

**eBay (UK) Limited**

**Directors' Report and Financial Statements  
for the year ended 31 December 2004**



# eBay (UK) Limited

## Directors' Report for the year ended 31 December 2004

The Directors submit their report and the audited financial statements of eBay (UK) Limited ("the Company") for the year ended 31 December 2004.

### Results and dividends

The profit for the financial year amounted to £314,000 (2003: £170,000), 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  
Douglas McCallum  
William Cobb

The Directors have no interest in the shares of the company.

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 2004	At 31 December 2003
<i>Beneficial holdings</i>		
Mike Jacobson	258,544	258,544
Douglas McCallum	1,200	428
William Cobb	17,000	-

Details of options granted to executive directors for eBay Inc. shares, 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.

## eBay (UK) Limited

Option plan	At 31 December 2003	Granted during the period	Exercised during the period	At 31 December 2004	Exercise price (\$)	Option date
Mike Jacobson						
1997	720,068		140,000	<b>580,068</b>	1.25	24/8/1998
1998	800,000			<b>800,000</b>	20.03	12/1/2001
2001	250,000			<b>250,000</b>	29.03	12/2/2002
2001	250,000			<b>250,000</b>	38.78	3/3/2003
2001		125,000		<b>125,000</b>	69.23	3/1/2004
Douglas McCallum						
1999	18,000			<b>18,000</b>	30.33	25/1/2002
1999	18,000			<b>18,000</b>	26.10	22/2/2002
1999	17,000			<b>17,000</b>	38.78	3/3/2003
1999	5,750			<b>5,750</b>	54.75	2/9/2003
1999	8,350			<b>8,350</b>	52.85	5/9/2003
1999	8,350			<b>8,350</b>	57.35	3/10/2003
1999		35,000		<b>35,000</b>	69.23	3/1/2004
William Cobb						
1998	235,000		223,000	<b>12,000</b>	19.09	27/11/2000
2001	250,000		10,000	<b>240,000</b>	29.03	12/2/2002
2001	250,000			<b>250,000</b>	38.78	3/3/2003
2001		150,000		<b>150,000</b>	69.23	3/1/2004

### Statement of directors' responsibilities

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 2004 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.

## eBay (UK) Limited

### 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



12-1 C5

### Director

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

2005

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

We have audited the financial statements 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.

## **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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

*31 May* 2005

## eBay (UK) Limited

### Profit and Loss Account for the year ended 31 December 2004

		Year ended 31 December 2004	Year ended 31 December 2003
	Note	£'000	£'000
<b>Turnover</b>	1	<b>8,665</b>	5,165
Cost of sales		<u>(8,212)</u>	<u>(4,919)</u>
<b>Operating profit</b>	2	<b>453</b>	246
Interest receivable		24	47
Interest payable		<u>(2)</u>	<u>(64)</u>
<b>Profit on ordinary activities before taxation</b>		<b>475</b>	229
Tax on profit on ordinary activities	4	(161)	(59)
<b>Retained profit for the financial year</b>	11	<u><b>314</b></u>	<u>170</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.

# eBay (UK) Limited

## Balance Sheet at 31 December 2004

	Note	2004 £'000	2003 £'000
Tangible fixed assets	5	<u>1,349</u>	<u>1,104</u>
<b>Current assets</b>			
Debtors : amounts falling due after more than one year	6	472	415
Debtors: amounts falling due within one year	6	758	318
Cash at bank and in hand		<u>553</u>	<u>637</u>
		1,783	1,370
<b>Creditors: amounts falling due with one year</b>	7	<u>(2,452)</u>	<u>(2,183)</u>
<b>Net current liabilities</b>		(669)	(813)
<b>Total assets less current liabilities</b>		680	291
Provisions for liabilities and charges	8	(125)	(50)
<b>Net assets</b>		<u>555</u>	<u>241</u>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Profit and loss account	11	554	240
<b>Total shareholders' funds – equity interests</b>	11	<u>555</u>	<u>241</u>

Approved by the Board on ..... 2005 and signed on its behalf by:



Director

12.5.05



## **eBay (UK) Limited**

### **Notes to the financial statements for the year ended 31 December 2004**

#### **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 provision 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 from 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 improvements	-	over the shorter of 5 years or over the term of the lease
Computer software	-	100% per annum
Office furniture	-	33% per annum

##### **Deferred taxation**

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 full. Deferred tax assets are only recognised to the extent that, on the basis of all available evidence, they are recoverable. Deferred tax assets and liabilities are not been discounted.

The company has no deferred tax assets or liabilities in either this year or last year.

