

Registered number: 03977902

GOOGLE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

THURSDAY



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Google UK Limited

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Google UK Limited

General Information

Directors	Graham Law Ken Yi (appointed 22 November 2013) Nidhi Shah (appointed 24 July 2013 and resigned 22 November 2013) Don Harrison (resigned 24 July 2013)
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 year ended 31 December 2013

Strategic report

The directors present their strategic report for the year ended 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. There were no significant changes in the operation of the Company during the financial year under review.

The key financial and other performance indicators during the year were as follows:

Turnover increased from £506 million to £642 million in 2013, an increase of £136 million. Administrative expenses increased from £466 million to £570 million an increase of £104 million in 2013.

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 year, amounting to £49 million has been added to reserves.

There were no new products sold by the company and no new services introduced during the financial year ended 31 December 2013 that had a material impact on the financial statements.

At 1 April 2013, as a result of a study undertaken by the Company to assess the useful life of leasehold improvements, the Company reassessed their useful life to be shorter of 5 years or the lease term from date of acquisition. This had the effect of increasing the leasehold depreciation expense for the year ended 31 December 2013 by £8 million (2013: £15 million; 2012: £7 million).

In 2013, the Company entered into a 999 year land lease with King's Cross Central Limited Partnership ("KCCLP"). The total cost of the lease is £277 million. In order to finance this significant investment, the Company has obtained a loan facility from a related party in the amount of £250 million, and has issued additional share capital to its Parent Company, Google International LLC, in the amount of £50 million.

It is the Company's intention to build a new office space on the land. At 31 December 2013, the Company had amounts due of £103 million in respect of the final payment for this land lease. The total costs incurred during the year in respect of the build for new office space, are £34 million.

Since year end, a decision was taken by senior management that while the design for this office space remains under review, no further work should take place on the space until a final design is reached.

The Company's average headcount increased from 1,613 in 2012 to 1,835 in 2013, an average increase of 222.

Google UK Limited

Strategic report For the year ended 31 December 2013

Principal risks and uncertainties

As a provider of marketing services to Google Ireland Limited and research and development services to Google Inc., 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.*

By order of the board

Graham Law
Director

Date: 1.07. 2014



Google UK Limited

Directors' report For the year ended 31 December 2013

The directors present their annual report of Google UK Limited (the "Company") for the year ended 31 December 2013.

Directors

The Directors who held office during the year and up to the date of this report are as follows:

Graham Law

Ken Yi (appointed 22 November 2013)

Nidhi Shah (appointed 24 July 2013 and resigned 22 November 2013)

Don Harrison (resigned 24 July 2013)

Political and charitable contributions

During the year the Company made no political donations (2012: £nil) and made charitable donations and sponsorship of £3 million (2012: £1 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 year, the Company spent £92 million (2012: £99 million) on research and development. Such expenses may fall into the following categories: research, development, engineering and fixes or revisions.

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 year ended 31 December 2013

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 year is £49 million (2012: £6 million). The directors do not recommend the payment of a dividend (2012: £nil).

Events since the balance sheet date

In 2013, Google UK Limited entered into a 999 year land lease with King's Cross Central Limited Partnership ("KCCLP"). It is Google UK's intention to build a new office space on the property.

The design for the new office space is under review and at the 31 December 2013, no final decision has been reached in respect of the office space design. Since year end, a decision was taken by senior management that while the design for this office space remains under review, no further work should take place on the space until a final design is reached.

On 6 June 2014, the final payment of £103 million was made in respect of the land lease with KCCLP. In order to finance the final payment, the Company has drawn down this amount from the loan facility in place with a related party.

