

eBay (UK) Limited

Registered number: 03726028

eBay (UK) Limited

**Annual report and financial statements
for the year ended 31 December 2018**

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eBay (UK) Limited

Annual report and financial statements For the year ended 31 December 2018

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eBay (UK) Limited

Company information
For the year ended 31 December 2018

Directors:	Alec Latimer, Rob Hattrell, Murray Lambell and Maurizio D'Arrigo
Company secretary:	EY Corporate Secretaries Limited
Registered office:	1 More London Place London United Kingdom SE1 2AF
Registered number:	03726028 (England and Wales)
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountant and Statutory Auditors 1 Embankment Place London WC2N 6RH

eBay (UK) Limited

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report on eBay (UK) Limited ("the Company") for the year ended 31 December 2018.

Review of the Business

The Company's profit for the financial year amounted to £31,135,000 (2017: 6,390,000). The directors recommend no ordinary dividend to be paid out for the year.

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

	2018	2017
	£'000	£'000
Revenue	1,074,322	585,161
Operating profit	40,684	20,240
Profit for the financial year	31,135	6,390
Total shareholders' funds	86,154	58,588
Average number of employees	285	344

Revenue increased by £489,161,000 during the year, primarily due to the change in our business model. During the fourth quarter of 2017, we began the process of realigning our legal structure, subsequent to the distribution of PayPal Holdings, Inc., to better reflect how we manage and operate our platforms. We considered many factors in effecting this realignment, including foreign exchange exposures, long-term cash flows and the cash needs of our platforms, capital allocation considerations and the associated tax effects. As of 1 August 2017, the Company started to collect the fees from the eBay sellers in the UK. This change significantly increased the Company's revenue and operating profit, with full year effect being shown in this year's financial statements.

The total tax charge for the year 2017 was higher as it includes a prior year adjustment in relation to profits for the year, following an agreement with HMRC. Details are set out in note 9.

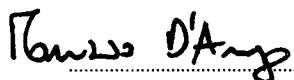
PRINCIPAL RISKS AND UNCERTAINTIES

Since 1 August 2018 the Company collects the fees from the eBay sellers in the UK and therefore the Company's operational and financial results are subject to various risks and uncertainties that could adversely affect the business, financial condition, results of operations and cash flow. The risk factors for the Company are similar to risk factors for eBay as a group disclosed in the Risk Factors in our annual report (<http://investor.ebay.com>). Those risk factors included substantial and increasingly intense competition worldwide, economic conditions that could harm our business, fluctuation in foreign currency exchange rate, uncertainty in regards to Brexit, and others.

Brexit

The UK was due to leave the European Union on 29 March 2019, however currently the UK continues to negotiate its exit. The Company is considering how this new political landscape will impact its operations and business model. The company is engaging in contingency planning in case of a "no deal" scenario. Like other businesses, the company would strongly prefer that a no deal scenario was avoided. However, the company will make sure that we (and our seller community) are as prepared as possible for any eventuality.

ON BEHALF OF THE BOARD

 Date: 23/09/2019

Maurizio D'Arrigo – Director

eBay (UK) Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report with the audited financial statements for the year ended 31 December 2018.

Future Developments

The Company intends to continue operating in the area of internet marketplaces, performing marketing and related activities for the eBay UK marketplace and group, as well as to invoice and collect the fees from the seller in the UK.

Financial instruments

The Company finances its activities over using equity from eBay Inc. or its subsidiaries and through its past profits. Overdrafts are used to satisfy short-term cash flow requirements.

The Company also enters into derivative transactions, including principally forward currency contracts and options. The purpose is to manage the currency risks arising from the Company's operations.

Use of derivatives

The Company uses forward foreign currency contracts and options to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material collection and payments in a foreign currency.

Dividends

The director does not recommend the payment of a dividend in 2018.

Going concern

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006.

Financial Risk Management

The Company operations expose it to a number of financial risks that include but not limited to credit risk, foreign currency risk and interest rate risk. The Company does not engage in activities which expose it to risks in connection with complex financial instruments, and the directors do not use sophisticated performance indicators to manage the business. The Group's Enterprise Risk Management framework is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems and processes.

Foreign branches

The Company operates a branch each in Germany, France, Italy, Belgium and Australia. As part of eBay's realigning on the legal structure, the business activities for the branch in Belgium has moved to eBay Classifieds Belgium B.V.B.A. as of 1 January 2018. The remaining branches continued with their operations during the financial year. The business activities for the branch in Germany has moved to eBay GmbH and mobile.de GmbH as of 1 June 2018.

