

LOVEFiLM International Limited
Report and Financial Statements

31 December 2013

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COMPANY INFORMATION

DIRECTORS

Allister Byrne
Michael Deal

SECRETARY

Mitre Secretaries Limited

REGISTERED OFFICE

60 Holborn Viaduct
London
EC1A 2FD

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

Stephenson Harwood
One St Paul's Courtyard
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EC4M 8SH

DIRECTORS' REPORT

for the year ended 31 December 2013

The Directors of Lovefilm International Limited ("the Company") present the annual report containing the directors' report, strategic report and financial statements for the year ended 31 December 2013.

DIRECTORS AND THEIR INTERESTS

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

Allister Byrne
Michael Deal

No director held any interest in the share capital of the Company during the year.

DIRECTORS' LIABILITY

The Company has indemnified one or more of the directors of the Company against liability in respect of proceedings brought by third parties subject to the conditions set out in S234 of the Companies Act 2006. Such qualifying third party indemnity provisions were in force during the year and are in force as at the date of approving the directors' report.

DIVIDENDS

The directors do not recommend the payment of any dividends (2012: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this annual report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that ought to have been taken as director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

In accordance with section 487(2) of the Companies Act 2006, Ernst and Young LLP will continue in office as auditor of the Company.

On behalf of the Board



Allister Byrne
Director

Date: 12 March 2014

STRATEGIC REPORT

for the year ended 31 December 2013

PRINCIPAL ACTIVITY

The Company holds investments in subsidiaries and sub-licenses intellectual property to subsidiary undertakings.

GENERAL BUSINESS REVIEW

The Company made an operating profit for the year of £105,000 (2012 loss: £22,758,000).

The Company issued additional shares to its parent for cash proceeds of £81,000,000 and subscribed for additional shares in its UK subsidiary. During the year it made a capital contribution to its German subsidiary and converted a loan receivable balance from its subsidiary in Germany to an equity investment.

The financial statements have been prepared on a going concern basis. The directors have prepared and reviewed projected cash flow information for the Company reflecting its current level of activity and anticipated future plans for the 12 months from the date of signing these financial statements and are satisfied that, with the financial support of its parent company, Amazon EU Sarl, the Company will continue to be a going concern.


FUTURE DEVELOPMENTS

The directors aim to maintain the management policies and processes that support the principal activity of the Company. The Company is continually reviewing and refining these policies to improve the framework of financial control and manage the costs effectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is dependent on the continued success of the Amazon group companies. The principal risks and uncertainties they face include, among others, risks related to competition, management of growth, new products, services and technologies, potential fluctuations in operating results, international expansion, outcomes of legal proceedings and claims, fulfilment centre optimisation, seasonality, commercial agreements, acquisitions and strategic transactions, foreign exchange rates, system interruption, government regulation and taxation, and fraud. More information about the principal risks and uncertainties facing the group are included in Amazon.com, Inc.'s filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended 31 December 2013, and subsequent filings.

On behalf of the Board



Allister Byrne
Director

Date: 12 MARCH 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

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 and Article 4 of the IAS Regulation. They are 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 AUDITOR'S REPORT TO THE MEMBERS OF LOVEFiLM INTERNATIONAL LIMITED

We have audited the financial statements of LOVEFiLM International Limited for the year ended 31 December 2013 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 Statement of Directors' Responsibilities, 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 (APB'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 Directors' Report and Strategic 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 the 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AMAZON.CO.UK LIMITED (continued)**

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.

Ernst & Young LLP

Ian Oliver (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, (Statutory Auditor)
Reading

Date: *12 March 2014*

INCOME STATEMENT
for the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
Revenue	3	5,980	6,110
Costs of sales	3	<u>(5,741)</u>	<u>(5,865)</u>
GROSS PROFIT		239	245
Operating expenses		<u>(134)</u>	<u>(23,003)</u>
OPERATING PROFIT /(LOSS)	5	105	(22,758)
Finance income on loans to subsidiary undertakings		1,208	1,618
PROFIT / (LOSS) BEFORE TAXATION		<u>1,313</u>	<u>(21,140)</u>
Tax charge on profit / (loss) on ordinary activities	7	<u>(325)</u>	<u>(90)</u>
PROFIT / (LOSS) FOR THE YEAR		<u><u>988</u></u>	<u><u>(21,230)</u></u>

All amounts above arise from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
Profit / (loss) for the year	988	(21,230)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR	<u><u>988</u></u>	<u><u>(21,230)</u></u>

