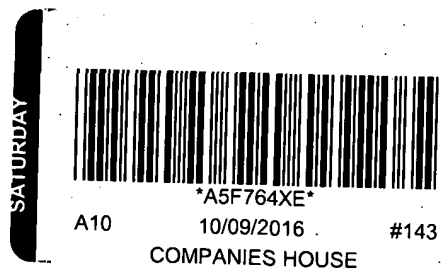


Audited Financial Statements DeepMind Technologies Limited

For the year ended 31 December 2015

Registered number: 7386350



Company Information

Directors Kenneth H Yi
Ronan Harris
Daniel J Brunton (resigned 7 June 2016)

Company secretary Taylor Wessing Secretaries Limited

Registered number 7386350

Place of incorporation England

Registered office 5 New Street Square
London
EC4A 3TW

Auditor Ernst and Young
Harcourt Centre
Harcourt Street
Dublin 2

Bankers National Westminster Bank
252 Regent Street
Mayfair
London
W1B 3BP

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Directors' report

Year ended 31 December 2015

Company No: 7386350

The directors present their report and the financial statements for the year ended 31 December 2015.

Business Review

DeepMind Technologies Limited specialises in the application of cutting edge machine learning.

The Company is wholly owned by Google Ireland Holdings, which is incorporated in Ireland. Alphabet Inc. is the ultimate parent undertaking and is a Company incorporated in the United States of America.

Directors

The directors who served during the year are listed under the Company Information section.

On 16 November 2015 Graham Law resigned as director and was replaced by Ronan Harris on that date. On 7 June 2016, Daniel J Brunton resigned and was not replaced.

Directors' responsibilities statement

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

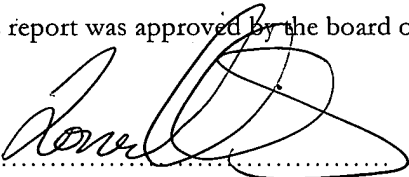
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).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

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006.

This report was approved by the board on 16/08/2016 and signed on its behalf by:



Ronan Harris
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DEEPMIND TECHNOLOGIES LIMITED

We have audited the financial statements of Deepmind Technologies Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2013) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 page 1, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently, materially incorrect based on or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

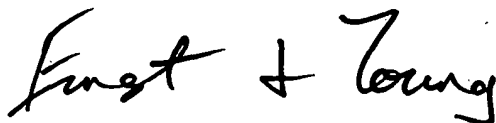
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.



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

16 August 2016

Profit and loss account

Year ended 31 December 2015

		Year ended 31 December 2015	Year ended 31 December 2014
		£	£
	Note		
Administrative expenses		<u>(54,162,443)</u>	<u>(38,182,149)</u>
Operating loss	2	(54,162,443)	(38,182,149)
Interest receivable and similar income		-	22,105
Interest Payable and similar charges to group companies		<u>(212,775)</u>	<u>-</u>
Loss on ordinary activities before taxation		(54,375,218)	(38,160,044)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	9	(54,375,218)	(38,160,044)

There are no recognised gains or losses in either year other than the loss attributable to the shareholder of the Company and therefore no separate statement of other comprehensive income has been prepared.

Operating loss arose solely from continuing operations.

Notes 1 to 12 form part of these financial statements.

DeepMind Technologies Limited

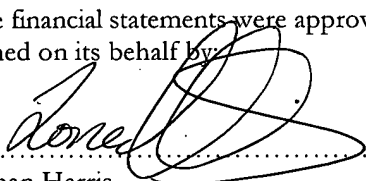
Balance sheet

As at 31 December 2015

	Note	2015 £	2014 £
Current assets			
Debtors	6	23,700,518	12,000
Cash at bank and in hand		17,622,842	95,439,822
		<u>41,323,360</u>	<u>95,451,822</u>
Creditors: amounts falling due within one year	7	<u>(101,226,958)</u>	<u>(100,980,202)</u>
Net current liabilities		<u>(59,903,598)</u>	<u>(5,528,380)</u>
Net liabilities		<u>(59,903,598)</u>	<u>(5,528,380)</u>
Capital and reserves			
Called up share capital	8	1,641	1,641
Share premium account		41,490,727	41,490,727
Profit and loss account	9	<u>(101,395,966)</u>	<u>(47,020,748)</u>
Shareholder's deficit	10	<u>(59,903,598)</u>	<u>(5,528,380)</u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved and authorized for issue by the board on 16/08/2016 and were signed on its behalf by:


.....
Ronan Harris
Director

Notes 1 to 12 form part of these financial statements.

Notes to the financial statements

Year ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

1.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue trading for the foreseeable future.