Post Balance Sheet Events

Apart from the changes in the branch in Germany as mentioned above, there were no significant events affecting the Company since year-end.

Employee Involvement

During the period, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Company's performance. Employees are encouraged to invest in the Company through participation in an employee stock purchase plan so that they may share in the success and growth of the Company.

Employees with Disabilities

The Company gives full consideration to applications for employment from persons with disabilities where the requirements of the job can be adequately fulfilled by a person with disabilities. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to employees with disabilities wherever appropriate.

Directors

The directors who held office throughout the financial year and up to the date of signing of the financial statements, unless otherwise noted, are as follows:

Alec Patrick Latimer (Appointed 14 April 2014)
Robert John Hattrell (Appointed 10 March 2017)
Murray Lambell (Appointed 1 July 2018)
Maurizio D'Arrigo (Appointed 10 September 2018)

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. 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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

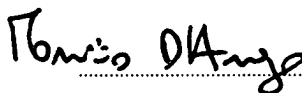
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

 Date: 23/09/2014

Maurizio D'Arrigo – Director

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

Report on the audit of the financial statements

Opinion

In our opinion, eBay (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position, the Statement of comprehensive income and the Statement of changes in equity, and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

eBay (UK) Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page [6], the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

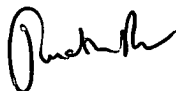
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

.....23.....September 2019

eBay (UK) Limited

STATEMENT OF COMPREHENSIVE INCOME
For The Year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	4	1,074,322	585,161
Cost of sales		<u>(1,033,638)</u>	<u>(564,921)</u>
Operating profit	5	40,684	20,240
Finance income	8	526	29
Finance costs	8	<u>(550)</u>	<u>(355)</u>
Profit before taxation		40,660	19,914
Income tax expense	9	(9,525)	(13,524)
Profit for the financial year		<u>31,135</u>	<u>6,390</u>
Other comprehensive income for the year: items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		230	694
Deferred tax charged to equity	9	<u>(776)</u>	<u>223</u>
Total comprehensive income for the year		<u>30,589</u>	<u>7,307</u>

The above results were derived from continuing operations. The notes on pages 12 to 24 form an integral part of these financial statements.

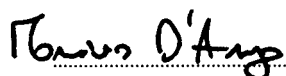
eBay (UK) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed Assets			
Tangible assets	10	2,715	3,328
Deferred income tax asset	9	2,013	3,631
		<u>4,728</u>	<u>6,959</u>
Current assets			
Trade and other receivables	11	107,582	97,364
Trade and other receivables amounts falling due after more than one year	11	28	27
Cash and cash equivalents		114,176	118,062
		<u>221,786</u>	<u>215,453</u>
Creditors: amounts falling due within one year	12	(139,942)	(163,491)
Net current assets		<u>81,844</u>	<u>51,962</u>
Total assets less current liabilities		<u>86,572</u>	<u>58,921</u>
Creditors: amounts falling due after more than one year	13	(283)	(215)
Provisions for liabilities	14	(135)	(118)
Net assets		<u>86,154</u>	<u>58,588</u>
Equity			
Called up share capital	16	2,451	2,451
Share premium account		6,853	6,853
Retained earnings		74,709	47,373
Foreign currency translation reserve		2,141	1,911
		<u>86,154</u>	<u>58,588</u>
Total shareholders' funds		<u>86,154</u>	<u>58,588</u>

The notes on pages 12 to 24 form an integral part of these financial statements. The financial statements on pages 9 to 24 were approved by the board of directors on ~~September 20, 2019~~ September 20, 2019 and were signed on its behalf by:

 Date: 23/09/2019

Maurizio D'Arrigo – Director

eBay (UK) Limited (Registered number: 0372602)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Ordinary Shares	Share premium account	Capital contributions	Retained Earnings	Foreign currency translation reserve	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	2,451	6,853	-	44,188	1,217	54,709
Equity contributed by parent under equity incentive plans	-	-	10,387	-	-	10,387
Payments to parent for intrinsic value of share incentives exercised	-	-	(13,815)	-	-	(13,815)
Share based compensation excess recharge	-	-	3,428	(3,428)	-	-
Deferred tax credit to equity	-	-	-	223	-	223
Profit for the Financial Year	-	-	-	6,390	-	6,390
Currency Translation	-	-	-	-	694	694
At 31 December 2017	2,451	6,853	-	47,373	1,911	58,588
Equity contributed by parent under equity incentive plans	-	-	7,958	-	-	7,958
Payments to parent for intrinsic value of share incentives exercised	-	-	(10,981)	-	-	(10,981)
Share based compensation excess recharge	-	-	3,023	(3,023)	-	-
Deferred tax credit to equity	-	-	-	(776)	-	(776)
Profit for the financial year	-	-	-	31,135	-	31,135
Currency translation	-	-	-	-	230	230
At 31 December 2018	2,451	6,853	0	74,709	2,141	86,154

The notes on pages 12 to 24 form an integral part of these financial statements.

