

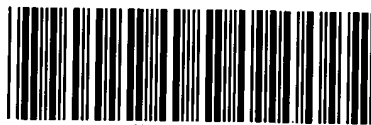
Registered number: 03977902

GOOGLE UK LIMITED

REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 2015

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Google UK Limited

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Google UK Limited

General Information

Directors	Graham Law (resigned 16 November 2015) Paul T. Manicle (appointed 16 November 2015) Ken Yi
Company secretary	TJG Secretaries Limited
Company number	03977902
Registered office	Belgrave House 76 Buckingham Palace Road London SW1W 9TQ
Auditors	Ernst & Young Harcourt Centre Harcourt Street Dublin 2 Ireland
Bankers	Citibank plc 336 Strand London WC2R 1HB
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW

Google UK Limited

Strategic report For the period ended 30 June 2015

Strategic report

The Directors present their strategic report of Google UK Limited (the "Company") for the period ended 30 June 2015.

Change of the year end

We changed our financial year end to 30 June from 31 December. Due to the change in year end, audited results cover the 18 month period to 30 June 2015 with comparative data being the audited results for the year to 31 December 2013.

Review of the business

The Company is engaged in the provision of marketing services to Google Ireland Limited and the provision of research and development services to Google Inc.. During the period, the Company engaged in the provision of marketing services to another group company, Nest Europe Limited. There were no significant changes in the operation of the Company during the financial period under review.

The key financial and other performance indicators during the period which cover the 18 month period to 30 June 2015 and the 12 month period to 31 December 2013 respectively were as follows:

Turnover increased from £642 million to £1,178 million in the period, an increase of £536 million. Administrative expenses increased from £570 million to £1,054 million, an increase of £484 million in the period. These increases relate to a higher demand for the Company's services and rise in employment and other costs which impact the service fee payable to the Company.

The profit and loss account and balance sheet are set out on pages 10 and 11 respectively. The profit for the financial period, amounting to £14 million has been added to reserves.

There were no new products sold by the Company and no new services introduced during the financial period ended 30 June 2015 that had a material impact on the financial statements.

In January 2016, the Company agreed the closure of an ongoing tax audit with Her Majesty's Revenue and Customs ("HMRC"). This resulted in a liability to HMRC of £130 million in respect of additional taxes and interest due for prior accounting periods and the current accounting period. This tax liability is recognised in the current financial statements period ended 30 June 2015. As of 31 December 2013, the Company had provided for £33 million of taxes and interest in respect of this tax audit.

In 2013, the Company entered into a 999 year lease with Kings Cross Central Limited Partnership ("KCCLP"). The total cost of this land recorded at 30 June 2015, was £290 million. It is the Company's intention to build a new office space on the land. During the period, a decision was taken by senior management to review the design for this office space. As part of this review, an impairment charge of £4 million was recorded in respect of the costs incurred associated with the design iterations that will no longer be attributable to the final design. No further work will be taking place on this space, until a final design is reached.

A deed of variation has been signed during the period with KCCLP in respect of this 999 year land lease. The deed of variation allows for an extension of the development period of the land by 19 months until January 2017. A premium of £14 million was paid in June 2015 to KCCLP in order to avail of this option to extend the development period. The Company remains committed to building a new office space on the land. During the period the Company entered into two lease agreements for additional office space in the Kings Cross area. The delivery of this office space is expected to be in 2016 and 2018.

The Company's average headcount increased from 1,835 in 2013 to 2,329 in the period ended 30 June 2015, an increase of 494.

Google UK Limited

Strategic report For the period ended 30 June 2015

Principal risks and uncertainties

As a provider of marketing services and research and development services, the Company's principal risks and uncertainties relate to scaling back its operations due to a 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 Google Inc., namely:

- *These businesses face intense competition. If they do not continue to innovate and provide products and services that are useful to users, they may not remain competitive, and their revenues and operating results could be adversely affected.*
- *These businesses generate their revenues almost entirely from advertising, and the reduction in spending by or loss of advertisers could seriously harm them.*
- *A variety of new and existing U.S. and foreign laws could subject these businesses to claims or otherwise harm them.*
- *Privacy concerns and breached security measures relating to these businesses technology could damage the business's reputation and deter current and potential users from using the businesses products and services.*
- *Acquisitions and investments of Google Inc. could result in operating difficulties, dilution, and other harmful consequences to the company.*

By order of the board



Paul Manicle
Director

Date: 21/01/2016

Google UK Limited

Directors report For the period ended 30 June 2015

Directors Report

The Directors present their report of the Company for the period ended 30 June 2015.

