

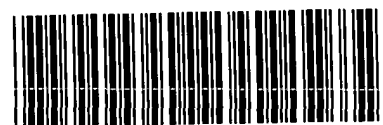
Registered number: 03977902

GOOGLE UK LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

MONDAY



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## **Google UK Limited**

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## Google UK Limited

### Strategic Report For the year ended 30 June 2019

The directors present their strategic report of Google UK Limited (the "Company") for the year ended 30 June 2019.

#### Review of the business

The Company is engaged in the provision of marketing services and the provision of research and development services to other group undertakings. There were no significant changes in the operation of the Company during the financial year under review.

The key financial and other performance indicators during the year ended 30 June 2019 and the year ended 30 June 2018 were as follows:

Revenue increased from £1,407 million to £1,600 million in the year, an increase of £193 million. Administrative expenses increased from £1,161 million to £1,374 million, an increase of £213 million in the year. A higher demand for the Company's services and rise in employment and other costs impact the service fee receivable by the Company and therefore its results for the year.

The statement of comprehensive income and the statement of financial position are set out on pages 10 and 11 respectively. The profit for the financial year of £182 million (year ended 30 June 2018: £181 million) has been added to retained earnings.

The Company's total assets increased from £879 million in 2018 to £1,091 million in 2019, an increase of £212 million, primarily related to an increase in debtors falling due within one year and tangible assets. Shareholders' funds increased by 29% from £555 million to £715 million primarily as a result of the increase in profit for the financial year.

There were no new products sold by the Company and no new services introduced during the year ended 30 June 2019 that had a material impact on the financial statements.

In 2013, the Company entered into a 999 year lease with Kings Cross Central Limited Partnership ("KCCLP"). The total cost of the land recorded at 30 June 2019 is £290 million. Planning permission for the building was granted in August 2017 and pre-commencement works began in November 2017. The construction works commenced before the end of 2017, with the first piles being sunk in December 2017. During 2018, 100% of piles work had been completed. In May 2019 steel frame erection commenced.

The Company's average headcount increased from 3,658 in the year ended 30 June 2018 to 4,439 in the year ended 30 June 2019, an increase of 781.

#### Principal risks and uncertainties

As a provider of marketing services and research and development services, the Company's principal risks and uncertainties relate to scaling back its operations due to a potential reduction in demand for its services.

The demand for its services would be impacted by the principal risks and uncertainties faced by other group undertakings namely:

- *These businesses face intense competition. If they do not continue to innovate and provide products and services that are useful to users, they may not remain competitive, and their revenues and operating results could be adversely affected.*
- *These businesses generate a significant portion of their revenues from advertising and the reduction in spending by or loss of advertisers could seriously harm them.*
- *A variety of new and existing U.S and foreign laws could subject these businesses to claims or otherwise harm them.*

## Google UK Limited

### Strategic Report *(continued)* For the year ended 30 June 2019

#### Principal risks and uncertainties *(continued)*

- *Privacy concerns and breached security measures relating to these businesses technology could damage the business's reputation and deter current and potential users from using the businesses products and services.*
- *Acquisitions and investments could result in operating difficulties, dilution and other harmful consequences to the Company.*
- *Evolving laws and legal system, especially those that may occur as a result of Brexit, the United Kingdom's withdrawal from the European Union (EU). Brexit may adversely affect global economic and market conditions. Brexit may also adversely affect the Company's revenues and could subject the Company to new regulatory costs and challenges (including the transfer of personal data between the EU and the United Kingdom), in addition to other adverse effects that the Company are unable to effectively anticipate.*

By order of the board



**Paul T. Manicle**  
Director

Date: 19 March 2020

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## **Google UK Limited**

### **Directors' Report For the year ended 30 June 2019**

The directors present their report of the Company for the year ended 30 June 2019.

#### **Directors**

The directors who held office during the year and up to the date of this report were:

Ken Yi  
Paul T. Manicle

#### **Company secretary**

The company secretary for the year and up to the date of this report is TJG Secretaries Limited.

#### **Research and development**

The Company continued to provide research and development services to other US group undertakings. The Company has incurred £462 million (year ended 30 June 2018: £388 million) in providing research and development services to a related party during the year. Such expenses may fall into the following categories: research, development and engineering.

#### **Future developments**

There are no future changes anticipated in the business of the Company at this time.

#### **Going concern**

The directors of the Company have received written assurances from an intermediate parent undertaking, Google LLC, that it will continue to provide adequate financial support to the Company for a period of at least twelve months, from the date of approval of these financial statements to enable the Company to discharge its obligations to all creditors as they fall due.

On this basis, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

#### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation of employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the Company. Communication with all employees continues through briefing groups and the intranet website which it updates regularly with Company and industry news.

## **Google UK Limited**

### **Directors' Report (*continued*) For the year ended 30 June 2019**

#### **Employees (*continued*)**

The Company is committed to the recruitment and retention of first-rate people, and therefore offers a highly competitive compensation and benefits package. It believes in rewarding performance and encouraging employees to contribute to and share in the success and growth of the business.

Consequently, the Company facilitates a share incentive plan operated by Alphabet Inc. and operates a cash bonus plan that reward all employees for the success of the Company and their own personal performance.

