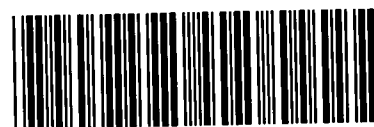


Company No: 04392195

LOVEFiLM International Limited
Report and Financial Statements

31 December 2017

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COMPANY INFORMATION

DIRECTORS

Robert Mackenzie
Darren Waterman

SECRETARY

Mitre Secretaries Limited

REGISTERED OFFICE

1 Principal Place
Worship Street
London
EC2A 2FA

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BANKERS

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

DIRECTORS' REPORT

for the year ended 31 December 2017

The directors of LOVEFiLM International Limited ("the Company") present the annual report containing the Directors' Report, the Strategic Report and the financial statements for the year ended 31 December 2017.

DIRECTORS

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

Allister Byrne (resigned 6 December 2017)

Robert Mackenzie

George Castro Rodriguez (appointed 7 February 2017, resigned 19 April 2017)

Darren Waterman (appointed 13 December 2017)

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

DIVIDEND

The directors do not recommend the payment of any dividends.

In 2016, the Company undertook a return of capital in the form of an assignment of loans receivable from group undertakings of £252,720k by canceling 5,759,356 fully paid ordinary, deferred and redeemable shares. The Company also paid an interim dividend-in-kind on ordinary shares of £21,872K in the form of an assignment of loans receivable from group undertakings and an interim cash dividend on ordinary shares of £17,500k.

DISCLOSURE OF INFORMATION TO THE 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 & Young LLP will continue in office as auditor of the Company.

On behalf of the Board



Darren Waterman
Director

Date: 16 February 2018

STRATEGIC REPORT

for the year ended 31 December 2017

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments in subsidiaries. In addition, the Company held loans receivable from group undertakings, which were settled during the year. The business is expected to continue in the capacity of a holding company for the foreseeable future.

GENERAL BUSINESS REVIEW

The Company recorded interest income on loans to group undertakings of £84k (2016: £499k). The majority of the interest bearing loans were settled during the prior year.

During the year the Company issued 1 new share with a nominal value of £0.001. This was issued at a premium of £3,800K. The Company increased its investment in Twitch Sweden AB, a company incorporated in Sweden, by £1,542k in the year.

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, fulfillment 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 to date 31 December 2017, and subsequent filings.

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 costs effectively.

On behalf of the Board



Darren Waterman
Director

Date: 16 February 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, a Strategic 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' 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 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 UK Accounting Standards have been followed, 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 to 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.

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 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVEFILM INTERNATIONAL LIMITED (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditors-responsibilities>. This description forms part of our auditor's report.



Neil Cullum (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 19/2/2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Net administrative expenses		<u>964</u>	<u>(1,094)</u>
OPERATING PROFIT/(LOSS)	2	964	(1,094)
Income from shares in group undertakings	6	—	237,720
Amounts written off investments	6	—	(232,338)
Interest receivable	3	84	499
Interest payable		<u>—</u>	<u>(319)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,048	4,468
Tax on profit on ordinary activities	5	<u>702</u>	<u>(3,101)</u>
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,750</u></u>	<u><u>1,367</u></u>

BALANCE SHEET
as at 31 December 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Investments	6	<u>4,845</u>	<u>3,303</u>
		4,845	3,303
CURRENT ASSETS			
Debtors:			
amounts falling due within one year	7	<u>1,338</u>	<u>269</u>
		1,338	269
CREDITORS: amounts falling due within one year	8	<u>(583)</u>	<u>(3,522)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>755</u>	<u>(3,253)</u>
TOTAL ASSETS LESS CURRENT ASSETS		<u>755</u>	<u>50</u>
NET ASSETS		<u>5,600</u>	<u>50</u>
CAPITAL AND RESERVES			
Called up share capital	9	—	—
Share premium	9	3,800	—
Retained earnings		<u>1,800</u>	<u>50</u>
TOTAL SHAREHOLDER'S FUNDS		<u>5,600</u>	<u>50</u>

Approved by the Board

Darren Waterman
Director

Date: 16 February 2018

Company number 04392195

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2017

	<i>Called up share capital</i> £'000	<i>Share premium</i> £'000	<i>Merger reserve</i> £'000	<i>Capital contribution reserve</i> £'000	<i>Other reserves</i> £'000	<i>Retained earnings</i> £'000	<i>Total share- holder's funds</i> £'000
1 January 2016	6	163,707	35,684	41,000	4,031	46,347	290,775
Profit for the year	—	—	—	—	—	1,367	1,367
Transfers between reserves	—	—	—	—	(4,031)	4,031	—
Bonus share issue	89,007	—	(35,684)	(41,000)	—	(12,323)	—
Return of capital	(89,013)	(163,707)	—	—	—	—	(252,720)
Dividends	—	—	—	—	—	(39,372)	(39,372)
31 December 2016	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>	<u>50</u>
Profit for the year	—	—	—	—	—	1,750	1,750
Share issue (note 9)	—	3,800	—	—	—	—	3,800
31 December 2017	<u>—</u>	<u>3,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,800</u>	<u>5,600</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. ACCOUNTING POLICIES

Statement of compliance

LOVEFiLM International Limited ("the Company") is a limited company incorporated and domiciled in England and Wales. The registered office of the Company is 1 Principal Place, Worship Street, London, EC2A 2FA.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements are presented in pounds sterling, which is the functional currency of the Company, and are rounded to the nearest thousand pounds (£'000).