Directors

The Directors who held office during the period and up to the date of this report were:

Graham Law (resigned 16 November 2015)
Paul T. Manicle (appointed 16 November 2015)
Ken Yi

Political and charitable contributions

During the period the Company made no political donations (2013: £nil) and made charitable donations and sponsorship in the UK of £3 million (2013: £3 million). In addition to this direct charitable giving, Google provides sponsorship and other types of support to a range of charities and causes in the UK, mainly related to technology, science, education and culture.

Research and development

The Company continued to provide research and development services to its ultimate parent company, Google Inc.. During the period, the Company spent £262 million (2013: £92 million) on research and development. Such expenses may fall into the following categories: research, development and engineering.

Future developments

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

Going Concern

The Directors of the Company have received written assurances from the ultimate parent undertaking, Google Inc., 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 financial obligations to all creditors as they fall due. On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Employees

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

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

Google UK Limited

Directors report For the period ended 30 June 2015

Employees (continued)

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

Consequently, the Company operates a share incentive plan and cash bonus plan that rewards all employees for the success of the Company and their own personal performance.

Results and dividends

The Company's profit for the financial period is £14 million (2013 year end: £49 million). The directors do not propose the payment of a dividend for the period (2013: £nil).

Events since the Balance Sheet date

In January 2016, the Company agreed the closure of an ongoing tax audit with HMRC. This resulted in a liability to HMRC of £130 million in respect of additional taxes and interest due for prior accounting periods and the current accounting period.

Effective October 2015, the ultimate parent undertaking and controlling party is Alphabet Inc., a company incorporated in the United States of America, which is the parent of the group to consolidate these financial statements.

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 period.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have 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 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 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 UK Limited

Directors report For the period ended 30 June 2015

Statement of directors' responsibilities (continued)

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.

Disclosure of information to auditors

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

Reappointment of auditors

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

By order of the board



Paul Maricle
Director

Date: 21/01/2016

Google UK Limited

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

We have audited the financial statements of Google UK Limited (the "Company") for the period ended 30 June 2015 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 20. 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 auditor

As explained more fully in the Directors' Responsibilities Statement (set out on page 6 and 7), 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Strategic report and Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 June 2015 and of its profit for the period 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

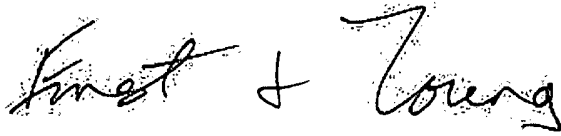
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Google UK Limited

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.



Keith Jess (Senior statutory auditor)

For and on behalf of Ernst & Young, Statutory Auditor

Dublin

Date

21 January 2016

Google UK Limited

Profit and loss account For the period ended 30 June 2015

	Notes	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Turnover	2	1,178,055,299	642,445,149
Administrative expenses	3	<u>(1,054,393,553)</u>	<u>(569,888,781)</u>
Operating profit		123,661,746	72,556,368
Interest receivable and similar income	4	496,720	214,161
Interest payable and similar charges	5	<u>(18,132,124)</u>	<u>(1,925,558)</u>
Profit on ordinary activities before taxation		106,026,342	70,844,971
Provision for corporation taxes	8	<u>(91,974,534)</u>	<u>(21,626,127)</u>
Profit for the financial period	16	<u><u>14,051,808</u></u>	<u><u>49,218,844</u></u>

Turnover and operating profit arose solely from continuing operations.

Statement of Recognised Gains and Losses

There are no recognised gains and losses in either period other than those included in the profit attributable to the shareholder of the Company, and therefore, no separate statement of total recognised gains and losses has been prepared.

The notes on pages 12 to 31 form an integral part of these financial statements.

