

Registered number: 5903713

GOOGLE PAYMENT LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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GOOGLE PAYMENT LIMITED

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GOOGLE PAYMENT LIMITED

GENERAL INFORMATION

Board of Directors	Lewis Segall Ioanna Lykidi (resigned 08/11/2019) Mournir Mouawad (resigned 04/10/2019) Madeline Babey Amitesh Bhushan (appointed 14/01/2019) Stephen Ratcliffe (appointed 08/10/2019) Natasja Laheij (appointed 08/11/2019)
Company secretary	Taylor Wessing Secretaries Limited
Company number	5903713
Registered office	5 New Street Square London EC4A 3TW United Kingdom
Auditors	Ernst & Young Harcourt Centre Harcourt Street Dublin Ireland
Bankers	Citibank Citigroup Dublin Service Centre 1 North Wall Quay 2nd Floor Dublin 1 Ireland
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW

GOOGLE PAYMENT LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2019.

Directors' Duties under s. 172 of the Companies Act 2006

The directors who served during the year have acted in good faith and intended to promote the long-term success of the Company. The directors have considered the interest of the Company's stakeholders, the consequences of any long-term decision made and the maintaining of business relationships with suppliers, customers and others whilst undertaking their activities during the year. In doing this, the directors had regard to the matters set out in s172(1)(a-f) of the Companies Act. The following paragraphs describe how the directors fulfil their duties:

Risk management and long term decision making:

The Company utilises compliance and governance mechanisms to minimise risk. The Company's policies and processes effectively identify, evaluate, manage and mitigate the risks it is facing, and it continues to iterate and evolve its approach to risk management. For more details on risk management see page 5 of the Strategic Report.

Our people

The company is recharged employee costs by other Alphabet group companies.

Business relationships

As is normal for companies of our size, authority for operational decision making is delegated to management on a day-to-day basis. Over the course of the year the directors review relevant information, agreements and compliance matters.

Stakeholders

Given the number of stakeholders and the size of the wider Alphabet Group, stakeholder engagement also takes place at an operational or Alphabet Group level. The decisions made by the Company during the year ended 31 December 2019 have been made in accordance with our vision, key stakeholder engagement and with our business strategy at the core of what we do.

Reputation community and environment

The company's mission is to make payments simple, helpful, and accessible with an emphasis on compliance and governance to minimise the associated compliance risk. It also participates in the group's initiatives to promote community engagement, environmental sustainability and ethical corporate conduct.

Stakeholder Engagement

The directors understand the importance of fostering business relationships with suppliers, customers within the wider group and other key stakeholders of the company. The importance of these relationships has been considered in the principal decisions taken by the company during the period, which are referenced in the review of the business statement in the directors' report.

Review of the business

The Company processes transactions in the United Kingdom and other countries worldwide for a number of fellow group companies and earns revenue from fellow group companies for providing these services. This includes the receipt of retail payments from customers for products and services sold by fellow group companies on Google Play, a digital distribution platform supporting the Android operating system. Increased activity on the Google Play Platform has resulted in an increase in the cost of sales, and income associated with that activity.

GOOGLE PAYMENT LIMITED

As the UK's relationship with the EU evolves, the Company's board of directors reached a decision to restructure the Company's operations in 2019 rerouting much of Google's regulated EEA payment activity to a newly formed EU based sister entity. As a result of this restructure, from 4th April 2019, the Company no longer processes payments from customers on behalf of merchants on Google's shopping platform and has significantly reduced the volume and value of EU payment transactions on the Google Play Platform. This decision was taken to ensure continuity of service for EU customers and merchants and continued value creation for fellow group companies.

In addition, the Company notified users in June 2019 of the discontinuation of Peer to Peer payments (P2P) effective 6 September 2019. P2P payments facilitated the secure sending of money to friends and family directly within Google's email service, Gmail. This decision was taken as part of a strategic product review aligned with the Google group.