The Company has taken advantage of the following disclosure exemptions in FRS 102:

- The requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17(d)
- The requirements of Section 33 *Related Party Disclosures* paragraph 33.1A and 33.7
- The requirements of Section 11 *Basic Financial Instruments* paragraph 11.39 to 11.48A

The exemptions stated above are available to the Company as it is a member of a group where the parent of that group prepares publicly available consolidated financial statements.

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the ultimate parent company, Amazon.com, Inc, a company incorporated in the United States, produces publicly available consolidated financial statements including the results of the Company.

Going concern

As at 31 December 2017, current assets exceed current liabilities and are expected to continue to do so. On this basis the directors have a reasonable expectation that the Company has adequate resources to continue as an operational business for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

Investments

Investments are either trade investments or are subsidiary undertakings. Investments are stated at cost less any provision for impairment.

Taxation

Taxation expense comprises current and deferred tax. Current and deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable with respect to the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. ACCOUNTING POLICIES *(continued)*

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted at the reporting date and that are expected to apply to the reversal of the timing difference.

Significant management judgement

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expense. The directors have concluded that the judgements made during the year are not significant and that any estimation uncertainty does not give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Auditor's remuneration - audit of the financial statements	<u>—</u>	<u>—</u>

The auditor's remuneration for the audit of the financial statements is borne by an affiliate company.

3. INTEREST RECEIVABLE

	2017 £'000	2016 £'000
Interest receivable on loans to group undertakings	<u>84</u>	<u>499</u>
	<u>84</u>	<u>499</u>

4. DIRECTORS' REMUNERATION

The directors' remuneration have been borne by the parent company, Amazon.com, Inc. or one of its affiliated companies. The directors do not believe that it is practicable to apportion their remuneration for qualifying services to the Company for the years ended 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5. TAXATION

(a) Tax on profit on ordinary activities

	2017	2016
	£'000	£'000
Current Tax:		
UK corporation tax	14	—
Adjustment in respect of previous periods	(716)	3,101
Total tax (credit)/charge on profit on ordinary activities	<u>(702)</u>	<u>3,101</u>

(b) Reconciliation of tax on profit on ordinary activities

The tax on loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before taxation	<u>1,048</u>	<u>4,468</u>
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 19.25% (2016: 20%).	202	894
Effects of:		
Expenses not deductible for tax	(188)	215
Impairment of Investment not deductible for tax	—	46,468
Dividend income not taxable	—	(47,544)
Adjustment in respect of previous periods	(716)	3,101
Losses claimed at rates other than 19.25% (2016: 20%)	—	(33)
Total tax (credit)/charge on profit on ordinary activities	<u>(702)</u>	<u>3,101</u>

(c) Deferred tax

There are no recognised or unrecognised deferred tax assets or liabilities at 31 December 2017 (2016: nil).

The main UK corporation tax rate reduced from 20% to 19% effective from 1 April 2017, giving a blended tax rate of 19.25% for the year ended 31 December 2017. The UK rate of corporation tax will be reduced further from its current rate of 19% to 17% for the year beginning 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

6. INVESTMENTS

	<i>Trade Investments</i> £'000	<i>Investment in subsidiaries</i> £'000	<i>Total</i> £'000
At 1 January 2017	—	3,303	3,303
Purchase of shares	—	1,542	1,542
At 31 December 2017	—	4,845	4,845

During the year, the Company made a contribution of £1,542k in Twitch Sweden AB.

The Company holds investments in 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>
Video Island Entertainment Limited	UK	Holding company	100%
Twitch Sweden AB (formerly: Amazon Services Sweden AB)	Sweden	Provision of support services	100%
LOVEFiLM Danmark A/S (dormant)*	Denmark	Online film rental, streaming	100%

*This company is held by an intermediate subsidiary

(b) Trade investments

Screenclick Ltd	Ireland	Online film rental	10.9%
Home Entertainment Services SA	Belgium	DVD by post, online film rental, streaming	2.5%

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

7. DEBTORS

	2017 £'000	2016 £'000
<i>amounts falling due within one year:</i>		
Amounts owed by group undertakings	1,338	269
	<u>1,338</u>	<u>269</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. CREDITORS

	2017	2016
	£'000	£'000
<i>amounts falling due within one year:</i>		
Amounts owed to group undertakings	563	58
Corporation tax	14	2,168
Accruals	6	1,296
	<u>583</u>	<u>3,522</u>

9. SHARE CAPITAL

	2017		2016	
	No.	£	No.	£
Called up share capital	991	1	990	1
Ordinary shares of £0.001 each				

During the year the company issued 1 ordinary share to the immediate parent company at a par value of £0.001 and a share premium of £3,800K.

10. 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 410 Terry Avenue North, Seattle, WA 98109-5210, USA.