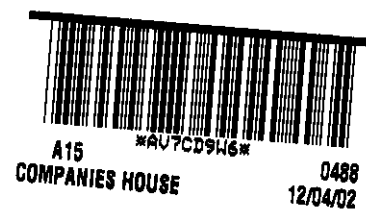


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AMAZON.CO.UK LIMITED

Report and Financial Statements

31 December 2000



**DIRECTORS**

W Jenson  
A Minshull-Beech  
L M Wilson  
R Terrell

**SECRETARY**

M Miller

**AUDITORS**

Ernst & Young LLP  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

**BANKERS**

National Westminster Bank PLC  
33 High Street  
High Wycombe  
Bucks HP11 2AJ

**SOLICITORS**

Cameron McKenna  
Mitre House  
160 Aldergate Street  
London EC1A 4DD

**REGISTERED OFFICE**

Patriot Court  
1-9 The Grove  
Slough  
Berkshire SL1 1QP

**DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2000.

**RESULTS AND DIVIDENDS**

The loss for the year, after taxation amounts to £154,988 (1999 – loss of £1,964,745). The company did not declare a dividend during the year.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company was the provision of services to other group undertakings.

The directors are satisfied with the result achieved for the year.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year ended 31 December 2000 were as follows:

L C Byrum (resigned 12 January 2000)  
A Minshull-Beech  
L M Wilson  
W Jenson  
S Frazier (appointed 24 February 2000; resigned 8 November 2001)

On 8 November 2001, R Terrell was appointed as a director of the company.

**AUDITORS**

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

*A Minshull-Beech*

Director

## 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 2000, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

### **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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

12-4-02

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2000

	Notes	2000 £	1999 £
<b>TURNOVER</b>			
Continuing operations		17,272,434	2,665,945
Discontinued operations		72,278	49,858,651
Cost of sales	2	17,344,712	52,524,596
	3	(16,178,636)	(41,545,804)
Gross profit	3	1,166,076	10,978,792
Administrative expenses	3	(834,155)	(20,486,537)
<b>OPERATING PROFIT/(LOSS)</b>			
Continuing operations		448,611	197,477
Discontinued operations		(116,690)	(9,705,222)
Discontinued operations	4	331,921	(9,507,745)
– Profit on sale of assets		–	7,400,000
Interest receivable and other	5	45,576	143,000
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Tax on profit/(loss) on ordinary activities	6	(532,485)	–
<b>LOSS FOR THE PERIOD</b>	13	(154,988)	(1,964,745)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

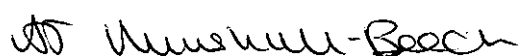
The company has no recognised gains or losses other than the loss of £154,988 for the year ended 31 December 2000 and a loss of £1,964,745 for the year ended 31 December 1999.

**BALANCE SHEET**

at 31 December 2000

	Notes	2000 £	1999 £
<b>FIXED ASSETS</b>	9	3,429,322	1,208,364
<b>CURRENT ASSETS</b>			
Debtors	10	7,875,045	13,916,065
Cash at bank and in hand		1,283,650	9,912,809
		9,158,695	23,828,874
<b>CREDITORS: amounts falling due within one year</b>	11	(14,440,092)	(26,734,325)
<b>NET CURRENT LIABILITIES</b>		(5,281,397)	(2,905,451)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(1,852,075)	(1,697,087)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	19,660	19,660
Profit and loss account	13	(5,538,955)	(5,383,967)
Other reserves	13	3,667,220	3,667,220
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	13	(1,852,075)	(1,697,087)

The financial statements were approved by the Board of Directors on 12/4/02 and signed on its behalf by:



Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

**1. ACCOUNTING POLICIES**

***Accounting convention***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting systems. The accounts 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.

***Statement of cash flows***

A statement of cash flows is not prepared as the company is a wholly owned subsidiary (see note 16).

***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 or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Warehouse equipment	– over 4 years
Office and computer equipment	– over 2, 3 or 5 years
Leasehold improvements	– over 3 years

***Deferred taxation***

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

***Foreign currencies***

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

***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 capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.



NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2000

1. ACCOUNTING POLICIES (continued)

*Leasing and hire purchase commitments* (continued)

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.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and affiliated parties.