Qualifying third party indemnity provisions

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

Statement of directors' responsibilities

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

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

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 year ended 31 December 2013

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/she is obliged to take as a director in order to make himself/herself 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

Graham Law
Director

Date: 1.07.2014



Google UK Limited

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

We have audited the financial statements of Google UK Limited for the year ended 31 December 2013 which comprise of 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 Statement of Directors' Responsibilities (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 Directors' Report and the Strategic 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 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

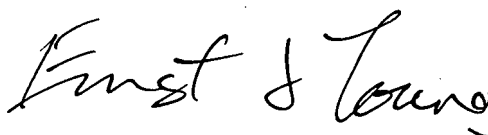
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOGLE UK LIMITED (continued)

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 M Jess (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Dublin



Date:

3 July 2014

Google UK Limited

Profit and loss account For the year ended 31 December 2013

	Notes	2013 GBP	2012 GBP
Turnover	2	642,445,149	506,044,506
Administrative expenses	3	<u>(569,888,781)</u>	<u>(466,281,732)</u>
Operating profit		72,556,368	39,762,774
Interest receivable and similar income	4	214,161	666,673
Interest payable and similar charges	5	<u>(1,925,558)</u>	<u>(3,623,880)</u>
Profit on ordinary activities before taxation		70,844,971	36,805,567
Provision for income taxes	8	<u>(21,626,127)</u>	<u>(30,835,926)</u>
Profit for the financial year		<u>49,218,844</u>	<u>5,969,641</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 year 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 28 form an integral part of these financial statements.

Google UK Limited

Registered number: 03977902

Balance Sheet As at 31 December 2013

	Notes	2013 GBP	2012 GBP
Fixed assets			
Tangible assets	9	380,926,310	74,701,583
Current assets			
Debtors:			
Amounts falling due within one year	10	63,331,970	49,349,228
Amounts falling due after one year	10	32,131,298	16,925,361
		<u>95,463,268</u>	<u>66,274,589</u>
Cash at bank and in hand		79,112,523	108,476,077
		<u>174,575,791</u>	<u>174,750,666</u>
Creditors: amounts falling due within one year	11	(271,416,793)	(149,123,688)
Net current (liabilities)/assets		<u>(96,841,002)</u>	<u>25,626,978</u>
Total assets less current liabilities		<u>284,085,308</u>	<u>100,328,561</u>
Creditors: amounts falling due after one year	12	(114,623,364)	(7,437,445)
Provisions for liabilities and charges	14	(9,230,722)	(9,331,027)
Net assets		<u>160,231,222</u>	<u>83,560,089</u>
Capital and reserves			
Called up share capital	15	50,001,000	1,000
Other capital reserves	16	138,969,038	161,516,749
Profit and loss account	16	(28,738,816)	(77,957,660)
Shareholders' funds		<u>160,231,222</u>	<u>83,560,089</u>

The financial statements on pages 10 to 11 and supporting notes to the financial statements on pages 12 to 28 were approved by the board of directors on 1.07.2014 and were signed on its behalf by:

Graham Law
Director
Date: 1.07.2014



Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

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 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.

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 year to Google Inc. and Google Ireland Limited. The Company recognises revenue in accordance with service agreements.

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 and cash equivalents comprise 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.

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

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

Taxation

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

Deferred tax is provided on timing differences to the extent that it is expected to become recoverable in the foreseeable future and any amount not provided for is disclosed as a contingent liability/asset. Deferred tax arises in respect of items where there is a timing difference between the treatment for accounting purposes and the treatment for taxation purposes. Deferred tax balances are not discounted. 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 reversal of the underlying timing differences can be deducted.

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. Provisions for the expected costs of dilapidation costs are charged against profits when the lease agreement is signed. 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 year in which it is incurred.

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:

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

At 1 April 2013, as a result of a study undertaken by the Company to assess the useful life of leasehold improvements, the Company reassessed their useful life to be shorter of 5 years or the lease term from date of Acquisition. These assets were previously depreciated over the life of the lease. This had the effect of increasing the depreciation expense for the year ended 31 December 2013 by £8 million (2013: £15 million; 2012: £7 million).

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

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

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 "Other capital reserves".

Cash settled transactions

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

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.