The key financial and other performance indicators during the year ended 31 December 2019 and the year ended 31 December 2018 were as follows:

Turnover

Total turnover increased from €157,846,336 to €165,633,508 in 2019, an increase of €7,787,172 (5%). Fees under service agreements with group undertakings have increased mainly as a result of an increase in credit card fees. Android activity has increased, as reflected by increased cost of sales, explained under cost of sales and administrative expenses below.

Cost of sales

Cost of sales increased from €132,096,281 to €172,928,266 in 2019, an increase of €40,831,985 (31%). This increase relates primarily to credit card fees for processing Android transactions.

Administrative expenses

Administrative expenses decreased from €5,395,561 to €5,228,808 in 2019, a decrease of €166,753 (3%). This decrease is primarily attributable to decreased professional service fees during the year.

The Company reported a profit after tax of €11,196,307 (2018: €8,355,752). This has been transferred to reserves.

Total Assets

Total assets decreased from €716,341,536 to €541,190,163, a decrease of €175,151,373 (24%). This decrease was driven by an intergroup cash pooling programme which has resulted in less cash being at held year end.

Employee Numbers

The Company had no employees during the year (2018: Nil).

GOOGLE PAYMENT LIMITED

STRATEGIC REPORT (CONTD)

Principal risks and uncertainties facing the business

As the Company is principally a service provider for Google Ireland Limited ('GIL') and Google Commerce Limited ('GCL'), the Company's principal risks and uncertainties relate to the potential of GIL and GCL scaling back their operations due to a reduction in demand for its services.

The Company is a FCA regulated entity and its policy and procedures carry an emphasis on compliance and governance to minimise the associated compliance risk.

The demand for its services could be impacted by the principal risks and uncertainties faced by GIL, GCL and other Alphabet 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 Google 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.

By order of the board

Natasha Laheij

Director
NATASJA LAHEIJ

GOOGLE PAYMENT LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors of the Company

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

Lewis Segall
Madeline Babey
Amitesh Bhushan (appointed 14/01/2019)
Stephen Ratcliffe (appointed 08/10/2019)
Natasja Laheij (appointed 08/11/2019)
Ioanna Lykidis (resigned 08/11/2019)
Mournir Mouawad (resigned 04/10/2019)

Employee and environmental matters

Other than the directors, the Company had no employees during the year. However, there are other employee costs recharged from fellow group companies (see Note 12). The directors are not aware of any environmental matters that would affect the Company.

Results and dividends

The profit for the year, after taxation, amounted to €11,196,307 (2018: €8,355,752). The directors of the Company do not propose the payment of a dividend (2018: €Nil).

Political donations

The Company neither made any political donations nor incurred any political expenditure during the year (2018: €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 Alphabet Inc. group throughout the financial year.

Events since the Statement of the Financial Position date

The global outbreak of the novel coronavirus (COVID-19) subsequent to the year end is leading to a global market disruption. Such an operating environment has the potential to have an adverse impact on the Company's operations and financial position. The future impact of the current economic situation is uncertain and difficult to predict.

Research and Development

The Company did not incur any research and development expenditure in 2019 (2018: €Nil).

Future Development

The Company plans to introduce additional Google Payments products in the future.

Foreign Branches

The Company at no time during the year had any branches outside the United Kingdom.

GOOGLE PAYMENT LIMITED

DIRECTORS' REPORT (CONTD)

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.

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.

Re-appointment of auditor

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

Natasya Laheij

Director
NATASJA LAHEIJ

GOOGLE PAYMENT LIMITED

DIRECTORS' REPORT (CONTD)

DIRECTORS' RESPONSIBILITIES STATEMENT

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 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.

By order of the board

Natoua 
Director
NATASJA LAHEIJ



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE PAYMENT LIMITED

Opinion

We have audited the financial statements of Google Payment Limited for the year ended 31 December 2019 which comprise, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16, 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 31 December 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.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE PAYMENT LIMITED
(Continued)

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE PAYMENT LIMITED
(Continued)

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.*

A handwritten signature in black ink, appearing to read 'Helen Kerr'.

