

eBay (UK) Limited

Directors' report and financial statements
for the year ended 31 December 2012

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**Directors' report and financial statements
for the year ended 31 December 2012**

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Company information

For the year ended 31 December 2012

Directors:	Paul Drake, Philip Rinn
Company secretary:	OHS Secretaries Limited
Registered office:	107 Cheapside London United Kingdom EC2V 6DN
Registered number:	03726028 (England and Wales)
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountant and Statutory Auditors 1 Embankment Place London WC2N 6RH

eBay (UK) Limited

Directors' report for the year ended 31 December 2012

The directors submit their annual report and the audited financial statements of eBay (UK) Limited ("the company") for the year ended 31 December 2012

Principal activities

The principal activity of the company is to provide services to eBay International AG which recommend market penetration and advertising strategies for the UK internet market place, and related third party advertising sales in the UK, Germany and France, and starting in 2012 in Italy and Belgium

eBay (UK) Limited and eBay International AG are subsidiary undertakings of eBay Inc , a global internet company incorporated in the USA, which offers an internet based personal trading community

Review of business and future developments

The company's profit for the financial year amounted to £11,558,000 (2011 £5,230,000) The company has continued to focus on the UK marketplace growth as well as the advertising business across Europe by means of its overseas branches in France and Germany which it established during 2011 for achieving the Group's mission of creating the world's leading e-commerce business The strategy has lead to increased workforce costs again in 2012

As part of the company's revenues are generated from the parent company on a cost plus basis, the financial risks and uncertainties faced by operating a business establishment in the UK are assumed by the parent company

The services provided to the parent company are in support of the 'Marketplaces' business segment of the eBay Group The development and performance of the company is therefore closely linked to the business plans and strategies set by eBay Inc for this business segment

Details of the principal risks affecting the eBay Group operations the business review and forward looking statements are detailed in the eBay Inc Annual Report and other eBay Inc public announcements A copy of the eBay Inc Annual Report may be obtained from the address given in note 18

The company will continue to provide services to the parent company in pursuance of the eBay Group's strategy for the UK marketplace

Key performance indicators

The directors of eBay Inc manage the eBay Group's operations on a divisional basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of eBay (UK) Limited As a means of understanding the global key performance indicators of the eBay Marketplaces business refer to the analysis of the results of operations within the eBay Inc Annual Report.

Financial risk management

Credit risk

Financial assets that potentially subject the company to concentrations of credit risk principally consist of cash at bank and debtors The company's cash is placed with quality financial institutions The company's exposure to debtor risk is principally concentrated in the intra-group debt with the immediate parent company arising from the charges due under the services agreement. In relation to third party debtors the company has implemented policies that require appropriate credit checks on potential customers before new accounts are accepted

Foreign currency and interest rate risk

The directors consider there is a low risk from foreign currency transactions, the amount of exposure to any individual counterparty is limited, and assessed continually

The company's operating income and cash flows are substantially independent of changes in market interest rates

Due to the limited risk exposure the company does not have a specific hedging policy with respect to foreign currency exchange and interest rate risk

Dividends

The directors do not recommend the payment of dividend (2011 nil)

Directors' report for the year ended 31 December 2012 (continued)

Charitable donation

The company made no donations to charities during the financial year (2011 nil)

Directors

The directors who held office throughout the year were

Paul Drake
Philip Rinn

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

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

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

Disclosure of information to auditors

In the case of each director in office at the date of this report we confirm that

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Philip Rinn
Director

Date 26 September 2013

Independent auditors' report to the members of eBay (UK) Limited

We have audited the financial statements of eBay (UK) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 financial statements to identify material inconsistencies with the audited financial statements. 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Brian Henderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 27 September 2013

eBay (UK) Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	138,894	109,006
Cost of sales		<u>(128,914)</u>	<u>(102,413)</u>
Operating profit	3	9,980	6,593
Profit from liquidation of subsidiaries		<u>2,735</u>	<u>-</u>
		12,715	6,593
Interest receivable and similar income		<u>43</u>	<u>106</u>
		12,758	6,699
Interest payable and similar charges	6	<u>(57)</u>	<u>(65)</u>
Profit on ordinary activities before taxation		11,701	6,634
Tax on profit on ordinary activities	7	(1,143)	(1,404)
Profit for the financial year	17	<u>11,558</u>	<u>5,230</u>