2. Turnover

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

Geographical market

	2013 GBP	2012 GBP
Research and development service fee (US)	100,667,731	109,425,242
Marketing and services fee (Ireland)	541,777,418	396,619,264
	<u>642,445,149</u>	<u>506,044,506</u>

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

3. Administrative expenses

	2013 GBP	2012 GBP
Advertising and promotional expense	136,997,888	112,204,333
Professional services	15,757,580	14,958,311
Auditors Remuneration	46,193	55,000
Share based compensation expense	67,465,365	50,187,012
Depreciation and amortisation expense	23,019,649	12,192,308
Employee benefit expense	252,096,402	208,652,674
Operating lease rental expense	19,266,903	17,668,761
Other administrative expenses	55,238,801	50,363,333
	<u>569,888,781</u>	<u>466,281,732</u>

Fees paid to auditors in relation to non-audit services are £nil (2012: £nil).

4. Interest receivable and similar income

	2013 GBP	2012 GBP
Interest Income	<u>214,161</u>	<u>666,673</u>
	<u>214,161</u>	<u>666,673</u>

5. Interest Payable and Similar Charges

	2013 GBP	2012 GBP
Interest on intergroup loans	1,107,494	-
Other interest	818,064	3,623,880
	<u>1,925,558</u>	<u>3,623,880</u>

Other interest payable for 2013 represents £0.8 million (2012: £3.6million) relating to a provision for interest on corporation tax in respect of employee share based compensation.

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

6. Employee information

Staff costs were as follows:

	2013 GBP	2012 GBP
Wages and salaries	289,077,455	234,936,887
Social security costs	20,301,454	16,933,433
Other pension costs	8,532,858	6,969,366
	<u>317,911,767</u>	<u>258,839,686</u>

Included in wages and salaries is a total expense for share based payments of £67 million (2012: £50 million).

The average monthly number of employees (including directors) during the year was:

	2013 GBP	2012 GBP
Marketing	942	863
Research and development	670	440
Management and administration	223	310
	<u>1,835</u>	<u>1,613</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 2013 two directors held share options in the ultimate parent undertaking, Google Inc. In 2013, one of the directors exercised options during the year.

During the year there were no retirement benefits accruing to any directors (2012: nil) in respect of the Company's defined contribution scheme.

During the year the highest paid director received remuneration of £nil (2012: £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 year was £8.5 million (2012: £6.9 million).

As at 31 December 2013 pension contributions of £1.4 million were outstanding (2012: £1.2 million).

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

8. Taxation

	2013 GBP	2012 GBP
Analysis of tax charge for the year		
Current tax		
UK corporation tax on profit for the year	20,424,672	11,589,031
Provision for corporation tax in respect of employee share based compensation (see note below)	-	24,069,879
Adjustments in respect of prior years	626,214	(340,550)
Total current tax	21,050,886	35,318,360
Deferred tax		
Origination and reversal of timing differences	(1,669,562)	(6,294,509)
Adjustment in respect of previous periods	(205,294)	481,150
Changes in tax rates or laws	2,450,097	1,330,925
Total deferred tax (see note 13)	575,241	(4,482,434)
Total charge on profit on ordinary activities	21,626,127	30,835,926

The provision of £24.1 million in 2012 relates to how share-based compensation is treated for corporation tax purposes. This is a matter the Company is discussing with HMRC in an ongoing review initiated in 2010. The Company has made a provision of £24 million for potential corporation tax for the years under review (2005-2011).

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012: higher than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.49%). The differences are explained below:

	2013 GBP	2012 GBP
Profit on ordinary activities before tax	70,844,971	36,805,567
Profit on ordinary activities multiplied by standard rate corporation tax in the UK of 23.25% (2012: 24.49%)	16,471,455	9,013,683
Effects of:		
Expenses not deductible for tax purposes	2,438,137	1,587,273
Depreciation for the year in excess of capital allowances	1,948,374	301,664
Adjustments to tax charge in respect of prior periods	626,214	(340,550)
Provision for corporation tax in respect of employee share based compensation	-	24,069,879
Provision for corporation tax in respect of additional corporation taxes	1,153,785	-
Movement in short term timing differences	(713,515)	726,802
Differences arising in respect of tax deduction on exercise of options and stock units	(489,939)	2,182,503
R&D tax relief	(383,625)	(2,222,894)
Current tax charge for the year	21,050,886	35,318,360

Factors affecting future tax charges

Changes to the UK Corporation tax rules were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate of 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these Financial Statements.