Helen Kerr (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Dublin
Date: 30 October 2020

GOOGLE PAYMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2019

	Notes	2019 €	2018 Restated €
Turnover	4	165,633,508	157,846,336
Cost of sales ¹		(172,928,266)	(132,096,281)
Gross (loss) / profit		(7,294,758)	25,750,055
Administrative expenses	5	(5,228,808)	(5,395,561)
Foreign exchange gain/(loss) ¹		26,531,468	(9,883,787)
Profit on ordinary activities before taxation		14,007,902	10,470,707
Tax expense	6	(2,811,595)	(2,114,955)
Profit for the financial year		11,196,307	8,355,752

Turnover and operating profit arose solely from continuing operations.

There are no recognised gains or losses in either year other than the profit attributable to the shareholder of the Company and therefore no separate statement of other comprehensive income has been prepared.

¹ 2018 comparatives have been restated for presentational purposes.

The accompanying notes are an integral part of the financial statements.

GOOGLE PAYMENT LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	2019 €	2018 €
Current assets			
Trade and other receivables	7	489,590,026	861,776
Cash and cash equivalents	8	51,600,137	715,479,760
		<u>541,190,163</u>	<u>716,341,536</u>
 Creditors: amounts falling due within one year	9	<u>(485,356,689)</u>	<u>(671,702,201)</u>
 Total assets less current liabilities		55,833,474	44,639,335
 Provisions for liabilities and charges	10	<u>(282)</u>	<u>(2,450)</u>
Net assets		<u>55,833,192</u>	<u>44,636,885</u>
 Capital and reserves			
Called up share capital	11	2,948	2,948
Share premium account		4,997,052	4,997,052
Profit and loss account		50,833,192	39,636,885
Shareholders' funds		<u>55,833,192</u>	<u>44,636,885</u>

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 12 to 24 were approved by the board of directors on October 28th 2020 and were signed on its behalf by:

Natasja Laheij
Director
NATASJA LAHEIJ

GOOGLE PAYMENT LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	Share Capital	Share Premium	Retained Earnings	Total
	€	€	€	€
At 1 January 2018	2,948	4,997,052	31,281,133	36,281,133
Profit for the year	-	-	8,355,752	8,355,752
At 31 December 2018	2,948	4,997,052	39,636,885	44,636,885
At 1 January 2019	2,948	4,997,052	39,636,885	44,636,885
Profit for the year	-	-	11,196,307	11,196,307
At 31 December 2019	2,948	4,997,052	50,833,192	55,833,192

GOOGLE PAYMENT LIMITED

Notes to the financial statements for the year ended 31 December 2019

1. General Information

Google Payment Limited (the "Company") is a private company limited by shares incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Google International LLC whose ultimate parent undertaking is Alphabet Inc., a company incorporated in the United States of America.

The Company processes transactions in the United Kingdom and other countries worldwide for a number of fellow group companies and earns revenue from fellow group companies for providing these services. This includes the receipt of retail payments from customers for products and services sold by fellow group companies on Google Play, a digital distribution platform supporting the Android operating system.

The financial statements of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors dated October 28th 2020.

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

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 and in accordance with the Companies Act 2006 and FRS 101 accounting standards. The financial statements were prepared in euro ("EUR") and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

(b) Financial reporting standard 101 - reduced disclosure exemptions

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.

In accordance with the exemptions available under the reduced disclosure Framework of FRS 101, the Company has availed of the following exemptions in accordance with paragraph 8 of FRS 101 in respect of:

1. The requirements of IAS 7 "Statement of Cash Flows"
2. The requirements of IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more group members, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
3. The requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement"
4. The requirements of IFRS 7 "Financial Instruments Disclosures"
5. The requirements of paragraphs 30 to 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

GOOGLE PAYMENT LIMITED

Notes to the financial statements for the year ended 31 December 2019

2. Principal accounting policies and basis of preparation (contd)

6. The requirements of paragraphs 10(d), 16, 38(a, 38A-D, 40A-D), 111 and 134 to 136 of IAS 1 "Presentation of Financial Statements"
7. 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'

The remaining exemptions available under the FRS 101 Framework have not been availed of as they were not applicable to the Company at this time.

