

Registered Number 05903713

## **Google Payment Limited**

### **Annual report and financial statements for the year ended 31 December 2009**

WEDNESDAY



A19 \*ABF8VJCY\* 263  
21/04/2010  
COMPANIES HOUSE

# Google Payment Limited

## Contents

	<b>Pages</b>
Company information	1
Directors' report	2 - 4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 15

# **Google Payment Limited**

## **Company information**

### **Directors**

Faris Abbas  
James Holden  
Raif Jacobs  
Allan Livingston  
Nelson Mattos  
Lewis Segall  
Matthew Sucherman

### **Secretary**

Taylor Wessing Secretaries Limited

### **Registered office**

Belgrave House  
76 Buckingham Palace Road  
London  
SW1W 9TQ

### **Auditors**

Ernst & Young  
Harcourt Centre  
Harcourt Street  
Dublin 2  
Ireland

### **Bankers**

Citibank  
Citigroup Dublin Service Centre  
1 North Wall Quay  
2<sup>nd</sup> Floor  
Dublin 1  
Ireland

### **Solicitors**

Taylor Wessing LLP  
5 New Street Square  
London  
EC4A 3TW

# Google Payment Limited

## Directors' report for the year ended 31 December 2009

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

### Principal activity and review of business

The company offers in the United Kingdom and in other countries in Europe, 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 will be able to collect electronic money payments, and redeem them when convenient for the merchant.

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. During the year, revenue totalled €6,341,259 (2008 €12,723,372). The company has no employees in its own right and its principal costs are external costs related to services provided under third party service agreements, credit card and other processing related transaction fees, allowances for transaction losses and recharges from fellow group companies in relation to services/support provided to the company during the period. The company reported a profit after tax of €371,667 (2008 loss after tax of €29,971). 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.

### Future developments of the company

While there are no planned changes to the company in the immediate future, the directors expect to continue to see the business scale upwards in line with the trend in 2009.

In 2009, the company hired a new Vice President of Product Management. The Vice President will have a role in the development of Google Checkout since this is a key part of Google's mobile strategy, serving as the payment processing platform for the Android Market. This may result in some changes to Google Payment Limited's operations in 2010.

### 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 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.

### Key performance indicators

#### Turnover

Total turnover decreased from €12,723,372 to €6,341,259 in 2009, a decrease of €6,382,113. This is due to the decrease in cross charge revenue, which is primarily the result of improvements in the company's operating efficiency and cost structure which reduced the costs to be cross charged and is also due to the increased merchant fees earned in 2009, which, as per the cross charge policy, reduces the overall cross charge. Included within revenue is €3,160,816 (2008 €1,149,507) which has been generated from merchant fees.

# Google Payment Limited

## Directors' report for the year ended 31 December 2009 (continued)

### Key performance indicators (continued)

#### *Cost of sales*

Cost of sales decreased from €2,962,517 to €2,242,598, a decrease of €719,919. This decrease related primarily to a reduction in the charge to cost of sales for the provision of allowances for transaction losses.

#### *Administrative expenses*

Administrative expenses decreased from €10,009,195 to €3,586,798 in 2009, a decrease of €6,422,397. This decrease relates to a decrease in VAT, Arvato financial services costs, foreign exchange and staff costs, which decreased primarily due to the entity relocating the cost base of non executive employees to Poland and India.

### Results and dividends

The profit and loss account and balance sheet for the years ended 31 December 2009 and 2008 are set out on pages 6 and 7 respectively.

The directors do not recommend the payment of a dividend (2008: €Nil).

### Political and charitable donations

The company made no political or charitable donations or incurred any political expenditure during the year (2008: €Nil).

### Events after the balance sheet date

The directors are not aware of any significant events after the balance sheet date.

### Directors

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

Fars Abbas	
John Herlihy	(resigned 20 January 2010)
James Holden	
Raif Jacobs	(appointed 26 February 2010)
Allan Livingston	
Nelson Mattos	(appointed 15 September 2009)
Mario Queiroz Neto	(resigned 15 September 2009)
Timothy Ritters	(resigned 17 February 2010)
Lewis Segall	
Matthew Sucherman	

### 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.

### Statement of directors' responsibilities

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

# Google Payment Limited

## Directors' report for the year ended 31 December 2009 (continued)

### Statement of directors' responsibilities (continued)

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 judgments and 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company 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.