Google UK Limited

**Notes to the financial statements
For the year ended 31 December 2013**

9. Tangible Fixed Assets

	Leasehold improvements	Information technology assets	Furniture and fixtures	Construction in progress	Total
	GBP	GBP	GBP	GBP	GBP
Costs					
As at 1 January 2013	63,403,289	27,196,152	7,755,607	5,367,659	103,722,707
Additions costs	1,444,707	10,116,479	231,538	321,193,546	332,986,270
Disposals costs	(703,811)	(8,006,881)	(578,666)	(323,103)	(9,612,461)
As at 31 December 2013	64,144,185	29,305,750	7,408,479	326,238,102	427,096,516
Depreciation					
As at 1 January 2013	12,462,324	12,344,361	4,214,439	-	29,021,124
Charge for the year	15,223,566	6,325,907	1,470,176	-	23,019,649
Disposals depreciation	-	(5,322,403)	(548,164)	-	(5,870,567)
As at 31 December 2013	27,685,890	13,347,865	5,136,451	-	46,170,206
Net book value					
At 31 December 2013	36,458,295	15,957,885	2,272,028	326,238,102	380,926,310
At 31 December 2012	50,940,965	14,851,791	3,541,168	5,367,659	74,701,583

In 2013 the Company entered into a 999 year land lease with King's Cross Central Limited Partnership ("KCCLP"). The total cost of the lease is £277 million.

It is the Company's intention to build a new office space on the property. At 31 December 2013, the Company had amounts due of £103 million in respect of the final payment for this land lease. Included in our construction in progress are costs incurred during the year in respect of the build for the new office space and the lease payments.

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

10. Debtors

	2013 GBP	2012 GBP
Amounts owed by group companies	51,673,279	24,141,727
Prepayments and accrued income	9,395,070	9,514,301
Deferred tax asset (note 13)	16,215,917	16,791,158
VAT receivable	17,217,932	14,532,722
Other debtors	961,070	1,294,681
	<u>95,463,268</u>	<u>66,274,589</u>

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

	2013 GBP	2012 GBP
Amounts owed by group companies	15,915,381	-
Deferred tax asset (note 13)	16,215,917	16,791,158
Other debtors	-	134,203
	<u>32,131,298</u>	<u>16,925,361</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 £20m. As at 31 December 2013, 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 30th June 2015.

Within the deferred tax asset balance of £16.2 million is an amount of £11.8 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.

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Notes to the financial statements For the year ended 31 December 2013

11. Creditors: amounts falling due within one year

	2013 GBP	2012 GBP
Amounts owed to group companies	29,909,886	14,005,257
Trade creditors	25,035,636	34,640,475
Accruals and deferred income	165,266,308	53,926,004
Income Tax Payable	33,775,081	33,677,799
Other creditors including tax and social welfare	17,429,882	12,874,153
	<u>271,416,793</u>	<u>149,123,688</u>

Included in accruals and deferred income are amounts due in respect of the final payment for the land lease with KCCLP (£103 million). The total cost of this lease is £277 million. In order to finance the investment in the lease, the Company obtained a loan facility during 2013, with a related party in the amount of £250 million, of which at 31 December 2013, £110 million had been drawn upon (Note 12).

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

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

	2013 GBP	2012 GBP
Amounts owed to group companies	110,356,494	-
Accruals and deferred income	2,084,075	3,624,942
Deferred rent, non-current	2,182,795	3,812,503
	<u>114,623,364</u>	<u>7,437,445</u>

The Company has obtained a loan facility from a related party in the amount of £250 million to part finance the investment in the 999 year land lease with KCCLP. At year end £110 million has been drawn down and is included in amounts owed to group companies. The loan is unsecured and is subject to interest. Interest charged on this loan is 1 year LIBOR + 1% margin.

All amounts falling due after more than one year are payable within 3 years.