These results derive from continuing operations

The notes on pages 8 to 20 form part of these financial statements

Statement of total recognised gains and losses**For the year ended 31 December 2012**

	2012	2011
	£'000	£'000
Profit for the Financial Year	11,558	5,230
Currency translation to Reserves	(46)	-
Total Recognised Gains and Losses relating to the Year	11,512	5,230

eBay (UK) Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible Assets	8	2,157	2,044
Investments	9	<u>4,502</u>	<u>5,286</u>
		6,659	7,330
Current assets			
Debtors amounts falling due within one year	10	42,342	33,629
Debtors amounts falling due after more than one year	10	2,432	2,109
Cash at bank and in hand		<u>12,642</u>	<u>13,699</u>
		57,416	49,437
Creditors amounts falling due with one year	11	<u>(32,462)</u>	<u>(27,483)</u>
Net current assets		<u>24,954</u>	<u>21,954</u>
Total assets less current liabilities		31,613	29,284
Creditors amounts falling due after more than one year	12	(302)	(5,002)
Provisions for liabilities	13	(131)	(131)
Net assets		<u>31,180</u>	<u>24,151</u>
Capital and reserves			
Called up share capital	15	2,451	2,451
Share Premium account	17	6,853	6,853
Capital contribution	16	1,586	6,069
Profit and loss account	17	20,290	8,778
Total shareholders' funds	17	<u>31,180</u>	<u>24,151</u>

The financial statements on pages 5 to 20 were approved by the board of directors on 26 September 2013 and were signed on its behalf by



Phillip Rinn
Director

Date 26 September 2013

eBay (UK) Limited (Registered number 03726028)

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

Accounting convention

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

Turnover

Turnover represents the revenue excluding value added tax, from the provision of services to eBay International AG and is recognised in line with performance under the underlying contract.

Advertising revenue is recognised at the point when the service is delivered. Advertising revenues on contracts are recognized as "impressions" (i.e. the number of times that an advertisement appears in pages viewed by users of our websites) are delivered, or as "clicks" (which are generated each time users on our websites click through our text-based advertisements to an advertiser's designated website) are provided to advertisers. Revenues related to fees for listing items on our classified websites and are recognized over the estimated period of the classified listing.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value over an asset's estimated useful life on a straight-line basis.

Fixed assets are depreciated at the following rates:

Computer equipment	-33% per annum
Short leasehold property improvements	-over 5 years or over the term of the lease
Computer software	-100% per annum
Office furniture and equipment	-33% per annum

The gross capitalised cost of the asset includes its cost plus the essential costs incurred to bring the asset to its intended use. Any related costs incurred after the asset's acquisition, such as additions, improvements, or replacements, are added to the asset's cost if they provide future service potential.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Consolidation

The company has elected to take advantage of the exemption to prepare consolidated financial statements granted under Section 401 of the Companies Act 2006, as its ultimate parent company prepares financial statements which are in compliance with the EU 7th Directive. Accordingly, the financial statements contain information about eBay (UK) Limited as an individual company and do not present the consolidated results of the group.

Deferred Taxation

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 in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax assets may arise in respect of share-based remuneration. For accounting purposes, the value of share options granted to employees is charged to the profit and loss account over the vesting period of the options. For taxation purposes, a deduction against

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Deferred Taxation (continued)

Taxable profit is only allowable when the options are exercised by the employees. It is this timing difference that creates the potential deferred tax asset.

In determining whether a potential deferred tax asset in respect of share options should be recognised or not, the directors examine, on an annual basis, the likelihood of a future taxable deduction being available to the company in relation to the share options outstanding at the end of the year. This examination takes into consideration a range of factors including the current eBay Inc. share price and the range of exercise prices on the outstanding share options. Where a future tax deduction is considered likely, the directors also examine whether it is possible to accurately measure the value of such a deduction.

Where the directors consider that it would be imprudent to recognise a deferred tax asset in respect of share options, either because a future tax deduction is considered unlikely, or because it is considered impracticable to value accurately, no such asset will be recognised. Instead, the best estimate of the potential tax asset will be disclosed in the notes to the financial statements.

