

Audited Financial Statements DeepMind Technologies Limited

For the year ended 31 December 2014

Registered number: 7386350

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Company Information

Directors	Daniel J Brunton (appointed 24 January 2014) Graham Law (appointed 24 January 2014) Kenneth H Yi (appointed 24 January 2014) Demis Hassabis (resigned 24 January 2014) Shane Legg (resigned 24 January 2014) Mustafa Suleyman (resigned 24 January 2014) Jaan Tallinn (resigned 24 January 2014) Bart Swanson (resigned 24 January 2014) Luke Nosek (resigned 24 January 2014)
Company secretary	Taylor Wessing Secretaries Limited
Registered number	7386350
Place of Incorporation	England
Registered office	5 New Street Square London EC4A 3TW
Auditors	Ernst and Young Harcourt Centre Harcourt Street Dublin 2
Bankers	National Westminster Bank 252 Regent Street Mayfair London W1B 3BP

Contents

	Page
Director's report	1
Auditor's report	2-3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6-11

Directors' report

Year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014

Business Review

DeepMind Technologies specializes in the application of cutting edge machine learning

The Company is wholly owned by Google Ireland Holdings, which is incorporated in Ireland Google 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

The change in directors on 24 January 2014 followed the acquisition of the company by Google Ireland Holdings, a subsidiary of Google Inc

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 415A of the Companies Act 2006

This report was approved by the board on 24 · 09 15 and signed on its behalf by

Graham Law
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 2014 which comprise the Profit and Loss Account, the Balance Sheet the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (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 2014 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

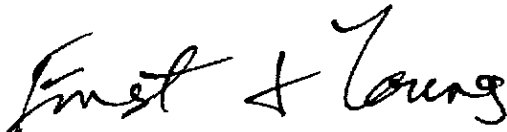
Matters on which we are required to report by exception

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

Other matter

The 31 December 2013 comparatives are unaudited as in that year the company was entitled to exemption from audit under section 477 of the Companies Act 2006



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

25 SEP 2015

DeepMind Technologies Limited

Profit and loss account

Year ended 31 December 2014

		Year ended 31 December 2014	Year ended 31 December 2013 (unaudited)
		£	£
	Note		
Administrative expenses		<u>(38,182,149)</u>	<u>(6,968,707)</u>
Operating loss	2	<u>(38,182,149)</u>	<u>(6,968,707)</u>
Interests receivable and similar income		<u>22,105</u>	<u>408,699</u>
Loss and ordinary activities before taxation		<u>(38,160,044)</u>	<u>(6,560,008)</u>
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year	11	<u>(38,160,044)</u>	<u>(6,560,008)</u>

Notes 1 to 14 form part of these financial statements

DeepMind Technologies Limited

Balance sheet

As at 31 December 2014

	Note	2014 £	2013 £ (unaudited)
Fixed assets			
Tangible assets	6	-	771,199
Current assets			
Debtors	7	12,000	842,937
Cash at bank and in hand		95,439,822	31,986,975
		<u>95,451,822</u>	<u>32,829,912</u>
Creditors amounts falling due within one year	8	(100,980,202)	(1,060,978)
Net current (liabilities)/assets		<u>(5,528,380)</u>	<u>31,768,934</u>
Net assets (liabilities)/assets		<u>(5,528,380)</u>	<u>32,540,133</u>
Capital and reserves			
Called up share capital	10	1,641	1,551
Share premium account	11	41,490,727	41,399,286
Profit and loss account	11	(47,020,748)	(8,860,704)
Shareholders' funds	12	<u>(5,528,380)</u>	<u>32,540,133</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 April 2008)

The financial statements were approved and authorized for issue by the board on 24.09.15 and were signed on its behalf by

Graham Law
Director



Notes 1 to 14 form part of these financial statements

Notes to the financial statements

Year ended 31 December 2014

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 April 2008)

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 period the company incurred a loss of £38,160,044. At 31 December 2014 the company had cash balances of £95,439,822. As the company is not yet revenue generating, the ultimate parent company 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 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.6 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 2014

2 Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2014	Year ended 31 December 2013 (unaudited)
	£	£
Auditor's remuneration	13,100	-
Depreciation of tangible fixed assets -owned by the company	<u>448,461</u>	<u>377,012</u>

3 Directors' remuneration

	Year ended 31 December 2014	Year ended 31 December 2013 (unaudited)
	£	£
Aggregate remuneration	<u>272,880</u>	<u>373,352</u>

