

Registered number. 05903713



**GOOGLE PAYMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2011**

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# **GOOGLE PAYMENT LIMITED**

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# GOOGLE PAYMENT LIMITED

## GENERAL INFORMATION

<b>Board of Directors</b>	Vivaik Bharadwaj Raif Jacobs Graham Law Allan Livingston Nelson Mattos Lewis Segall Matthew Sucherman (resigned 25 Oct 2011) Luisa Edwards (appointed 25 Oct 2011) Vikas Gupta
<b>Company secretary</b>	Taylor Wessing Secretaries Limited
<b>Company number</b>	05903713
<b>Registered office</b>	Belgrave House 76 Buckingham Palace Road London SW1W 9TQ
<b>Auditors</b>	Ernst & Young Harcourt Centre Harcourt Street Dublin Ireland
<b>Bankers</b>	Citibank Citigroup Dublin Service Centre 1 North Wall Quay 2nd Floor Dublin 1 Ireland
<b>Solicitors</b>	Taylor Wessing LLP 5 New Street Square London EC4A 3TW

# GOOGLE PAYMENT LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

### Principal activity and future developments

Google Payment Limited ("company") is a wholly owned subsidiary of Google International LLC whose ultimate parent undertaking is Google Inc ("Google") a company incorporated in the United States of America

The company offers, in the United Kingdom and in other European countries, Google Checkout, an electronic payment product which allows consumers and merchants to settle transactions originated over the internet. Using Google Checkout, consumers are able to purchase electronic money using their credit and debit cards. Merchants are able to collect electronic money payments, and redeem them when convenient for the merchant or within a reasonable time frame as specified in company policy.

The company provides payment processing services to its merchant base upon which it charges a processing fee, and also earns revenue from a fellow group company for providing these services. There were no significant new activities that had a material impact on the company's results during the financial year ended 31 December 2011.

There were no new products and services introduced during the financial year ended 31 December 2011 that had a material impact on the financial statements.

### Review of key performance indicators

#### *Turnover*

Total revenue increased from €7,558,984 to €13,347,040 in 2011, an increase of €5,788,056 (77%). The merchant revenue has decreased to €4,155,536 (2010: €4,551,663). Cross charge revenue has increased in line with increased costs.

#### *Cost of sales*

Cost of sales increased from €1,176,237 to €3,904,370, an increase of €2,728,133 (232%). This increase related primarily to credit card fees for processing Android transactions.

Cost of sales includes credit card processing fees from the company's acquiring bank. The company received credits against its credit card processing fees of €1,586,367 (2010: €841,201) as a consequence of a financing arrangement between its acquiring bank and a fellow group undertaking.

#### *Administrative expenses*

Administrative expenses increased from €5,759,261 to €8,457,551 in 2011, an increase of €2,698,290 (47%). This increase relates to an increase in Arvato financial services costs.

The company reported a profit after tax of €743,738 (2010: €461,042). This has been transferred to reserves.

The level of activity within the company is expected to increase over the next few years, as the company continues to market and operate Google Checkout.

### Employee and environmental matters

Other than the directors, the company had no employees during the year. The directors are not aware of any environmental matters that would affect the company.

### Principal risks and uncertainties facing the business

As Google Payment Limited is principally a service provider for Google Ireland Limited, the company's principal risks and uncertainties relate to scaling back its operations due to a reduction in demand for its services. The demand for its services would be impacted by the principal risks and uncertainties faced by Google Ireland Limited and other Google Inc group companies. If the group's competitors are more successful in generating traffic, revenues may decline. If the group fails to manage its growth effectively, the quality of products and

## GOOGLE PAYMENT LIMITED

services could suffer, which could negatively affect the brand and operating results. The group's business success is dependent upon product development and managing technological change in the industry within which it operates. The group must also ensure that it continues to effectively manage its related activity through appropriate compliance structures and procedures.

### Dividends

The profit for the year, after taxation, amounted to €743,738 (2010: €461,042).