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Notes	2013 £'000	2012 £'000
NON-CURRENT ASSETS			
Investments	8	298,890	162,139
Amounts owed by group undertakings	9	—	38,252
		<u>298,890</u>	<u>200,391</u>
CURRENT ASSETS			
Trade and other receivables	9	1,600	23,870
Cash at bank and in hand		1,237	8
		<u>2,837</u>	<u>23,878</u>
CURRENT LIABILITIES			
Trade and other payables	10	(2,664)	(7,194)
		<u>(2,664)</u>	<u>(7,194)</u>
NET CURRENT ASSETS		173	16,684
NET ASSETS		<u>299,063</u>	<u>217,075</u>
CAPITAL AND RESERVES			
Issued share capital	11	6	6
Share premium account		163,707	82,707
Merger reserve		35,684	35,684
Capital contribution reserve		41,000	41,000
Other reserves		4,031	4,031
Retained earnings		54,635	53,647
TOTAL EQUITY		<u>299,063</u>	<u>217,075</u>

Approved by the Board

Allister Byrne

Allister Byrne
Director

Date: 12 March 2014

Company Number: 04392195

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	<i>Issued share capital £'000</i>	<i>Share premium £'000</i>	<i>Merger reserve £'000</i>	<i>Capital Contribution Reserve £'000</i>	<i>Other reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
At 1 January 2012	6	82,707	35,684	41,000	4,031	74,877	238,305
Loss for the year	—	—	—	—	—	(21,230)	(21,230)
Total comprehensive income	—	—	—	—	—	(21,230)	(21,230)
At 31 December 2012	6	82,707	35,684	41,000	4,031	53,647	217,075
Issue of shares (Note 11)	—	81,000	—	—	—	—	81,000
Profit for the year	—	—	—	—	—	988	988
Total comprehensive income	—	—	—	—	—	988	988
At 31 December 2013	6	163,707	35,684	41,000	4,031	54,635	299,063

Share premium account – represents consideration received in excess of the nominal value of shares.

Merger reserve – arose on 2006 acquisition of Video Island Inc. and represents the excess of the fair value of the shares issued in consideration of the acquisition over their nominal value.

Capital contribution reserve – represents capital contribution received in shares of Video Island Entertainment Limited.

Other reserve – represents the fair value of warrants issued by the Company.

STATEMENT OF CASH FLOWS
for the year to date 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		1,313	(21,140)
Adjusted for:			
Impairment loss		–	22,800
Finance income		(1,208)	(1,618)
Decrease / (Increase) in trade and other receivables		4,681	(13,030)
Decrease in trade and other payables		(4,530)	(944)
Net cash flow provided by / (used in) operating activities		256	(13,932)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution to subsidiaries	8	(96,636)	(14,815)
Repayment of loans due from group undertakings		16,609	7,422
Issue of loans to group undertakings		–	(12,322)
Net cash used in investing activities		(80,027)	(19,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		81,000	–
Net cash provided by financing activities		81,000	–
Net increase / (decrease) in cash and cash equivalents		1,229	(32,029)
Cash at bank and in hand at the beginning of the year		8	32,037
CASH AT BANK AND IN HAND AT THE END OF THE YEAR		<u>1,237</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2013

1. GENERAL INFORMATION

LOVEFiLM International Limited is a private limited company incorporated and domiciled in the United Kingdom (Registration number 04392195). The registered office is 60 Holborn Viaduct, London, EC1A 2FD, UK. The principal activity of the Company is the sub-licensing of intellectual property to other Group companies. Figures in the financial statements have been rounded to the nearest thousand pounds.

2. ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted are consistent with those of the previous financial year.

The following standards and amendments are effective for the first time in 2013, however they do not impact the annual financial statements of the Company:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IAS 19	Employee Benefits (Revised 2011)
IFRS 13	Fair Value Measurements
IAS 1	Presentation of financial statements

At the date of authorisation of the financial statements, the following Standards, revised Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9	Financial Instruments: Classification and Measurement
IFRS 10	Consolidated Financial Statements; Investment Entities – Amendments
IAS 27	Separate Financial Statements; Investment Entities – Amendments
IFRS 12	Disclosure of Interest in Other Entities; Investment Entities – Amendments
IAS 32	Offsetting Financial Assets and Financial Liabilities Amendments
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets; Amendments
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting; Amendments
IFRIC 21	Levies

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared using historical cost convention.

The financial statements present information about the Company as an individual company undertaking and do not contain consolidated financial information as the parent of the group. The Company is exempt from preparing group financial statements under section 401 of the Companies Act 2006 as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate controlling party; Amazon.com, Inc, a company incorporated in the United States of America.

The financial statements have been prepared on a going concern basis. The directors have prepared and reviewed projected cash flow information for the Company reflecting its current level of activity and anticipated future plans for the 12 months from the date of signing these financial statements and are satisfied that, with the financial support of its parent Company, Amazon EU Sarl, the Company will continue to be a going concern.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both periods presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

Revenue recognition

Revenue represents the gross inflow of economic benefit from the Company's operating activities. The Company's main sources of revenues are royalties from the sublicensing of intellectual property. Revenue from those royalties is recognised on an accruals basis.

