

# **Amazon.co.uk Limited**

## **Report and Financial Statements**

31 December 2005

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Amazon co uk Limited

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Registered No 3223028

**Directors**

Allan Lyall	(appointed 15 January 2004)
Michael D Deal	(appointed 17 June 2005)
Brian McBride	(appointed 1 June 2007)
Michael Roth	(appointed 1 June 2007)

**Secretary**

Mitre Secretaries Limited

**Auditors**

Ernst & Young LLP  
Apex Plaza  
Forbury Road  
Reading  
Berkshire  
RG1 1YE

**Bankers**

Deutsche Bank AG  
Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB

**Solicitors**

Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

**Registered office**

Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2005

### Results and dividends

The profit for the year amounted to £3,295,688 (2004 £2,945,548). The directors do not recommend the payment of any dividends (2004 £nil).

### Principal activities

The principal activity of the company during the year was the provision of marketing and support services to other group undertakings.

### Review of the business and future developments

The directors are satisfied with the results achieved for the year, and the future outlook for the company remains promising.

### Disabled employees

All applications from disabled persons are fully considered. Should an employee become disabled, it is the group's practice to continue their current employment where possible or offer suitable alternatives. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Employee involvement

The company continues to place importance upon the education and development of its people. There is a well developed employee involvement programme within the company. All employees' training and development is supported by continuing in-service education. The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the company.

### Directors

The directors who served the company during the year and to the date of this report were as follows:

A Minshull-Beech	(resigned 31 May 2007)
A Lyall	(appointed 15 January 2004)
R Regan	(resigned 9 March 2007)
R Terrell	(resigned 10 June 2005)
L M Wilson	(resigned 17 June 2005)
M D Deal	(appointed 17 June 2005)

The following directors were appointed after the end of the year:

Brian McBride	(appointed 1 June 2007)
Michael Roth	(appointed 1 June 2007)


No directors held any interest in the share capital of the company during the year.

## Directors' report (continued)

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board



Brian McBride  
Director

Date 17.10.07

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

## **Independent auditors' report**

**to the members of Amazon.co.uk Limited**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
Reading



Date 22 October 2007

## Profit and loss account

for the year ended 31 December 2005

	Notes	2005 £	2004 £
<b>Turnover</b>	2	71,736,895	63,515,195
Administrative expenses		(68,638,668)	(60,940,597)
<b>Operating profit</b>	3	3,098,227	2,574,598
Bank interest receivable	6	331,959	370,950
<b>Profit on ordinary activities before taxation</b>		3,430,186	2,945,548
Tax on profit on ordinary activities	7	(134,498)	-
<b>Profit retained for the financial year</b>		3,295,688	2,945,548

## Statement of total recognised gains and losses

for the year ended 31 December 2005

There are no recognised gains or losses other than the profit of £3,295,688 attributable to the shareholders for the year ended 31 December 2005 (2004 £2,945,548)

## Balance sheet

at 31 December 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	8	15,659,252	14,969,155
<b>Current assets</b>			
Debtors	9	28,418,041	8,713,137
Cash at bank		1,126,697	16,322,730
		29,544,738	25,035,867
<b>Creditors</b> amounts falling due within one year	10	(17,037,262)	(15,133,982)
<b>Net current assets</b>		12,507,476	9,901,885
<b>Total assets less current liabilities</b>		28,166,728	24,871,040
<b>Capital and Reserves</b>			
Called up share capital	13	9,366,036	9,366,036
Other reserves	14	11,802,395	11,802,395
Profit and loss account	14	6,998,297	3,702,609
<b>Equity shareholders' funds</b>	14	28,166,728	24,871,040

Approved by the Board



Brian McBride  
Director

Date 17.10.07.