During the year 3 directors (2013 3) received emoluments through the company

During the year nil (2013 6,566) share options over Ordinary shares of nominal value £0 0001 each were granted to directors at a grant price of £0 0001 per share, and none were cancelled (2013 none)

No share options over Ordinary shares were exercised by directors (2013 2,414,683) Total share options over Ordinary shares held by directors at the year end were nil (2013 6,566)

4. Employee Information

Payroll costs and related charges of £31,967,222 (2013 £nil) have been recharged from other group undertakings

Notes to the financial statements

Year ended 31 December 2014

5. Taxation

The company has tax losses to carry forward estimated at £106 million. The tax on loss on ordinary activities for the year is £nil (2013 £nil)

6 Tangible fixed assets

	Fixtures& fitting	Office equipment	Computer equipment	Total
	£	£	£	£
Costs				
As at 1 January 2014 (unaudited)	111,530	545,662	636,502	1,293,694
Additions	9,956	528,090	47,261	585,307
Disposals	(121,486)	(1,073,752)	(683,763)	(1,879,001)
As at 31 December 2014	-	-	-	-
Depreciation				
As at 1 January 2014 (unaudited)	62,061	210,661	249,773	522,495
Charge for the year	27,693	278,933	141,835	448,461
Disposals	(89,754)	(489,594)	(391,608)	(970,956)
As at 31 December 2014	-	-	-	-
Net book value				
At 31 December 2014	-	-	-	-
At 31 December 2013 (unaudited)	49,469	335,001	386,729	771,199

7 Debtors

	2014	2013
	£	£
		(unaudited)
Trade debtors	-	6,994
Other debtors	12,000	835,943
	<u>12,000</u>	<u>842,937</u>

Notes to the financial statements

Year ended 31 December 2014

8 Creditors

Amounts falling due within one year

	2014 £	2013 £
		(unaudited)
Trade creditors	10,667	173,094
Other taxation and social security	150,252	190,907
Other creditors	73,941	696,977
Amounts owed to group undertakings	<u>100,745,342</u>	<u>-</u>
	<u>100,980,202</u>	<u>1,060,978</u>

9 Operating lease commitments

The annual commitments under non-cancellable operating leases are as follows

Land and buildings

	2014 £	2013 £
		(unaudited)
Expiry date		
Within 1 year	-	40,125
Between 2 and 5 years	-	154,030
After more than 5 years	<u>-</u>	<u>181,603</u>
	<u>-</u>	<u>375,758</u>

10. Share capital

	2014 £	2013 £
		(unaudited)
16,406,358 (2013 - 5,801,437) Ordinary shares of £0.0001 each	1,641	580,144
Nil (2012 - 2,996,998) Series A preferred shares of £0.0001 each	-	299,700
Nil (2013 - 4,198,594) Series B preferred shares of £0.0001 each	-	419,859
Nil (2013 - 2,509,233) Series C preferred shares of £0.0001 each	-	250,923
Total	<u>1,641</u>	<u>1,551</u>

Notes to the financial statements

Year ended 31 December 2014

During the year 259,395 (2013 897,295) share options over Ordinary shares of nominal value £0 0001 each were granted at a grant price of £0 0001 per share 66,258 options over Ordinary shares lapsed during the year (2013 63,219) and 1,030,559 (2013 nil) were cancelled

On 21 January 2014, 900,096 (2013 2,414,683) 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 Total share options over Ordinary shares at the year end were nil (2013 1,737,518)

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 the year 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

11 Reserves

	Share premium account £	Profit and loss account £
As at 1 January 2014	41,399,286	(8,860,704)
Loss for the year	-	(38,160,044)
Premium on shares issued during the year	91,441	-
As at 31 December 2014	<u>41,490,727</u>	<u>(47,020,748)</u>

12 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
		(unaudited)
Opening shareholder's funds	32,540,133	14,416,044
Loss for the year	(38,160,044)	(6,560,008)
Share issued during the year	90	493
Share premium on share issued (net of expenses)	91,441	24,683,604
At 31 December 2014	<u>(5,528,380)</u>	<u>32,540,133</u>

Notes to the financial statements

Year ended 31 December 2014

13 Post balance sheet events

There were no significant events after December 31, 2014

14 Parent undertaking and controlling party

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

The ultimate parent undertaking and controlling party is Google, 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