During the year the Company incurred a loss of £54,375,218. At 31 December 2015 the Company had cash balances of £17,622,842. As the Company is not yet revenue generating, Google Inc – the Intermediate parent undertaking, has confirmed that it will continue to support the entity financially for at least twelve months following the balance sheet date.

1.3 Cash flow

The financial statements do not include a Cash flow statement because the Company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognized only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

Year ended 31 December 2015

2. Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2015	Year ended 31 December 2014
	£	£
Auditor's remuneration	9,691	13,100
Depreciation of tangible fixed assets: -owned by the Company	<u>-</u>	<u>448,461</u>

3. Directors' remuneration

	Year ended 31 December 2015	Year ended 31 December 2014
	£	£
Aggregate remuneration	<u>-</u>	<u>272,880</u>

The directors received emoluments of £nil during the year (2014: £272,880).
 Three directors held share options in the ultimate parent undertaking, Alphabet Inc (2014: No directors held share options in the ultimate parent undertaking, Google Inc).
 Three directors exercised options during the year (2014: None).

4. Employee Information

Payroll costs and related charges of £44,284,695 (2014: £26,048,932) have been incurred during the year.

Notes to the financial statements

Year ended 31 December 2015

5. Taxation

The Company has tax losses to carry forward estimated at £155 million (2014: £101 million). The tax on loss on ordinary activities for the year is £nil (2014: £nil).

6. Debtors

	2015 £	2014 £
Other debtors	-	12,000
Other taxation and social security	3,300,742	-
Amounts owed by Group undertakings	20,399,776	-
	<u>23,700,518</u>	<u>12,000</u>

7. Creditors

Amounts falling due within one year

	2015 £	2014 £
Trade creditors	-	10,667
Other taxation and social security	-	150,252
Other creditors	18,711	73,941
Amounts owed to Group undertakings	19,995,471	100,745,342
Loan from Intercompany and Interest accrued	81,212,775	-
	<u>101,226,957</u>	<u>100,980,202</u>

Notes to the financial statements

Year ended 31 December 2015

8. Share capital: Allotted, called up and fully paid

	2015 £	2014 £
16,406,358 Ordinary shares of £0.0001 each	1,641	1,641
Total	<u><u>1,641</u></u>	<u><u>1,641</u></u>

During the current year, no share options were granted, cancelled or lapsed. During the previous year 259,395 share options over Ordinary shares of nominal value £0.0001 each were granted at a grant price of £0.0001 per share. During the previous year, 66,258 options over Ordinary shares were lapsed and 1,030,559 were cancelled.

Total share options over Ordinary shares at the year end 2015 were nil. On 21 January 2014, 900,096 share options over Ordinary shares with a value of £0.0001 per share were exercised giving an aggregate nominal value of £90. 160,058 of these shares were exercised at a price of £0.5714 per share resulting in share premium of £91,441. 740,038 of these shares were exercised at par.

Between 28 March 2013 and 14 June 2013 2,509,233 Series C preferred shares of £0.0001 each were issued for £9.90 per share giving an aggregate nominal value of £251 and proceeds received by the Company of £24.8m.

Rights of shares

During 2014 all preference shares were converted to Ordinary shares.

Each Ordinary share carries one vote, ranks equally with the other Ordinary shares in all respects, including as to participation in any distribution, in respect of dividends and in respect of capital (including on a winding up) and is not redeemable.

Notes to the financial statements

Year ended 31 December 2015

9. Reserves

	Share premium account £	Profit and loss account £
As at 1 January 2015	41,490,727	(47,020,748)
Loss for the year	-	(54,375,218)
As at 31 December 2015	41,490,727	(101,395,966)

10. Reconciliation of movement in shareholder's (deficit)/fund

	2015 £	2014 £
Opening shareholder's (deficit)/fund	(5,528,380)	32,540,133
Loss for the year	(54,375,218)	(38,160,044)
Share issued during the year	-	90
Share premium on share issued (net of expenses)	-	91,441
Closing Shareholder's deficit	(59,903,598)	(5,528,380)

11. Post balance sheet events

There were no significant events after December 31, 2015.

Notes to the financial statements

Year ended 31 December 2015

12. Parent undertaking and controlling party

The immediate parent undertaking and controlling party is Google Ireland Holdings, a Company incorporated in the Republic of Ireland.

All transactions recorded in the year with related entities and are shown in notes 4, 6 and 7. The Company has taken advantage of the exemption under paragraph 15.7(d) of FRSSE (2015) not to disclose transactions with fellow wholly owned subsidiaries.

The ultimate parent undertaking and controlling party is Alphabet, Inc., which is the smallest and largest group into which these financial statements are consolidated. The consolidated financial statements are available to the public and may be obtained from 1600 Amphitheatre Parkway, Mountain View, CA 94043, United States of America.