

Google UK Limited

Directors' Report and Financial Statements

For the year ended 31 December 2004



BDO Simpson Xavier

Business & Financial Advisers
Beaux Lane House
Mercer Street Lower
Dublin 2 Ireland



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Google UK Limited

Contents	Page
Directors' and other information	1
Directors' report	2 - 3
Independent Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 11

Google UK Limited

Directors and other information

Directors

George Reyes
David Drummond

Secretary

TJG Secretaries Limited

Company number

3977902

Registered office

The Courtyard
12 Sutton Row
London
W1D 4AD

Auditors

BDO Simspson Xavier
Registered Auditors
Beaux Lane House
Mercer Street Lower
Dublin 2

Bankers

Citibank plc
Citigroup Centre
Canary Wharf
London
E14 5LB

Solicitors

Taylor Wessing
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2004.

The principal activity of the company during the year was the marketing of Google's premium sponsored links programme.

Results and dividends

The profit and loss account and balance sheet for the year ended 31 December 2004 are set out on pages 5 and 6.

	2004 STG£	2003 STG£
The profit for the financial year amounted to	232,000	172,502
Profit and loss account at beginning of year	239,877	67,375
Profit and loss account at the end of year	<u>471,877</u>	<u>239,877</u>

The Directors do not recommend payment of a final dividend.

Interests of directors and secretary

The names of the persons who were directors at any time during the year ended 31 December 2004 are set out on page 1. Except where indicated they served as directors for the entire year. In accordance with the Articles of Association, the directors are not required to retire by rotation.

The interests of the directors and secretary who held office at 31 December 2004 in the share capital of the company are disclosed in the financial statements of the ultimate parent company, Google Inc.

Post balance sheet events

There have been no significant events since the year end, which would have an impact on the financial position at 31 December 2004.

Directors' responsibilities

UK company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 presume that the company will continue in business.

Directors' Report (continued)

Directors' responsibilities (continued)

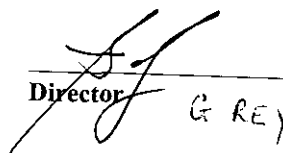
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the UK and comply with the Companies Acts 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.

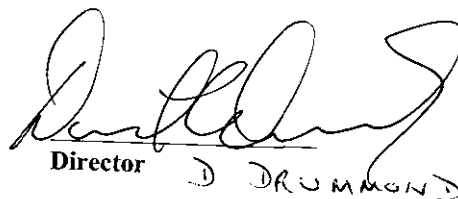
Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that BDO Simpsom Xavier , be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board


Director G REYES


Director D DRUMMOND

28 OCTOBER 2005
Date



BDO Simpson Xavier
Registered Auditors

Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland
Telephone + 353 1 470 0000
Telefax + 353 1 477 0000
E-Mail: info@bdosx.ie
www.bdosx.ie

Independent auditors' report to the members of Google UK Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 7.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3 the company's Directors are responsible for the preparation of financial statements in accordance with applicable UK law and Accounting Standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 UK statute comprising the Companies Act, 1985.

We read the other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any misstatements or material inconsistencies with the financial statements.

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 whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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 as at the 31 December 2004 and of the results of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

28 October 2005

Date

BDO Simpson Xavier
BDO Simpson Xavier
Registered Auditors

Google UK Limited

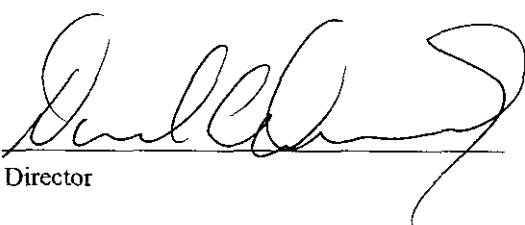
Profit and loss account for the year ended 31 December 2004

	Notes	2004 STG£	2003 STG£
Turnover - continuing operations	2	11,104,996	5,095,273
Gross profit		11,104,996	5,095,273
Administrative expenses		(10,747,689)	(4,895,973)
Operating profit - continuing operations	3	357,307	199,300
Interest receivable and similar income	4	24,693	5,850
Profit on ordinary activities before taxation		382,000	205,150
Tax on profit on ordinary activities	7	(150,000)	(32,648)
Retained profit for the year		232,000	172,502
Retained profit brought forward		239,877	67,375
Retained profit carried forward		471,877	239,877

There are no recognised gains or losses other than the profit for the above two financial years.
The notes on pages 7 to 11 form part of these financial statements.