The directors of the company do not propose the payment of a dividend (2010: €Nil).

### Political and charitable donations

The company made no political or charitable donations or incurred any political expenditure during the year (2010: €Nil).

### 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 Google Inc. group throughout the financial year.

### Subsequent events

There were no significant post balance sheet events affecting the company since the end of the year.

### Statement of directors' responsibilities

The directors who held office during the year and up to the date of this report, except as noted below, are as follows:

Vivaik Bharadwaj  
Raif Jacobs  
Graham Law  
Allan Livingston  
Nelson Mattos  
Lewis Segall  
Matthew Sucherman (resigned 25 Oct 2011)  
Luisa Edwards (appointed 25 Oct 2011)  
Vikas Gupta (appointed 22 Feb 2011)

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## GOOGLE PAYMENT LIMITED

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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


The directors confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware. The directors also confirm they have each taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent Auditors**

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 485 of the Companies Act 2006.

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

**Raif Jacobs**  
Director

A handwritten signature in black ink, appearing to be 'Raif Jacobs', written over a horizontal line.

## **Independent Auditors' report to the Members of Google Payment Limited**

We have audited the financial statements of Google Payment Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of, whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

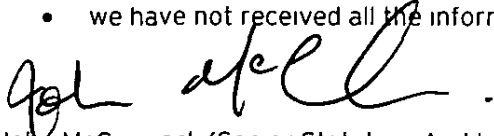
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where 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.

A handwritten signature in black ink, appearing to read 'John McCormack', is placed above the printed name.

John McCormack (Senior Statutory Auditor)  
For and on behalf of Ernst & Young, Statutory Auditors  
Dublin, Ireland.

13 April 2012

## Google Payment Limited

### PROFIT AND LOSS ACCOUNT for the year ended 31 December 2011

	Notes	2011 €	2010 €
Turnover	2	13,347,040	7,558,984
Cost of sales		<u>3,904,370</u>	<u>1,176,237</u>
Gross profit		9,442,670	6,382,747
Administrative expenses	3	<u>8,457,551</u>	<u>5,759,261</u>
Operating profit		985,119	623,486
Interest receivable and similar income	4	<u>(49,123)</u>	<u>(25,079)</u>
Profit on ordinary activities before taxation		1,034,242	648,565
Tax on profit on ordinary activities	5	<u>290,504</u>	<u>187,523</u>
Profit for the financial year		<u><u>743,738</u></u>	<u><u>461,042</u></u>

All above activities relate to continuing operations

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented



# Google Payment Limited

Registered number: 05903713

## BALANCE SHEET as at 31 December 2011

	Notes	2011 €	2010 €
<b>Current assets</b>			
Debtors	6	1,420,058	1,728,719
Cash at bank		<u>21,992,671</u>	<u>17,436,540</u>
		23,412,729	19,165,259
<b>Creditors</b> amounts falling due within one year	7	<u>(14,755,224)</u>	<u>(11,346,481)</u>
<b>Net current assets</b>		<u>8,657,505</u>	<u>7,818,778</u>
<b>Total assets less current liabilities</b>		8,657,505	7,818,778
<b>Provision for liabilities</b>			
Provision for liabilities and charges	8	<u>(694,523)</u>	<u>(599,533)</u>
<b>Net assets</b>		<u>7,962,982</u>	<u>7,219,245</u>
<b>Capital and reserves</b>			
Called up share capital	9	2,948	2,948
Share premium	10	4,997,052	4,997,052
Profit and loss account	10	<u>2,962,982</u>	<u>2,219,245</u>
<b>Total shareholder's funds</b>	11	<u>7,962,982</u>	<u>7,219,245</u>

The financial statements on pages 7 to 14 were approved by the board of directors on 5/4/2012 and were signed on its behalf by

Raif Jacobs  
Director



# **Google Payment Limited**

## **Notes to the financial statements for the year ended 31 December 2011**

### **1. Accounting policies**

#### **Authorisation**

The financial statements of Google Payment Limited for the year ended 31 December 2011 were authorised for issue by the board of directors on \_\_\_\_\_

#### **Basis of preparation of financial statements**

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

#### **Cash flow statement**

The company is a wholly owned subsidiary of Google Inc, and is included in the consolidated financial statements of Google Inc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) "Cash Flow Statements".