Google UK Limited

Registered number: 03977902

Balance Sheet
As at 30 June 2015

	Notes	30 June 2015 GBP	31 December 2013 GBP
Fixed assets			
Tangible assets	9	<u>405,091,325</u>	<u>380,926,310</u>
Current assets			
Debtors:			
Amounts falling due within one year	10	123,422,707	63,331,970
Amounts falling due after one year	10	<u>71,328,170</u>	<u>32,131,298</u>
		<u>194,750,877</u>	<u>95,463,268</u>
Cash at bank and in hand		<u>89,967,316</u>	<u>79,112,523</u>
		<u>284,718,193</u>	<u>174,575,791</u>
Creditors: amounts falling due within one year	11	<u>(339,765,097)</u>	<u>(271,416,793)</u>
Net current liabilities		<u>(55,046,904)</u>	<u>(96,841,002)</u>
Total assets less current liabilities		350,044,421	284,085,308
Creditors: amounts falling due after one year	12	<u>(184,844,107)</u>	<u>(114,623,364)</u>
Provisions for liabilities and charges	14	<u>(8,545,959)</u>	<u>(9,230,722)</u>
Net assets		<u><u>156,654,355</u></u>	<u><u>160,231,222</u></u>
Capital and reserves			
Called up share capital	15	50,001,000	50,001,000
Other capital reserves	16	121,340,363	138,969,038
Profit and loss account	16	<u>(14,687,008)</u>	<u>(28,738,816)</u>
Shareholders' funds		<u><u>156,654,355</u></u>	<u><u>160,231,222</u></u>

The financial statements on pages 10 to 11 and supporting notes to the financial statements on pages 12 to 31 were approved by the board of directors on 21 January 2016 and were signed on its behalf by:



Paul Manicle
Director

Date: 21/01/2016

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

1. Principal accounting policies and basis of preparation

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 principle accounting policies, which have been applied consistently in the current period and previous financial year, are set out below.

Exemptions availed:

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 following exemptions:

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements".

Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 "Related Party Transactions", from disclosing related-party transactions with subsidiary undertakings wholly owned by Google Inc..

Going Concern

The directors of the Company have received written assurances from the ultimate parent undertaking, Google Inc., 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 financial 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.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in British Pounds ("£ and GBP") which is the Company's functional currency.

Transactions denominated in foreign currencies relating to turnover, costs, monetary assets and liabilities, and non-monetary assets and liabilities are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are then re-translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the profit and loss account.

Turnover

Turnover represents the amount of fee payable in respect of services provided during the period to Google Inc., Google Ireland Limited and Nest Europe Limited. The Company recognises revenue in accordance with service agreements.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

1. Principal accounting policies and basis of preparation (continued)

Pensions

The Company operates a defined contribution pension scheme. The expected cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees.

Cash at bank and in hand

Cash at bank and in hand comprises cash balances held for the purpose of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 that result in an obligation to pay more tax, or a right to pay less tax, in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term. Lease premiums and similar incentives that are received or paid are treated as deferred or accrued income and released to the profit and loss account on a straight line basis over the lease term or, where applicable, over the period to the next rent review.

Provisions for liabilities

A provision is recognised when the Company has 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 Company assesses its lease agreements for requirements to return leased premises to their original condition. Assessments are carried out by independent third party valuers to determine the level of provision required and to evaluate likely costs.

Where the time effect value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Research and development

Research and development expenditure is expensed to the profit and loss account in the period in which it is incurred.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

1. Principal accounting policies and basis of preparation (continued)

Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land	- Not depreciated
Buildings	- 4% straight line
Leasehold improvements	- Lesser of 5 years or lease term
Information Technology Assets:	
- Production and network equipment	- 33% straight line
- Computer equipment and software	- 50% straight line
Furniture and Fixtures	- 20% straight line
Construction in progress	- No depreciation as assets are not in use

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances in the period indicate the carrying value may not be recoverable.

Share based payments

Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The share-based payment is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton ("BSM") option pricing model. The BSM model requires various highly judgmental assumptions including expected volatility and expected term.

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

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

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

The Company reimburses Google Inc. for share options / RSUs issued to its employees. The share-based payment expense and share-based payment recharge are recorded separately in equity "Other capital reserves" account. Share based payment reimbursements represent returns of capital to Google Inc. to the extent that the Company has sufficient balances within "Other capital reserves" to cover such reimbursements. Reimbursements will represent distributions to Google Inc. where cumulative reimbursements exceed the Company's "Other capital reserves" balance.