Investments

Investments are either available-for-sale or are subsidiary undertakings. Investments are stated at cost less any provision for impairment.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to contractual provisions of the instrument.

Trade receivables

Trade receivables are not interest bearing and are stated at their nominal value, reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (functional currency), which is UK sterling.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the statement of financial position date. Exchange differences arising in the normal course of trade are included in the Income Statement.

Current and deferred taxation

The tax expense 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 equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted on the balance sheet date.

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 income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is utilised or the deferred income tax liability is settled. Deferred income tax assets are utilised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements and estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future period if the revision affects both current and future periods.

The assessment of the carrying value of investments in subsidiaries is a significant accounting estimate (see note 8 for further details). The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

5. OPERATING PROFIT / (LOSS)

This is stated after charging

	2013 £'000	2012 £'000
Impairment of investments	–	22,800
Auditor's remuneration – audit of the financial statements	7	10

6. DIRECTORS' EMOLUMENTS

Directors' emoluments have been borne by the ultimate parent company, Amazon.com Inc., or one of its affiliated companies. The directors do not consider that they have received any remuneration for their services to the Company for the year ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

7. TAXATION

(a) Tax on profit / (loss) on ordinary activities

The tax charge is made up as follows:

	2013 £'000	2012 £'000
<i>Current tax:</i>		
UK corporation tax	282	423
Adjustment in respect of previous periods	44	(259)
Total current tax charge (note 7(b))	<u>326</u>	<u>164</u>
<i>Deferred tax:</i>		
Current year charge	23	–
Adjustment in respect of prior years	(24)	(74)
Total deferred tax credit	<u>(1)</u>	<u>(74)</u>
Tax charge on profit / (loss) on ordinary activities	<u>325</u>	<u>90</u>

(b) Factors affecting current tax charge

The tax charge assessed on the profit / (loss) before taxation for the year is reconciled below to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

	2013 £'000	2012 £'000
Profit/ (loss) on ordinary activities before taxation	<u>1,313</u>	<u>(21,140)</u>
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax of 23.25% (2012: 24.5%)	305	(5,179)
Impairment of subsidiaries	–	5,586
Items (disallowable) / not deductible for tax	(23)	15
Adjustments in respect of prior years	44	(258)
Total current tax charge (note 7(a))	<u>326</u>	<u>164</u>

(c) Deferred tax

There are no recognized or unrecognized deferred tax assets or liabilities at 31 December 2013 (2012: nil).

The Finance Bill 2012 introduced a reduction in the UK corporation tax rate to 24% from 1 April 2012 and a further reduction to 23% from 1 April 2013. These rates were enacted following Royal Assent on 17 July 2012.

The Finance Bill 2013 introduced further reductions in the UK rate of corporation tax. The main UK corporation tax rate will reduce from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. These rates were enacted on 17 July 2013. The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

8. INVESTMENTS

	<i>Trade investments £'000</i>	<i>Investments in subsidiaries £'000</i>	<i>Total £'000</i>
At 1 January 2013	77	162,062	162,139
Investment in shares of subsidiary	–	71,500	71,500
Capital contribution to subsidiary	–	65,251	65,251
At 31 December 2013	<u>77</u>	<u>298,813</u>	<u>298,890</u>

The Company has the following principal subsidiary undertakings and trade investments

(a) Subsidiaries

	<i>Country of incorporation and operation</i>	<i>Principal activity</i>	<i>Proportion of ordinary shares held by the Company</i>
LOVEFiLM UK Limited *	UK	Online film rental, streaming	100%
Video Island Entertainment Limited	UK	Holding company	100%
Brafilm Scandinavia AB *	Sweden	Online film rental, streaming**	100%
LOVEFiLM Norge AS *	Norway	Online film rental, streaming**	100%
LOVEFiLM Sverige AB	Sweden	Online film rental, streaming**	100%
LOVEFiLM Denmark AS *	Denmark	Online film rental, streaming**	100%
LOVEFiLM Deutschland AG*	Germany	Online film rental, streaming	100%

(b) Trade investments

Screenclick Ltd	Ireland	Online film rental	10.9%
Home Entertainment Service SA	Netherlands	DVD by post	2.5%

* These companies are held by intermediate subsidiaries

** These companies operated until June 2013, when it was decided to close down their operations.

The shares included in above trade investments represent an investment in non-listed equity securities that present the Company with opportunities for return through capital gains. The shares are stated at cost.

During 2013, the Company made investment in shares of £71,500,000 and capital contributions of £65,251,000 (2012: £14,815,000) to support continuing business of its subsidiaries. The capital contributions included conversion of the loans and accrued interest to equity of £40,115,000.

