

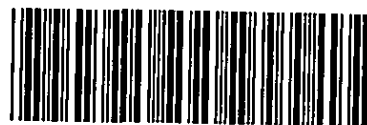
Registered number 03977902

GOOGLE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2011

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Google UK Limited

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Google UK Limited

General Information

Directors	John Herlihy (resigned 10 February 2012) Graham Law Lloyd Hartley Martin (resigned 10 February 2012) John Kent Walker (resigned 10 February 2012) Don Harrison (appointed 10 February 2012)
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

Directors report For the year ended 31 December 2011

The directors present this annual report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities

Google UK Limited ("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 period under review.

Results for the year

There were no significant new activities that had a material impact on the company's results during the financial year ended 31 December 2011.

There were no new products and services introduced during the financial year ended 31 December 2011 that had a material impact on the financial statements.

Review of key performance indicators

Turnover increased from £239,486,082 to £395,757,534 in 2011, an increase of £156,271,452. Administrative expenses (excluding exceptional items) increased from £262,490,783 to £416,862,285, an increase of £154,371,502 in 2011. These increases relate to a higher demand for the company's marketing services due to the significant rise in employment and other costs which impact on the Cost Plus Arrangement.

The profit and loss account and balance sheet are set out on pages 8 and 9, respectively. The loss for the financial year, amounting to £24,166,011, has been deducted from reserves.

Principal risks and uncertainties

As a provider of marketing and research and development services to Google Ireland Limited and 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.*
- *They 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 US and foreign laws could subject these businesses' to claims or otherwise harm them.*

Political and charitable contributions

During the year the company made no political donations (2010: £nil) and made charitable donations of £76,256 (2010: £nil).

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 £62,485,040 (2010: £33,250,808) on research and development. Such expenses may fall into the following categories: research, development engineering and fixes or revisions.

Google UK Limited

Directors report For the year ended 31 December 2011

Future developments

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

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.

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 loss for the financial year is £24,166,011 (2010: loss of £27,056,378).

The directors do not recommend the payment of a dividend (2010: £nil).

Qualifying third party indemnity provisions

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

Directors

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

John Herlihy (resigned 10 February 2012)
Graham Law
Lloyd Hartley Martin (resigned 10 February 2012)
John Kent Walker (resigned 10 February 2012)
Don Harrison (appointed 10 February 2012)

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

Google UK Limited

Directors report For the year ended 31 December 2011

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 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

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
13 July 2012

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 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, 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 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 2011 and of its loss 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

Google UK Limited

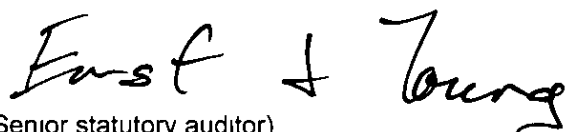
Opinion on other matter prescribed by the Companies Act 2006

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



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

18 July 2012

Google UK Limited

Registered number. 03977902

**Profit and loss account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Turnover	2	<u>395,757,534</u>	<u>239,486,082</u>
Gross profit		395,757,534	239,486,082
Administrative expenses	3	<u>(416,862,285)</u>	<u>(262,490,783)</u>
Operating loss		(21,104,751)	(23,004,701)
Income from shares in group companies	4	-	760,026
Interest receivable and similar income	5	<u>387,186</u>	<u>155,706</u>
Loss on ordinary activities before taxation		(20,717,565)	(22,088,969)
Provision for income taxes	8	(3,448,446)	(4,967,409)
Loss for the financial year		<u>(24,166,011)</u>	<u>(27,056,378)</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 10 to 23 form an integral part of these financial statements

Google UK Limited

Registered number 03977902

**Balance Sheet
as at 31 December 2011**

	Notes	2011 £	2010 £
ASSETS			
Fixed assets			
Tangible assets	9	45,707,442	11,775,844
Investments	10	-	-
Fixed assets		45,707,442	11,775,844
Current assets			
Debtors amounts falling due within one year	11	41,139,787	27,697,600
Cash at bank and in hand		116,322,997	84,002,992
Current assets		157,462,784	111,700,592
Creditors: amounts falling due within one year	12	(112,555,157)	(69,042,987)
Total assets less current liabilities		90,615,069	54,433,449
Creditors amounts falling due after more than one year	13	(2,993,474)	(227,745)
Provisions for liabilities and charges	15	(9,016,943)	(2,892,176)
Net assets		78,604,652	51,313,528
Capital and reserves			
Called up share capital	16	1,000	1,000
Other capital reserves	17	162,530,953	111,073,818
Profit and loss account	17	(83,927,301)	(59,761,290)
Capital and reserves		78,604,652	51,313,528

The financial statements on pages 8 to 23 were approved by the board of directors on 13 July 2012 and were signed on its behalf by

Graham Law
Director



Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

1 Principal accounting policies

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 principal 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.