Pension costs

The company operates a defined contribution stakeholder pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The employer contributions charged to profit and loss account represents the amounts contracted as due in respect of the financial year.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Cash flow statement

The company is a wholly owned subsidiary company of the eBay Group headed by eBay Inc, and is included in the consolidated financial statements of the parent company, which are available to the public. Consequently, the company has taken advantage of the exemption from the requirement to prepare a cash flow statement, permitted within Financial Reporting Standard 1 (revised 1996) "Cash flow statements".

Related party transactions

The company is a wholly owned subsidiary of the ultimate parent undertaking, eBay Inc, incorporated in the United States of America. The company is exempt under Financial Reporting Standard 8 "Related party disclosures" from disclosure of transactions with entities that are part of the group headed by eBay Inc provided that the subsidiary undertaking which is a party to the transaction is a wholly owned member of the eBay Group.

Share based remuneration

The company employees participate in the share-based benefit plans of the ultimate parent eBay Inc. To be consistent with eBay Inc terminology hereafter share-based remuneration is referred to as stock-based compensation.

The company accounts for stock-based compensation under Financial Reporting Standard 20 "Share-based payment", which addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments.

Stock-based compensation expense recognised during the financial year is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As stock-based compensation recognised in the consolidated statement of operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FRS 20 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent financial years if actual forfeitures differ from those estimates.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are discounted where the time value of money is material.

Notes to the financial statements for the year ended 31 December 2012

2 Turnover

Turnover and profit before taxation derive from one class of business, the principal activity of the company, being advertising sales and support. Turnover comprises the following geographical areas by destination. Turnover by origin is not materially different from turnover by destination.

	2012	2011
	£'000	£'000
UK	95,909	74,219
Europe	42,985	34,787
Total	<u>138,894</u>	<u>109,006</u>

3 Operating profit

	2012	2011
	£'000	£'000
The operating profit is stated after charging/(crediting)		
Fees payable to the company's auditor for the audit of its financial statements	51	47
Foreign currency exchange (gain)/loss	(74)	49
Depreciation - owned assets	1,352	1,228
(Profit)/Loss on disposal of fixed assets	-	(237)
Operating lease rentals - Land and buildings	<u>1,772</u>	<u>1,618</u>

4 Directors and employees

	2012	2011
	£'000	£'000
Employee costs consist of		
Wages and salaries	30,430	22,819
Social security costs	4,046	2,820
Other pension costs	802	720
Share based payment	<u>5,735</u>	<u>5,142</u>
Total	<u>41,013</u>	<u>31,501</u>

The average monthly number of employees during the financial year (including paid directors) was as follows

	2012	2011
	Number	Number
By activity:		
Management	44	33
Administration and operations	<u>283</u>	<u>148</u>
Total	<u>327</u>	<u>181</u>

Notes to the financial statements for the year ended 31 December 2012

5 Directors remuneration

Directors remuneration

	2012	2011
	£'000	£'000
Aggregate emoluments excluding pension contributions	444	330
Aggregate company contributions to the stakeholder pension plan for the directors	8	8
	<u>452</u>	<u>338</u>

The directors participated in the stock-based benefit plans detailed in note 20

Directors share options:

	2012	2011
Number of directors who exercised share options	None	None
Number of directors in respect of whose services shares were received or receivable under long term incentive schemes	1	1
Number of directors to whom retirement benefits were accruing under the stakeholder pension plan	<u>1</u>	<u>1</u>

Highest paid director:

	2012	2011
	£'000	£'000
Aggregate emoluments excluding pension contributions	444	330
Company contributions to the stakeholder pension plan	<u>8</u>	<u>8</u>
	<u>452</u>	<u>338</u>

The highest paid director in 2012 did not exercise any options (2011 none exercised)

The highest paid director in 2012 and 2011 received shares due to participation in the employee stock purchase plan and the other equity plans

Notes to the financial statements for the year ended 31 December 2012

6 Interest payable and similar charges

	2012	2011
	£'000	£'000
Interest payable to group undertakings	50	-
Other	<u>7</u>	<u>-</u>
	<u>57</u>	<u>-</u>

