

GOOGLE UK LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2002

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GOOGLE UK LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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GOOGLE UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

| | |
|--------------------------|--|
| Directors | S Brin L E Page |
| Company secretary | TJG Secretaries Limited |
| Registered office | Carmelite 50 Victoria Embankment London EC4Y 0DX |
| Auditors | Blick Rothenberg Chartered Accountants Registered Auditors 12 York Gate Regent's Park London, NW1 4QS |

GOOGLE UK LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activity

The principal activity of the company during the year was the marketing of Google's Premium Sponsored links programme.

Review of business and future developments

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

It is proposed to transfer the retained profit for the year of £62,185 to reserves.

The directors and their interests in shares of the company

The directors who served the company during the year were as follows:

S Brin
L E Page

None of the directors had an interest in the share capital of the company at the beginning and end of the year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent.

The directors must also 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

GOOGLE UK LIMITED

DIRECTORS' REPORT *(continued)*

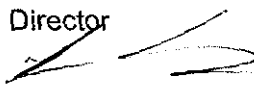
YEAR ENDED 31 DECEMBER 2002

Auditors

A resolution to reappoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Signed on behalf of the directors

S Brin
Director



23/10/2003

GOOGLE UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

GOOGLE UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 DECEMBER 2002

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

12 York Gate
Regent's Park
London, NW1 4QS

27 October 2003


BLICK ROTHENBERG
Chartered Accountants
Registered Auditors

GOOGLE UK LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

| | Note | 2002 £ | 2001 £ |
|--|------|----------------|---------------|
| Turnover | 2 | 1,360,653 | 190,328 |
| Administrative expenses | | (1,259,863) | (176,668) |
| Profit on ordinary activities before taxation | | <u>100,790</u> | <u>13,660</u> |
| Tax on profit on ordinary activities | 5 | (38,605) | (8,470) |
| Retained profit for the financial year | | <u>62,185</u> | <u>5,190</u> |

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

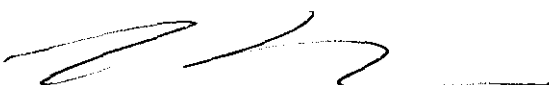
GOOGLE UK LIMITED

BALANCE SHEET

31 DECEMBER 2002

| | Note | £ | 2002 £ | £ | 2001 £ |
|---|------|-----------|-----------|----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 23,452 | | 7,180 |
| Current assets | | | | | |
| Debtors | 7 | 306,804 | | 42,199 | |
| Cash at bank | | 934 | | 1,000 | |
| | | 307,738 | | 43,199 | |
| Creditors: Amounts falling due within one year | 8 | (262,815) | | (44,189) | |
| Net current assets/(liabilities) | | | 44,923 | | (990) |
| Total assets less current liabilities | | | 68,375 | | 6,190 |
| Capital and reserves | | | | | |
| Called-up share capital | 10 | | 1,000 | | 1,000 |
| Profit and loss account | 11 | | 67,375 | | 5,190 |
| Shareholder's funds - equity | 12 | | 68,375 | | 6,190 |

These financial statements were approved by the board of directors on Oct 23, 2003 and are signed on its behalf by:



S Brin
Director

GOOGLE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Turnover

Turnover represents amounts receivable for services to the parent company, net of VAT.

1.3 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment - 50% straight line

1.4 Pensions

The company makes contributions to certain employees personal pension schemes. The annual contributions payable are charged to the profit and loss account. The company does not operate its own pension scheme.

1.5 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2. Turnover

The turnover and profit before tax are attributable to the principal activity of the company.

