

eBay (UK) Limited

**Directors' report and financial statements
for the year ended 31 December 2014**



Document

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eBay (UK) Limited

Directors' report and financial statements

For the year ended 31 December 2014

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eBay (UK) Limited

Company information For the year ended 31 December 2014

Directors:	Tanya Lawler, Alec Latimer, Minh Phuong Nguyen
Company secretary:	Taylor Wessing Secretaries Limited
Registered office:	5 New Street Square London United Kingdom EC4A 3TW
Registered number:	03726028 (England and Wales)
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountant and Statutory Auditors 1 Embankment Place London WC2N 6RH

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their strategic report on eBay (UK) Limited ("the Company") for the year ended 31 December 2014.

Review of the Business

The principal activity of the Company in the year under review is to provide services to eBay International AG by recommending market penetration and advertising strategies for the UK internet marketplace and related third party advertising sales in the UK, Germany, France, Italy, Belgium and Australia.

The Company and eBay International AG are subsidiary undertakings of eBay Inc., a global internet company incorporated in the United States of America ("US"), which offers an internet based personal trading community.

The Company's profit for the financial year amounted to £6,743,000 (2013: £10,662,000). The company has continued to focus on UK marketplace growth, as well as the advertising business across Europe by means of its overseas branches in France, Germany, Italy, and Belgium. The Company has also established an Australian branch to support the advertising business in that market and to work towards achieving the Group's mission of creating the world's leading e-commerce company.

The balance sheet of the Company grew to a total of £41,795,000 (2013: £36,951,000) due to the decrease in liabilities which comprise mainly of amounts owing to Group companies, corporate income tax, accrual of employee & other operating costs and trade payables. The financial position of the Company is set out in the balance sheet on page 9.

Key Performance Indicators

The Company's main challenges and opportunities will be linked to analyses using key performance indicators and to the business drivers of eBay Inc., the ultimate parent. Details of the business review and strategic plans of eBay Inc. are to be found in its Annual Report and other announcements (<http://investor.ebay.com>).

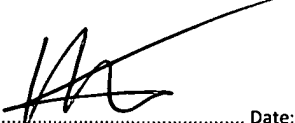
PRINCIPAL RISKS AND UNCERTAINTIES

As part of the Company's revenues are generated from the parent company on a cost plus basis, the financial risks and uncertainties faced by operating a business establishment in the UK are assumed by the parent company.

The services provided to the parent company are in support of the 'Marketplaces' business segment of the eBay Group. The development and performance of the company is therefore closely linked to the business plans and strategies set by eBay Inc. for this business segment.

The ultimate parent of eBay (UK) Limited, eBay Inc., is a US publicly traded Company and is subject to the requirements of the Sarbanes Oxley Act which in turn apply to the Company.

ON BEHALF OF THE BOARD

 Date: 06/08/15

Alec Latimer – Director

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report with the audited financial statements of eBay (UK) Limited for the year ended 31 December 2014.

Future Developments

In September 2014, the Board of Directors of eBay Inc., following a strategic review of the company's growth strategies and structure decided to separate the company's eBay and PayPal businesses into independent publicly traded companies in 2015. Creating two standalone businesses best positions eBay and PayPal to capitalise on their respective growth opportunities in the rapidly changing global commerce and payments landscape, and is the best path for creating sustainable shareholder value. The announcement is not expected to have any impact on the activities of the company. The company will continue to provide services to its parent company in pursuance of the eBay Group's strategy for the UK marketplace.

Dividends

The directors do not recommend the payment of a dividend in 2014 (2013: nil).

Financial Risk Management

The Company operations expose it to a number of financial risks that include but not limited to credit risk, foreign currency risk and interest rate risk. The Company does not engage in activities which expose it to risks in connection with complex financial instruments, and the directors do not use sophisticated performance indicators to manage the business. The Group's Enterprise Risk Management framework is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems and processes.