### Auditors

A resolution for the reappointment of Ernst & Young as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Allan Livingston  
Director



April 9, 2010

## **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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 2009
- 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

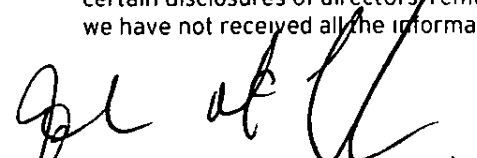
### **Opinion on other matter prescribed by the Companies Act 2006**

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 written over the printed name and title.

John McCormack (senior statutory auditor)  
for an on behalf of Ernst & Young, Statutory Auditors  
Dublin

12 April 2010

## Google Payment Limited

### Profit and loss account for the year ended 31 December 2009

	Note	2009 €	2008 €
Turnover	2	6,341,259	12,723,372
Cost of sales		(2,242,598)	(2,962,517)
<b>Gross profit</b>		<b>4,098,661</b>	<b>9,760,855</b>
Administrative expenses		(3,586,798)	(10,009,195)
<b>Operating profit/(loss)</b>	3	<b>511,863</b>	<b>(248,340)</b>
Interest receivable and similar income	5	44,396	612,189
Interest payable and similar charges	6	(23,141)	(19,019)
<b>Profit on ordinary activities before taxation</b>		<b>533,118</b>	<b>344,830</b>
Tax on profit on ordinary activities	7	(161,451)	(374,801)
<b>Profit/(loss) for the financial year</b>	12	<b>371,667</b>	<b>(29,971)</b>

All above activities relate to continuing operations

The company has no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented




# Google Payment Limited

## Balance sheet at 31 December 2009

	Note	2009 €	2008 €
<b>Current assets</b>			
Debtors amounts falling due within one year	8	1,199,575	1,150,856
Cash at bank and in hand		12,140,904	13,919,936
		13,340,479	15,070,792
<b>Creditors: amounts falling due within one year</b>	9	(5,596,741)	(7,467,301)
<b>Net current assets</b>		7,743,738	7,603,491
<b>Provisions for liabilities and charges</b>	10	(985,535)	(1,216,955)
<b>Net assets</b>		6,758,203	6,386,536
<b>Capital and reserves</b>			
Called up share capital	11	2,948	2,948
Share premium account	12	4,997,052	4,997,052
Profit and loss account	12	1,758,203	1,386,536
<b>Shareholder's funds</b>	13	6,758,203	6,386,536

The financial statements on pages 6 to 15 were approved by the board of directors on 9 April 2010 and were signed on its behalf by

  
Allan Livingston  
Director

April 9, 2010

Registered number 05903713

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2009

### 1 Principal accounting policies

#### Authorisation

The financial statements of Google Payment Limited for the year ended 31 December 2009 were authorised for issue by the board of directors on

#### Basis of preparation

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

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

#### Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

#### 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.

#### 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.

# **Google Payment Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **1 Principal accounting policies (continued)**

#### **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.

#### **Turnover**

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, exempt of VAT. 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. 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.

#### **Foreign currencies**

The financial statements are expressed in Euro ("€"), the functional currency of the company.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date of €1.112 £1 (2008: €1.023 £1) 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.

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 2 Turnover

All turnover is derived from the company's principal activities. Turnover is analysed as follows

By geographical destination:	2009 €	2008 €
UK	3,160,816	1,149,507
Rest of Europe	3,180,443	11,573,865
	6,341,259	12,723,372
<b>By business activity:</b>		
Merchant fees	3,160,816	1,149,507
Fees under service agreements with group undertakings	3,180,443	11,573,865
	6,341,259	12,723,372

Turnover stated above in relation to merchant fees is stated net of cash and fee rebates of €459,677 (2008 €1,083,425)

### 3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2009 €	2008 €
Auditors' remuneration – audit services	70,000	75,000
(Gain)/loss on foreign exchange	(283,540)	1,190,812

### 4 Employee information

The company had no employees during the year (2008 none). Staff costs of €993,259 (2008 €1,768,762) 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 (2008 €nil).

The directors received emoluments of €156,275 during the year (2008 €84,988).