#### **Results and dividends**

The Company's profit for the financial year is £182 million (year ended 30 June 2018: £181 million). The directors do not propose the payment of a dividend for the year (year ended 30 June 2018: £nil).

#### **Events since year end date**

After the reporting period but before the financial statements were authorised for issue, a change to the UK corporation tax rate was announced in the Budget on 11 March 2020 to maintain the current UK corporation tax rate of 19%, rather than reducing it to 17% from 1 April 2020. This will impact the calculation of current tax and deferred tax for future periods.

#### **Qualifying third party indemnity provisions**

A qualifying third party indemnity provision as defined in section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by the Alphabet Inc. group throughout the financial year and to the date of approval of the financial statements.

#### **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 period. 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), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 financial period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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; and
- 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

## **Google UK Limited**

### **Directors' Report (*continued*) For the year ended 30 June 2019**

#### **Statement of directors' responsibilities (*continued*)**

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.

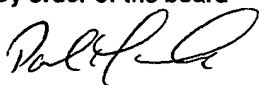
#### **Disclosure of information to auditors**

The directors confirm that, so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Reappointment of auditors**

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young as auditor of the Company.

#### **By order of the board**



**Paul T. Manicle**

**Director**

**Date:** 19 March 2020



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE UK LIMITED

### Opinion

We have audited the financial statements of Google UK Limited for the year ended 30 June 2019 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2019 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.





## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE UK LIMITED (continued)

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE UK LIMITED (continued)

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

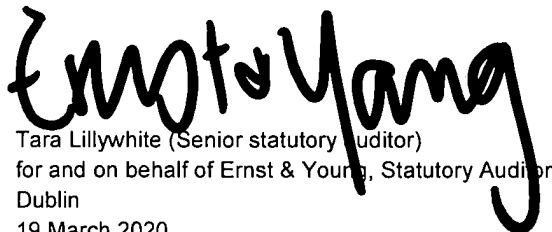
### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
Tara Lillywhite (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin  
19 March 2020

## Google UK Limited

### Statement of profit and loss and other comprehensive income For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Revenue	4	1,599,854	1,406,732
Administrative expenses		<u>(1,374,002)</u>	<u>(1,161,244)</u>
<b>Operating profit</b>	5	<b>225,852</b>	<b>245,488</b>
Interest receivable and similar income	6	50	2,952
Interest payable and similar charges	7	<u>(70)</u>	<u>(2,120)</u>
<b>Profit on ordinary activities before taxation</b>		<b>225,832</b>	<b>246,320</b>
Tax on profit on ordinary activities	10	<u>(44,313)</u>	<u>(65,635)</u>
<b>Profit for the financial year</b>		<b><u>181,519</u></b>	<b><u>180,685</u></b>

All amounts relate to continuing operations.

#### Other comprehensive income

There were no items of other comprehensive income for the current year or prior year and therefore no separate statement of other comprehensive income has been prepared.

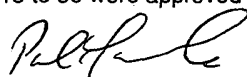
The notes on pages 13 to 36 form an integral part of these financial statements.

**Google UK Limited**  
**Statement of Financial Position**  
**As at 30 June 2019**

Registered number: 03977902

	Notes	30 June 2019 £'000	30 June 2018 £'000
<b>Non-current assets</b>			
Tangible assets	11	748,272	620,011
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	12	248,514	88,014
Amounts falling due after one year	12	93,794	150,089
		<u>342,308</u>	<u>238,103</u>
Cash and cash equivalents		-	20,717
<b>Total current assets</b>		<u>342,308</u>	<u>258,820</u>
 Creditors: amounts falling due within one year	13	<u>(296,975)</u>	<u>(259,018)</u>
<b>Net current assets / (liabilities)</b>		<u>45,333</u>	<u>(198)</u>
Total assets less current liabilities		793,605	619,813
Creditors: amounts falling due after one year	13	(45,724)	(35,418)
Provision for liabilities and charges	15	<u>(33,325)</u>	<u>(29,762)</u>
<b>Net assets</b>		<u>714,556</u>	<u>554,633</u>
 <b>Capital and reserves</b>			
Called up share capital	16	50,001	50,001
Other capital reserves		82,458	104,054
Retained earnings		<u>582,097</u>	<u>400,578</u>
 <b>Total shareholders' funds</b>		<u>714,556</u>	<u>554,633</u>

The financial statements on pages 10 to 12 and supporting notes to the financial statements on pages 13 to 36 were approved by the board of directors and were signed on its behalf by:



**Paul T. Manicle**  
**Director**

Date: 19 March 2020

## Google UK Limited

### Statement of Changes in Equity As at 30 June 2019

	Called up share capital £'000	Other capital reserves £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 July 2017</b>	<b>50,001</b>	<b>120,273</b>	<b>219,892</b>	<b>390,166</b>
Profit for the year	-	-	180,686	180,686
Share based compensation expense, net of tax effect	-	373,710	-	373,710
Share based compensation recharge	-	(389,929)	-	(389,929)
<b>Balance at 30 June 2018</b>	<b>50,001</b>	<b>104,054</b>	<b>400,578</b>	<b>554,633</b>
<b>Balance at 1 July 2018</b>	<b>50,001</b>	<b>104,054</b>	<b>400,578</b>	<b>554,633</b>
Profit for the year	-	-	181,519	181,519
Share based compensation expense, net of tax effect	-	449,515	-	449,515
Share based compensation recharge	-	(471,111)	-	(471,111)
<b>Balance at 30 June 2019</b>	<b>50,001</b>	<b>82,458</b>	<b>582,097</b>	<b>714,556</b>

The notes on pages 13 to 36 form an integral part of the financial statements.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 1. General information

Google UK Limited (or the 'Company'), is a private company limited by shares and is engaged in the provision of research and development services and the provision of marketing services to other group undertakings. The Company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Belgrave House, 76 Buckingham Palace Road, London, SW1W 9TQ.