#### **Cash**

Cash comprises cash at banks and in hand less bank overdrafts.

#### **Foreign currencies**

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. Gains and losses for intercompany transactions and translations are borne by other group companies.

#### **Revenue**

The company provides payment processing services to its merchant base on which it charges a processing fee, and also earns revenue from a fellow group company for providing these services. Revenue is recognised as earned. Cash and fee rebates ultimately paid to merchants under Google Checkout promotions, including cash paid to merchants as a result of discounts paid to consumers on certain transactions processed through Google Checkout, are accounted for as an offset to revenues.

#### **Taxation**

The charge for taxation is based on the profit for the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future. Timing differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

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

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2011

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

### Provisions for liabilities and charges

A provision is recognised when the company had a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

### Allowances for transaction losses

The company is exposed to transaction losses arising from fraudulent consumer and merchant activity as well as non-performance by consumer or merchants of their Checkout obligations. An allowance for transaction losses is provided to cover anticipated losses resulting from these events.

Allowances are recorded based on known facts and circumstances, historical experience and the mix of transaction types and are monitored and updated on a monthly basis. The charge for allowances for transaction losses is included within the profit and loss account in cost of sales and is included within provisions in the balance sheet at the year end. Allowances for transactions losses are not discounted.

### Funds receivable and funds payable

Funds receivable and payable arise due to the time taken to clear transactions through external payment networks. When consumers fund their account using their credit or debit card, there is a clearing period before the cash is received by Google Checkout. Such funds are treated as receivable until they are settled.

When merchants request payment of funds, there is a clearing time between when Google Checkout triggers the funds disbursement, and the time funds are actually deducted from Google Checkout's bank accounts. Such funds are treated as a funds payable until cash is removed from the company's bank accounts.

### E-Money outstanding

E-Money outstanding represents funds due to merchants for transactions that have been charged but for which the merchant has not requested payment.

## 2. Turnover

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

### Business Activity

	2011 €	2010 €
Fees under service agreements with group undertakings	9,191,504	3,007,321
Merchant fees	4,155,536	4,551,663
<b>Total</b>	<b>13,347,040</b>	<b>7,558,984</b>

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2011

### Geographical Market

	2011 €	2010 €
UK	4,155,536	4,551,663
Rest of Europe	9,191,504	3,007,321
<b>Total</b>	<b>13,347,040</b>	<b>7,558,984</b>

### 3. Administrative expenses

Administrative expenses are as follows

	2011 €	2010 €
Professional services	6,225,905	4,170,375
(Gain)/Loss on foreign currency	731,694	(763,696)
Other operating expense	1,499,952	2,352,582
<b>Total</b>	<b>8,457,551</b>	<b>5,759,261</b>

Professional services expense includes fees of €72,500 (2010 €72,500) in respect of audit of the financial statements

### 4. Interest receivable and similar income

	2011 €	2010 €
Bank interest receivable	(49,123)	(25,079)
<b>Total</b>	<b>(49,123)</b>	<b>(25,079)</b>

### 5. Tax on profit on ordinary activities

	2011 €	2010 €
<b>Analysis of tax charge/(credit) in the year</b>		
<b>Current tax</b>		
UK Corporation tax on profit for the year	284,798	183,402
Adjustments in respect of prior periods	5,706	4,121
<b>Tax on profit on ordinary activities</b>	<b>290,504</b>	<b>187,523</b>

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2011

### Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26.49% (2010: 28%). The differences are reconciled below:

	2011 €	2010 €
Profit on ordinary activities before tax	<u>1,034,242</u>	<u>648,565</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.4931% (2010: 28%)	274,003	181,598
Effects of		
Expenses not deductible for tax purposes	103	863
Adjustments in respect of previous periods	5,706	4,121
Foreign exchange movement	<u>10,692</u>	<u>941</u>
Total Current Tax	<u>290,504</u>	<u>187,523</u>

### Factors that may affect future tax charges

HM Treasury have announced their intention for the main rate of corporation tax to decrease to 22% by 2015, through reductions of over the next three years, although this decrease in rates is not enacted at the balance sheet date.