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018

1. General information

eBay (UK) Limited ("The Company") is a wholly owned subsidiary of eBay International AG, incorporated in Switzerland with the ultimate parent being eBay Inc., a global internet company incorporated in the United States of America ("US"), which offers an internet based trading community.

Until 1 August 2017, the principal activities of the Company in the year under review had been to provide marketing related services to eBay Marketplaces GmbH, Switzerland (Prior to July 2017 to eBay International AG), for the UK internet marketplace and group, as well as related third party advertising sales in the UK, and in its branches in Germany, France, Italy and Australia.

As of 1 August 2017, the Company has started to collect the fees from eBay sellers registered in the UK. Accordingly, the new principal activities of the Company are to perform marketing and related services for the UK internet marketplace and group and to invoice and collect the fees for registered sellers in the UK as well as related third party advertising sales in the UK, and in its branches in Germany, France, Italy and Australia.

The business activities of the branch in Belgium have moved to eBay Classifieds Belgium B.V.B.A. as of 1 January 2018. The business activities of the branch in Germany have moved to eBay GmbH and mobile.de GmbH as of 1 June 2018. The German branch continues to collect revenues until 31 December 2018.

The Company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 1 More London Place, London, United Kingdom, SE1 2AF.

2. Summary of significant accounting policies

The significant accounting policies adopted by the Company are as follows:

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IAS 7 'Statement of cash flows'. A cash flow statement has not been presented'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position
 - 134-136 (capital management disclosures)

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

New standards, amendments and IFRIC interpretations

IFRS 9 "Financial Instruments"

The Company has initially adopted IFRS 9 "Financial Instruments" ("IFRS 9") from 1 January 2018. The Company has elected not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9 set out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39.

The Company accounts for financial assets consistently under IFRS 9 and IAS 39 as all financial assets continue to be classified as financial assets at amortised cost. However, the impairment of financial assets is updated under IFRS 9 with IAS 39's incurred loss approach replaced with a forward-looking expected credit loss ("ECL") approach. Under IFRS 9, credit loss determination will need to be made for intercompany balances which are repayable on demand, with expected credit losses based on the assumption that repayment of the loan is demanded at the reporting date.

The Company has intercompany receivables of £10,795,000 as disclosed in note 11. As part of the wider eBay group valuation model the intercompany loan balances were assessed to determine whether impairments were required to be recognised. As a result of this valuation process it was concluded that no ECL needed to be recognised against the Company's intercompany receivables.

The accounting for the Company's financial liabilities remains the same as it was under IAS 39.

IFRS 15 "Revenue from contracts with customers"

This new revenue standard replaces all current IFRS guidance on revenue recognition and eliminates all industry-specific guidance. The new revenue standard provides a unified model to determine when and how revenue is recognised. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services.

The Company adopted the guidance effective January 1, 2018 on a modified retrospective basis. The Company has elected not to restate comparative information for prior periods with respect to classification and measurement requirements. The Company performed an impact analysis for the opening balance sheet as of January 1, 2017 as well as for the year ended December 31, 2017. As the main revenue stream is derived from providing support services to the eBay group, there was impact of 1,202,721 GBP reduction on revenue recognition.

The principal accounting policies which have been applied consistently are set out below:

Revenue

Revenue represents the revenue excluding value added tax.

Revenue from the collection of fees from UK registered sellers: The Company generates net transaction revenues primarily from final value fees and listing fees paid by sellers. Final value fee revenues are recognized at the time that the transaction is successfully closed, while listing fee revenues are recognized rateably over the estimated period of the listing. An auction transaction is considered successfully closed when at least one buyer has bid above the seller's specified minimum price or reserve price, whichever is higher, and the end of the transaction term.

Advertising revenue is recognised at the point when the service is delivered. Advertising revenues on contracts are recognised 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 advertisements to an advertiser's designated website) are provided to advertisers. Revenues related to fees for listing items on our classified websites are recognised over the estimated period of the classified listing.