Turnover 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. COST OF SALES AND OPERATING EXPENSES

			2000			1999
	<i>Continuing</i>	<i>Discontinued</i>	<i>Total</i>	<i>Continuing</i>	<i>Discontinued</i>	<i>Total</i>
	£	£	£	£	£	£
Cost of sales	15,989,668	188,968	16,178,636	2,468,468	39,077,336	41,545,804
Administrative Expenses	834,155	–	834,155	–	20,486,537	20,486,537
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

4. OPERATING PROFIT/(LOSS)

This is stated after charging/(crediting):

	2000	1999
	£	£
Depreciation of owned fixed assets	1,012,958	738,417
Auditors' remuneration	24,000	24,000
Operating lease rentals – plant and machinery	40,455	246,754
– land and buildings	1,654,436	837,605
	<u>          </u>	<u>          </u>

5. INTEREST RECEIVABLE AND OTHER

	2000	1999
	£	£
Bank interest receivable	45,576	143,000
	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2000

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2000	1999
	£	£
UK corporation tax	532,485	—
	<u>          </u>	<u>          </u>

7. DIRECTORS' EMOLUMENTS

	2000	1999
	£	£
Emoluments	29,502	59,753
Company contributions paid to money purchase pension schemes	383	—
	<u>          </u>	<u>          </u>
	No.	No.
Members of money purchase pension schemes	1	—
	<u>          </u>	<u>          </u>
No directors exercised share options during the year (1999 – two).		

8. STAFF COSTS

	2000	1999
	£	£
Wages and salaries	7,053,589	4,975,050
Social security costs	715,927	516,355
Pension costs	66,046	—
	<u>          </u>	<u>          </u>
	7,835,562	5,491,405
	<u>          </u>	<u>          </u>

The monthly average number of employees during the period were as follows:

	No.	No.
Management and administration	181	82
Distribution and customer services	98	152
	<u>          </u>	<u>          </u>
	279	234
	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2000

## 9. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Warehouse equipment</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 31 December 1999	534,994	451,969	978,058	3,939	1,968,960
Additions	2,252,001	944,318	680,790	–	3,877,109
Disposals	(534,994)	(171,045)	(676,823)	(3,939)	(1,386,801)
At 31 December 2000	2,252,001	1,225,242	982,025	–	4,459,268
Depreciation:					
At 31 December 1999	213,905	132,989	413,055	647	760,596
Charge during the year	419,541	241,774	351,643	–	1,012,958
Disposals	(246,225)	(51,692)	(445,044)	(647)	(743,608)
At 31 December 2000	387,221	323,071	319,654	–	1,029,945
Net book value:					
At 31 December 2000	1,864,781	902,171	662,372	–	3,429,322
At 31 December 1999	321,089	318,980	565,003	3,292	1,208,364

## 10. DEBTORS

	2000	1999
	£	£
Trade debtors	25,550	102,377
Prepayments and other debtors	875,306	1,697,011
Amounts due from fellow subsidiary undertakings	6,974,189	12,116,677
	7,875,045	13,916,065

## 11. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Trade creditors	766,527	9,311,971
Taxation and social security	469,636	2,580,694
Accruals and other creditors	4,289,506	4,075,743
Amounts owing to parent undertaking	8,135,176	9,565,640
Amounts due to fellow subsidiary undertakings	247,762	1,200,277
Corporation tax	531,485	–
	14,440,092	26,734,325

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2000

## 12. SHARE CAPITAL

	2000 No.	Authorised 1999 No.
Ordinary shares of £0.01 each	5,000,000	5,000,000

	2000 No.	1999 No.	Allotted, called up and fully paid 2000 £	1999 £
Ordinary shares of £0.01 each	1,965,972	1,965,972	19,660	19,660

## 13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Other reserves £	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 1998 as restated	3,667,220	19,660	(3,419,222)	267,658
Loss for the year	—	—	(1,964,745)	(1,964,745)
At 31 December 1999 as restated	3,667,220	19,660	(5,383,967)	(1,697,087)
Loss for the year	—	—	(154,988)	(154,988)
At 31 December 2000	3,667,220	19,660	(5,538,955)	(1,852,075)

## 14. OTHER FINANCIAL COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	2000 £	Land and buildings 1999 £	2000 £	Other 1999 £
Operating leases which expire:				
Within one year	1,108,000	1,446,500	—	—
In two to five years	1,445,000	1,445,000	56,146	12,632
	2,553,000	2,891,500	56,146	12,632

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

**15. RELATED PARTY TRANSACTIONS**

In accordance with the exemption stated in Financial Reporting Standard No. 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.

**16. PARENT UNDERTAKING AND CONTROLLING PARTY**

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 registered office, 1516 Second Avenue, Seattle, Washington, 98101 USA.