## Notes to the financial statements

at 31 December 2005

### 1 Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

The financial statements have been prepared on the going concern basis as the parent undertaking has agreed to provide continuing financial support to allow the company to meet its obligations as they fall due

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

#### **Fixed assets**

All fixed assets are initially recorded at cost

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Plant & Machinery	-	10 years
Office Equipment	-	2 - 5 years
Leasehold Improvements	-	Lower of expected useful life or lease term
Computer Equipment	-	2 years

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

## Notes to the financial statements

at 31 December 2005

### 1 Accounting policies (continued)

#### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

#### **Pension costs**

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

### 2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to other group companies and is attributable to the company's principal activities

Turnover by geographical segment has not been disclosed because, in the opinion of the directors, it would be seriously prejudicial to the interests of the company to do so

### 3. Operating profit

This is stated after charging/(crediting)

	2005 £	2004 £
Auditors' remuneration - audit services	40,352	18,750
- non-audit services	43,696	10,500
	<u>3,467,882</u>	<u>2,752,873</u>
Depreciation of owned fixed assets	3,467,882	2,752,873
Operating lease rentals - land and buildings	4,032,777	3,721,054
- plant and machinery	52,326	45,996
Net (profit)/loss on foreign currency translation	<u>15,576</u>	<u>(34,702)</u>

## Notes to the financial statements

at 31 December 2005

### 4. Staff costs

	2005 £	2004 £
Wages and salaries	32,699,176	27,443,568
Social security costs	3,166,436	3,033,196
Staff pension contributions	523,974	361,628
	<u>36,389,586</u>	<u>30,838,392</u>

The monthly average number of employees during the year was as follows

	2005 No	2004 No
Management, Administration and Fulfillment Center staff	<u>1,505</u>	<u>1,228</u>

### 5. Directors' emoluments

	2005 £	2004 £
Emoluments	<u>244,561</u>	<u>327,887</u>
Value of company pension contributions to money purchase schemes	<u>12,045</u>	<u>14,749</u>

	2005 No	2004 No
Members of money purchase pension schemes	<u>2</u>	<u>3</u>

The amounts in respect of the highest paid director are as follows

	2005 £	2004 £
Emoluments	<u>98,757</u>	<u>127,329</u>
Value of company pension contributions to money purchase schemes	<u>4,937</u>	<u>4,750</u>

Certain directors' emoluments have been borne by the parent company, Amazon com Inc. These directors are also directors or officers of a number of the companies within the Amazon Group. These directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2005 and 31 December 2004.

### 6. Interest receivable

	2005 £	2004 £
Bank interest receivable	<u>331,959</u>	<u>370,950</u>

## Notes to the financial statements

at 31 December 2005

### 7. Taxation on ordinary activities

#### 7(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows

	2005 £	2004 £
<i>Current tax</i>		
UK corporation tax	99,588	-
Tax (over)/under provided in previous years	34,910	-
Total current tax (note 7(b))	<u>134,498</u>	<u>-</u>

#### 7(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 30%) The differences are reconciled below

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>3,430,186</u>	<u>2,945,548</u>
Profit on ordinary activities by rate of tax of 30%	1,029,056	883,665
Expenses not deductible for tax	333,400	334,518
Schedule 23 deduction	(1,110,814)	(1,029,391)
Deferred tax not provided for	(152,054)	(188,792)
Tax under provided in prior years	34,910	-
Total current tax (note 7(a))	<u>134,498</u>	<u>-</u>

#### 7(c) Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows

	2005 £	2004 £
Capital allowances in advance of depreciation	(731,587)	(592,617)
Tax losses available	849,536	408,101
Other timing differences	9,659	484,981
	<u>127,608</u>	<u>300,465</u>