#### 2. Principal accounting policies and basis of preparation

##### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise stated. The financial statements were prepared in pound sterling ("£") and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

##### (b) Financial reporting standard 101- reduced disclosure exemptions

The financial statements of the Company were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") (accounting standards issued by the Financial Reporting Council), and in accordance with the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The Company is a qualifying entity for the purposes of FRS 101.

The Company is included in the consolidated financial statements of its ultimate parent undertaking, Alphabet Inc, which are publicly available.

Critical accounting judgments and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in note 3 to the financial statements.

#### Accounting policies

The significant accounting policies, which have been applied consistently in the current and previous financial year in the preparation of the Company's financial statements are set out below. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7 'Statement of Cash Flows'
- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods and services received was determined)
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation)
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 30 to 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### Accounting policies (*continued*)

- The requirements of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and at the end of the period)
  - paragraph 73(e) of IAS 16 "Property, Plant and Equipment"
- The requirements of paragraphs 10(d), 16, 38A-D, 40A-D, 111 and 134 to 136 of IAS 1 "Presentation of Financial Statements"
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.

##### New and amended standards and interpretations effective during the period

###### *Adoption of IFRS 9, Financial Instruments*

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) superseded IAS 39 *Financial Instruments: Recognition and Measurement* from 1 January 2018.

In accordance with the transitional provisions in IFRS 9, the Company has applied the modified retrospective transition method and has not restated prior year comparative figures. Results for the year ended 30 June 2019 are presented under IFRS 9, while results for the year ended 30 June 2018 are reported in accordance with IAS 39. Under the modified retrospective transition method, any cumulative adjustment from the adoption of IFRS 9 is recognised in opening retained earnings as at 1 July, 2018.

The nature and effect of key changes for classification and measurement, and impairment arising from the adoption of IFRS 9 are outlined in Note 20 (Pages 34 and 35).

The Company does not apply hedge accounting, therefore no further disclosures have been provided.

There are no other amendments to accounting standards or IFRIC interpretation that are effective for the year ended 30 June 2019 and have a material impact on the Company.

##### (c) Foreign currency translation

###### *(i) Functional and presentation currency*

The financial statements of the Company's operations are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in pound sterling ("£"), which is also the Company's functional currency and presentation currency. All values are presented in pound sterling ("£") to the nearest thousand except where otherwise indicated.

###### *(ii) Transactions and balances*

Transactions denominated in foreign currencies are initially translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are then re-translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken to the statement of comprehensive income and included in administrative expenses. Non-monetary assets and liabilities, which are measured using historic cost, are translated at the exchange rates as at the date of the initial transaction and are not subsequently retranslated.

## **Google UK Limited**

### **Notes to the Financial Statements For the year ended 30 June 2019**

#### **2. Principal accounting policies and basis of preparation *(continued)***

##### **(d) Revenue**

The Company recognises revenue when control of the promised goods or services are transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company generates revenue through service agreements with other Alphabet group companies, being primarily the provision of marketing and services support, and the provision of research and development (R&D) services.

The service fee charged under both arrangements is based on the level of expenses, as agreed between parties in the performance of services. Where the transaction price contains variable consideration, the Company uses the most likely amount method in estimating revenue. These estimates are not constrained, as the Company assesses that it is highly probable that a significant reversal of revenue will not occur.

Revenue from these service agreements are recognised when obligations to the customer are satisfied, and control of the promised services are transferred. The Company recognises revenue over time, as the customer simultaneously receives and consumes the benefits as the service is provided. The Company applies an output method, based on underlying financial results as agreed between parties, which is considered to faithfully depict the transfer of control to the customer.

##### **(e) Current and deferred tax**

The tax expense for the period comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except where the deferred tax asset or liability arises from the initial recognition of an asset or liability which affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable future taxable profits available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.



## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (e) Current and deferred tax (*continued*)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

##### (f) Pensions

The Company operates a defined contribution pension scheme. The expected cost of providing pensions to employees is charged to the statement of profit and loss as incurred over the period of employment of pensionable employees. Once contributions have been paid, the Company has no further payment obligations.

##### (g) Operating lease - as lessee

Operating leases do not transfer substantially all the risks and rewards of ownership of the leased asset. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight line basis over the period of the lease.

Lease premiums and similar incentives that are received or paid are treated as deferred or accrued income and released to the profit and loss account on a straight line basis over the lease term.