Cost of sales

Cost of sales includes all the services, salaries, depreciation and other operating costs arose from the principal activity of the Company.

Leases

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI Criterion").

The Company has classified derivative assets as being financial assets at FVPL.

Financial assets are initially measured at their fair value. For the purposes of subsequent measurement, all of the Company's financial assets are classified as financial assets at amortised cost. Financial assets at amortised cost comprise of assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI Criterion. This category includes the Company's debtors and cash and cash equivalents. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as payables, as appropriate.

The Company's financial liabilities comprise of creditors.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's payables are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Tangible fixed assets

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
Office furniture and other equipment	-33% per annum

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

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.

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Current and Deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary 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.

Deferred taxation

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 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 inappropriate 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.

Foreign currency translation

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 'Pounds Sterling' (£), which is also the Company's functional currency.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

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.

The exchange rate used to translate the balances of the branches in Europe and Australia to GBP-denominated balances into Euro and Australian Dollar as at the balance sheet date is as follows:

31 December 2018		31 December 2017	
Euro	GBP	Euro	GBP
1.0000	0.902489	1.0000	0.887608
AUD	GBP	AUD	GBP
1.0000	0.556136	1.0000	0.579499

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Any rent free period is amortised over the period of the lease.

Grant

Government grant receivables in respect of employment costs are credited to the income statement to match the related expense.

Pensions

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.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Reorganisation provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Sabbatical program

The Company has a sabbatical programme in place under which eligible employees earn a right to a four week sabbatical after 5 years of full employment with the Company. The related expense is recorded during the period the employee is required to work. The accrual is reduced by an estimated employee turnover rate.

Employee benefits

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.

Share-based payments

The Company operates a number of equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options) of ultimate parent. The awards are granted by ultimate parent and the Company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

A credit is recognised directly in shareholders' funds. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised the Company is recharged the options' original fair value as of the grant date from the ultimate parent. This recharge is accounted for as a deduction from shareholders' funds.

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no critical judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Revenue

Revenue and profit before income tax derive from the principal activities of the Company, being the collection of the fees for the eBay sellers in the UK and advertising sales since 1 August 2017.

	2018	2017
	£'000	£'000
UK	1,005,922	461,222
Europe	48,799	106,611
Australia	19,601	17,328
Total	1,074,322	585,161

5. Operating profit

	2018	2017
	£'000	£'000
The operating profit is stated after charging/(crediting):		
Audit of the entity financial statements	150	155
FX (gains)/losses on trade receivables	(689)	(976)
Depreciation - owned assets	1,773	2,007
Loss on disposal of fixed Assets	-	72
Operating lease charges (land and buildings)	2,055	1,928

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Staff costs

	2018	2017
	£'000	£'000
Staff costs consist of:		
Wages and salaries	30,890	38,255
Social security costs	4,629	4,157
Other pension costs	1,632	2,044
Share-based compensation	7,958	10,387
Total staff costs	45,109	54,843

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

	2018	2017
By activity:	Number	Number
Management	39	50
Administration and operations	246	294
Total	285	344

7. Directors' remuneration

Directors' remuneration:

	2018	2017
	£'000	£'000
Aggregate emoluments excluding pension contributions	813	491
Aggregate Company contributions to the stakeholder pension plan for the directors	36	31
	849	522

Directors' share options:

	2018	2017
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	3	2
Number of directors to whom retirement benefits were accruing under the stakeholder pension plan	3	2

	2018	2017
	£'000	£'000
Aggregate emoluments excluding pension contributions	509	309
Company contributions to the stakeholder pension plan	19	19
	528	328

The highest paid director in 2018 did not exercise any options (2017: none exercised). The highest paid director in 2018 received shares.

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8. Finance income and finance costs

	2018 £'000	2017 £'000
Finance Income:		
Bank interest income	526	29
Total finance income	<u>526</u>	<u>29</u>
Finance Cost:		
Bank interest expense	(129)	(105)
Tax interest expense	(421)	(250)
Total finance cost	<u>(550)</u>	<u>(355)</u>
Total finance expense	<u>(24)</u>	<u>(326)</u>

9. Income tax expense on ordinary accounts

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax for current year before group tax relief	7,257	5,220
Double tax relief for current year	(2,252)	(829)
UK corporation tax for current year after double tax relief	5,005	4,391
Payable for group relief for current year	15	339
Foreign tax for current year	3,322	1,228
	<u>8,342</u>	<u>5,958</u>
UK corporation tax adjustment in respect of prior years	-	7,157
Foreign tax adjustment in respect of prior years	341	304
Adjustments in respect of prior years	341	7,461
Total current tax	<u>8,683</u>	<u>13,419</u>
Deferred tax:		
Origination and reversal of timing differences	841	170
Change in tax rate	58	68
Adjustments in respect of prior years	(57)	(133)
Total deferred tax	<u>842</u>	<u>105</u>
Tax on profit	<u>9,525</u>	<u>13,524</u>

The effective total tax rate for the year of 23% is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The factors affecting the tax charge for the year are detailed below.