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Notes to the financial statements For the year ended 31 December 2013

13. Deferred tax asset

	2013 GBP	2012 GBP
At 1 January	16,791,158	12,308,724
Movement in profit and loss account (see note 8)	(780,535)	4,963,584
Adjustment in respect of prior periods (see note 8)	<u>205,294</u>	<u>(481,150)</u>
At 31 December	<u><u>16,215,917</u></u>	<u><u>16,791,158</u></u>

The deferred tax asset is made up as follows:

	2013 GBP	2012 GBP
Decelerated capital allowances	3,637,584	2,228,960
Short term timing differences	<u>12,578,333</u>	<u>14,562,198</u>
	<u><u>16,215,917</u></u>	<u><u>16,791,158</u></u>

A deferred tax asset of £11.8 million (2012: £13.2 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 short term timing differences is pensions and bonuses of £0.7 million (2012: £1.4 million).

14. Provision for liabilities and charges

	Onerous lease provision GBP	Asset Retirement Obligation GBP	Total GBP
At 1 January 2013	1,350,907	7,980,120	9,331,027
Additions	-	131,950	131,950
Utilised during the year	<u>(232,255)</u>	<u>-</u>	<u>(232,255)</u>
At 31 December 2013	<u><u>1,118,652</u></u>	<u><u>8,112,070</u></u>	<u><u>9,230,722</u></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, 1 due to expire in 2017 and further 5 leases due to expire in 2021/22, all leases have a contractual obligation to make good any dilapidations. The provision represents management's best estimate of the present obligation.

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Notes to the financial statements For the year ended 31 December 2013

15. Share capital

	2013 GBP	2012 GBP
Allotted, called up and fully paid		
50,001,000 Ordinary shares of £1 each	<u>50,001,000</u>	<u>1,000</u>

During 2013, Google UK Limited issued additional share capital to its parent Company, Google International LLC, in the amount of £50 million. The additional share capital was issued to part finance the investment in the 999 year land lease with KCCLP, which the Company entered into during 2013.

16. Reconciliation of movement in shareholder's funds

	Share capital GBP	Retained loss GBP	Other capital reserves GBP	Total GBP
Balance at 1 January 2012	1,000	(83,927,301)	162,530,953	78,604,652
Profit for the year	-	5,969,641	-	5,969,641
Share based compensation expense	-	-	50,187,012	50,187,012
Share based compensation recharge	-	-	(51,201,216)	(51,201,216)
Balance at 31 December 2012	<u>1,000</u>	<u>(77,957,660)</u>	<u>161,516,749</u>	<u>83,560,089</u>
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>

Additional share Capital

The Company issued a total of £50 million in additional share capital to US parent Company, Google International LLC, during 2013 (2012: £0).

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

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 year's 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.

17. Share based payments (continued)

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 2013 was £90 million (2012 £51.2 million). The share-based payment charge and the share-based payment recharge are shown separately under "Other equity reserves".

The following table presents the weighted-average assumptions used to estimate the fair values of the share options granted in the period presented:

	2013	2012
Expected stock volatility	29%	29%
Options life (years)	5.9	5.9
Expected life (years)	5.8	5.2
Risk free interest rate	1%	9%
Expected dividends expressed as a dividend yield	-	-

The weighted average fair value per award granted is as follows:

Weighted average fair value per award granted - options	-	US\$623.16
Weighted average fair value per award granted - RSUs	US\$887.11	US\$595.92

Google UK Limited

Notes to the financial statements For the year ended 31 December 2013

17. Share based payments (continued)

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

Ordinary share options

	2013	2013	2012	2012
	Number of	Weighted	Number of	Weighted
	share	average	share	average
	options	exercise	options	exercise
		price		price
		\$		\$
Outstanding at 1 January	186,486	430.45	263,473	394.97
Net transfer to other group undertakings	(28,500)	430.45	(40,450)	394.97
Granted	-	-	24,432	623.16
Exercised	(56,218)	409.85	(58,876)	399.14
Forfeited / cancellations	(2,578)	541.41	(2,093)	389.19
Outstanding at 31 December	<u>99,190</u>	<u>446.15</u>	<u>186,486</u>	<u>430.45</u>
Exercisable at 31 December	<u>67,022</u>	<u>379.24</u>	<u>113,135</u>	<u>364.19</u>