Credit Risk

Financial assets that potentially subject the company to concentrations of credit risk principally consist of cash at bank and debtors. The company's cash is placed with quality financial institutions. The company's exposure to debtor risk is principally concentrated in the intra-group debt with the immediate parent company arising from the charges due under the services agreement. In relation to third party debtors the company has implemented policies that require appropriate credit checks on potential customers before new accounts are accepted.

Foreign Currency and Interest Rate Risk

The directors consider there is a low risk from foreign currency transactions, the amount of exposure to any individual counterparty is limited, and assessed continually. The Company's operating income and cash flows are substantially independent of changes in market interest rates. Due to the limited risk exposure the company does not have a specific hedging policy with respect to foreign currency exchange and interest rate risk.

Post Balance Sheet Events

In March 2015 the Company extended the leases on its current office space, which was set to expire in 2018, to 2025. In addition to this, in March 2015, the Company also entered into a lease commitment for additional office space. With these changes the annual lease commitment will therefore be £2,657,000.

Directors

The directors who held office throughout the financial year and up to the date of signing of the financial statements, unless otherwise noted, are as follows:

Paul Drake	(Resigned 11 Mar 2014)
Phillip Rinn	(Resigned 15 Apr 2015)
Tanya Lawler	
Alec Latimer	(Appointed 14 Apr 2014)
Minh Phuong Nguyen	(Appointed 24 Apr 2015)

Employees with Disabilities

The Company gives full consideration to applications for employment from persons with disabilities where the requirements of the job can be adequately fulfilled by a person with disabilities. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to employees with disabilities wherever appropriate.

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Employee Involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Company's performance. Employees are encouraged to invest in the Company through participation in an employee stock purchase plan so that they may share in the success and growth of the Company.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgements 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;
- 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.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD



Date: 06/08/15

Alec Latimer – Director

Independent auditors' report to the members of eBay (UK) Limited

Report on the financial statements

Our opinion

In our opinion, eBay (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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.

What we have audited

eBay (UK) Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of eBay (UK) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 August 2015

eBay (UK) Limited

Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	190,024	164,522
Cost of sales		<u>(181,316)</u>	<u>(152,084)</u>
Operating profit	3	8,708	12,438
Profit on disposal of subsidiaries		2	-
Interest receivable and similar income		106	94
Interest payable and similar charges	6	<u>(1)</u>	<u>(1)</u>
Profit on ordinary activities before taxation		8,815	12,531
Tax on profit on ordinary activities	7	(2,072)	(1,869)
Profit for the financial year	17	<u>6.743</u>	<u>10,662</u>

These results derive from continuing operations.

The notes on pages 10 to 23 form an integral part of these financial statements.

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

eBay (UK) Limited

Statement of total recognised gains and losses

For the year ended 31 December 2014

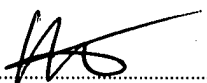
	2014	2013
	£'000	£'000
Profit for the Financial Year	6,743	10,662
Currency translation to Reserves	<u>(404)</u>	<u>(57)</u>
Total Recognised Gains and Losses relating to the Year	<u>6,339</u>	<u>10,605</u>

eBay (UK) Limited

Balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible Assets	8	2,777	2,701
Investments	9	-	1,019
		<u>2,777</u>	<u>3,720</u>
Current assets			
Debtors: amounts falling due within one year	10	39,460	34,568
Debtors: amounts falling due after more than one year	10	2,955	2,727
Cash at bank and in hand		<u>12,514</u>	<u>28,066</u>
		54,929	65,361
Creditors: amounts falling due with one year	11	<u>(15,273)</u>	<u>(31,597)</u>
Net current assets		<u>39,656</u>	<u>33,764</u>
Total assets less current liabilities		42,433	37,484
 Creditors: amounts falling due after more than one year	12	(520)	(415)
 Provisions for liabilities	13	(118)	(118)
Net assets		<u><u>41,795</u></u>	<u><u>36,951</u></u>
Capital and reserves			
Called up share capital	15	2,451	2,451
Share Premium account	17	6,853	6,853
Profit and loss account	17	32,491	27,647
Total shareholders' funds	17	<u><u>41,795</u></u>	<u><u>36,951</u></u>

The notes on pages 10 to 22 form an integral part of these financial statements. The financial statements on pages 1 to 22 were approved by the board of directors on 06/08/15 and were signed on its behalf by:

 Date: 06/08/15

Alec Latimer – Director

eBay (UK) Limited (Registered number: 03726028)

Notes to the financial statements for the year ended 31 December 2014

1. Accounting policies

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The principal accounting policies which have been applied consistently are set out below.