Consolidated accounts

The financial statements contain information about Google UK Limited as an individual company. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the financial statements of its ultimate parent undertaking, Google Inc., a company incorporated in Delaware, USA.

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 ("£") which is the company's functional and presentation currency.

Transactions denominated in foreign currencies relating to revenue, 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 amounts, excluding value added tax, recharged during the year to Google Inc. and Google Ireland Limited. The company recognises revenue on a cost plus basis, based on the level of rechargeable expenses incurred during the year.

Pensions

The company operates a defined contribution pension scheme. The expected cost of providing pensions

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

1 Principal accounting policies (continued)

to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from an independent actuary, at what is expected to be a reasonably stable proportion of pensionable pay.

Taxation

The charge for taxation is based on the loss 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.

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.

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	- over the life of the lease
Computer equipment and software	- 50% straight line
Fixtures, fittings and equipment	- 20% straight line
Production and network equipment	- 33% straight line
Assets in the course of construction	- no depreciation as assets not in use

Investments

Investments are stated at cost less any provision for impairment.

Share based payments

Equity settled transactions

The company has elected to use the Black-Scholes-Merton ("BSM") option pricing model to determine the fair value of stock options on the dates of grant. Restricted stock units (RSUs) are measured based on the fair market values of the underlying stock on the dates of grant. Shares are issued on the vesting dates net of the statutory withholding requirements to be paid by the company on behalf of its employees. As a result, the actual number of shares issued will be fewer than the actual number of RSUs outstanding.

Cash settled transactions

The company does not have share based payment resulting from cash settled transactions.

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

2 Turnover

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

Geographical market

	2011 £	2010 £
US cost plus revenue	69,051,566	36,257,867
Ireland cost plus revenue	326,705,968	203,228,215
	<u>395,757,534</u>	<u>239,486,082</u>

3. Administrative expenses

	2011 £	2010 £
Advertising and promotional expense	105,474,648	56,230,796
Professional services	9,815,144	6,979,678
Auditor's remuneration	55,000	55,000
Stock based compensation expense	51,457,135	40,498,458
Depreciation and amortisation expense	5,748,424	4,892,908
Employee benefit expense	190,644,447	124,562,383
Other administrative expenses / (income)	53,667,487	29,271,560
	<u>416,862,285</u>	<u>262,490,783</u>

Provision for onerous lease

In 2008, the company acquired a leased property on the acquisition of the DoubleClick Inc group and has been unable to sell the lease. As a result, the company is liable for charges under the lease entered into in 2007 and expiring in 2017. The company has therefore provided for the unavoidable costs associated with the future lease commitments as an onerous lease provision. Further details are provided in note 15.

4 Income from shares in group companies

	2011 £	2010 £
Income from shares in group companies	-	760,026
	<u>-</u>	<u>760,026</u>

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

5 Interest receivable and similar income

	2011 £	2010 £
Interest Income	<u>387,186</u>	<u>155,706</u>
	<u>387,186</u>	<u>155,706</u>

6 Employee information

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	213,726,592	148,813,156
Social security costs	22,908,638	13,009,397
Other pension costs	<u>5,466,352</u>	<u>3,238,288</u>
	<u>242,101,582</u>	<u>165,060,841</u>

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

	2011 £	2010 £
Marketing	723	533
Research and development	313	200
Management and administration	<u>268</u>	<u>197</u>
	<u>1,304</u>	<u>930</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 this company cannot be separately identified.

Four (2010: four) directors hold share options in the ultimate parent undertaking, Google Inc. Three (2010: four) of the directors exercised options during the year.

During the year there were no retirement benefits accruing to any directors (2010: nil) in respect of the company's defined contribution scheme.