On behalf of the board


 Director
 G. REYES


 Director
 D. DRUMMOND

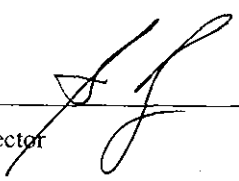
Google UK Limited

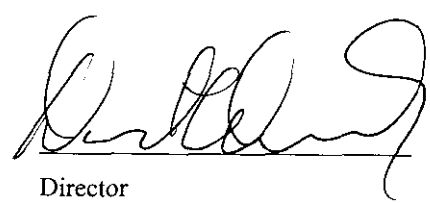
Balance sheet as at 31 December 2004

	Notes	2004 STG£	2003 STG£
Fixed assets			
Tangible assets	8	<u>713,071</u>	<u>588,106</u>
Current assets			
Debtors	9	<u>2,207,255</u>	<u>328,224</u>
Cash at bank and in hand		<u>641,670</u>	<u>1,044,253</u>
		<u>2,848,925</u>	<u>1,372,477</u>
Creditors: amounts falling due within one year	10	<u>(3,089,119)</u>	<u>(1,719,706)</u>
Net current liabilities		<u>(240,194)</u>	<u>(347,229)</u>
Total assets less current liabilities		<u>472,877</u>	<u>240,877</u>
Net assets		<u><u>472,877</u></u>	<u><u>240,877</u></u>
Capital and reserves			
Called up share capital	11	<u>1,000</u>	<u>1,000</u>
Profit and loss account	12	<u>471,877</u>	<u>239,877</u>
Equity shareholders' funds	13	<u><u>472,877</u></u>	<u><u>240,877</u></u>

The notes on pages 7 to 11 form part of these financial statements.

On behalf of the board


 Director
 G REYES


 Director
 J DRUMMOND

Notes to the abbreviated financial statements for the year ended 31 December 2004

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement as the group financial statements are available to the public.

1.2. Turnover

Turnover represents the total intercompany cost plus at 8% charged during the year, excluding value added tax.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold improvements	- 33% straight line
Computer equipment	- 50% straight line
Fixtures & fittings	- 20% straight line
Non production equipment	- 50% straight line
Assets in course of construction	- no depreciation as assets not in use

1.4. Pensions

For the defined contribution pension scheme, the expected cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from an independent actuary, at what is expected to be a reasonably stable proportion of pensionable pay.

1.5. Taxation

The charge for taxation is based on the profit or loss for the year. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax balances are not discounted. The effects on the financial statements are not material.

1.6. Foreign currencies

The financial statements are expressed in Sterling (STG£). Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date and revenues, costs and non monetary assets at the exchange rates ruling at the transaction date.

Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss account.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity.

	Turnover	
	2004	2003
	STG£	STG£
Intercompany cost plus revenue	<u><u>11,104,996</u></u>	<u><u>5,095,273</u></u>

Notes to the abbreviated financial statements for the year ended 31 December 2004

3. Operating profit	2004	2003
	STG£	STG£

Operating profit is stated after charging:

Depreciation of tangible assets	254,196	39,769
Auditors' remuneration	25,374	15,000
Auditors' remuneration from non-audit work	31,207	42,575

and after crediting:

Profit on foreign currency translation	3,958	29,015
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4. Interest receivable and similar income	2004	2003
	STG£	STG£

Bank interest	24,693	5,850
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5. Employees**Number of employees**

The average monthly numbers of employees
(including the Directors) during the year were:

	2004	2003
	No.	No.
Sales	61	33
Management	6	2
Administration	6	-
	73	35

Employment costs	2004	2003
	STG£	STG£

Wages and salaries	5,294,107	2,372,215
Social welfare costs	608,213	345,129
Pension costs	129,458	42,813
	6,031,778	2,760,157

6. Pension costs

The company operates a defined contribution scheme for certain employees. The pension entitlements of employees are secured by contributions by the company to a separately administered pension fund. Annual contributions are based on the advice of a professionally qualified actuary. The defined contribution pension charge for the year was Stg£129,458.