The preparation of financial statements in conformity with FRS 101 requires management to exercise judgment in the process of applying the Company's accounting policies and requires the use of accounting estimates and assumptions.

(c) Foreign currency

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 euros ("EUR"), which is the Company's functional and presentation currency.

II. Transactions and balances

Transactions in currencies other than the Company's functional currency ("foreign currency") are recorded at average month end rates of exchange which approximates the actual rates on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items and on translation of monetary items are included in the Statement of Comprehensive Income for the financial year.

(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 agreement with another group undertakings for the provision of payment processing services.

The service fee charged 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.

GOOGLE PAYMENT LIMITED

Notes to the financial statements for the year ended 31 December 2019

2. Principal accounting policies and basis of preparation (contd)

Revenue from these service agreements are recognised when the obligation to the customer is satisfied, and control of the promised service is transferred. The Company recognises revenue over time, as the customer simultaneously receives and consumes the benefit 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.

The Company has elected to use the practical expedient under IFRS 15, and does not adjust the amount of promised consideration for the effects of a significant financing component, as the Company expects that the period between the transfer of the service and receipt of payment will be one year or less.

(e) Expenses

Expenses are accounted for on the accrual basis.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short term, highly liquid investments with maturities of three months or less, that are subject to an insignificant risk of changes in value.

(g) Current tax

The tax expense for the period comprises current 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 the Statement of Comprehensive Income 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.

(h) Deferred Taxation

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 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

GOOGLE PAYMENT LIMITED

Notes to the financial statements for the year ended 31 December 2019

2. Principal accounting policies and basis of preparation (contd)

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 to the year when the asset is realised or the liability is settled, 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 the Statement of Comprehensive Income, other comprehensive income or directly in equity.

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 deferred income taxes relate to the same taxable entity and the same taxation authority.

(i) Provisions for liabilities and charges

General Provisions are 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 resources 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 an 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 income statement net of any reimbursement.

(j) Allowances for transaction losses

The Company is exposed to transaction losses arising from fraudulent consumer and merchant activity as well as non-performance by consumers 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 statement of comprehensive income in cost of sales and is included within provisions in the statement of financial position 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 2019

2. Principal accounting policies and basis of preparation (contd)

(k) Trade and other receivables

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 the Company. Such funds are treated as receivable until they are settled.

When merchants request payment of funds, such funds are treated as a funds payable until cash is removed from the Company's bank accounts.

3. Critical accounting estimates and judgements

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

4. Turnover

The total turnover of the Company for the period has been primarily derived from its principal activity.

	2019	2018
	€	€
Payment processing services revenue	165,582,845	157,769,098
Other revenue	50,663	77,238
	<u>165,633,508</u>	<u>157,846,336</u>

5. Administrative expenses

	2019	2018
	€	€
Professional services*	337,314	871,104
Other administrative expense	4,891,494	4,524,457
	<u>5,228,808</u>	<u>5,395,561</u>

GOOGLE PAYMENT LIMITED

Notes to the financial statements for the year ended 31 December 2019

5. Administrative expenses (contd)

* Professional services expense includes fees of €65,996 (2018: €65,996) in respect of the statutory audit of the financial statements. Fees paid to auditors in relation to non-audit services are €nil (2018: €nil).

6. Tax on profit on ordinary activities

	2019 €	2018 €
(a) Tax charged in statement of comprehensive income		
Current tax		
UK Corporation tax on profits for the year	2,811,595	2,114,955
Adjustments in respect of prior periods	-	-
Tax on profit on ordinary activities	2,811,595	2,114,955

(b) Reconciliation of the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher (PY: lower) than the effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 €	2018 €
Profit on ordinary activities before tax	14,007,902	10,470,707
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2018: 19%)	2,661,501	1,989,434
Effects of:		
Expenses not deductible for tax purposes	-	17
Corporate Interest Restriction	150,094	125,504
Total Current Tax	2,811,595	2,114,955

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Notes to the financial statements for the year ended 31 December 2019

7. Trade and other receivables

	2019 €	2018 €
Amounts owed by other group undertakings	489,552,286	-
Other debtors (see note 9)	26,992	779,417
VAT receivable	10,748	82,359
	<u>489,590,026</u>	<u>861,776</u>

The 'amounts owed by other group undertakings' of €489,552,286 relates to the Company's participation in an intergroup cash pooling programme. This programme was initiated in 2019. The programme 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.