Turnover

Turnover represents the revenue excluding value added tax, from the provision of services to eBay International AG and is recognised in line with performance under the underlying contract.

Advertising revenue is recognised at the point when the service is delivered. Advertising revenues on contracts are recognised as "impressions" (i.e. the number of times that an advertisement appears in pages viewed by users of our websites) are delivered, or as "clicks" (which are generated each time users on our websites click through our advertisements to an advertiser's designated website) are provided to advertisers. Revenues related to fees for listing items on our classified websites are recognised over the estimated period of the classified listing.

Leases

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated 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
Short leasehold property improvements	-over 5 years or over the term of the lease
Computer software	-100% per annum
Office furniture and equipment	-33% per annum

The gross capitalised cost of the asset includes its cost plus the essential costs incurred to bring the asset to its intended use. Any related costs incurred after the asset's acquisition, such as additions, improvements, or replacements, are added to the asset's cost if they provide future service potential.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Consolidation

The company has elected to take advantage of the exemption to prepare consolidated financial statements granted under Section 401 of the Companies Act 2006, as its ultimate parent company prepares financial statements which are in compliance with the EU 7th Directive. Accordingly, the financial statements contain information about eBay (UK) Limited as an individual company and do not present the consolidated results of the group.

Deferred Taxation

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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax assets may arise in respect of share-based remuneration. For accounting purposes, the value of share options granted to employees is charged to the profit and loss account over the vesting period of the options. For taxation purposes, a deduction against

Notes to the financial statements for the year ended 31 December 2014**1 Accounting policies (continued)****Deferred Taxation (continued)**

taxable profit is only allowable when the options are exercised by the employees. It is this timing difference that creates the potential deferred tax asset.

In determining whether a potential deferred tax asset in respect of share options should be recognised or not, the directors examine, on an annual basis, the likelihood of a future taxable deduction being available to the company in relation to the share options outstanding at the end of the year. This examination takes into consideration a range of factors including the current eBay Inc. share price and the range of exercise prices on the outstanding share options. Where a future tax deduction is considered likely, the directors also examine whether it is possible to accurately measure the value of such a deduction.

Where the directors consider that it would be inappropriate to recognise a deferred tax asset in respect of share options, either because a future tax deduction is considered unlikely, or because it is considered impracticable to value accurately, no such asset will be recognised. Instead, the best estimate of the potential tax asset will be disclosed in the notes to the financial statements.

Pension costs

The company operates a defined contribution stakeholder pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The employer contributions charged to profit and loss account represents the amounts contracted as due in respect of the financial year.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate at the date of the transaction. All differences on exchange are taken to the profit and loss account.

All foreign currency balances outstanding as at 31 December 2014 and 31 December 2013 are denominated in Great British Pounds (GBP). The exchange rate used to translate GBP-denominated balances into Euro and Australian Dollar as at the balance sheet date is as follows:

31 December 2014		31 December 2013	
Euro	GBP	Euro	GBP
1.0000	0.78176	1.0000	0.83596
AUD	GBP	AUD	GBP
1.0000	0.52681	1.0000	0.53915

Cash flow statement

The company is a wholly owned subsidiary company of the eBay Group headed by eBay Inc., and is included in the consolidated financial statements of the parent company, which are 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 (revised 1996) "Cash flow statements".

Related party transactions

The company is a wholly owned subsidiary of the ultimate parent undertaking, eBay Inc., incorporated in the United States of America. The company is exempt under Financial Reporting Standard 8 "Related party disclosures" from disclosure of transactions with entities that are part of the group headed by eBay Inc. provided that the subsidiary undertaking which is a party to the transaction is a wholly owned member of the eBay Group.