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

	2018 £'000	2017 £'000
Profit before income tax	<u>40,660</u>	<u>19,914</u>
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2017: 19.25%):	7,725	3,833
Effects of:		
Permanent difference on share-based compensation	132	(458)
Expenses not deductible for tax purposes	78	75
Imputed additional income for tax purposes	1,096	2,284
Higher tax rates on overseas earnings	195	371
Difference between the standard corporation tax rate for the year and rates applicable for deferred tax	299	92
Adjustments in respect of prior years	-	7,327
Total tax charge for the year	<u>9,525</u>	<u>13,524</u>

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9. Income tax expense on ordinary accounts (continued)

Tax credited directly to equity

Reduction in cumulative credit to equity in respect of deferred tax on stock-based compensation	776	(223)
Total Deferred tax credit to equity	776	(223)
Total movement in tax provision	10,301	13,301

Deferred tax asset

Provided at tax rate of 19.00% (2017: 19.25%):

	2018	2017
	£'000	£'000
Opening balance	3,631	3,513
Credited to profit and loss account and equity for the year	(842)	(105)
(Charged) credited to other comprehensive income	(776)	223
Closing balance	2,013	3,631

	2018	2017
	£'000	£'000
The above deferred tax asset comprised:		
Depreciation in excess of capital allowances	565	522
Stock-based compensation expense temporary difference	1,312	2,944
Other short-term timing differences	136	165
Total deferred tax	2,013	3,631

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 corporation tax rate for the year was 19%. As announced in the July 2015 Budget the main corporation tax rate reduced to 19% effective 1 April 2017 and will continue to apply to 31 March 2020.

An announcement was made in the March 2016 Budget that the main rate of corporation tax is to be further reduced to 17% effective from 1 April 2020. This was substantially enacted on 6 September 2016.

The company has unrelieved foreign tax totalling £3,527,948 (2017 £2,274,811) which is not recognised as an asset in the balance sheet. This unrelieved foreign tax would only be utilised against the UK tax liability if in the future the taxation payable in the relevant jurisdictions should fall below the level of UK taxation. Based on current tax rates the unrelieved foreign tax is not anticipated to be utilised in the foreseeable future.

Since expiry of the company's previous Advance Pricing Agreement [APA] with HM Revenue and Customs [HMRC], the company and HMRC undertook a lengthy review of the company's business activities, business developments and the impact of the changing global taxation landscape for e-commerce, with a view to ascertaining a mutually acceptable basis for achieving arm's length transfer-pricing for tax purposes. The company reached agreement with the HMRC during 2018 on transfer-pricing for tax purposes in respect of the accounting periods ended up to and including 31 December 2016. In 2015 and 2016, the tax liability had been calculated based on the principles of the previous APA. Following the transfer-pricing agreement a £7,146,890 additional tax provision was recorded in the 2017 financial statements, included within the heading UK corporation tax adjustment in respect of prior years.

The tax provision for the ended 31 December 2017 was made having taken into account the transfer-pricing basis agreed for the earlier years.

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10. Tangible assets

	Leasehold improvements	Computer equipment	Office and other equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2017	6,539	8,282	2,942	17,763
Additions	185	1,734	29	1,948
Disposals	(37)	(101)	(8)	(146)
At 31 December 2017	6,687	9,915	2,963	19,565
At 1 January 2018	6,687	9,915	2,963	19,565
Additions	110	1,123	-	1,233
Disposals	(88)	(105)	(2)	(195)
At 31 December 2018	6,709	10,933	2,961	20,603
Accumulated depreciation				
At 1 January 2017	5,877	5,545	2,879	14,301
Charge for the year	262	1,724	21	2,007
Disposals	-	(71)	-	(71)
At 31 December 2017	6,139	7,198	2,900	16,237
At 1 January 2018	6,139	7,198	2,900	16,237
Charge for the year	214	1,539	20	1,773
Disposals	(16)	(104)	(2)	(122)
At 31 December 2018	6,337	8,633	2,918	17,888
Net book amount				
At 31 December 2017	548	2,717	63	3,328
At 31 December 2018	372	2,300	43	2,715