##### (h) Asset retirement obligation

The Company assesses its lease agreements for requirements to return leased premises to their original condition. Assessments are carried out by an independent third party valuer to determine the level of work required and to evaluate the likely cost. A provision for asset retirement obligations is recognised over the life of the lease for the best estimate of the cost of rectification at the end of the lease term.

##### (i) Provisions for liabilities

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (j) Research and development

Research costs are expensed in the period in which they are incurred. The Company currently incurs no development costs which would meet the criteria for capitalisation as development expenditure under IAS 38.

##### (k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits and short-term, highly liquid investments with maturity of three months or less, which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within current liabilities in the statement of financial position.

The company participates in an intergroup cash pooling program, which involves the transfer of cash amounts and bank overdrafts to an intergroup cash pooling entity. The amounts placed with the cash pooling entity are classified as 'Amounts owed by group undertakings' (see note 12).

##### (l) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ('FVTPL'), directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset in its entirety, except for those subsequently measured at fair value through other comprehensive income ('FVTOCI'), the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss. For derecognition of financial assets measured at FVTOCI, any cumulative gain or loss is recognised in other comprehensive income.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

##### Classification and measurement IFRS 9

From 1 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either FVTOCI, or FVTPL), and
- those to be measured at amortised cost.

# Google UK Limited

## Notes to the Financial Statements For the year ended 30 June 2019

### 2. Principal accounting policies and basis of preparation (*continued*)

#### (l) Financial assets (*continued*)

A financial asset is measured at amortised cost if it has not been designated as FVTPL and meets both of the following conditions:

- it is held within a business model whose objective is to hold to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if it has not been designated as FVTPL and meets both of the following conditions:

- it is held within a business model whose objective is both to hold to collect contractual cash flow and sell financial assets and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company can make an irrevocable election to present subsequent changes in the investments as FVTOCI. This election is made on an investment by investment basis. The Company has elected not to avail of this exemption and instead measures equity investments at FVTPL and records all fair value movements on equity investments through profit or loss.

#### Debt instruments - IFRS 9

Subsequent measurement of debt instruments depends on the entity's business model for managing the asset and the cash flow characteristics of the asset. All the company's debt instruments are measured at amortised cost as the assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

The company's debt instruments consist of the following:

- Loans and debtors owed from group undertakings
- Trade debtors
- Other debtors

#### Impairment of debt instruments measured at amortised cost - IFRS 9

For trade debtors, including intercompany trade debtors, the entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Company uses judgement in making assumptions around the risk of default and expected loss rates, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For loans owed from related parties, the Company applies the general approach to providing for expected credit losses, as prescribed by IFRS 9. The general expected credit loss model under IFRS 9 requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (l) Financial assets (*continued*)

Management consider amounts due from related parties to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

The company participates in an intergroup cash pooling program, which involves the transfer of cash amounts and bank overdrafts to an intergroup cash pooling entity. The amounts placed with the cash pooling entity are classified as "Amounts owed by group undertakings" (see note 12).

##### (m) Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provision of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of the financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measure at fair value.

Financial liabilities are derecognized when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognized, and through the amortization process.

The Company contains the following categories of financial liabilities:

- Financial liabilities held at amortised cost

The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition.

##### (i) *Financial liabilities held at amortised cost*

Financial liabilities at amortised costs are included in 'Creditors: amounts falling due within one year' and 'Creditors: amounts falling due after more than one year' in the statement of financial position.

Creditors are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest expense relating to the financial liability is recognised in profit or loss on a time proportion basis using the effective interest rate method.

Trade creditors and other creditors represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade creditors approximate fair value due to their short term nature. The amounts are unsecured and are generally paid within 30 - 90 days recognition.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (n) Accounting policies applied before 1 July 2018

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policies, which are outlined below.

##### *Classification and measurement - IAS 39*

The Company contains the following categories of financial instruments:

- Loans and receivables
- Financial liabilities at amortised cost

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

##### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included as:

- Loans to group undertakings; Fixed assets
- Debtors: amounts falling due within one year; Current assets
- Debtors: amounts falling due after more than one year; Current assets

The asset is initially recognised at its fair value including directly attributable and incremental transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

If the original advanced amount to a fellow group entity does not equate to the fair value on initial recognition, the difference is reflected as a dividend to the parent of the Company.

Interest income is recognised using the effective interest method.

##### (ii) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost include borrowings and trade and other creditors. These financial instruments are initially measured at fair value, net of any transaction costs in the case of borrowings, and subsequently measured at amortised cost using the effective interest rate. Borrowings are classified as current liabilities (creditors due within one year), unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Financial liabilities are derecognised when the Company's obligations specified in the contract expire are discharged or cancelled.

Interest expense is recognised using the effective interest method.

##### *Impairment of financial instruments*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets which can be reliably estimated.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (o) Tangible assets

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment value, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of standard performance of the asset before the expenditure was made, will flow to the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from their use. On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is provided on the straight line method over their estimated useful lives as follows:

- Land and construction in progress are not depreciated.
- Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. The Company depreciates buildings over periods up to 25 years. Leasehold improvements are depreciated over the lesser of 7 years or the lease term. Furniture and fixtures are depreciated over periods up to 7 years. Information technology assets are generally depreciated over periods up to 3 years. Construction in progress assets are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

##### (p) Borrowing costs

Specific borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period they occur.