Cash settled transactions

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

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

1. Principal accounting policies and basis of preparation (continued)

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is reduced by repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount. All finance costs are charged in the profit and loss account.

Change of the year end

The Company changed the financial year end to 30 June from 31 December. Due to the change in year end, audited results cover the 18 month period to 30 June 2015 with comparative data being the audited results for the year to 31 December 2013.

2. Turnover

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

Geographical market

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Research and development service fee (US)	288,373,505	100,667,731
Marketing and services fee (Ireland)	889,681,794	541,777,418
	<u>1,178,055,299</u>	<u>642,445,149</u>

3. Administrative expenses

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Advertising and promotional expense	191,924,433	136,997,888
Professional services	29,085,178	15,757,580
Legal settlements	5,118,996	-
Auditors Remuneration	92,000	46,193
Share based compensation	148,064,700	67,465,365
Depreciation and impairment	35,342,504	23,019,649
Employee benefit expense	486,339,934	252,096,402
Operating lease rental expense - land and buildings	40,844,063	19,266,903
Other administrative expenses	117,581,745	55,238,801
	<u>1,054,393,553</u>	<u>569,888,781</u>

Fees paid to auditors in relation to non-audit services are £nil (2013: £nil).

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

4. Interest receivable and similar income

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Interest income	496,720	214,161
	<u>496,720</u>	<u>214,161</u>

5. Interest Payable and Similar Charges

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Interest on intergroup loans	4,509,270	1,107,494
Other interest	13,622,854	818,064
	<u>18,132,124</u>	<u>1,925,558</u>

Other interest payable for period represents £13.6 million (2013: £0.8 million) relating to a provision for interest on a tax audit with HMRC. The Company agreed the closure of this audit in January 2016.

6. Employee Information

Staff costs were as follows:

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Wages and salaries	561,847,786	290,727,456
Social security costs	55,558,063	20,301,453
Other pension costs	16,998,785	8,532,858
	<u>634,404,634</u>	<u>319,561,767</u>

Included in wages and salaries is a total expense for share based payments of £148 million (2013: £67 million).

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

6. Employee information (continued)

The average monthly number of employees during the period was:

	18 month period ended 30 June 2015 No.	Year ended 31 December 2013 No.
Marketing	1,075	942
Research and development	799	670
Management and administration	455	223
	<u>2,329</u>	<u>1,835</u>

The directors receive remuneration in respect of their services to the Company from other group companies. The cost of the services that they provided to the Company cannot be separately identified.

During the period ended 30 June 2015 two directors held share options in the ultimate parent undertaking, Google Inc.

None of the director's exercised options during the period ended 30 June 2015.

During the period there were no retirement benefits accruing to any directors (2013: nil) in respect of the Company's defined contribution scheme.

During the period the highest paid director received remuneration of £nil (2013: £nil).

7. Pension costs

The Company operates a defined contribution scheme for certain employees. The employees' pension entitlements are secured by contributions by the Company to a separately administered pension fund. The defined contribution pension charge for the period was £17 million (2013: £9 million).

As at 30 June 2015 pension contributions of £2 million were outstanding (2013: £1 million).

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

8. Taxation

Current tax

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Analysis of tax charge for the period		
UK corporation tax on profit for the period	46,155,955	20,424,672
Tax audit settlement in respect of prior periods	69,230,747	-
Adjustments in respect of prior years	(4,911,789)	626,214
Total current tax	110,474,913	21,050,886

Deferred Tax

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Reversal of timing differences	(17,720,536)	(1,669,562)
Adjustment in respect of previous periods	(779,843)	(205,294)
Changes in tax rates	-	2,450,097
Total deferred tax (see note 13)	(18,500,379)	575,241
Total charge on profit on ordinary activities	91,974,534	21,626,127

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

8. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2013: higher than) the standard rate of corporation tax in the UK of 21.16% (2013: 23.25%). The differences are explained below:

	18 month period ended 30 June 2015 GBP	Year ended 31 December 2013 GBP
Profit on ordinary activities before tax	106,026,342	70,844,971
Profit on ordinary activities multiplied by standard rate corporation tax in the UK of 21.16% (2013: 23.25%)	22,435,174	16,471,455
Effects of:		
Expenses not deductible for tax purposes	6,995,767	2,438,137
Depreciation for the period in excess of capital allowances	4,257,734	1,948,374
Impact of tax charge in respect of prior periods	(4,911,789)	626,214
Impact of tax audit settlement on current year tax charge	13,814,123	-
Provision for tax audit settlement for prior periods	69,230,747	1,153,785
Movement in timing differences	(178,228)	(713,515)
Differences arising in respect of tax deduction on exercise of options & stock units	(1,168,615)	(489,939)
R&D tax relief		(383,625)
Current tax charge for the period	110,474,913	21,050,886

In January 2016, the Company agreed the closure of an ongoing tax audit with HMRC. This resulted in a liability to HMRC of £130 million in respect of additional taxes and interest due for prior accounting periods and the current accounting period. This tax liability is recognised in the current financial statements period ended 30 June 2015. As of 31 December 2013, the Company had provided for £33 million of taxes and interest in respect of this tax audit.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

8. Taxation (continued)

Factors affecting future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £3.5 million and increase the tax expense for the period by £3.5 million.

Google UK Limited

Notes to the financial statements
For the year ended 30 June 2015

9. Tangible Fixed Assets

	Land	Building	Leasehold improvements	Information technology assets	Furniture and fixtures	Construction in progress	Total
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Costs							
As at 1 January 2014	-	-	64,144,185	29,305,750	7,408,479	326,238,102	427,096,516
Additions costs	8,050,000	865,277	738,606	32,150,320	2,833,990	20,528,737	65,166,930
Disposals costs	-	-	-	(5,659,411)	-	-	(5,659,411)
Transfer costs	282,009,499	3,181,128	357,238	57,465	28,320	(285,633,650)	-
As at 30 June 2015	290,059,499	4,046,405	65,240,029	55,854,124	10,270,789	61,133,189	486,604,035
Depreciation and impairment							
As at 1 January 2014	-	-	27,685,890	13,347,865	5,136,451	-	46,170,206
Charge for the period	-	202,320	18,952,266	14,212,016	2,218,241	-	35,584,843
Disposals depreciation	-	-	-	(4,245,504)	-	-	(4,245,504)
Impairment	-	-	-	-	-	4,003,165	4,003,165
As at 30 June 2015	-	202,320	46,638,156	23,314,377	7,354,692	4,003,165	81,512,710
Net book value							
As at 30 June 2015	290,059,499	3,844,085	18,601,873	32,539,747	2,916,097	57,130,024	405,091,325
As at 31 December 2013	-	-	36,458,295	15,957,885	2,272,028	326,238,102	380,926,310

The land is held under a 999 year lease entered into in 2013 with KCCLP. The impairment charge of £4 million is in respect of costs associated with the design alterations that are no longer attributable to the final design of the new office space. No further work will be taking place on this space, until a final design is reached.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

10. Debtors

	At 30 June 2015 GBP	At 31 December 2013 GBP
Amounts owed by group companies	102,848,791	51,673,279
Prepayments	43,930,464	9,395,070
Deferred tax (Note 13)	34,716,295	16,215,916
VAT receivable	9,177,484	17,217,933
Other debtors	4,077,843	961,070
	<u>194,750,877</u>	<u>95,463,268</u>

Amounts falling due after more than one year included above are:

	At 30 June 2015 GBP	At 31 December 2013 GBP
Amounts owed by group companies	15,915,381	15,915,382
Deferred tax asset (note 13)	34,716,295	16,215,916
Prepayments	20,279,159	-
Other debtors	417,335	-
	<u>71,328,170</u>	<u>32,131,298</u>

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

During 2013, the Company provided a loan facility to another UK group company in the amount of £20 million. As at 30 June 2015, the amounts owed by this related party in respect of the loan facility was £16 million and is included in amounts owed by group companies above. This loan is repayable by 30 June 2017.

Included within prepayments of £44 million is prepaid facilities of £35 million and prepaid stamp duty of £3 million.