7 Tax on profit on ordinary activities

	2012	2011
	£'000	£'000
Current tax		
UK corporation tax for current year before double tax relief	344	1,674
Double tax relief for current year	<u>(313)</u>	<u>(654)</u>
UK corporation tax for current year after double tax relief	31	1,020
Payable for group relief for current year	1,103	-
Foreign tax for current year	<u>387</u>	<u>774</u>
	<u>1,521</u>	<u>1,794</u>
UK corporation tax adjustment in respect of prior years	(243)	42
Payable for group relief in respect of prior years	397	-
Foreign tax adjustment in respect of prior years	<u>(233)</u>	<u>(23)</u>
	<u>(79)</u>	<u>19</u>
Total current tax	<u>1,442</u>	<u>1,813</u>
Deferred tax		
Origination and reversal of timing differences	(358)	(540)
Change in tax rate	168	131
Adjustment in respect of prior years	<u>(109)</u>	<u>-</u>
Total deferred tax	<u>(299)</u>	<u>(409)</u>
Total tax charge	<u>1,143</u>	<u>1,404</u>

Notes to the financial statements for the year ended 31 December 2012

7 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK

Factors affecting the tax charge for the year

The difference between the current tax charge and the standard rate of corporation tax in the UK is explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>12,701</u>	<u>6,634</u>
Profit on ordinary activities before tax multiplied by the standard rate of tax in the UK of 24.5% (2011: 26.5%)	3,111	1,758
Effects of		
Timing differences	351	530
Permanent difference on stock-based compensation	(1,429)	(835)
Expenses not deductible for tax purposes	85	221
Non taxable income from liquidation of subsidiaries	(670)	-
Higher tax rates on overseas earnings	73	120
Adjustment in respect of prior years	(79)	19
Current tax charge for the year	<u>1,442</u>	<u>1,813</u>
Deferred tax asset		
Provided at tax rate of 23% (2011: 26%)		
	2012	2011
Opening balance	1,637	1,228
Credited to profit and loss account for the year	<u>298</u>	<u>409</u>
Closing balance (see note 10)	<u>1,935</u>	<u>1,637</u>
The above deferred tax asset comprised		
Depreciation in excess of capital allowances	371	288
Fair values debited to profit and loss relating to unexercised options Tax relief deferred until exercise	1,491	1,320
Other short-term timing differences	<u>73</u>	<u>29</u>
Total deferred tax	<u>1,935</u>	<u>1,637</u>

Notes to the financial statements for the year ended 31 December 2012

7 Tax on profit on ordinary activities (continued)

The directors consider it more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the deferred tax asset has been recognised in the financial statements

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for this accounting period are taxed at a rate of 24.5%. A further reduction to reduce the rate to 23% by April 2013 was enacted in the Finance Act 2012.

In addition to the changes in rates of Corporation Tax disclosed above, further changes to the UK Corporation Tax system were announced in the Autumn statement 2012. This includes a further reduction to the main rate to reduce the rate to 21% from 1 April 2014. The overall effect of this further change, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by a nominal sum. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

8 Tangible fixed assets

	Short leasehold property improvements £'000	Computer Equipment £'000	Office furniture and equipment £'000	Computer Software £'000	Total £'000
Cost					
At 1 January 2012	5,165	1,796	1,698	173	8,832
Additions in the year	326	388	725	27	1,466
Disposals	-	(32)	-	-	(32)
Exchange differences	-	(1)	-	-	(1)
Reclassification/ transfer	-	3	-	1	4
At 31 December 2012	<u>5,491</u>	<u>2,154</u>	<u>2,423</u>	<u>201</u>	<u>10,269</u>
Accumulated Depreciation					
At 1 January 2012	4,654	743	1,245	146	6,788
Charge for the year	492	547	297	16	1,352
Elimination on disposals	-	(32)	-	-	(32)
Reclassification/ transfer	-	3	-	1	4
At 31 December 2012	<u>5,146</u>	<u>1,261</u>	<u>1,542</u>	<u>163</u>	<u>8,112</u>
Net book value					
At 31 December 2012	<u>345</u>	<u>893</u>	<u>881</u>	<u>38</u>	<u>2,157</u>
At 1 January 2012	<u>511</u>	<u>1,053</u>	<u>453</u>	<u>27</u>	<u>2,044</u>

Notes to the financial statements for the year ended 31 December 2012

9 Investments

Investments

	£'000
Cost	
At 1 January 2012	5,286
Disposals	(784)
At 31 December 2012	4,502
Net book value	
At 31 December 2012	4,502
At 31 December 2011	5,286

The company has the following subsidiaries

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
Shopping com GmbH	100	Germany	Internet comparison site
Shopping com UK limited	100	UK	Internet comparison site

