assets			
Debtors: amounts falling due after one year	7	872	472
Debtors: amounts falling due within one year	7	1,744	758
Cash at bank and in hand		<u>1,467</u>	<u>553</u>
		4,083	1,783
Creditors: amounts falling due with one year	8	<u>(1,544)</u>	<u>(2,452)</u>
Net current assets / (liabilities)		<u>2,539</u>	<u>(669)</u>
Total assets less current liabilities		3,565	680
Creditors: amounts falling due with one year	9	(1,700)	-
Provisions for liabilities and charges	10	(169)	(125)
Net assets		<u>1,696</u>	<u>555</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	1,695	554
Equity shareholders' funds	13	<u>1,696</u>	<u>555</u>

Approved by the Board on 29 March 2006 and authorised for issue.

Signed on behalf of the Board:

X 
Director

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2005

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. 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.

Revenue is recognised in line with performance under the underlying contract.

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 shorter of 5 years or over the term of the lease
Computer software	-	100% per annum
Office furniture & equipment	-	33% per annum

Taxation

The charge for taxation is based upon the profit or loss for the period, as adjusted for disallowable items and timing differences.

Deferred taxation arises as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. The deferred tax liability that is the result of timing differences that are not permanent is recognised in line with Financial Reporting Standard 19 "Deferred tax". Deferred tax assets are only recognised to the extent that, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

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Pension costs

The company operates a defined contribution stakeholder pension scheme. The employer contributions charged to profit and loss account represents the amounts contracted as due in respect of the year.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Exchange differences arising on trading transactions are taken into account in arriving at operating profit.

Cashflow statement

The company is a wholly owned subsidiary included in consolidated financial statements available to the public. Consequently, the company has taken advantage of the exemption from the requirement to prepare a cash flow statement, permitted within Financial Reporting Standard 1 "Cashflow Statements (revised 1996)".

Transactions with fellow group undertakings

The company has taken advantage of the exemption within Financial Reporting Standard 8 "Related Party Disclosures", in respect of disclosure of transactions with group undertakings, on the grounds that the company is included in publicly available consolidated financial statements and more than 90% of the voting rights are controlled within the group.

2 Operating profit

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
The operating profit is stated after charging:		
Auditors' remuneration for audit services	17	16
Foreign currency exchange differences	7	1
Depreciation	453	407
Operating lease rentals – building	719	675

Auditors' remuneration for non-audit services was £nil (2004: £nil)

3 Directors and employees

Directors emoluments were only payable to one director and amounted to £364,235 (2004: £251,860), excluding pension contributions. The director did not exercise any options during either year. The Company contributions to the stakeholder pension scheme for the director amounted to £7,962 (2004: £nil). Retirement benefits were accruing in respect of one director (2004: nil).

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	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Employee costs consist of:		
Wages and salaries	5,043	4,007
Social security costs	680	485
Other pension costs	144	-
Total	<u>5,867</u>	<u>4,492</u>

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

	Year ended 31 December 2005	Year ended 31 December 2004
Management	7	6
Administration and operations	75	72
Total	<u>82</u>	<u>78</u>

4 Interest payable

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Loan interest	64	-
Other interest	-	2
Total	<u>64</u>	<u>2</u>

5 Taxation

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

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Current tax:		
UK corporation at 30% (2004: 30%) for current year	-	161
Over provision for corporation tax in previous years	(291)	-
Deferred tax:		
Adjustment to estimated recoverable amount of deferred tax asset arising from previous years	(400)	-
	<u>(691)</u>	<u>161</u>

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Factors affecting the tax charge for the period:

Tax refunds in respect of earlier years have arisen as a result of a claim for corporation tax relief in respect of gains treated as earnings of employees, arising from the exercise of stock options and participation in the employee stock purchase plan.

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 2005 £'000	Year ended 31 December 2004 £'000
Profit on ordinary activities before tax	450	475
Profit on ordinary activities before tax multiplied by the standard rate of tax in the UK of 30%	135	143
Effects of:		
Tax relief on exercise of stock options	(610)	-
Expenses not deductible for tax purposes	13	9
Depreciation in excess of capital allowances	33	9
Tax loss for the year not utilised	406	-
Other short-term timing differences	23	-
Adjustments to tax charge of previous years	(291)	-
Tax charge for the period	(291)	161
Deferred tax asset at tax rate of 30% (2004: 30%)		
Provided :		
Opening balance	-	-
Credited to profit and loss account for the year	400	-
Closing balance (see note 7)	400	-
Unprovided :	1,195	1,132
The above deferred tax comprised:		
Depreciation in excess of capital allowances	19	-
Capital allowances in excess of depreciation	-	(14)
Other short-term timing differences	23	-
Tax losses carried forward	1,553	1,146
Closing balance	1,595	1,132

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6 Tangible fixed assets

	Short leasehold property improvements £'000	Computer equipment £'000	Software £'000	Office furniture & equipment £'000	Total £'000
Cost					
At 31 December 2004	1,573	264	39	153	2,029
Additions in the year	-	86	20	25	131
Disposals in the year	-	(79)	-	-	(79)
At 31 December 2005	1,573	271	59	178	2,081
Depreciation					
At 31 December 2004	(430)	(139)	(31)	(80)	(680)
Charge for the year	(305)	(78)	(17)	(53)	(453)
Disposals in the year	-	78	-	-	78
At 31 December 2005	(735)	(139)	(48)	(133)	(1,055)
Net Book Value					
At 31 December 2005	838	132	11	45	1,026
At 31 December 2004	1,143	125	8	73	1,349

7 Debtors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amount owed by group undertakings	1,106	309
Corporation tax	346	-
Other debtors	124	186
Prepaid expenses	168	263
	1,744	758
Amounts falling due after more than one year:		
Other debtors	472	472
Deferred tax asset (see note 5)	400	-
	872	472
Total debtors	2,616	1,230

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

8 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	4	11
Amounts owed to group undertakings	10	980
Corporation tax	-	113
Other taxes and social security	534	553
Other creditors	85	50
Accrued expenses	911	745
Total	<u>1,544</u>	<u>2,452</u>

Other creditors includes £23,324 employee and employer pension contributions payable (2004:£nil).

9 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Amount owed to group undertaking	<u>1,700</u>	<u>-</u>

The loan from the group undertaking is repayable in more than two years but not more than five years. The loan is unsecured and interest bearing.

10 Provisions for liabilities and charges

	2005 £'000	2004 £'000
Provision for dilapidation costs	115	123
National Insurance provision arising on eBay Inc. stock option plan	54	2
Total	<u>169</u>	<u>125</u>

A provision has been made in respect of dilapidation costs on the company's leased property. The operating lease terminates in March 2018.

The provision in respect of the stock option plan 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.

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Movements during the year:

	2005	2005
	Dilapidations	Stock Options
	£'000	£'000
Balance at start of year	123	2
Profit and loss movement	42	52
Payment made	(50)	-
Total	<u>115</u>	<u>54</u>

11 Operating lease commitments

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

	Land and buildings	Land and buildings
	2005	2004
	£'000	£'000
Within 1 year	-	118
More than 5 years	701	701
Total	<u>701</u>	<u>819</u>

12 Called up share capital

	2005	2004
	£'000	£'000
Authorised		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
Called up, issued and fully paid		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

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13 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
At beginning of period	1	554	555
Profit in period	-	1,141	1,141
At end of period	1	1,695	1,696

14 Immediate and 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