Within the deferred tax asset balance of £35 million is an amount of £26 million relating to the deferred tax asset on share based compensation expense. The significant majority of this amount will be recoverable in a period greater than one year.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

11. Creditors: amounts falling due within one year

	At 30 June 2015 GBP	At 31 December 2013 GBP
Amounts owed to group companies	80,619,986	29,909,886
Trade creditors	24,479,350	25,035,636
Accruals and deferred income	89,448,784	165,266,308
Corporation Tax Payable (including interest)	118,994,415	33,775,081
Other taxes and social security	26,222,562	17,429,882
	<u>339,765,097</u>	<u>271,416,793</u>

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

12. Creditors: amounts falling due after more than one year

	At 30 June 2015 GBP	At 31 December 2013 GBP
Amounts owed to group companies	175,470,499	110,356,494
Accruals and deferred rent	503,155	2,084,075
Deferred rent, non-current	8,870,453	2,182,795
	<u>184,844,107</u>	<u>114,623,364</u>

Included in amounts owed to group companies is a loan obtained from a related party in the amount of £175 million to part finance the investment in the 999 year land lease with KCCLP. The total loan facility obtained was £250 million. The loan is unsecured and is subject to interest. Interest charged on this loan is 1 year LIBOR + 1% margin. At the period end, the repayment date of the loan was by 31 May 2017.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

13. Deferred tax asset

	At 30 June 2015	At 31 December 2013
	GBP	GBP
At 1 January	16,215,917	16,791,158
Reversal of timing differences	17,720,535	(780,535)
Adjustment in respect of prior periods	779,843	205,293
	<u>34,716,295</u>	<u>16,215,916</u>

The deferred tax asset is made up as follows:

	At 30 June 2015	At 31 December 2013
	GBP	GBP
Depreciation in excess of capital allowances	8,441,179	3,637,583
Timing differences	26,275,116	12,578,333
	<u>34,716,295</u>	<u>16,215,916</u>

A deferred tax asset of £26 million (2013: £12 million) has been recognised in respect of the share options as the directors are of the opinion that a tax deduction will be likely in the future. The remaining deferred tax asset recognised within the timing differences is relating to pensions and bonuses of £0.6 million (2013: £1 million).

14. Provision for liabilities and charges

	Onerous lease provision GBP	Asset Retirement Obligation GBP	Total GBP
At 1 January 2014	1,118,652	8,112,070	9,230,722
Additions	-	180,000	180,000
Utilised during the period	<u>(864,763)</u>	<u>-</u>	<u>(864,763)</u>
At 30 June 2015	<u>253,889</u>	<u>8,292,070</u>	<u>8,545,959</u>

Onerous lease provision

In 2008, the Company vacated a leased property and as a result, the Company is liable for charges under the lease which expires in 2017. The provision represents the residual lease commitments, net of sublease income, and has been discounted on a pre-tax basis.

Asset Retirement Obligation

The Company has 3 leases due to expire in 2015, 3 due to expire in 2016, 3 due to expire in 2017, 1 in 2018 and further 8 leases due to expire between 2020 and 2034. All leases have a contractual obligation to make good any dilapidations. The provision represents management's best estimate of the present obligation.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

15. Share capital

	At 30 June 2015 GBP	At 31 December 2013 GBP
Allotted, called up and fully paid		
50,001,000 Ordinary shares of £1 each	<u>50,001,000</u>	<u>50,001,000</u>

16. Reconciliation of movement in shareholder's funds

	Share capital GBP	Profit and loss account GBP	Other capital reserves GBP	Total GBP
Balance at 1 January 2013	1,000	(77,957,660)	161,516,749	83,560,089
Profit for the year	-	49,218,844	-	49,218,844
Share based compensation expense	-	-	67,465,365	67,465,365
Share based compensation recharge	-	-	(90,013,076)	(90,013,076)
Additional share capital	50,000,000	-	-	50,000,000
Balance at 31 December 2013	<u>50,001,000</u>	<u>(28,738,816)</u>	<u>138,969,038</u>	<u>160,231,222</u>
Balance at 1 January 2014	50,001,000	(28,738,816)	138,969,038	160,231,222
Profit for the period	-	14,051,808	-	14,051,808
Share based compensation expense	-	-	148,064,700	148,064,700
Share based compensation recharge	-	-	(165,693,375)	(165,693,375)
Balance at 30 June 2015	<u>50,001,000</u>	<u>(14,687,008)</u>	<u>121,340,363</u>	<u>156,654,355</u>

