

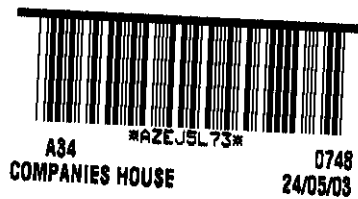
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Amazon.co.uk Limited

Report and Financial Statements

31 December 2001

ERNST & YOUNG



Registered No: 3223028

Directors

A Minshull-Beech
R Terrell
L M Wilson

Secretary

M Miller

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Bankers

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

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 2001.

Results and dividends

The loss for the year after taxation amounts to £272,387 (2000: loss of £154,988). 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 2001 were as follows:

A Minshull-Beech

L M Wilson

S Frazier (resigned 8 November 2001)

R Terrell (appointed 8 November 2001)

W Jenson (resigned 26 June 2002)

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

Employee involvement

The group continues to place importance upon the education and development of its people. There is a well developed employee involvement programme within the group. All employees' training and development is supported by continuing in-service education.

Employment of 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.

Post balance sheet events

On the 18 December 2002 the company transferred £8,135,175 from intercompany loans to a voluntary reserve as a non-repayable informal contribution to equity by Amazon.com Inc.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

A Minshull-Beech

Director

Date: 14 May 2003

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; 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 2001 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. 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.

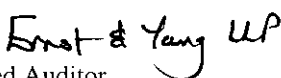
Basis of audit opinion

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Reading

Date: 22/5/03

Profit and loss account

for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover			
Continuing operations		21,946,841	17,272,434
Discontinued operations		-	72,278
	2	21,946,841	17,344,712
Administrative expenses	3	21,748,525	17,012,791
OPERATING PROFIT			
Continuing operations		198,316	448,611
Discontinued operations		-	(116,690)
	4	198,316	331,921
Interest receivable and other	5	8,674	45,576
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		206,990	377,497
Tax on profit on ordinary activities	6	479,377	532,485
LOSS FOR THE PERIOD	13	(272,387)	(154,988)

Statement of total recognised gains and losses

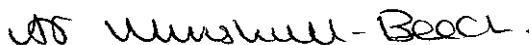
The company has no recognised gains or losses other than the loss of £272,387 for the year ended 31 December 2001 (2000: £154,988 loss).

Balance sheet

as at 31 December 2001

	Note	2001 £	2000 £
Fixed assets	9	2,237,028	3,429,322
Current assets			
Debtors	10	10,111,406	7,875,045
Cash at bank and in hand		1,211,000	1,283,650
		11,322,406	9,158,695
Creditors: amounts falling due within one year	11	(15,683,896)	(14,440,092)
Net current liabilities		(4,361,490)	(5,281,397)
Total assets less current liabilities		(2,124,462)	(1,852,075)
Capital and Reserves			
Called up share capital	13	19,660	19,660
Profit and loss account	14	(5,811,342)	(5,538,955)
Other reserves	14	3,667,220	3,667,220
	14	(2,124,462)	(1,852,075)

Approved by the Board



Director

Date: 10 May 2003.

Notes to the financial statements

at 31 December 2001

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:

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.

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.

Notes to the financial statements

at 31 December 2001

1. Accounting policies (continued)

Pensions

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 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. Administration expenses

	2001			2000		
	<i>Continuing</i>	<i>Discontinued</i>	<i>Total</i>	<i>Continuing</i>	<i>Discontinued</i>	<i>Total</i>
	£	£	£	£	£	£
Administrative expenses	21,748,525	-	21,748,525	16,823,823	188,968	17,012,791

4. Operating profit

This is stated after charging:

	2001	2000
	£	£
Depreciation of owned fixed assets	1,203,307	1,012,958
Auditors' remuneration - audit	29,000	24,000
Operating lease rentals - plant and machinery	59,771	40,455
- land and buildings	1,445,000	1,654,436

5. Interest receivable and other

	2001	2000
	£	£
Bank interest receivable	8,674	45,576

Notes to the financial statements

at 31 December 2001

6. Tax on profit on ordinary activities

	2001	2000
	£	£
<i>UK corporation tax at 30% (2000: 30%)</i>		
Current tax on income for the period	285,000	532,485
Corporation tax under-provided in previous years	194,377	-
	<u>479,377</u>	<u>532,485</u>

The effective tax rate is higher than 30% as a result of the timing difference between depreciation and capital allowances.