The directors believe that the carrying value of the investments is supported by their underlying assets

10 Debtors

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Trade debtors	19,744	17,766
Amounts owed by group undertakings	20,959	14,893
Other debtors	972	-
Prepayments and accrued income	667	970
	42,342	33,629

Amounts receivable from group undertakings are unsecured, interest free and payable on demand

Amounts falling due after more than one year

	2012	2011
	£'000	£'000
Other debtors	497	472
Deferred tax asset (see note 7)	1,935	1,637
	2,432	2,109
Total debtors	44,774	35,738

Notes to the financial statements for the year ended 31 December 2012

11 Creditors amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	1,485	2,008
Amounts owed to group undertakings	18,897	17,180
Taxation and social security	2,275	642
Other creditors	128	135
Accruals and deferred income	9,677	7,518
Total	32,462	27,483

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

12 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	-	4,516
Accruals and deferred income	302	486
Total	302	5,002

13 Provisions for liabilities and charges

	2012	2011
	£'000	£'000
Dilapidations provision	131	131

A provision has been made in respect of the anticipated cost of de-commissioning the alterations made within the leasehold properties occupied by the company. The provision is included in the cost of the leasehold properties in fixed assets and is being depreciated over the lease term. The leases terminate in March 2013 and June 2018.

14 Operating lease commitments

The company has annual commitments under non-cancellable operating leases which expire as follows

	Land and buildings	Land and Buildings
	2012	2011
	£'000	£'000
Less than 1 year	1,572	1,619
Between 2 and 5 years	4,790	6,361
Over 5 years	-	-
	6,362	7,980

Notes to the financial statements for the year ended 31 December 2012

15 Called up share capital

	2012	2011
	£'000	£'000
Allotted, issued and fully paid		
2,451,003 ordinary shares at £1 each (2011 2,451,003 shares)	<u>2,451</u>	<u>2,451</u>

16 Capital contributions

	2012	2011
	£'000	£'000
At 1 January	6,069	7,693
Capital contribution from eBay Inc in respect of stock-based benefits plans	<u>(4,483)</u>	<u>(1,624)</u>
	<u>1,586</u>	<u>6,069</u>

17 Combined statement of reserves and reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share Premium £'000	Capital contributions £'000	Profit and loss account £'000	Total shareholders' funds 2012 £'000	Total shareholders' funds 2011 £'000
At 1 January	2,451	6,853	6,069	8,778	24,151	20,545
Capital contribution from eBay Inc in respect of stock-based benefit plans	-	-	(4,483)	-	(4,483)	(1,624)
Ordinary shares issued in respect of acquisition of subsidiaries	-	-	-	-	-	-
Profit for the financial year	-	-	-	11,558	11,558	5,230
Currency translation	-	-	-	(46)	(46)	-
At 31 December	<u>2,451</u>	<u>6,853</u>	<u>1,586</u>	<u>20,290</u>	<u>31,180</u>	<u>24,151</u>

Notes to the financial statements for the year ended 31 December 2012

18 Immediate and ultimate parent undertaking

The immediate parent undertaking is eBay International AG

The ultimate parent undertaking and controlling party is eBay Inc, a company incorporated in Delaware, USA. eBay Inc is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the eBay Inc financial statements may be obtained from:

eBay Inc
2145 Hamilton Avenue
San Jose CA
USA 95125

19 Pension commitments

The company operates a defined contribution pension scheme. At the financial year end contributions of £109,454 (2011: £94,701) were due to be paid to the scheme provider.

20 Share-based benefit plans

Employee stock purchase plan

The company participates in an employee stock purchase plan offered by eBay Inc ("eBay") which is equity settled, the ultimate parent company, for all eligible employees. Under the plan, shares of eBay's common stock may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period. Employees may purchase shares having a value not exceeding 10% of their gross compensation during an offering period. eBay's employee stock purchase plan contains an "evergreen" provision that automatically increases, on 1 January, the number of shares reserved for issuance under the employee stock purchase plan by the number of shares purchased under this plan in the preceding calendar year.