Share based remuneration

The company employees participate in the share-based benefit plans of the ultimate parent eBay Inc. To be consistent with eBay Inc. terminology hereafter share-based remuneration is referred to as stock-based compensation.

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies (continued)

The company accounts for stock-based compensation under Financial Reporting Standard 20 "Share-based payment", which addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments.

Stock-based compensation expense recognised during the financial year is based on the value of the portion of stock-based payment awards that are ultimately expected to vest. As stock-based compensation recognised in the profit and loss account is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FRS 20 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent financial years if actual forfeitures differ from those estimates.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are discounted where the time value of money is material.

2 Turnover

Turnover and profit before taxation derive from the principal activities of the company, being advertising sales and support. Turnover comprises the following geographical areas by destination. Turnover by origin is not materially different from turnover by destination.

	2014	2013
	£'000	£'000
UK	91,320	97,919
Europe	86,238	58,429
Australia	12,466	8,174
Total	190,024	164,522

3 Operating profit

	2014	2013
	£'000	£'000
The operating profit is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of its financial statements	52	50
Foreign currency exchange loss	519	59
Depreciation - owned assets	1,807	1,296
(Gain) on disposal of Tangible Assets	(96)	-
Operating lease rentals – Land and buildings	1,800	1,643

Notes to the financial statements for the year ended 31 December 2014

4 Directors and employees

	2014	2013
	£'000	£'000
Employee costs consist of:		
Wages and salaries	40,004	39,875
Social security costs	4,421	5,224
Other pension costs	1,864	1,636
Stock-based compensation fair value	6,494	7,258
Total	52,783	53,993

The average monthly number of employees per activity during the financial year (including paid directors) was as follows:

	2014	2013
By activity:	Number	Number
Management	41	48
Administration and operations	401	384
Total	442	432

5 Directors' remuneration

Directors' remuneration:

	2014	2013
	£'000	£'000
Aggregate emoluments excluding pension contributions	597	446
Aggregate company contributions to the stakeholder pension plan for the directors	33	26
	630	472

The directors participated in the stock-based benefit plans detailed in note 20.

Directors' share options:

	2014	2013
Number of directors who exercised share options	None	None
Number of directors in respect of whose services shares were received or receivable under long term incentive schemes	3	2
Number of directors to whom retirement benefits were accruing under the stakeholder pension plan	3	2

Notes to the financial statements for the year ended 31 December 2014

5 Directors' remuneration (continued)

Highest paid director:

	2014	2013
	£'000	£'000
Aggregate emoluments excluding pension contributions	299	236
Company contributions to the stakeholder pension plan	10	15
	<u>309</u>	<u>251</u>

The highest paid director in 2014 did not exercise any options (2013: none exercised).

The highest paid director in 2014 and 2013 received shares due to participation in the employee stock purchase plan and the other equity plans.

The highest paid director in 2014 did not require including the amount of gains made by directors on the exercise of share options.

6 Interest payable and similar charges

	2014	2013
	£'000	£'000
Other Interest payable	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements for the year ended 31 December 2014

7 Tax on profit on ordinary activities

	2014	2013
	£'000	£'000
Current tax:		
UK corporation tax for current year before double tax relief	1,342	1,367
Double tax relief for current year	(725)	(747)
UK corporation tax for current year after double tax relief	617	620
Payable for group relief for current year	477	475
Foreign tax for current year	817	837
	<u>1,911</u>	<u>1,932</u>
UK corporation tax adjustment in respect of prior years	265	(1)
Payable for group relief in respect of prior years	(99)	32
Foreign tax adjustment in respect of prior years	225	199
Adjustments in respect of prior years	<u>391</u>	<u>230</u>
Total current tax	<u>2,302</u>	<u>2,162</u>
Deferred tax:		
Origination and reversal of timing differences	(23)	(450)
Change in tax rate	13	173
Adjustment in respect of prior years	(220)	(16)
Total deferred tax	<u>(230)</u>	<u>(293)</u>
Tax on profit from ordinary activities	<u><u>2,072</u></u>	<u><u>1,869</u></u>

Notes to the financial statements for the year ended 31 December 2014

7 Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher (2013: lower) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%).