During the year the highest paid director received remuneration of £nil (2010: £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. Annual contributions are based on the advice of a professionally qualified actuary. The defined contribution pension charge for the year was £5,466,352 (2010: £3,238,288).

As at 31 December 2011 pension contributions of £974,761 were outstanding (2010: £120,520).

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

8. Taxation

	2011 £	2010 £
Analysis of tax charge/(credit) in the year		
Current tax		
UK corporation tax on loss for the year	6,099,078	935,792
Adjustments in respect of prior years	1,153,201	345,756
Total current tax	7,252,279	1,281,548
Deferred tax		
Origination and reversal of timing differences	(4,565,076)	3,248,856
Adjustment in respect of previous periods	(136,119)	-
Changes in tax rates or laws	897,362	437,005
Total deferred tax (see note 14)	(3,803,833)	3,685,861
Total charge/(credit) on loss on ordinary activities	3,448,446	4,967,409

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 higher than) the standard rate of corporation tax in the UK of 26.49% (2010 28%). The differences are explained below

	2011 £	2010 £
Loss on ordinary activities before tax	(20,717,565)	(22,088,969)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2010 28%)	(5,488,083)	(6,184,911)
Effects of		
Expenses not deductible for tax purposes	4,569,194	4,242,843
Depreciation for the year in excess of capital allowances	551,858	125,830
Adjustments to tax charge in respect of prior periods	1,153,201	345,756
Other timing differences leading to a decrease (increase) in taxation	782,901	(46,700)
Tax deduction arising from exercise of employee options	1,058,513	(2,365,673)
Share option timing differences	4,624,695	5,164,403
Current tax charge for the year	7,252,279	1,281,548

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

8 Taxation (continued)

Factors affecting future tax charges

Further reduction to the UK corporation tax rate were announced in the March 2012 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 22% by 2015. The changes had not been substantively enacted at the balance sheet date and, therefore are not recognised in these financial statements.

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

9. Tangible Fixed Assets

Costs	Leasehold improvements £	Information technology assets £	Furniture and fixtures £	Construction in progress £	Total £
As at 1 January 2011	11,246,575	14,914,357	3,946,927	94,353	30,202,213
Additions costs	20,470,205	7,748,261	468,697	10,992,859	39,680,022
Disposals costs	-	(593,382)	-	-	(593,382)
Transfer costs	436,096	219,892	447,491	(1,103,479)	-
As at 31 December 2011	32,152,876	22,289,128	4,863,115	9,983,733	69,288,853
Depreciation					
As at 1 January 2011	4,633,002	10,806,247	2,987,119		18,426,369
Charge for the year	1,995,155	3,349,894	403,375		5,748,424
Disposals depn	-	(593,382)	-		(593,382)
As at 31 December 2011	6,628,157	13,562,759	3,390,494		23,581,411
Net book value					
At 31 December 2011	25,524,719	8,726,369	1,472,621	9,983,733	45,707,442
At 31 December 2010	6,613,573	4,108,110	959,808	94,353	11,775,844

Restatement of 2010 Fixed Asset Categories

The headings for "Furniture and fixtures", "Information technology assets", "Construction in progress" were "Fixtures, fittings and equipment", "Computer equipment and software", "Production and network equipment" and "Assets in the course of construction" respectively in the prior year. Included in the assets in the course of construction closing balance in the prior year was information technology assets with a cost of £10,311. Included in the fixtures, fittings and equipment closing balance of the prior year was assets in the course of construction with a cost of £1,925,382. This has been reclassified to information technology assets in the current year.

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

10 Investments

	Investment in subsidiary undertakings £
Cost or valuation	
At 1 January 2011	760,027
Additions	-
Disposals	(760,027)
	<hr/>
At 31 December 2011	-
	<hr/>
Impairment	
At 1 January 2011	760,027
Charge for the year	-
Impairment on disposals	(760,027)
	<hr/>
At 31 December 2011	-
	<hr/>
Net book value	
At 31 December 2011	-
	<hr/>
At 31 December 2010	-
	<hr/>

In 2010, as part of a restructuring programme, the company acquired the entire share capital of Postini UK Limited. The investment in the company was impaired and reduced to a value of £nil. In 2011, Postini UK Limited was liquidated and a distribution of £760,026 was made to the company.