##### (q) Impairment of non-financial assets and financial assets measured at cost

The carrying amounts of the non-financial assets and financial assets measured at cost are reviewed at each reporting date to determine whether there is any indication of impairment in value. If any such indication exists, the assets recoverable amount is estimated.

An impairment in value is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment in value is recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (q) Impairment of non-financial assets and financial assets measured at cost

The fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at each reporting date as to whether there is any indication that an impairment in value recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

An impairment in value recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment in value was recognised. An impairment in value is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation if no impairment in value had been recognised.

Reversals of impairment in value are recognised in profit or loss. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### (r) Share based payments

###### *Equity settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Restricted stock units ("RSUs") are measured based on the fair market values of the underlying stock on the dates of grant.

The share-based payment relating to stock options is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton ("BSM") option pricing model. The BSM model requires assumptions including expected volatility and expected term.

The Company is required to estimate the expected forfeiture rate (based on historical experience) and only recognise expense for those RSUs expected to vest. To the extent the actual forfeiture rate is different from the estimate; share-based payment is adjusted prospectively. The movement in cumulative expense since the previous reporting date is recognised in the statement of comprehensive income, with a corresponding entry in equity ("Other capital reserves" account).

The Company reimburses another group undertaking, Google LLC, for RSUs issued to its employees. Share-based payment expense and share-based payment reimbursements are recorded separately in "Other capital reserves". Share-based payment reimbursements represent returns of capital to Google LLC to the extent that the Company has sufficient balances within "Other capital reserves" to cover such reimbursements.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 2. Principal accounting policies and basis of preparation (*continued*)

##### (r) Share based payments

###### *Cash settled transactions*

The Company accounts for all share-based payments as equity settled transactions.

#### 3. Critical accounting estimates and judgements

##### *Critical judgments in applying the Company's accounting policies*

In the process of applying the Company's accounting policies, management is of the opinion that there are no critical judgments involved that have a significant effect on the amounts recognised in the financial statements.

##### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

##### *Property, plant and equipment*

The annual depreciation on property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. See note 11 for the carrying amount of the property, plant and equipment. The useful economic lives for each class of asset are outlined within note 2.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

#### 4. Revenue

The total revenue of the Company for the year has been derived from its principal activity, being primarily the provision of marketing services and the provision of R&D services to other group undertakings. An analysis of turnover is not disclosed in line with Schedule 1, paragraph 68 of Statutory Instrument 2008 No.410.

#### 5. Operating profit

Profit before income tax includes the following specific expenses:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Audit remuneration	88	81
Research and development costs	462,148	387,652
Depreciation and impairment of tangible fixed assets	41,214	39,345
Operating lease charges	53,337	45,903
Gain on disposal of tangible assets	(83)	(215)

Auditor remuneration relates to the statutory audit of the Company.



## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 6. Interest receivable and similar income

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Interest income derived from intercompany loans	50	2,952
	<u>50</u>	<u>2,952</u>

#### 7. Interest payable and similar charges

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Interest expense derived from intercompany loans	43	1,804
Other interest payable	27	316
	<u>70</u>	<u>2,120</u>

Other interest payable for the year ended 30 June 2019 represents the unwinding of an Asset Retirement Obligation accretion expense.

#### 8. Employee information and directors' remuneration

Staff costs were as follows:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Wages and salaries	482,692	388,048
Social security costs	92,983	80,345
Other pension costs (Note 9)	22,993	18,418
Share based payments	441,014	342,284
	<u>1,039,682</u>	<u>829,095</u>

Staff costs are arrived at after recharging £170 million (year ended 30 June 2018: £139 million) to group companies.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 8. Employee information and directors' remuneration (*continued*)

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Year ended 30 June 2019	Year ended 30 June 2018
Marketing	1,723	1,451
Research and development	2,171	1,783
Management and administration	545	424
	<b>4,439</b>	<b>3,658</b>

The directors' remuneration for the year and previous year was borne by another group undertaking.

During the year, no director held share options (year ended 30 June 2018: none) in the ultimate parent undertaking, Alphabet Inc. None of the directors exercised options during the year (year ended 30 June 2018: none).

No director (year ended 30 June 2018: none) received shares under a long-term incentive scheme.

No director (year ended 30 June 2018: none) was accruing benefits under the Company's defined contribution scheme.

#### 9. Pension commitments

The Company operates a defined contribution scheme for certain employees and directors. The employees' pension entitlements are secured by contributions by the Company to a separately administered pension fund. Contributions to defined contribution plans are recognised as an expense in profit or loss in the same financial year as the employment that gives rise to the contributions. Once contributions have been paid, the Company has no further payment obligations.

The defined contribution pension charge for the year was £23.0 million (year ended 30 June 2018: £18.4 million).

As at 30 June 2019 pension contributions of £5.4 million were outstanding (year ended 30 June 2018: £5.3 million).