In the prior year, the Company issued £50 million in additional share capital to US parent company, Google International LLC.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

17. Share based payments

The Company's ultimate parent undertaking, Google Inc. ("Google"), maintains the 1998 Stock Plan, the 2000 Stock Plan, the 2003 Stock Plan, the 2003 Stock Plan (No. 2), the 2003 Stock Plan (No. 3), the 2004 Stock Plan, and plans assumed through acquisitions, all of which are collectively referred to as the "Stock Plans." Under the Stock Plans, incentive and nonqualified share options or rights to purchase common shares may be granted to eligible participants. Options are generally granted for a term of 10 years. Options granted under the Stock Plans generally vest 25% after the first year of service and rateably each month over the remaining 36 month period contingent upon employment with the Company on the vesting date.

Under the Stock Plans, Google has also issued Restricted Share Units ("RSUs") and restricted shares. An RSU award is an agreement to issue shares of Google's stock at the time of vest. RSUs issued to new employees vest over four years with a yearly cliff contingent upon employment with the Company on the dates of vest. These RSUs vest from zero to 50.0% of the grant amount at the end of each of the four years from date of hire based on the employee's performance. RSUs under the Founders' Award programs are issued to individuals on teams that have made extraordinary contributions to Google. These awards vest quarterly over four years contingent upon employment with the Company on the vesting dates.

Google estimated the fair value of each option award on the date of grant using the Black-Scholes-Merton ("BSM") option pricing model. Assumptions about share-price volatility have been based exclusively on the implied volatilities of publicly traded options to buy Google's shares with contractual terms closest to the expected life of options granted to employees.

Assumptions about the expected term are estimated based upon the historical exercise behaviour of employees. The risk-free interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

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

From 1 January 2012, the Company reimburses Google Inc. for share options / RSUs granted to its employees. The reimbursement for period ended 30 June 2015 was £166m (2013 £90m). The share-based payment charge and the share-based payment recharge are shown separately under "Other capital reserves".

In April 2012, the board of directors of Google Inc. approved amendments to the company's certificate of incorporation that created a new class of non-voting capital stock ("Class C capital stock"). The amendments authorised 3 billion shares of Class C capital stock and also increased the authorised shares of Class A common stock from 6 billion to 9 billion. In January 2014, the board of directors of Google Inc. approved a distribution of shares of the Class C capital stock as a dividend to holders of Class A and Class B common stock ("the Stock Split"). The Stock Split had a record date of 27 March 2014 and a payment date of 2 April 2014.

Share and per share amounts disclosed as of 30 June 2015 and for all comparative periods have been retroactively adjusted to reflect the effects of the stock split. The Class C capital stock has no voting rights, except as required by applicable law. Except as expressly provided in the Amended Certificate of Incorporation of Google Inc., shares of Class C capital stock have the same rights and privileges and rank equally, share ratably and are identical in all other respects to the shares of Class A common stock and Class B common stock as to all matters including dividend and distribution rights.

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

17. Share based payments (continued)

Ordinary share option and RSU activities in the UK consisted of the following:

Ordinary share options

	At 30 June 2015	At 30 June 2015	At 31 December 2013 <i>Restated*</i>	At 31 December 2013 <i>Restated*</i>
	Number of Share Options	Weighted Average Exercise Price \$	Number of share options	Weighted Average Exercise Price \$
Outstanding at beginning of period	198,380	223.08	372,972	215.23
Net transfer to other group undertakings	(53,115)	321.02	(57,000)	215.23
Granted	-	-	-	-
Exercised	(51,120)	179.73	(112,436)	204.93
Forfeited / cancellations	(2,252)	241.28	(5,156)	270.71
Outstanding at end of period	<u>91,893</u>	190.14	<u>198,380</u>	223.08
Exercisable at end of period	<u>90,881</u>	186.56	<u>134,044</u>	189.65