All balances are available on demand.

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

Other debtors are non-interest bearing and are normally settled within 30 to 90 days.

The Company has availed of the exemption under FRS 101 and has not:

- provided details of the level of each financial asset type on the fair value hierarchy, as required by IFRS 13, or
- provided credit risk disclosures relating to each financial asset, as required by IFRS 7.

8. Cash and cash equivalents

Cash comprises of cash at bank. The cash balances are transitory and are utilised post year-end for settlement of payables to merchants and to group companies.

During 2019, the Company began participating in an intergroup cash pooling programme.

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Notes to the financial statements for the year ended 31 December 2019

9. Creditors: Amounts falling due within one year

	2019	2018
	€	€
Amounts owed to other group undertakings	483,593,532	670,800,870
E-money outstanding (third party only)	29,087	45,527
Trade creditors	123,823	76,895
Accrued expenses, current	231,448	346,574
Corporation tax payable	1,378,799	432,335
	<u>485,356,689</u>	<u>671,702,201</u>

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

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

Under Regulation 20 of The Electronic Money Regulations 2011 (the "EMR"), Electronic Money Institutions must safeguard funds that have been received in exchange for Electronic Money that has been issued. The Company safeguarded the consumer Electronic Money funds via a surety bond from a consortium of insurance companies. The surety bond covers an amount in excess of Electronic Money outstanding (to group companies and third parties) as at the reporting date.

Deferred tax assets have not been recognised in respect of loan relationships of €246,587 due to uncertainty of recoverability of the asset.

10. Provisions for liabilities and charges

	2019	2018
	€	€
At 1 January	2,450	19,439
Charged to the statement of comprehensive income	-	-
Utilised during the year	(2,168)	(16,989)
At 31 December	<u>282</u>	<u>2,450</u>

The Company is exposed to transaction losses arising from fraudulent consumer and merchant activity as well as non-performance by consumers or merchants of their Wallet obligations. A collections reserve of €282 (2018: €2,450) is included as a provision for bad debts (see note 7).

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Notes to the financial statements for the year ended 31 December 2019

11. Called up share capital

	2019 €	2018 €
Authorised, allotted, called up and fully paid		
2,000 Ordinary shares of £1 each	<u>2,948</u>	<u>2,948</u>

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

12. Employee information

The Company has no employees during the year (2018: Nil). Staff costs of €1,726,386 (2018: €1,555,536) 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 as the same has been considered immaterial. The directors received emoluments of €Nil during the year (2018: €Nil).

None of the directors held share options in the ultimate parent undertaking, Alphabet Inc. at year end (2018: one). One (2018: one) of the directors exercised options during the year.

13. Events after the Statement of Financial Position date

No significant event occurred subsequent to the end of the reporting period that affected the operations or state of affairs of the Company requiring an adjustment to or disclosure in the financial statements.

14. Contingent liabilities

The Company had no contingent liabilities at 31 December 2019 (2018: €Nil)

15. Immediate and ultimate parent undertakings

The Company's ultimate parent undertaking and controlling party 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 and with its registered office at 1600 Amphitheatre Parkway, Mountain View, CA 94043, 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 <http://investor.google.com/>.

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Notes to the financial statements for the year ended 31 December 2019

16. Cross Currency Settlement Fee

During 2019 it was concluded that cross currency settlement fees should be recorded as part of credit card fees and not as part of FX gains / losses in operating expenses. To conform with the current year presentation, the 2018 comparative figures for Cost of sales and Foreign exchange gain/(loss) have been reclassified (€3,680,147) in the statement of comprehensive income. This reclassification had no impact on 2018 profit for the year or net asset position.