#### 10. Tax on profit on ordinary activities

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
<b>Income tax expense relating to profit or loss</b>		
<b>Current tax</b>		
Current tax charge	58,987	66,845
Adjustment for prior year tax	(4,003)	6,051

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 10. Tax on profit on ordinary activities (continued)

<b>Deferred Tax</b>		
Origination and reversal of timing differences (see note 14)	(10,671)	(7,261)
<b>Total income tax expense</b>	<b>44,313</b>	<b>65,635</b>

During the year, an aggregated income tax amount of £8.5 million was credited directly to equity (year ended 30 June 2018: credit of £17.5 million).

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (year ended 30 June 2018: higher than) the standard rate of corporation tax in the UK of 19% (30 June 2018: 19%). The differences are explained below:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit on ordinary activities before tax	225,832	246,320
Tax on profit on ordinary activities at standard UK tax rate of 19% (30 June 2018: 19%)	42,908	46,801
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,831	3,898
Differences including foreign exchange arising in respect of share based compensation	(2,541)	5,535
Tax rate changes	2,741	2,758
Amounts not recognised	-	161
Adjustment in respect of prior years	(1,626)	6,482
<b>Total tax charge for the year</b>	<b>44,313</b>	<b>65,635</b>

#### Factors affecting future tax charges:

After the reporting period but before the financial statements were authorised for issue, a change to the UK corporation tax rate was announced in the Budget on 11 March 2020 to maintain the current UK corporation tax rate of 19%, rather than reducing it to 17% from 1 April 2020. This will impact the calculation of current tax and deferred tax for future periods.

**Google UK Limited**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

**11. Tangible assets**

	Long leasehold land	Building	Leasehold improvements	Information technology assets	Furniture and fixtures	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Costs</b>							
At 1 July 2018	290,059*	4,880	191,141	88,027	17,494	200,866	792,467
Additions	-	-	12,468	9,941	5,130	145,903	173,442
Disposals	-	-	(5,024)	(18,258)	(1,676)	(282)	(25,240)
Transfer costs	-	-	7,612	2,083	48	(9,743)	-
<b>At 30 June 2019</b>	<b>290,059</b>	<b>4,880</b>	<b>206,197</b>	<b>81,793</b>	<b>20,996</b>	<b>336,744</b>	<b>940,669</b>
<b>Depreciation and impairment</b>							
At 1 July 2018	-	967	99,293	54,600	13,593	4,003**	172,456
Charge for the year	-	287	22,108	15,132	3,687	-	41,214
Disposals	-	-	(4,871)	(14,727)	(1,675)	-	(21,273)
<b>At 30 June 2019</b>	<b>-</b>	<b>1,254</b>	<b>116,530</b>	<b>55,005</b>	<b>15,605</b>	<b>4,003</b>	<b>192,397</b>
<b>Net book value</b>							
<b>At 30 June 2019</b>	<b>290,059</b>	<b>3,626</b>	<b>89,667</b>	<b>26,788</b>	<b>5,391</b>	<b>332,741</b>	<b>748,272</b>
<b>At 30 June 2018</b>	<b>290,059</b>	<b>3,913</b>	<b>91,848</b>	<b>33,427</b>	<b>3,901</b>	<b>196,863</b>	<b>620,011</b>

\* The land is held under a 999 year lease which has been treated as passing substantially all of the risk and rewards of ownership to the Company.

\*\* Impairment charge of £4 million is in respect of costs associated with design alterations that are no longer attributable to the final design of the new office space at Kings Cross.

*Capitalised borrowing costs*

The amount of borrowing costs capitalised during the year ended 30 June 2019 was £nil (30 June 2018: £1.7m). The rate used to determine the amount of borrowing costs eligible for capitalisation was 0.90% which is the effective rate of the borrowing used to finance the construction.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 12. Debtors

##### Amounts falling due within one year:

	At 30 June 2019 £'000	At 30 June 2018 £'000
Amounts owed by group undertakings	180,014	3,907
Prepayments	41,578	37,268
VAT Receivable	3,513	4,694
Corporation tax receivable	20,432	41,160
Other debtors	2,977	985
	<u>248,514</u>	<u>88,014</u>

##### Amounts falling due after more than one year:

	At 30 June 2019 £'000	At 30 June 2018 £'000
Amounts owed by group undertakings	-	63,072
Deferred tax (Note 14)	71,001	65,553
Prepayments	22,793	21,464
Other debtors	-	-
	<u>93,794</u>	<u>150,089</u>

The 'amounts owed by group undertakings' include amounts of £12m that arise as a result of the Company's participation in an intergroup cash pooling program. This program was initiated in 2019. The program involves the transfer of cash amounts that the Company had previously held with external banks to an intergroup cash pooling entity, as part of the efficient management of cash balances within the wider group. Prior to this, the Company held its cash positions directly with an external banking provider, and as a result had classified these balances as cash and cash equivalents.

Included within the total prepayments balance of £64.4 million is prepaid facilities of £41.4 million and prepaid property tax of £17.0 million.

Within the deferred tax asset balance of £74.7 million is an amount of £62.0 million relating to the deferred tax asset on share based compensation expense. The significant majority of this amount will be recoverable in a period greater than one year.

Amounts owed by other group undertakings are unsecured, interest free and repayable on demand.