## Notes to the financial statements

at 31 December 2005

### 8. Tangible fixed assets

	<i>Leasehold Improvements</i> £	<i>Plant &amp; Machinery</i> £	<i>Office Equipment</i> £	<i>Computer Equipment</i> £	<i>Total</i> £
<i>Cost</i>					
At 1 January 2005	9,188,002	10,227,878	3,666,441	3,334,855	26,417,176
Additions	392,649	1,793,891	1,230,545	829,686	4,246,771
Disposals	(121,639)	—	—	(5,290)	(126,929)
At 31 December 2005	<u>9,459,012</u>	<u>12,021,769</u>	<u>4,896,986</u>	<u>4,159,251</u>	<u>30,537,018</u>
<i>Depreciation</i>					
At 1 January 2005	4,027,065	3,025,433	1,915,776	2,479,747	11,448,021
Provided during the year	715,233	1,045,428	896,002	811,219	3,467,882
Disposals	(37,035)	—	—	(1,102)	(38,137)
At 31 December 2005	<u>4,705,263</u>	<u>4,070,861</u>	<u>2,811,778</u>	<u>3,289,864</u>	<u>14,877,766</u>
<i>Net book value</i>					
At 31 December 2005	<u>4,753,749</u>	<u>7,950,908</u>	<u>2,085,208</u>	<u>869,387</u>	<u>15,659,252</u>
At 31 December 2004	<u>5,160,937</u>	<u>7,202,445</u>	<u>1,750,665</u>	<u>855,108</u>	<u>14,969,155</u>

### 9. Debtors

	<i>2005</i> £	<i>2004</i> £
Trade debtors	39,306	635
Amounts owed by group undertakings	18,588,761	2,332,418
Corporation tax repayable	1,621,182	2,024,906
Cash Equivalent	6,558,828	—
Other debtors	506,998	3,369,912
Prepayments and accrued income	1,102,966	985,266
	<u>28,418,041</u>	<u>8,713,137</u>

### 10. Creditors: amounts falling due within one year

	<i>2005</i> £	<i>2004</i> £
Trade creditors	3,810,976	2,614,672
Amounts owed to group undertakings	6,572,314	2,644,503
Other taxation and social security	1,056,278	1,607,927
Accruals and deferred income	5,597,694	8,266,880
	<u>17,037,262</u>	<u>15,133,982</u>

## Notes to the financial statements

at 31 December 2005

### 11. Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below

	2005		2004	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
<i>Operating leases which expire</i>				
Within one year	—	—	—	—
In two to five years	871,151		1,049,216	13,854
In over five years	3,424,216		2,375,000	—
	<u>4,295,367</u>		<u>3,424,216</u>	<u>13,854</u>

### 12. Related party transactions

In accordance with the exemption stated in FRS 8 no details are shown of related party transactions with the company's parent and fellow subsidiaries within the Amazon com Inc group, as it holds 90% or more of the voting rights

### 13. Share capital

	2005		Authorised 2004	
	£		£	
Ordinary Shares of £1 each		40,000,000		40,000,000
		<u>40,000,000</u>		<u>40,000,000</u>
	<i>Allotted, called up and fully paid</i>			
	2005		2004	
	<i>No</i>	<i>£</i>	<i>No</i>	<i>£</i>
Ordinary shares of £1 each	9,366,036	9,366,036	9,366,036	9,366,036
	<u>9,366,036</u>	<u>9,366,036</u>	<u>9,366,036</u>	<u>9,366,036</u>

## Notes to the financial statements

at 31 December 2005

### 14 Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Other Reserve</i> £	<i>Profit and loss account</i> £	<i>Total share- holders' funds</i> £
At 31 December 2004	9,366,036	11,802,395	3,702,609	24,871,040
Profit for the year	–	–	3,295,688	3,295,688
Other movements	–	–	–	–
At 31 December 2005	<u>9,366,036</u>	<u>11,802,395</u>	<u>6,998,297</u>	<u>28,166,728</u>

### 15. Ultimate parent company

The company's parent undertaking and controlling party is Amazon com Inc , a company incorporated in the United States of America. It has included the company in its group financial statements, copies of which are available from its headquarter at 1200 12<sup>th</sup> Avenue South, Suite 1200, Seattle, Washington 98144, USA, or online at the investor relations tab on the amazon com website ([www.amazon.com](http://www.amazon.com))