7. Directors' emoluments

	2001	2000
	£	£
Emoluments	83,964	29,502
Company contributions paid to money purchase pension schemes	4,147	383
	<u> </u>	<u> </u>
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	2	1
	<u> </u>	<u> </u>

No directors exercised share options during the year (2000: Nil).

Some of the directors of the company are also directors of other companies within the group. The directors services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received remuneration for their incidental services to the company for the years ended 31 December 2001 and 31 December 2000.

8. Staff costs

	2001	2000
	£	£
Wages and salaries	9,151,947	7,053,589
Social security costs	838,139	715,927
Pension costs	217,639	66,046
	<u>10,207,725</u>	<u>7,835,562</u>

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

	2001	2000
	<i>No.</i>	<i>No.</i>
Management and administration	391	279
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2001

9. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£	£
<i>Cost:</i>				
At 31 December 2000	2,252,001	1,225,242	982,025	4,459,268
Additions	10,465	715	258,052	269,232
Disposals	(56,125)	-	(355,901)	(412,026)
At 31 December 2001	2,206,341	1,225,957	884,176	4,316,474
<i>Depreciation:</i>				
At 31 December 2000	387,221	323,071	319,654	1,029,946
Charge during the year	444,790	286,951	471,566	1,203,307
Disposals	(3,742)	-	(150,065)	(153,807)
At 31 December 2001	828,269	610,022	641,155	2,079,446
<i>Net book value:</i>				
At 31 December 2001	1,378,072	615,935	243,021	2,237,028
At 31 December 2000	1,864,780	902,171	662,371	3,429,322

10. Debtors

	<i>2001</i>	<i>2000</i>
	£	£
Trade debtors	-	25,550
Amounts due from group undertakings	8,471,830	6,974,189
Prepayments and other debtors	1,639,576	875,306
	10,111,406	7,875,045

11. Creditors: amounts falling due within one year

	<i>2001</i>	<i>2000</i>
	£	£
Trade creditors	1,412,861	766,527
Amounts due to group undertakings	8,167,627	8,382,938
Taxation and social security	405,119	469,636
Accruals and other creditors	5,387,427	4,289,506
Corporation tax	310,862	531,485
	15,683,896	14,440,092

Notes to the financial statements

at 31 December 2001

12. Provisions for liabilities and charges

No deferred taxation has been provided in the financial statements. The amounts unprovided are as follows:

	<i>Not provided</i>	
	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Capital allowances in advance of depreciation	204,640	209,161
Other timing differences	332,166	193,129
	<u>536,806</u>	<u>402,290</u>

13. Share capital

			2001 No.	2000 No.
Authorised:				
Ordinary shares of £0.01 each			5,000,000	5,000,000
	2001 No.	2000 No.	2001 £	2000 £
Allotted, called up and fully paid:				
Ordinary shares of £0.01 each	1,965,972	1,965,972	19,660	19,660

14. Reconciliation of shareholders' funds and movements on reserves

	<i>Other reserves</i>	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 31 December 1999	3,667,220	19,660	(5,383,967)	(1,697,087)
Loss for the year	-	-	(154,988)	(154,988)
At 31 December 2000	<u>3,667,220</u>	<u>19,660</u>	<u>(5,538,955)</u>	<u>(1,852,075)</u>
Loss for the year	-	-	(272,387)	(272,387)
At 31 December 2001	<u>3,667,220</u>	<u>19,660</u>	<u>(5,811,342)</u>	<u>(2,124,462)</u>

Notes to the financial statements

at 31 December 2001

15. Other financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
<i>Operating leases which expire:</i>				
- within one year	-	1,108,000	-	-
- in two to five years	1,445,000	1,445,000	144,550	56,146
	<u>1,445,000</u>	<u>2,553,000</u>	<u>144,550</u>	<u>56,146</u>

16. 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.

17. 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.

18. Post balance sheet events

On the 18 December 2002 the company transferred £8,135,175 from intercompany loans to a voluntary reserve as a non-repayable informal contribution to equity by Amazon.com Inc.