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 13. Creditors

##### Amounts falling due within one year:

	At 30 June 2019 £'000	At 30 June 2018 £'000
Amounts owed to group undertakings	9,685	964
Trade creditors	61,085	53,732
Accruals	161,980	148,951
Deferred rent	2,508	1,878
Other taxes and social security	61,589	53,493
Bank overdraft	128	-
	<u>296,975</u>	<u>259,018</u>

Trade creditors approximate fair value due to their short term nature. Trade creditors are unsecured and non-interest bearing and are normally settled on 30-90 days terms.

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

##### Amounts falling due after one year:

	At 30 June 2019 £'000	At 30 June 2018 £'000
Accruals	2,140	-
Deferred Rent	43,584	35,418
	<u>45,724</u>	<u>35,418</u>

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 14. Deferred tax asset

	£'000	£'000
At 1 July	65,553	57,787
Credited to the statement of profit and loss and other comprehensive income	13,048	7,692
Adjustment in respect of prior years	(2,377)	(431)
Credited to equity – 'Other capital reserves'	(5,223)	505
At 30 June	<u>71,001</u>	<u>65,553</u>

The deferred tax asset is made up as follows:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Fixed assets	4,760	8,478
Temporary differences trading	4,213	3,757
Share options	62,028	53,318
	<u>71,001</u>	<u>65,553</u>

A deferred tax asset of £62.0 million (30 June 2018: £53.3 million) has been recognised in respect of the share units and options as the directors are of the opinion that a tax deduction will be likely in the future. The remaining deferred tax asset recognised within the temporary differences is relating to an asset retirement provision of £3.4 million (30 June 2018: £2.8 million) and pensions and bonuses of £1.0 million (30 June 2018: £1.0 million).

#### 15. Provision for liabilities and charges

	£'000
At 1 July 2018	29,762
Additions	3,563
Utilised during the year	-
As at 30 June 2019	<u>33,325</u>

#### Asset retirement obligation

Asset retirement obligations represent the estimated removal costs associated with the obligation of the Company to remove all leasehold improvements upon expiry of the leases relating to leased office premises, which fall payable within the period between 2020 and 2030.

The dilapidation provision has been recorded using a discount rate of 0.90%.

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## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 16. Called up share capital

	At 30 June 2019 £'000	At 30 June 2018 £'000
<b>Authorised, allotted, called up and fully paid</b>		
50,001,000 Ordinary shares of £1 each	<u>50,001</u>	<u>50,001</u>

There were no movements in the Company's ordinary shares during the year (year ended 30 June 2018: none).

#### 17. Share based payments

The Company's ultimate parent undertaking, Alphabet Inc., maintains the 2004 Stock Plan, the 2012 Stock Plan, and plans assumed through acquisitions, all of which are collectively referred to as the "Stock Plans". These Stock Plans are equity-settled.

Under the Stock Plans, incentive and non-qualified stock options or rights to purchase common stock may be granted to eligible participants. Options are generally granted for a term of 10 years. Options granted under the Stock Plans generally vest 25% after the first year of service and rateably each month over the remaining 36 month period contingent upon employment with the Company on the vesting date.

Under these Stock Plans, Alphabet has also issued RSUs. An RSU award is an agreement to issue shares of Alphabet's stock at the time of vest. RSUs issued to new employees vest over four years contingent upon employment with the Company on the dates of vest.

The exercise price disclosures are given in US\$ as this is the currency in which the options are exercisable and the underlying shares are quoted.

From 1 January 2012, the Company reimburses Google LLC for share options / RSUs granted to its employees. The reimbursement for the year ended 30 June 2019 was £274 million (year ended 30 June 2018: £255 million). The share-based payment charge and the share-based payment recharge are shown separately under "Other capital reserves".



## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 17. Share based payments (*continued*)

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year. The exercise price disclosures are given in US\$ as this is the currency in which the options are exercisable and the underlying shares are quoted.

##### Ordinary share options

	At 30 June 2019	At 30 June 2019 Weighted Average Exercise Price \$	At 30 June 2018	At 30 June 2018 Weighted Average Exercise Price \$
	Number of Share Options		Number of share options	
Exercised during the year	(8,108)	206.57	(21,986)	166.70
Forfeited during the year	(442)	154.35	(160)	204.24
Net transfer to other group undertakings	(1,121)	216.02	3,070	221.20
Outstanding at end of year	<u>8,372</u>	<u>260.95</u>	<u>18,043</u>	<u>231.11</u>

RSU activities in the UK consisted of the following:

##### Restricted Stock Units

	At 30 June 2019	At 30 June 2019 Weighted Average Exercise Price \$	At 30 June 2018	At 30 June 2018 Weighted Average Exercise Price \$
	Number of Share Options		Number of share options	
Unvested at 1 July	1,062,449	920.40	880,786	679.22
Granted during the year*	579,748	1,078.80	757,264	1,061.22
Unvested at 30 June	<u>1,049,523</u>	<u>1,027.27</u>	<u>1,062,449</u>	<u>920.40</u>

\* RSUs are measured based on the fair market values of the underlying listed share price on the dates of grant.