Factors affecting the tax charge for the year.

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

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	8,815	12,531
Profit on ordinary activities before taxation multiplied by the standard rate of tax in the UK of 21.49% (2013: 23.25%):	1,895	2,912
Effects of:		
Timing differences	238	486
Permanent difference on stock-based compensation	(385)	(1,616)
Expenses not deductible for tax purposes	71	60
Higher tax rates on overseas earnings	91	90
Adjustment in respect of prior years	392	230
Current tax charge for the year	2,302	2,162
Deferred tax asset		
Provided at tax rate of 21.28% (2013: 21%):		
	2014 £'000	2013 £'000
Opening balance	2,228	1,935
Credited to profit and loss account for the year	230	293
Closing balance (see note 10)	2,458	2,228
	2014 £'000	2013 £'000
The above deferred tax asset comprised:		
Depreciation in excess of capital allowances	450	345
Fair values debited to profit and loss relating to unexercised options. Tax relief deferred until exercise.	1,878	1,838
Other short-term timing differences	130	45
Total deferred tax	2,458	2,228

Notes to the financial statements for the year ended 31 December 2014

7 Tax on profit on ordinary activities (continued)

The directors consider it more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the deferred tax asset has been recognised in the financial statements.

A reduction of the corporation tax rate from 23% to 21% came into effect on 1 April 2014. Changes to the main rate of corporation tax for UK companies were announced in the March 2013 Budget and the changes were substantially enacted on 2 July 2013. The final change was a reduction in the main rate of corporation tax from 21% to 20%, effective from 1 April 2015.

The company has unrelieved foreign tax totalling £868,834 (2013 £355,637) which is not recognised as an asset in the balance sheet. This unrelieved foreign tax would only be utilised against the UK tax liability if in the future the taxation payable in the relevant jurisdictions should fall below the level of UK taxation. Based on current tax rates the unrelieved foreign tax is not anticipated to be utilised in the foreseeable future.

8 Tangible assets

	Short leasehold property improvements £'000	Computer Equipment £'000	Office furniture and equipment £'000	Computer Software £'000	Total £'000
Cost					
At 1 January 2014	6,159	2,856	2,798	289	12,102
Additions in the year	-	1,443	172	460	2,075
Disposals	(189)	(3)	-	-	(192)
At 31 December 2014	<u>5,970</u>	<u>4,296</u>	<u>2,970</u>	<u>749</u>	<u>13,985</u>
Accumulated Depreciation					
At 1 January 2014	5,262	1,900	2,037	202	9,401
Charge for the year	175	783	507	342	1,807
At 31 December 2014	<u>5,437</u>	<u>2,683</u>	<u>2,544</u>	<u>544</u>	<u>11,208</u>
Net book value					
At 31 December 2014	<u>533</u>	<u>1,613</u>	<u>426</u>	<u>205</u>	<u>2,777</u>
At 1 January 2014	<u>897</u>	<u>956</u>	<u>761</u>	<u>87</u>	<u>2,701</u>

9 Investments

Investments	£'000
Cost	
At 1 January 2014	1,019
Disposals	(1,019)
At 31 December 2014	<u>0</u>
Net book value	
At 31 December 2014	<u>0</u>
At 31 December 2013	<u>1,019</u>

During the year the company sold its 100% investment in Shopping.com GMBH.

Notes to the financial statements for the year ended 31 December 2014

10 Debtors

	2014	2013
	£'000	£'000
Debtors: Amounts falling due within one year		
Trade debtors	27,898	24,689
Amounts owed by group undertakings	10,231	8,577
Prepayments and accrued income	1,331	1,302
	<u>39,460</u>	<u>34,568</u>

Amounts receivable from group undertakings are unsecured, interest free and payable on demand.