During 2012 a reassessment of the future growth of a minor trading subsidiary of the Company resulted in the impairment of the full investment carrying value totalling £22,800,000 referencing a value in use calculation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

9. TRADE AND OTHER RECEIVABLES

	2013 £'000	2012 £'000
<i>(a) current:</i>		
Amounts owed by group undertakings (note 15)	662	22,862
Other receivables	5	41
Corporation tax receivable	933	967
	<u>1,600</u>	<u>23,870</u>
<i>(b) non-current:</i>		
Amounts owed by group undertakings	–	38,252
	<u>–</u>	<u>38,252</u>

10. TRADE AND OTHER PAYABLES

	2013 £'000	2012 £'000
Amounts owed to group undertakings (note 15)	2,543	7,050
Accruals	121	144
	<u>2,664</u>	<u>7,194</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand (see note 15).

11. ISSUED SHARE CAPITAL

	No.	2013 £'000	No.	2012 £'000
Allotted, called up and fully paid:				
Ordinary shares of £0.001 each	5,760,346	6	5,752,246	6
Represented by:				
Ordinary shares of £0.001 each	5,706,112		5,698,012	
Redeemable ordinary shares of £0.001 each	36,550		36,550	
Deferred shares of £0.001 each	17,684		17,684	
Ordinary shares of £0.001 each	<u>5,760,346</u>		<u>5,752,246</u>	

On 17 December 2013 the company allotted 8,100 ordinary shares with nominal value of £8 for total cash consideration of £81,000,000.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

12. FINANCIAL INSTRUMENTS

Capital risk management

The Company's Board reviews the capital structure on each occasion that additional debt or equity funding is required. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The capital structure of the Company consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Statement of Changes in Equity and note 11.

Categories of financial instruments:

	2013 £'000	2012 £'000
Financial assets		
Cash at bank and in hand	1,237	8
Other receivables	5	41
Amounts due from group undertakings	662	61,114
Financial liabilities		
Trade and other payables	121	144
Amounts owed to group undertakings	2,543	7,050

The fair value of financial assets and liabilities are not considered to be materially different from their carrying values.

Financial risk management objectives

Cash and debt for the Company are managed by the Amazon Group and all cash funds surplus to local working capital needs are held by the Amazon Group. New debt or equity finance is obtained based on projected cash requirements and held at Group level.

Foreign currency sensitivity analysis

The Company is not exposed to foreign exchange risks as all transactions are in the functional currency of the entity.

Interest rate risk management

At the balance sheet date, the Company did not have any exposure to interest rate risk. The loans were repaid during the year by the group undertakings.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company only has dealings with other group companies.

The credit risk on cash at bank is limited because the counterparties are banks which are either majority-owned by the Government or whose capital ratios have been stressed tested by the Prudential Regulation Authority.

The directors are of the opinion that there are no significant concentrations of credit risk. No assets are past due or impaired.

Liquidity risk management

Ultimate responsibility for liquidity management rests with the Board of directors. Management of the Company's short, medium and long term funding and liquidity management requirements are discussed at Board meetings on a regular basis during the year. The Company manages liquidity risk by maintaining adequate cash reserves, and facilitating access to Amazon group funds by continuously monitoring forecast and actual cash flows and reviewing the maturity profiles of financial liabilities.

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for the year ended 31 December 2013

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into agreements to support the financial commitments of its subsidiaries as they fall due. The Company relies on financial support from Amazon EU Sarl in order to satisfy its obligations with respect to these agreements.

14. ULTIMATE PARENT COMPANY

The immediate parent company is Amazon EU Sarl which is incorporated in Luxembourg. The address of this company is 5 rue Plaetis, L-2338 Luxembourg, Luxembourg.

The Company regards Amazon.com, Inc, a company incorporated in the United States, as its ultimate holding company and controlling party. The largest and the smallest group in which the results of the Company are consolidated is headed by Amazon.com, Inc. Copies of the group consolidated financial statements of Amazon.com, Inc are available at 440 Terry Avenue North, Seattle, WA 98109-5210, USA.

15. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. For information regarding total outstanding balances at 31 December 2013 and 2012, refer to notes 9 and 10.

		License income/ (expenses)	Group Tax Relief	Intercompany Interest receivable/ (payable)	Amounts owed by related parties	Amounts owed to related parties
		£'000	£'000	£'000	£'000	£'000
Immediate Parent Company	2013	(5,741)	–	–	–	(416)
	2012	(5,865)	–	(28)	–	(4,923)
Subsidiaries	2013	5,980	–	1,208	662	–
	2012	6,110	–	1,602	61,114	–
Affiliated Companies	2013	–	–	–	–	(2,127)
	2012	–	(1,564)	–	–	(2,127)