

COMPANY NUMBER 3977902

Google UK Limited

Directors' Report and Financial Statements

For the year ended 31 December 2005



BDO Simpson Xavier

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

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 - 12

Google UK Limited

Directors and other information

Directors

George Reyes
David Drummond
Nikesh Arora

Secretary

TJG Secretaries Limited

Company number

3977902

Registered office

Belgrave House
76 Buckingham Palace Road
London
SW1W9TQ

Auditors

BDO Simpson 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 2005

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 2005 are set out on pages 5 and 6

	2005	2004
	STG£	STG£
The profit for the financial year amounted to	2,761,906	232,000
Profit and loss account at beginning of year	471,877	239,877
Profit and loss account at the end of year	<u>3,233,783</u>	<u>471,877</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 2005 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 2005 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 2005.

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)

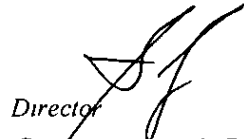
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the UK and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

GEORGE REYES

Date 14 October 2006



Director

DAVID DRUMMOND



BDO Simpson Xavier
Business & Financial Advisers

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 12 which have been prepared under the historical cost convention and the accounting policies set out on page 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 pages 2 and 3, the company's Directors are responsible for the preparation of financial statements in accordance with applicable UK law and Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 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 2005 and of the results of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

14 October 2006

14 October 2006

BDO Simpson Xavier

BDO Simpson Xavier
Registered Auditors

Four Michael Street
Limerick

Lindsay House
10 Callender Street
Belfast BT1 5BN

Paul Keenan (Managing Partner)
Maurice Carr
Michael Costello
Nigel Cox
Liam Dowdall
John Gilmore Gavin
Denis Hanly
Jim Hamilton
Gerard Holliday

Chartered Accountants

Bill Ledwidge
Brian McGann
Stephen McGivern
Colm Nagle
Frank Sheedy
Jason Sheehy

Peter Carroll
Peter Carty
Hugh Cooney
Eddie Doyle
Ivor Feenick
Alan Flynn
David Giles

Page 4

Derry Gray
David M Hargaden
Denis Herlihy
Ciarán Medlar
David McCormick
Peter O'Neill
Noel Taylor

Consultants
Noel Clehane
Jim Donnelly
Michael F Hargaden
Roger Kennedy
Ronan King

Tom Mason
Kevin McNiff
Carmel Ryan
David Simpson
Philip Smyth
Anthuan Xavier

Google UK Limited

Profit and loss account for the year ended 31 December 2005


	<i>Notes</i>	2005 STG£	2004 STG£
Turnover - continuing operations	2	27,080,578	11,104,996
Cost of sales		(227,956)	-
Gross profit		26,852,622	11,104,996
Administrative expenses		(24,322,233)	(10,747,689)
Operating profit - continuing operations	3	2,530,389	357,307
Interest receivable and similar income	4	81,517	24,693
Profit on ordinary activities before taxation		2,611,906	382,000
Tax on profit on ordinary activities	7	150,000	(150,000)
Retained profit for the year		2,761,906	232,000
Retained profit brought forward		471,877	239,877
Retained profit carried forward		3,233,783	471,877

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

On behalf of the board


 Director
 GEORGE REYES

Date 14 October 2006


 Director
 DAVID DRUMMOND

Google UK Limited

Balance sheet as at 31 December 2005

	Notes	2005 STG£	2004 STG£
Fixed assets			
Tangible assets	8	<u>4,464,123</u>	<u>713,071</u>
Current assets			
Debtors	9	5,471,853	2,207,255
Cash at bank and in hand		<u>1,625,757</u>	<u>641,670</u>
		7,097,610	2,848,925
Creditors: amounts falling due within one year	10	<u>(8,326,950)</u>	<u>(3,089,119)</u>
Net current liabilities		<u>(1,229,340)</u>	<u>(240,194)</u>
Total assets less current liabilities		<u>3,234,783</u>	<u>472,877</u>
Net assets		<u><u>3,234,783</u></u>	<u><u>472,877</u></u>
Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	<u>3,233,783</u>	<u>471,877</u>
Equity shareholders' funds	13	<u><u>3,234,783</u></u>	<u><u>472,877</u></u>

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

On behalf of the board



GEORGE REYES

14 OCTOBER 2006



DAVID DRUMMOND

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

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

Freehold land and buildings	-	straight line over 25 years
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.

1.7. Cashflow statements

Financial Report Standard Number 1 (Revised 1996), "Cash Flow Statements", exempts subsidiary undertakings from the requirement to prepare a cash flow statement where 90% or more of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiary undertaking's results are included. The company has availed of this exemption.

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

2. Turnover

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

	2005 STG£	2004 STG£
Intercompany cost plus revenue	<u>27,080,578</u>	<u>11,104,996</u>

3. Operating profit

	2005 STG£	2004 STG£
Operating profit is stated after charging		
Depreciation of tangible assets	566,344	248,634
Auditors' remuneration	21,822	25,374
Auditors' remuneration from non-audit work	<u>79,859</u>	<u>31,207</u>

4. Interest receivable and similar income

	2005 STG£	2004 STG£
Bank interest	<u>81,517</u>	<u>24,693</u>

5. Employees

Number of employees

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

	2005 No	2004 No
Sales	132	61
Management & Administration	<u>24</u>	<u>12</u>
	<u>156</u>	<u>73</u>

Employment costs

	2005 STG£	2004 STG£
Wages and salaries	12,894,797	5,294,107
Social welfare costs	1,446,128	608,213
Pension costs	<u>284,991</u>	<u>129,458</u>
	<u>14,625,916</u>	<u>6,031,778</u>

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

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 £284,991.