A geographical analysis of turnover is given below:

| | 2002 £ | 2001 £ |
|-------------------|------------------|----------------|
| Rest of the world | <u>1,360,653</u> | <u>190,328</u> |

GOOGLE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

3. Operating profit

Operating profit is stated after charging:

| | 2002 £ | 2001 £ |
|---|--------------|--------------|
| Depreciation of tangible fixed assets | 12,570 | 5,029 |
| Auditors' remuneration: - audit services | <u>4,000</u> | <u>4,000</u> |

4. Particulars of employees

The average number of staff, including the directors, employed by the company during the financial year was:

| | 2002 Number | 2001 Number |
|--------------------------|----------------|----------------|
| Administration and sales | 11 | 2 |
| Management | <u>2</u> | <u>2</u> |
| | <u>13</u> | <u>4</u> |

The aggregate payroll costs of the above were:

| | 2002 £ | 2001 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 689,545 | 96,246 |
| Social security costs | 76,577 | 10,847 |
| Other pension costs | <u>19,678</u> | <u>1,112</u> |
| | <u>785,800</u> | <u>108,205</u> |

5. Tax on profit on ordinary activities

Taxation

| | 2002 £ | 2001 £ |
|--|---------------|--------------|
| Current tax: | | |
| UK Corporation tax based on the results for the year at 29.60% (2001: 20%) | <u>38,605</u> | <u>8,470</u> |

GOOGLE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

5. Tax on profit on ordinary activities *(continued)*

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 29.60% (2001: 20%).

| | 2002 £ | 2001 £ |
|---|----------------|---------------|
| Profit on ordinary activities before taxation | <u>100,790</u> | <u>13,660</u> |
| Profit on ordinary activities by rate of tax | 29,834 | 2,732 |
| Disallowed expenses | 7,862 | 5,343 |
| Depreciation in excess of capital allowances | 909 | 395 |
| Total current tax | <u>38,605</u> | <u>8,470</u> |

6. Tangible fixed assets

| | Computer equipment £ |
|----------------------------|-------------------------|
| Cost | |
| At 1 January 2002 | 12,209 |
| Additions | <u>28,842</u> |
| At 31 December 2002 | <u>41,051</u> |
| Depreciation | |
| At 1 January 2002 | 5,029 |
| Charge for the year | <u>12,570</u> |
| At 31 December 2002 | <u>17,599</u> |
| Net book value | |
| At 31 December 2002 | <u>23,452</u> |
| At 31 December 2001 | <u>7,180</u> |

7. Debtors

| | 2002 £ | 2001 £ |
|------------------------------------|----------------|---------------|
| Amounts owed by group undertakings | 262,846 | 28,649 |
| Other debtors | 42,662 | — |
| Prepayments and accrued income | 1,296 | 13,550 |
| | <u>306,804</u> | <u>42,199</u> |

GOOGLE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

8. Creditors: Amounts falling due within one year

| | 2002 £ | 2001 £ |
|------------------------------|----------------|---------------|
| Corporation tax | 47,075 | 8,470 |
| Accruals and deferred income | 215,740 | 35,719 |
| | <u>262,815</u> | <u>44,189</u> |

9. Related party transactions and controlling party

Transactions with related parties are as follows:

| Name (Relationship) Transaction | Amount | | Amount due (to)/from related parties | |
|---------------------------------------|-----------|-----------|--------------------------------------|-----------|
| | 2002 £ | 2001 £ | 2002 £ | 2001 £ |
| Google Inc. Sales (Parent company) | 1,360,653 | 190,328 | 262,846 | 28,649 |

The immediate controlling party is Google Inc. (now Google Technology Inc.), a company incorporated in the United States of America. There is no ultimate controlling party.

10. Share capital

| | 2002 | | 2001 | |
|--|--------------|--------------|--------------|--------------|
| | Number | £ | Number | £ |
| Authorised share capital: | | | | |
| Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> |
| Called up, allotted and fully paid: | | | | |
| Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> |

11. Reserves

| | Profit and loss account £ |
|-------------------------|---------------------------------|
| Balance brought forward | 5,190 |
| Profit for the year | 62,185 |
| Balance carried forward | <u>67,375</u> |

GOOGLE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

12. Reconciliation of movements in shareholders' funds

| | 2002 £ | 2001 £ |
|-------------------------------|---------------|--------------|
| Profit for the financial year | 62,185 | 5,190 |
| Opening shareholders' funds | <u>6,190</u> | <u>1,000</u> |
| Closing shareholders' funds | <u>68,375</u> | <u>6,190</u> |

13. Ultimate parent company

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Google Inc., a company incorporated in the United States of America. Copies of the group financial statements are not available to the public.