**Google UK Limited**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

**17. Share based payments (continued)**

The following table summarises additional information regarding the range of exercise price for options outstanding at 30 June 2019 and 2018:

**Ordinary share options**

Range of exercise price	At 30 June 2019			At 30 June 2018		
	Weighted average exercise price \$	Number of share Options	Weighted average remaining life (years)	Weighted average exercise price \$	Number of share options	Weighted average remaining life (years)
\$5.00 - \$100.00	-	-	-	44.54	282	1.05
\$100.01 - \$200.00	-	-	-	156.20	2,624	0.37
\$200.01 - \$300.00	259.60	8,110	1.39	224.09	14,859	1.97
\$300.01 - \$400.00	302.75	262	1.48	302.92	278	2.42

The weighted average share price of Alphabet Inc. for the year was \$1,134.05 (30 June 2018: \$1,041.67).

## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 18. Operating lease commitments

The Company has entered into operating leases primarily on land and buildings, with lease terms between three and seventeen years. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	At 30 June 2019 £'000	At 30 June 2018 £'000
Not later than one year	64,728	55,184
Later than one year and not later than 5 years	209,429	209,179
Later than 5 years	299,553	331,878
	<b>573,710</b>	<b>596,241</b>

Total future sublease payments receivable relating to the above operating leases amount to £nil million (30 June 2018: £0.5 million).

#### 19. Contingent liabilities

There were no contingent liabilities as at year end 30 June 2019 (30 June 2018: none).

#### 20. Transition to IFRS 9

This note explains the impact on classification and measurement and impairment as a result of the adoption of IFRS 9 Financial Instruments.

##### Classification and Measurement - Financial assets

With respect to the classification and measurement requirements for financial assets, the number of categories under IFRS 9 has been reduced, resulting in financial assets within the scope of IAS 39 now being subsequently measured at either amortised cost or fair value under IFRS 9.

Refer to the Company's accounting policies in note 2 for the classification and measurement criteria applied to financial assets under IAS 39 and IFRS 9.

The following table reflects the measurement categories under IAS 39 and the measurement categories under IFRS 9 for each financial asset held by the Company at 1 July 2018. There has been no change in the carrying amount of any of the company's financial assets on adoption of IFRS 9.

Financial Assets	Note	Measurement Category at 1 July 2018	
		IAS 39	IFRS 9
Loans owed from related parties		Loans and receivables*	Amortised cost
Receivables owed from related parties		Loans and receivables*	Amortised cost
Trade receivables		Loans and receivables*	Amortised cost
Other receivables		Loans and receivables*	Amortised cost
Cash and cash equivalents		Loans and receivables*	Amortised cost

\*Measured at amortised cost

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## Google UK Limited

### Notes to the Financial Statements For the year ended 30 June 2019

#### 20. Transition to IFRS 9 (*continued*)

The resulting classification and measurement changes have resulted in no impact to the Company's equity at 1 July 2018.

##### Classification of other financial assets

All other financial assets continue to be measured on the same basis under IFRS 9 as was applied under IAS 39.

##### Classification and Measurement - Financial liabilities

The adoption of IFRS 9 has resulted in no impact on the classification and measurement of the Company's financial liabilities.

##### Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is required to be updated at each reporting date to reflect changes in credit risk since initial recognition.

##### Effects of applying the expected credit loss model to financial assets on initial application of IFRS 9

###### *(i) Intercompany loans owed by parent, subsidiary and group undertakings*

For intercompany loan amounts owed by group undertakings, the Company applies the general approach when providing for expected credit losses, as prescribed by IFRS 9. The general expected credit loss model requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded.

###### *(ii) Trade and other debtors (including intercompany trade debtors)*

For trade debtors and other debtors (including intercompany trade debtors), the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

The Company applied the expected credit loss model to trade and other debtors (including intercompany trade debtors) at 1 July 2018, which has not resulted in a material impact to the Company.

###### *(iii) Cash and cash equivalents*

Cash and cash equivalents are held with banks and financial institution counterparties which are rated as investment grade by credit rating agencies. The maximum maturity of cash and cash equivalents is 3 months. The Company considers that its cash and cash equivalents have low risk based on the external credit ratings of its counterparties.

No impairment has arisen on transition to IFRS 9.

#### 21. Events since year end date

After the reporting period but before the financial statements were authorised for issue, a change to the UK corporation tax rate was announced in the Budget on 11 March 2020 to maintain the current UK corporation tax rate of 19%, rather than reducing it to 17% from 1 April 2020. This will impact the calculation of current tax and deferred tax for future periods.

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## **Google UK Limited**

### **Notes to the Financial Statements For the year ended 30 June 2019**

#### **22. Parent undertaking and controlling party**

The Company's ultimate holding company is Alphabet Inc., a company incorporated in the United States of America, while its immediate parent undertaking and controlling party is Google International LLC, a company incorporated in the United States of America.

Alphabet, Inc. is the smallest and largest group into which these financial statements are consolidated. The consolidated financial statements are available to the public and may be obtained from 1600 Amphitheatre Parkway, Mountain View, CA 94043, United States of America or can be obtained from the investor relations website at <https://abc.xyz/investor>.

All transactions recorded in the year with a related entity are shown in notes 4, 6, 7, 8, 12, 13 and 17. The Company has taken advantage of the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

#### **23. Approval of the financial statements**

The board of directors approved these financial statements for issue on 19 March 2020.