## eBay (UK) Limited

### Foreign currencies

Monetary 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 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.

## 2 Operating profit

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
The operating profit is stated after charging:		
Auditors' remuneration for audit services	16	16
Depreciation	408	198
Operating lease rentals – building	<u>675</u>	<u>448</u>

## 3 Directors and employees

A Director has received emoluments for services to the Company in respect of the period ended 31 December 2004. The total received: £251,860.

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Employee costs consist of:		
Wages and salaries	4,007	2,608
Social security costs	485	408
Total	<u>4,492</u>	<u>3,016</u>

## eBay (UK) Limited

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

	Year ended 31 December 2004	Year ended 31 December 2003
Management	6	7
Administration and operations	72	52
Total	<u>78</u>	<u>59</u>

### 4 Taxation

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

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
<b>Current tax:</b>		
UK corporation at 30% (2003: 30%)	161	68
Over provision in previous year	-	(9)
	<u>161</u>	<u>59</u>

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 2004 £'000	Year ended 31 December 2003 £'000
Profit on ordinary activities before tax	<u>475</u>	<u>229</u>
Profit on ordinary activities before tax multiplied by the standard rate of tax in the UK of 30%	143	68
Effects of:		
Permanent differences	9	-
Depreciation in excess of capital allowances	9	-
Adjustments to tax charge in respect of the previous period	-	(9)
Current tax charge for the period	<u>161</u>	<u>59</u>

# eBay (UK) Limited

## 5 Tangible fixed assets

	Computer Equipment £'000	Leasehold improvements £'000	Software £'000	Office Furniture £'000	Total £'000
<b>Cost</b>					
At 31 December 2003	147	1,066	25	135	1,373
Additions in the period	115	507	13	18	653
<b>At 31 December 2004</b>	<b>262</b>	<b>1,573</b>	<b>38</b>	<b>153</b>	<b>2,026</b>
<b>Depreciation</b>					
At 31 December 2003	(74)	(145)	(17)	(33)	(269)
Charge for the period	(64)	(285)	(13)	(46)	(408)
<b>At 31 December 2004</b>	<b>(138)</b>	<b>(430)</b>	<b>(30)</b>	<b>(79)</b>	<b>(677)</b>
<b>Net Book Amount</b>					
<b>At 31 December 2004</b>	<b>124</b>	<b>1,143</b>	<b>8</b>	<b>74</b>	<b>1,349</b>
At 31 December 2003	73	921	8	102	1,104

## 6 Debtors

	2004 £'000	2003 £'000
Amounts falling due after more than one year :		
Deposits – long term	472	415
Total	<u>472</u>	<u>415</u>
Amounts falling due within one year :		
Amount owed by group undertakings	309	-
Prepaid expenses	263	114
Other debtors	186	204
Total	<u>758</u>	<u>318</u>

## eBay (UK) Limited

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

	2004 £'000	2003 £'000
Trade creditors	11	17
Accruals	949	354
Corporation tax	113	25
Taxation and social security	399	1
Amounts due to group undertakings	980	1,786
Total	<u>2,452</u>	<u>2,183</u>

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

### 8 Provisions for liabilities and charges

	2004 £'000	2003 £'000
Provision for dilapidation costs	123	-
<i>Provision arising on eBay Inc. stock option plan</i>	2	50
Total	<u>125</u>	<u>50</u>

A provision has been made in respect of dilapidation costs on both of the company's leased properties. The operating leases terminate in September 2005 and 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.

Movements during the year :	Dilapidations £'000	Stock options £'000
Balance at start of year	-	50
New provisions made during the year taken to the profit and loss account	123	-
Amounts reversed during the year taken to the profit and loss account		(48)
Balance at end of year	<u>123</u>	<u>2</u>

## eBay (UK) Limited

### 9 Operating lease commitments

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

	Land and buildings 2004 £'000	Land and buildings 2003 £'000
Within 1 year	118	-
More than 5 years	701	586
<b>Total</b>	<b>819</b>	<b>586</b>

The Dukes Gate operating lease due to expire within 1 year has been sublet for an annual rent receivable of £77,158. This sublease is also due to expire 25 July 2005.

### 10 Called up share capital

	2004 £'000	2003 £'000
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b><i>Called up, issued and fully paid</i></b>		
1,000 ordinary shares of £1 each	1,000	1,000

### 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	240	241
Profit in period	-	314	314
<b>At end of period</b>	<b>1</b>	<b>554</b>	<b>555</b>

## **eBay (UK) Limited**

### **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.