## 6. Debtors

	2011 €	2010 €
Funds receivable from credit card issuing banks	1,324,499	1,728,719
Trade and VAT receivable	<u>95,559</u>	<u>0</u>
Total	<u>1,420,058</u>	<u>1,728,719</u>

All balances are receivable within one year.

## 7. Creditors: Amounts falling due within one year

	2011 €	2010 €
Current intercompany payable	10,511,722	7,292,875
Funds payable to disbursement clearing banks	671,352	1,114,031
E-money outstanding	1,976,111	2,080,958
Trade creditors	1,165,806	218,757
Bank loans and overdrafts	-	33,332
		12

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2011

Accrued expenses, current	100,573	143,165
Other taxes and social security	191,816	369,595
Corporation tax payable	137,844	93,768
Total	<u>14,755,224</u>	<u>11,346,481</u>

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

### 8. Provisions for liabilities

#### Allowances for transaction losses

	2011 €
At 1 January	599,533
Charged to the profit and loss account	454,068
Utilised during the year	<u>(359,077)</u>
At 31 December	<u>694,523</u>

The company is exposed to transaction losses arising from fraudulent consumer and merchant activity as well as non-performance by consumer or merchants of their Checkout obligations. A provision for liabilities €694,523 (2010: €599,533) is accrued to cover anticipated losses resulting from these events, based on known facts and circumstances, historical experience and the mix of transaction types and are monitored and updated on a monthly basis.

### 9. Called up share capital

	2011 €	2010 €
Authorised, allotted, called up and fully paid		
2,000 Ordinary shares of £1 each	<u>2,948</u>	<u>2,948</u>

### 10. Share premium and profit and loss account

	Share premium account €	Profit and loss account €
At 1 January	4,997,052	2,219,245
Profit for the year	<u>-</u>	<u>743,738</u>
At 31 December	<u>4,997,052</u>	<u>2,962,983</u>

## Google Payment Limited

### Notes to the financial statements for the year ended 31 December 2011

#### 11. Reconciliation of movement in shareholder's funds

	2011 €	2010 €
Opening shareholder's funds	7,219,245	6,758,203
Profit for the year	<u>743,738</u>	<u>461,042</u>
Closing shareholder's funds	<u><u>7,962,983</u></u>	<u><u>7,219,245</u></u>

#### 12. Employee information

The company has no employees during the year (2010 Nil) Staff costs of €1,332,226 (2010 €1,473,638) have been recharged from other group undertakings as part of inter-group service agreements in place. Costs in respect of share based payments have not been recharged from other group undertakings in the current year (2010 €Nil)

The directors received emoluments of €Nil during the year (2010 €45,889)

#### 13. Events after the balance sheet date

There were no significant post balance sheet events affecting the company since the end of the year

#### 14. Capital commitments

The company had no capital commitments at the end of the year and no commitments under non-cancellable operating leases (2010 €Nil)

#### 15. Contingent liabilities

The company had no contingent liabilities at 31 December 2011 (2010 €Nil)

#### 16. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures", for wholly owned subsidiaries from the requirement to give details of transactions with entities that are part of the Google Inc group

#### 17. Immediate and ultimate parent undertakings

The company's immediate parent undertaking and controlling party is Google International LLC, a company incorporated in the United States and having its registered office at 2711 Canterville Road, Suite400,Wilmington,Delaware19808

The company's ultimate parent undertaking and controlling party is Google Inc , a company incorporated in the United States which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Google Inc Consolidated financial statements can be obtained from 1600 Amphitheatre Parkway, Mountain View CA 94043