Nine (2008 eight) directors hold share options in the ultimate parent undertaking, Google Inc. Seven (2008 four) of the directors exercised options during the year.

## Google Payment Limited

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 5 Interest receivable and similar income

	2009 €	2008 €
Bank interest receivable	44,396	612,189

#### 6 Interest payable and similar charges

	2009 €	2008 €
Other interest payable	23,141	19,019

Other interest payable relates to late payment of corporation tax

#### 7 Tax on profit on ordinary activities

	2009 €	2008 €
<b>Current tax</b>		
UK corporation tax	155,053	78,770
Adjustments in respect of previous periods	6,398	296,031
<b>Tax on profit on ordinary activities</b>	<b>161,451</b>	<b>374,801</b>

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 7 Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the United Kingdom of 28% (2008 28.5%). The differences are explained below

	2009 €	2008 €
Profit on ordinary activities before tax	533,118	344,830
Tax on profit on ordinary activities at the standard rate of corporation tax of 28% (2008 28.5%)	149,273	98,277
Effects of:		
Expenses not deductible for tax purposes	(31)	-
Other permanent differences	-	(19,507)
Adjustments in respect of previous periods	6,398	296,031
Foreign exchange movement	5,811	-
<b>Total current tax</b>	<b>161,451</b>	<b>374,801</b>

#### Factors affecting current and future tax charges

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for the year ended 31 December 2009 are taxed at an effective rate of 28% (2008 28.5%).

### 8 Debtors: amounts falling due within one year

	2009 €	2008 €
Funds receivable from credit card issuing banks	1,199,575	1,140,856
Prepayments and accrued income	-	10,000
	<b>1,199,575</b>	<b>1,150,856</b>

## Google Payment Limited

### Notes to the financial statements for the year ended 31 December 2009 (continued)

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

	2009 €	2008 €
Bank loans and overdrafts	1,734	-
Trade creditors	430,001	951,148
Amounts owed to group undertakings	1,618,844	2,386,358
Funds payable to disbursement clearing banks	1,437,339	1,451,104
E-Money outstanding	1,803,618	565,817
Corporation tax payable	39,471	374,801
Other taxes and social security	125,713	1,262,507
Accruals and deferred income	140,021	475,566
	<b>5,596,741</b>	<b>7,467,301</b>

Other taxes and social security relates solely to VAT payable

#### 10 Provisions for liabilities and charges

Allowances for transaction losses	€
At 1 January 2009	1,216,955
Charged to the profit and loss account	875,485
Utilised during the year	(1,106,905)
<b>At 31 December 2009</b>	<b>985,535</b>

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, based on known facts and circumstances, historical experience and the mix of transaction types and are monitored and updated on a monthly basis.

# Google Payment Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 11 Called up share capital

	2009 €	2008 €
<b>Authorised</b>		
2,000 ordinary shares of £1 each	2,948	2,948
<b>Allotted, called up and fully paid</b>		
2,000 ordinary shares of £1 each	2,948	2,948

### 12 Share premium and reserves

	Share premium account €	Profit and loss account €
At 31 December 2008	4,997,052	1,386,536
Profit for the financial year	-	371,667
<b>At 31 December 2009</b>	<b>4,997,052</b>	<b>1,758,203</b>

### 13 Reconciliation of movements in shareholder's funds

	2009 €	2008 €
Profit/(loss) for the financial year	371,667	(29,971)
Net addition/(reduction) to shareholder's funds	371,667	(29,971)
Opening shareholder's funds	6,386,536	6,416,507
<b>Closing shareholder's funds</b>	<b>6,758,203</b>	<b>6,386,536</b>

### 14 Events after the balance sheet date

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



## **Google Payment Limited**

### **Notes to the financial statements for the year ended 31 December 2009 (continued)**

#### **15 Capital commitments**

The company had no capital commitments at the end of the year and no commitments under non-cancellable operating leases (2008 €Nil)

#### **16 Contingent liabilities**

The company has no contingent liabilities (2008 €Nil)

#### **17 Related party disclosures**

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

#### **18 Immediate and ultimate parent undertakings**

The company's immediate parent undertaking is Google International LLC , 2711 Canterville Road, Suite 400, Wilmington, Delaware 19808

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