11 Debtors, amounts falling due within one year

	2011 £	2010 £
Amounts owed by group companies	9,005,564	2,533,221
Trade Debtors	-	451,744
Prepayments and accrued income	7,271,050	3,487,188
Deferred tax receivable	12,308,724	8,504,890
VAT receivable	9,913,243	9,539,742
Other debtors	2,641,206	3,180,816
	<hr/>	<hr/>
	41,139,787	27,697,601
	<hr/>	<hr/>

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

Other debtors include £nil (2010: £270,000) due after more than one year.

Included within the deferred tax receivable balance of £12.3m is an amount of £8.9m relating to the deferred tax asset on share based expenses. The significant majority of this amount will be recoverable in a period greater than one year.

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

12 Creditors amounts falling due within one year

	2011 £	2010 £
Amounts owed to group companies	8,710,724	6,604,886
Trade creditors	17,508,742	13,702,954
Accruals and deferred income	84,153,566	47,800,002
Other creditors including tax and social welfare	2,182,125	935,145
	<u>112,555,157</u>	<u>69,042,987</u>

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

13. Creditors amounts falling due after more than one year

	2011 £	2010 £
Accruals and deferred income	2,516,361	-
Deferred rent, non current	291,712	227,745
Other creditors including tax and social welfare	185,401	-
	<u>2,993,474</u>	<u>227,745</u>

14 Deferred tax asset

	2011 £	2010 £
At 1 January	8,504,890	12,190,751
(Charged)/ credited to profit and loss account (see note 8)	3,667,715	(3,685,861)
Adjustment in respect of prior periods	136,119	-
	<u>12,308,724</u>	<u>8,504,890</u>

The deferred tax asset is made up as follows

	2011 £	2010 £
Accelerated capital allowances	2,596,078	2,105,229
Short term timing differences	9,712,646	6,399,661
Losses	1,276,770	-
Deferred tax not provided	(1,276,770)	-
	<u>12,308,724</u>	<u>8,504,890</u>

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

14. Deferred tax asset (continued)

A deferred tax asset of £8,964,382 (2010 £6,381,717) 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 £748,264 (2010 £17,944).

A deferred tax asset of £1,276,770 (2010 £1,378,912) has not been recognised in respect of losses.

Further reduction to the UK corporation tax rate were announced in the March 2012 Budget. The resolution to change the corporation tax rate further to 24% was substantively enacted on 26 March 2012. The changes had not been substantively enacted at the balance sheet date and, therefore are not recognised in these financial statements.

15 Provision for liabilities and charges

	Onerous lease provision £	Dilapidation provision £	Total £
At 1 January 2011	2,210,453	681,723	2,892,176
Additions	-	6,649,397	6,649,397
Utilised during the year	(524,630)	-	(524,630)
At 31 December 2011	<u>1,685,823</u>	<u>7,331,120</u>	<u>9,016,943</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.

Dilapidation provision

During the year, the company entered into three new leases which expire in 2021/2022, the company also has three leases which expire in 2015, where a contractual obligation exists to make good any dilapidations. The provision represents management's best estimate of the present obligation.

16 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
1,000 - Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

17 Reconciliation of movement in shareholder's funds

	Share capital	Profit and loss account	Other capital reserves	Total
	£	£	£	£
Balance at 1 January 2010	1,000	(32,704,912)	70,575,360	37,871,448
Profit for the period	-	(27,056,378)	-	(27,056,378)
Share option	-	-	40,498,458	40,498,458
Balance at 31 December 2010	1,000	(59,761,290)	111,073,818	51,313,528
Balance at 1 January 2011	1,000	(59,761,290)	111,073,818	51,313,528
Profit for the period	-	(24,166,011)	-	(24,166,011)
Share option	-	-	51,457,135	51,457,135
Balance at 31 December 2011	1,000	(83,927,301)	162,530,953	78,604,652

18 Share based payments

The ultimate parent undertaking, Google Inc, 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 our Stock Plans, incentive and nonqualified stock options or rights to purchase common stock may be granted to eligible participants. Options are generally granted for a term of 10 years. Options granted under the Stock Plans other than the 2004 Stock Plan may be exercised prior to vesting. Under the Stock Plans, we have also issued RSUs and restricted shares. An RSU award is an agreement to issue shares of our stock at the time of vest. Options granted and RSUs issued to employees under the Stock Plans generally vest over four years contingent upon employment with us on the vesting date.