Restricted Stock Units

	2013	2013	2012	2012
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
		market		market
		price		price
		\$		\$
Outstanding at 1 January	297,024	561.87	296,599	521.32
Net transfer to other group undertakings	(7,754)	561.87	(53,993)	521.32
Granted	177,418	887.11	170,655	595.92
Exercised	(133,419)	588.41	(102,255)	520.10
Forfeited / cancellations	(20,510)	626.61	(13,982)	561.84
Outstanding at 31 December	<u>312,759</u>	<u>731.06</u>	<u>297,024</u>	<u>561.87</u>
Expected to vest after 31 December *	<u>274,275</u>	<u>731.06</u>	<u>257,936</u>	<u>561.87</u>

* 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.

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

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Notes to the financial statements
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17. Share based payments (continued)

Ordinary share options

Range of exercise price	2013			2012		
	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)
\$0.30 - \$100.00	43.34	733	4.86	57.02	1,367	5.65
\$100.01 - \$200.00	191.09	500	1.19	185.10	1,100	2.07
\$200.01 - \$300.00	287.14	210	4.11	256.25	1,769	2.89
\$300.01 - \$400.00	309.46	38,921	4.08	310.27	82,908	5.03
\$400.01 - \$500.00	435.31	10,129	5.54	436.33	17,900	6.50
\$500.01 - \$600.00	542.25	35,429	7.03	543.72	61,596	7.91
\$600.01 - \$700.00	633.20	13,268	8.27	630.53	19,846	9.05

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**Notes to the financial statements
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17. Share based payments (continued)

Restricted Stock Units

Range of exercise price	Weighted average market price \$	2013		Weighted average remaining life (years)	Weighted average market price \$	2012	
		Number of share	Weighted average remaining life (years)			Number of shares	Weighted average remaining life (years)
\$300.01 - \$400.00	-	-	-	-	355.13	1,158	0.24
\$400.01 - \$500.00	486.25	24,922	1.41	480.76	877,210	2.04	
\$500.01 - \$600.00	569.23	99,885	1.90	568.07	2,155,754	2.57	
\$600.01 - \$700.00	640.07	28,044	2.20	637.41	488,979	3.07	
\$700.01 - \$800.00	763.06	7,389	2.99	762.50	45,520	3.67	
\$800.01 - \$900.00	842.15	40,006	3.38	-	-	-	
\$900.01 - \$1000.00	900.68	105,009	3.14	-	-	-	
\$1,000.01 - \$1,100.00	1038.31	7,504	3.65	-	-	-	

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Notes to the financial statements For the year ended 31 December 2013

17. Share based payments (continued)

The weighted average share price during the period for options exercised over the year was £409.85 (2012: £399.14). The total charge for the year relating to employee share based payment plans was £67 million (2012: £50 million), all of which related to equity share based payment transactions. After deferred tax, the total charge was £55 million (2012: £41 million), as the related deferred tax asset has been recognised (see note 13).

18. Operating lease commitments

At 31 December 2013 the Company had annual commitments for rental property under non-cancellable operating leases as follows:

	2013 GBP	2012 GBP
Expire date:		
Within 1 year	23,646	21,010
Between 2 and 5 years	2,216,793	2,074,930
After more than 5 years	18,562,095	18,327,035
	<u>20,802,534</u>	<u>20,422,975</u>

19. Post Balance Sheet Event

During 2013, the Company entered into a land lease with KCCLP with the intention to build a new office space for the Company on the land.

At the 31 December 2013, the office space design was under review and no final decision has been reached in respect of the office space design. Since year end, a decision was taken by senior management that while the design for this office space remains under review, no further work should take place on the space until a final design is reached.

On 24 June 2014, an additional payment of £88 million was made in respect of the land lease with KCCLP. In order to finance this payment, the Company has drawn down this amount from the loan facility in place with a related party.

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.