Stock option exchange program

On 10 August 2009, the Company launched a one-time stock option exchange program (the "Program") pursuant to which eligible employees were able to exchange certain outstanding stock options with an exercise price greater than or equal to \$27.01 per share, a grant date on or before 10 August 2008 and an expiration date after 11 September 2010, for a lesser amount of new restricted stock units ("RSUs") or, under certain circumstances, for new stock options or a cash payment. All surrendered options were cancelled effective as of the expiration of the Program. The number of new stock options granted, and the amount of cash payments issued, in exchange for outstanding stock options were insignificant. In general, the new RSUs have a vesting period that is at least one year longer than the original vesting period for the corresponding exchanged option grant. The Program did not result in any significant incremental stock-based compensation expense.

Other equity incentive plans

The company participates in eBay's equity incentive plans for directors, officers, employee and non-employees. Stock options granted under these plans generally vest 25% one year from the date of grant (or 12.5% six months from the date of grant for grants to existing employees) and the remainder vest at a rate of 2.08% per month thereafter, and generally expire 7-10 years from the date of grant.

Valuation assumptions

The fair value of each option award on the date of the grant was calculated using the Black-Scholes option pricing model. The following assumptions were used for options granted in each respective year:

	2012	2011
Risk-free interest rate	0.67%	1.06%
Expected lives (in years)	3.70	3.67
Dividend yield	0%	0%
Expected volatility	39.23%	38.71%

Notes to the financial statements for the year ended 31 December 2012

20 Share-based benefit plans (continued)

The computation of expected volatility for the years ended 31 December 2012 and 2011 is based on a combination of historical and market-based implied volatility from traded options on the company's stock. Prior to 1 January 2007, the computation of expected volatility was based on historical volatility. The computation of expected life for the years ended 31 December 2012 and 2011 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behaviour. The range provided above results from the behaviour patterns of separate groups of employees that have similar historical experience. The 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. Weighted average fair value of the options granted during the years ended December 31, 2012 and 2011 is GBP 10.77 and GBP 6.10, respectively.

The company charges the cost of share-based payment over the vesting period of the related options, which is generally four years. The impact of recognising the fair value of the option grants and stock grants under our employee stock purchase plan as an expense under FRS 20 is GBP 5,735,425 and GBP 5,141,778 for the years ended December 31, 2012 and 2011, respectively.

Share-based payment award activity

	Year ended December 31, 2012			Year ended December 31, 2011		
	Shares	Weighted average exercise price £	Weighted average remaining life (in years)	Shares	Weighted average exercise price £	Weighted average remaining life (in years)
Outstanding at beginning of year	707,865	16.02	4.52	580,737	14.05	4.15
Granted	50,270	24.26		205,500	20.11	
Transfers, net	(16,597)	12.77		43,140	15.64	
Cancelled	(95,479)	18.25		(4,136)	10.83	
Exercised	(398,110)	22.99		(117,376)	10.68	
Outstanding at end of year	247,949	31.96		707,865	16.02	4.52
Options exercisable at end of year	78,092	17.34	3.21	366,590	15.13	3.37

The following table summarises activity under our equity incentive plans for the years ended 31 December 2012 and 31 December 2011.

The following table summarises information about stock options outstanding at 31 December 2012 and 31 December 2011.

2012			2011		
Range of exercise prices £	Number of Shares outstanding	Weighted Average Contractual Remaining life	Range of exercise prices £	Number of Shares Outstanding	Weighted Average Contractual Remaining life
6.64 – 11.35	15,020	3.42	6.53 – 7.42	88,665	4.24
11.36 – 16.06	52,691	3.69	8.21 – 17.04	316,657	3.87
16.06 – 20.77	111,890	4.43	17.52 – 19.76	107,852	4.59
20.77 – 25.48	52,048	5.87	19.87 – 28.59	194,691	5.68
25.48 – 30.18	16,300	6.63			
	247,949	4.66		707,865	4.52

Notes to the financial statements for the year ended 31 December 2012

20 Share-based benefit plans (continued)

Restricted stock units activity

The following table summarises activity for restricted stock units granted under equity incentive plans for the year ended 31 December 2012 and 31 December 2011

	2012		2011	
	Shares	Weighted average grant date FV £	Shares	Weighted average grant date FV £
Outstanding at beginning of period	705,375	16.09	585,243	11.85
Awarded	294,920	24.26	359,713	20.15
Transfers, net	(29,222)	12.77	41,800	14.31
Cancelled	(134,858)	18.25	(27,234)	14.97
Vested	(217,089)	14.54	(254,147)	13.28
Outstanding at end of period	619,126	20.21	705,375	12.08