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.

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Notes to the financial statements for the year ended 31 December 2011

18 Share based payments (continued)

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

	2011	2010
Expected stock volatility	0.33	0.35
Options life (years)	6.93	10
Expected life (years)	5.9	5.4
Risk free interest rate	0.023	0.019
Expected dividends expressed as a dividend yield		-
Weighted average fair value per option granted - ordinary shares	US\$580.81	US\$443.83
Weighted average fair value option granted - RSUs	US\$537.13	US\$521.00

Google's ordinary share option and RSU activities consisted of the following

Ordinary share options

	2011 Number of share options	2011 Weighted average exercise price \$	2010 Number of share options	2010 Weighted average exercise price \$
Outstanding at 1 January	315,244	355.38	336,291	311.06
Net transfer to other group undertakings	(13,227)	355.38	(16,889)	311.06
Granted	28,427	580.81	83,254	443.83
Exercised	(60,667)	307.04	(70,550)	273.00
Forfeited / cancellations	(6,304)	360.28	(16,862)	314.06
Outstanding at 31 December	263,473	394.97	315,244	355.38
Exercisable at 31 December	135,996	340.77	127,136	292.89

Google UK Limited

Notes to the financial statements for the year ended 31 December 2011

18 Share based payments (continued)

Restricted Stock Units

	2011	2011	2010	2010
	Number of	Weighted	Number of	Weighted
	restricted	average	restricted	average
	stock units	exercise	stock units	exercise
		price		price
		\$		\$
Outstanding at 1 January	247,344	497 28	184,332	465 02
Net transfer to other group undertakings	(9,926)	497 28	5,405	465 02
Granted	159,165	537 13	134,568	521 00
Exercised	(93,830)	493 14	(66,109)	449 74
Forfeited / cancellations	(6,154)	493 74	(10,852)	485 95
Outstanding at 31 December	296,599	521 32	247,344	497 28
Expected to vest after 31 December *	265,693	521 32	221,620	497 28

* RSUs and restricted shares expected to vest reflect an estimated forfeiture rate

Transfers to other group undertakings relate to employees of Google UK Limited being re-employed by other group undertakings

The table below summarises information regarding Google's outstanding share options

Ordinary share options

	2011			2010		
Range of exercise price	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	61 02	8,972	3 46	67 36	16,026	5 72
\$100 01 - \$200 00	186 71	2,637	3 11	185 86	7,657	4 13
\$200 01 - \$300 00	265 63	4,017	3 75	277 84	4,905	4 95
\$300 01 - \$400 00	311 15	131,238	5 99	311 16	186,826	6 94
\$400 01 - \$500 00	436 79	23,929	7 54	437 06	29,321	8 50
\$500 01 - \$600 00	544 58	89,477	12 41	527 71	70,439	9 71
\$600 01 - \$700 00	606 53	3,203	9 04	653 20	70	7 13

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Notes to the financial statements for the year ended 31 December 2011

18 Share based payments (continued)

Restricted Stock Units						
2011			2010			
Range of exercise price	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)
\$231.29 - \$300.00	284.33	59	0.87	282.97	176	1.87
\$300.01 - \$400.00	363.45	19,857	1.25	363.22	35,564	2.23
\$400.01 - \$500.00	477.04	97,605	2.81	455.29	62,095	2.55
\$500.01 - \$600.00	554.09	153,003	2.68	544.26	144,644	3.43
\$600.01 - \$700.00	1,195.08	26,075	3.32	620.26	4,653	3.15
\$700.01 - \$800.00	-	-	-	718.22	212	0.90

The weighted average share price during the period for options exercised over the year was \$307.04 (2010 \$479.58). The total charge for the year relating to employee share based payment plans was £51,457,135 (2010 £40,498,458), all of which related to equity share based payment transactions. After deferred tax, the total charge was £44,499,969 (2010 £34,116,741), as the related deferred tax asset has been recognised (see note 14).

19 Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

Land and buildings		
Expiry date	2011 £	2010 £
Within 1 year		
Between 2 and 5 years	25,892	49,814
After more than 5 years	1,513,472	1,118,360
	<u>18,125,510</u>	<u>7,177,966</u>
	<u>19,664,874</u>	<u>8,346,140</u>

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.