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

17. Share based payments (continued)

Ordinary share option and RSU activities in the UK consisted of the following:

Restricted Stock Units	At 30 June	At 30 June	At 31	At 31
	2015	2015	December 2013 <i>Restated*</i>	December 2013 <i>Restated*</i>
	Number of shares	Weighted Average grant date fair value \$	Number of shares	Weighted Average grant date fair value \$
Outstanding at beginning of period	625,518	365.53	594,048	280.94
Net transfer to other group undertakings	(28,209)	165.67	(15,508)	280.94
Granted	607,647	557.81	354,836	443.55
Vested	(447,213)	398.36	(266,838)	294.21
Forfeited / cancellations	(55,672)	430.71	(41,020)	313.31
Outstanding at end of period	<u>702,071</u>	<u>513.90</u>	<u>625,518</u>	<u>365.53</u>
Expected to vest after end of period **	<u>681,124</u>	<u>513.90</u>	<u>548,550</u>	<u>365.53</u>

* Share and per Share amounts disclosed have been retroactively adjusted to reflect the effects of the stock split.

** RSUs and restricted shares expected to vest reflect an estimated forfeiture rate. Net transfers to other group undertakings relate to employees of Google UK Limited being re-employed by other group undertakings.

Google UK Limited

**Notes to the financial statements
For the period ended 30 June 2015**

17. Share based payments (continued)

The table following summarises information regarding Google's outstanding share options:

Ordinary share options

Range of exercise price	At 30 June 2015			At 31 December 2013 <i>Restated*</i>		
	Weighted average exercise price \$	Number of share options	Weighted average remaining life (years)	Weighted average exercise price \$	Number of share options	Weighted average remaining life (years)
\$5.00 - \$100.00	47.47	1,466	0.51	51.63	2,466	3.38
\$100.01 - \$200.00	155.18	54,589	2.08	154.67	78,262	4.08
\$200.01 - \$300.00	243.61	35,822	4.67	259.24	91,116	6.70
\$300.01 - \$400.00	305.84	16	4.48	316.60	26,536	8.27

Google UK Limited

**Notes to the financial statements
For the period ended 30 June 2015**

17. Share based payments (continued)

Restricted Stock Units

Range of exercise price	At 30 June 2015			At 31 December 2013 <i>Restated*</i>		
	Weighted average market price \$	Number of share	Weighted average remaining life (years)	Weighted average market price \$	Number of shares	Weighted average remaining life (years)
\$200.01 - \$300.00	267.57	48,382	0.39	276.33	249,614	1.80
\$300.01 - \$400.00	333.63	19,440	0.85	332.86	70,866	2.36
\$400.01 - \$500.00	447.57	111,106	1.96	442.27	290,030	3.21
\$500.01 - \$600.00	569.28	504,091	2.97	519.15	15,008	3.64
\$600.01 - \$700.00	609.13	19,052	2.66	-	-	-

Google UK Limited

Notes to the financial statements For the period ended 30 June 2015

17. Share based payments (continued)

The weighted average share price during the period for options exercised over the year was £179.73 (2013: £204.93). The total charge for the period relating to employee share based payment plans was £148 million (2013: £67 million), all of which related to equity share based payment transactions. After deferred tax, the total charge was £122 million (2013: £55 million), as the related deferred tax asset has been recognised (see note 13).

18. Operating lease commitments

The Company had annual commitments for rental property under non-cancellable operating leases as follows:

	At 30 June 2015	At 31 December 2013
	GBP	GBP
Expiration date:		
Within 1 year	3,413,818	23,646
Between 2 and 5 years	1,390,295	2,216,793
After more than 5 years	19,201,421	18,562,095
	<u>24,005,534</u>	<u>20,802,534</u>

19. Post Balance Sheet Event

Effective October 2015, the ultimate parent undertaking and controlling party is Alphabet Inc., a company incorporated in the United States of America, which is the parent of the group to consolidate these financial statements.

In January 2016, the Company agreed the closure of an ongoing tax audit with HMRC. This resulted in a liability to HMRC of £130 million in respect of additional taxes and interest due for prior accounting periods and the current accounting period.

20. Immediate and ultimate parent undertakings

The Company's immediate parent undertaking is Google International LLC.

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