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Trade and other receivables

	2018 £'000	2017 £'000
Trade and other receivables		
Trade debtors	93,485	91,665
Amounts owed by group undertakings	10,795	4,289
Prepayments and accrued income	3,302	1,410
Total trade and other receivables	107,582	97,364

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

Trade and other receivables amounts falling due after more than one year:

	2018 £'000	2017 £'000
Other debtors	28	27
	28	27
Total debtors	107,610	97,391

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	5,900	8,388
Amounts owed to fellow subsidiary undertakings	89,677	60,126
Taxation and social security	13,345	67,331
Accruals and deferred income	31,020	27,646
Total	139,942	163,491

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social security are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

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

	2018 £'000	2017 £'000
Accruals and deferred income	283	215
Total	283	215

14. Provisions for liabilities

	2018 £'000	2017 £'000
Dilapidations provision	135	118

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

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 were renewed in March 2015 and will be subject to renewal in March 2025.

15. Lease obligations

At 31 December, the Company had future minimum lease payments due under non-cancellable operating leases as follows

	2018	2017
	£'000	£'000
Not later than one year	2,020	1,726
Later than one year and not later than five years	8,080	6,902
Later than five years	2,472	3,837
Total	12,572	12,465

16. Called up share capital

	2018	2017
	£'000	£'000
Allotted, issued and fully paid		
2,451,003 (2017: 2,451,003) ordinary shares at £1 each	2,451	2,451

17. Post –employment benefits

The Company provides eligible employees with an optional Post Retirement Savings Accounts (PRSA) scheme. In this scheme employees' and employer's contributions are invested in the employees personal account, which they are entitled to open through application to the contribution plan. The Company makes regular contributions on behalf of these employees who open a PRSA, up to a maximum of 9% of salary. This amount is included in total staff costs.

	2018	2017
Number of employees at 31 December	212	385
Expense in the year (£'000)	1,302	1,659
Year-end accrual (£'000)	199	157

18. Share-based benefit plans

Equity incentive plans

Employees participate in eBay's equity incentive plans. Stock options granted under these plans generally vest 25% one year from the date of grant for new employees (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 to 10 years from the date of the grant. The cost of options is determined using the Black-Scholes option pricing model on the date of grant. Restricted stock units are granted to eligible employees under equity incentive plans. In general, restricted stock units vest in equal annual instalments over a period of three to five years, are subject to the employees' continuing service to us and do not have an expiration date. The cost of restricted stock units is determined using the fair value of eBay's Common Stock on date of grant.

The Company amortises the share-based compensation charge in accordance with the accelerated method over the vesting period of the related options, which is generally four years. The impact of recognising the fair value of share option grants and restricted stock unit grants under the employee stock incentive plans as an expense under IFRS 2 is GBP 7,958,066 for the year ended 31 December 2018 (2017: GBP 10,387,004).

eBay (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18. Share-based benefit plans (continued)

Employee stock purchase plan

eBay (UK) Limited employees participate in eBay Inc.'s Stock Purchase Plan ("ESPP"), available to eligible employees. Under the terms of this plan, shares of eBay 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.

The following table summarises information about restricted stock units outstanding at 31 December 2018:

Grant- vest	Expiry year	Exercise price in GBP	Number of shares outstanding at 31 December 2018	Number of shares outstanding at 31 December 2017
2014	2021	-	-	64,612
2015	2022	17.88	48,828	155,001
2016	2023	18.16	83,277	258,166
2017	2024	25.68	258,911	535,783
2018	2025	28.96	219,226	-
			610,242	1,013,562

The following table summarises information about options units outstanding at 31 December 2018:

Grant- vest	Expiry year	Exercise price in GBP	Number of shares outstanding at 31 December 2018	Number of shares outstanding at 31 December 2017
2010	2021	7.28	288	288
2011	2018	-	-	2
Total			288	290

19. Controlling parties

The Company is a wholly owned subsidiary of eBay International AG, Bern Switzerland, is the parent company. eBay Inc. is the parent company and ultimate controlling party of the largest group to consolidate these financial statements. Copies of eBay Inc. consolidated financial statements can be obtained from their company secretary at 2145 Hamilton Avenue, San Jose CA 95125, USA.