7 Tax on profit on ordinary activities

	2005 STG£	2004 STG£
Current year taxation		
Corporation tax	<u>(150,000)</u>	<u>150,000</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom. The differences are explained below.

Profit on ordinary activities before tax	<u>2,611,906</u>	<u>382,000</u>
Tax on profit on ordinary activities at the standard rate of corporation tax 30% (2004 30%)	783,572	114,600
Effects of:		
Expenses not deductible for tax purposes	32,505	-
Depreciation for year in excess of capital allowances	52,825	2,708
Non trade relationship credits per accounts	(24,455)	-
Sch 23 FA 2003 Relief	(844,447)	
Over provision in prior year	(150,000)	
Increase in corporation tax provision	-	32,692
Corporation tax	<u>(150,000)</u>	<u>150,000</u>

Google UK Limited

Appendix I: Detailed trading, profit and loss account

	2005	2004
	STG£	STG£
Sales	27,080,578	11,104,996
Cost of sales	<u>(227,956)</u>	<u>-</u>
Gross profit	26,852,622	11,104,996
Administrative expenses (Appendix II)	<u>(24,322,233)</u>	<u>(10,747,689)</u>
Operating profit	2,530,389	357,307
Interest receivable		
Deposit interest	<u>81,517</u>	<u>24,693</u>
Profit before tax	<u>2,611,906</u>	<u>382,000</u>

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

8	Tangible assets	Freehold	Leasehold	Computer	Fixtures	Non	Assets in	Total
		land and buildings	improvements	equipment	and fittings	production equipment	course of construction	STG£
	Cost	STG£	STG£	STG£	STG£	STG£	STG£	STG£
	At 1 January 2005	-	358,052	224,816	179,973	217,837	43,957	1,024,635
	Additions	45,000	2,236,467	377,263	323,122	227,882	1,102,100	4,311,834
	At 31 December 2005	45,000	2,594,519	602,079	503,095	445,719	1,146,057	5,336,469
	Depreciation							
	At 1 January 2005	-	103,933	102,885	44,731	60,015	-	311,564
	Charge for the year	750	174,325	178,424	53,862	153,421	-	560,782
	At 31 December 2005	750	278,258	281,309	98,593	213,436	-	872,346
	Net book values							
	At 31 December 2005	44,250	2,316,261	320,770	404,502	232,283	1,146,057	4,464,123
	At 31 December 2004	-	254,119	121,931	135,242	157,822	43,957	713,071

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

9 Debtors

	2005 STG£	2004 STG£
Amounts owed by group undertakings (note 16)	3,747,967	1,605,340
Other debtors	1,700,452	162,966
Prepayments	23,434	438,949
	<u>5,471,853</u>	<u>2,207,255</u>

10 Creditors: amounts falling due within one year

	2005 STG£	2004 STG£
Trade creditors	1,854,570	184,573
Corporation tax	-	175,676
Payroll tax	1,081,999	531,362
Other Creditors	93,403	-
Accruals and deferred income	5,296,978	2,197,508
	<u>8,326,950</u>	<u>3,089,119</u>

11. Share capital

	2005 STG£	2004 STG£
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 2005	471,877	471,877
Retained profit for the year	2,761,906	2,761 906
At 31 December 2005	<u>3,233,783</u>	<u>3,233,783</u>

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

13 Reconciliation of movements in shareholders' funds

	2005 STG£	2004 STG£
Profit for the year	2,761,906	232,000
Opening shareholders' funds	472,877	240,877
	<u>3,234,783</u>	<u>472,877</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 may be obtained from 1600 Amphitheatre Parkway, Mountain View CA 94043

18 Approval of financial statements

The financial statements were approved by the Board on 14 October 2006

Appendices

These appendices are for the Directors only
and do not form part of the Audited Statutory Financial Statements

Google UK Limited

Appendix II: Overhead expenses

	2005 STG£	2004 STG£
Administrative expenses		
Wages and salaries	12,162,029	5,069,437
Employer's PRSI contributions	1,446,128	608,213
Staff pension costs	284,991	129,458
Conferences	32,827	-
Temporary staff costs	732,768	224,670
Common area costs	165,584	319,628
Rent payable	1,670,417	563,617
Insurance	14,626	6,226
Cleaning	145,018	26,713
Repairs and maintenance	40,733	72,989
Printing, postage and stationery	118,899	47,959
Advertising & promotion costs	2,977,837	1,763,510
Telephone	395,946	86,616
Office relocation costs	-	463
Property Taxes	267,392	169,254
Stamp Duty	335,790	-
Travelling and entertainment	1,254,214	623,797
Staff entertainment	71,183	34,406
Recruitment costs	390,992	24,770
Legal and professional	88,061	43,134
Accountancy	79,859	31,207
Audit	21,822	25,374
Equipment rental costs	29,211	10,942
Bank charges	48,629	25,805
Computer software & support	115,649	115,273
Staff training	460,939	185,677
Licenses and fees	25,460	-
(Profit) on exchange	3,986	(3,958)
Staff welfare	-	112,989
General expenses	10,181	413
Charitable donations - other	50,000	-
Subscriptions	116,322	85,949
Depreciation on buildings	750	-
Depreciation allocation	(71,290)	-
Depreciation of leasehold improvements	174,325	84,388
Depreciation on computer equipment	171,022	66,789
Depreciation on Software	6,488	-
Depreciation on fixtures & fittings	54,776	37,442
Depreciation on non production equipment	153,421	60 015
Food and beverage costs	275,248	94,524
	<u>24,322,233</u>	<u>10,747,689</u>