Debtors: Amounts falling due after more than one year:

	2014	2013
	£'000	£'000
Other debtors	497	499
Deferred tax asset (see note 7)	2,458	2,228
	<u>2,955</u>	<u>2,727</u>
Total debtors	<u>42,415</u>	<u>37,295</u>

11 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	723	1,727
Amounts owed to group undertakings	3,734	18,500
Taxation and social security	1,769	1,002
Other creditors	150	253
Accruals and deferred income	8,897	10,115
Total	<u>15,273</u>	<u>31,597</u>

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

Notes to the financial statements for the year ended 31 December 2014

12 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Accruals and deferred income	520	415
Total	520	415

13 Provisions for liabilities and charges

	2014	2013
	£'000	£'000
Dilapidations provision	118	118

A provision has been made in respect of the anticipated cost of de-commissioning the alterations made within the leasehold properties occupied by the company. The provision is included in the cost of the leasehold properties in fixed assets and is being depreciated over the lease term. The leases were renewed in March 2013 and will be subject to renewal in June 2018.

14 Operating lease commitments

The company has annual commitments under non-cancellable operating leases which expire as follows:

	Land and Buildings	Land and Buildings
	2014	2013
	£'000	£'000
Between 2 and 5 years	1,907	1,741

15 Called up share capital

	2014	2013
	£'000	£'000
Allotted, issued and fully paid		
2,451,003 (2013: 2,451,003) ordinary shares at £1 each	2,451	2,451

16 Capital contributions

	2014	2013
	£'000	£'000
At 1 January	-	1,586
Capital contribution from eBay Inc. in respect of stock-based benefit plans	-	(1,586)
	-	-

Notes to the financial statements for the year ended 31 December 2014

17 Combined statement of reserves and reconciliation of movements in shareholders' funds

	Called up share capital	Share premium account	Capital contributions	Profit and loss account	Total shareholders' funds 2014	Total shareholders' funds 2013
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	2,451	6,853	-	27,647	36,951	31,180
Equity contributed by parent under equity incentive plans ¹	-	-	6,494	-	6,494	7,258
Payments to parent for intrinsic value of share incentives exercised	-	-	(6,494)	-	(6,494)	(8,844)
Share based compensation excess recharge ¹	-	-	-	(1,495)	(1,495)	(3,248)
Profit for the Financial Year	-	-	-	6,743	6,743	10,662
Currency translation	-	-	-	(404)	(404)	(57)
At 31 December	<u>2,451</u>	<u>6,853</u>	<u>-</u>	<u>32,491</u>	<u>41,795</u>	<u>36,951</u>

¹ Eligible employees participate in an Employee Stock Purchase Plan, and receives Stock Options and Restricted Stock Units ("options and share plans") offered by eBay Inc. ("eBay"), the ultimate parent Company. When options to acquire shares in eBay have been granted to employees, a charge to record the fair value of the awards in accordance with FRS 20 is made to the profit and loss account and an equivalent capital contribution is recorded in equity. Where options and share plans have been awarded to the employees, eBay recharges the cost using their intrinsic value. Any difference between the fair value charge and the recharge is recorded directly in equity in accordance with United Kingdom Generally Accepted Accounting Practice.

18 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

19 Pension commitments

The company operates a defined contribution pension scheme. At the financial year end £149,479 (2013: £253,404) were due to be paid to the scheme provider.

Notes to the financial statements for the year ended 31 December 2014

20 Share-based benefit plans

Employee stock purchase plan

The company participates in an employee stock purchase plan offered by eBay Inc. ("eBay") which is equity settled, the ultimate parent company, for all eligible employees. Under the plan, shares of eBay's common stock may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period. Employees may purchase shares having a value not exceeding 10% of their gross compensation during an offering period. eBay's employee stock purchase plan contains an "evergreen" provision that automatically increases, on 1 January, the number of shares reserved for issuance under the employee stock purchase plan by the number of shares purchased under this plan in the preceding calendar year.