Notes to the abbreviated financial statements for the year ended 31 December 2004

7. Tax on profit on ordinary activities

	2004 STG£	2003 STG£
Profit on ordinary activities before taxation	<u>382,000</u>	<u>205,150</u>
Tax on profit on ordinary activities at the standard rate of corporation tax 30% (2003 : 30%)	114,600	61,545
Effects of:		
Expenses not deductible for tax purposes	-	933
Depreciation for year in excess of capital allowances	2,708	-
Capital allowances for year in excess of depreciation	-	(29,830)
Increase in corporation tax provision	<u>32,692</u>	<u>-</u>
Corporation tax	<u>150,000</u>	<u>32,648</u>

8. Tangible assets

	Leasehold improvements	Computer equipment	Fixtures and fittings	Non production equipment	Assets in course of construction	Total
	STG£	STG£	STG£	STG£	STG£	STG£
Cost						
At 1 January 2004	352,784	47,136	156,889	51,000	37,665	645,474
Additions	<u>5,267</u>	<u>177,681</u>	<u>23,084</u>	<u>166,837</u>	<u>6,292</u>	<u>379,161</u>
At 31 December 2004	<u>358,051</u>	<u>224,817</u>	<u>179,973</u>	<u>217,837</u>	<u>43,957</u>	<u>1,024,635</u>
Depreciation						
At 1 January 2004	13,982	36,096	7,290	-	-	57,368
Charge for the year	<u>89,950</u>	<u>66,789</u>	<u>37,442</u>	<u>60,015</u>	<u>-</u>	<u>254,196</u>
At 31 December 2004	<u>103,932</u>	<u>102,885</u>	<u>44,732</u>	<u>60,015</u>	<u>-</u>	<u>311,564</u>
Net book values						
At 31 December 2004	<u>254,119</u>	<u>121,932</u>	<u>135,241</u>	<u>157,822</u>	<u>43,957</u>	<u>713,071</u>
At 31 December 2003	<u>338,802</u>	<u>11,040</u>	<u>149,599</u>	<u>51,000</u>	<u>37,665</u>	<u>588,106</u>

Notes to the abbreviated financial statements for the year ended 31 December 2004

9. Debtors

	2004 STG£	2003 STG£
Amounts owed by group undertakings (note 16)	1,605,340	-
Other debtors	162,966	178,978
Prepayments and accrued income	438,949	149,246
	<u>2,207,255</u>	<u>328,224</u>

10. Creditors: amounts falling due within one year

	2004 STG£	2003 STG£
Trade creditors	184,573	149,214
Amounts owed to group undertaking (note 16)	-	283,162
Corporation tax	175,676	26,414
Payroll tax	531,362	34,745
Accruals and deferred income	2,197,508	1,226,171
	<u>3,089,119</u>	<u>1,719,706</u>

11. Share capital

	2004 STG£	2003 STG£
Authorised equity		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid equity		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12. Equity reserves

	Profit and loss account STG£	Total STG£
At 1 January 2004	239,877	239,877
Retained profit for the year	232,000	232,000
At 31 December 2004	<u>471,877</u>	<u>471,877</u>

Notes to the abbreviated financial statements for the year ended 31 December 2004

13. Reconciliation of movements in shareholders' funds

	2004 STG£	2003 STG£
Profit for the year	232,000	172,502
Opening shareholders' funds	240,877	68,375
	<u>472,877</u>	<u>240,877</u>

14. Comparative figures

The comparative figures have been regrouped, where necessary, on a basis consistent with the current year.

15. Post balance sheet events

There have been no significant events affecting the company since the year end.

16. Related party transactions

The company has availed of the exemption available under FRS 8 "Related Party Disclosures", for subsidiaries with 90% or more of whose voting rights are controlled within the group, from the requirements to give details of transactions with entities that are part of the group or investors of the group qualifying as related parties.

17. Group membership

The company's ultimate parent undertaking is Google Inc, a company incorporated in Delaware, USA. The largest group in which the results of the company are consolidated is that headed by Google Inc and the consolidated financial statements are available to the public and maybe obtained from 1600 Amphitheatre Parkway, Mountain View CA 94043.

18. Approval of financial statements

The financial statements were approved by the Board on 28 OCTOBER 2005