Other equity incentive plans

The company participates in eBay's equity incentive plans for directors, officers, employees and non-employees. Stock options granted under these plans generally vest 25% one year from the date of grant (or 12.5% six months from the date of grant for grants to existing employees) and the remainder vest at a rate of 2.08% per month thereafter, and generally expire 7-10 years from the date of grant. Restricted stock units granted under these plans generally vest over 3-5 years and are subject to the employees' continuing service to the company.

Valuation assumptions

The fair value of each option award on the date of the grant was calculated using the Black-Scholes option pricing model. The following assumptions were used for options granted in each respective year:

	2014	2013
Risk-free interest rate	1.06%	0.55%
Expected lives (in years)	3.86	3.87
Dividend yield	0%	0%
Expected volatility	29.02%	33.00%

The computation of expected volatility for the years ended 31 December 2014 and 31 December 2013 is based on a combination of historical and market-based implied volatility from traded options on the company's stock. Prior to 1 January 2007, the computation of expected volatility was based on historical volatility. The computation of expected life for the years ended 31 December 2014 and 31 December 2013 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behaviour. The range provided on page 21 results from the behaviour patterns of separate groups of employees that have similar historical experience. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Weighted average fair value of the options granted during the years ended 31 December 2014 and 31 December 2013 is GBP 8.14 and GBP 9.29, respectively.

The company charges the cost of share-based payment over the vesting period of the related options, which is generally four years. The impact of recognising the fair value of the option grants and stock grants under our employee stock purchase plan as an expense under FRS 20 is GBP 6,493,738 and GBP 7,258,091 for the years ended 31 December 2014 and 31 December 2013, respectively.

Notes to the financial statements for the year ended 31 December 2014

20 Share-based benefit plans (continued)

The following table summarises activity under our equity incentive plans for the years ended 31 December 2014 and 31 December 2013:

Share-based payment award activity

	Year ended December 31, 2014			Year ended December 31, 2013		
	Shares	Weighted average exercise price £	Weighted average remaining life (in years)	Shares	Weighted average exercise price £	Weighted average remaining life (in years)
Outstanding at beginning of year	137,235	23.08	4.63	247,949	19.53	3.21
Granted	19,233	33.84		18,705	35.75	
Transfers, net	-	-		(966)	18.58	
Cancelled	(26,894)	22.78		(27,104)	23.37	
Exercised	(58,332)	19.43		(101,349)	17.03	
Outstanding at end of year	71,242	25.90	4.61	137,235	23.08	4.63
Options exercisable at end of year	36,785	23.37	3.88	54,814	21.52	3.66

The following table summarises information about stock options outstanding at 31 December 2014 and 31 December 2013:

2014			2013		
Range of exercise prices £	Number of Shares outstanding	Weighted Average Contractual Remaining life	Range of exercise prices £	Number of Shares Outstanding	Weighted Average Contractual Remaining life
6.34-13.21	3,999	2.16	6.74-13.99	4,458	3.16
13.22-20.09	20,244	3.51	14.00-21.24	66,823	4.02
20.10-26.96	7,627	4.11	21.25-28.50	36,708	4.89
26.97-33.84	39,372	5.52	28.50-35.75	29,246	5.90
	71,242	4.61		137,235	4.63

Restricted stock units activity

The following table summarises activity for restricted stock units granted under equity incentive plans for the year ended 31 December 2014 and 31 December 2013.

	2014		2013	
	Shares	Weighted average grant date FV £	Shares	Weighted average grant date FV £
Outstanding at the beginning of the year	598,615	27.88	657,976	20.21
Awarded	371,194	32.84	256,186	35.43
Performance Adjust (PSU's)	-	-	7,930	19.62
Transfers, net	(6,181)	29.05	47,973	22.00
Cancelled	(122,995)	26.30	(110,564)	22.95
Vested	(200,061)	24.20	(260,886)	17.58
Outstanding at the end of the year	640,572	30.59	598,615	27.88