

Company No 3223028

**Amazon.co.uk Limited**  
**Report and Financial Statements**

**31 December 2011**

TUESDAY



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**DIRECTORS**

Michael Deal  
Christopher North  
Arthur L Valdez Jr  
Allister Byrne

**SECRETARY**

Mitre Secretaries Limited

**REGISTERED OFFICE**

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

**AUDITORS**

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

**BANKERS**

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London  
EC2N 2DB

**SOLICITORS**

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160 Aldersgate Street  
London  
EC1A 4DD

## **DIRECTORS' REPORT**

for the year ended 31 December 2011

The directors present their report and financial statements for the year ended 31 December 2011 for Amazon.co.uk Limited ("the Company")

### **FINANCIAL RESULTS AND DIVIDENDS**

Administrative expenses increased by 36% in 2011 to £204,724,000 (2010 £150,128,000) primarily due to a 33% increase in headcount, and the Company made an operating profit for the year of £2,972,000 (2010 operating loss of £2,825,000). The operating results are stated after a share based payment expense of £6,921,000 (2010 £9,805,000). The directors do not recommend the payment of any dividends (2010 £nil).

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the Company is the provision of fulfilment and corporate support services to other group undertakings.

The key performance indicator for the Company is the control of administrative expenses. As part of the budgetary process, targets are set with respect to administrative expenses in order to effectively manage the activities of the Company. Performance is reviewed on a regular basis and appropriate actions are taken as required.

The Company recorded a profit before taxation of £3,092,000 in the current year. This is inclusive of a share-based payment charge of £6,921,000, which is, and is expected to remain, a non-cash expense of the company. As at 31 December 2011 the company had net current assets amounting to £6,871,000 and net assets of £61,631,000. 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.

Turnover has increased as the Company continues to support the growth of the Group.

During the year, the Company continued to expand its fulfilment centres, resulting in an increase of fixed assets of 145% to £108,703,000 (2010 £44,283,000). The current year figure of £108,703,000 includes assets held under finance leases with a net book value of £41,000,000 that have been capitalised in buildings and office equipment.

The occupancy of the above mentioned facilities has resulted in an increase in trade creditors of 11% to £12,700,000 (2010 £11,461,000).

### **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 2011, and subsequent filings.

**DIRECTORS' REPORT (continued)**  
for the year ended 31 December 2011

**EMPLOYEES**

The Company is committed to providing equal opportunities for everyone who works at the Company, including anyone who applies to work for the Company or has worked for the Company. This policy applies to all employees, anyone working for any of the Company's business units or anyone visiting the Company's premises.

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.

The Company's aim is to ensure that everyone achieves their full potential and that employment decisions and actions are not taken on discriminatory grounds.

The Company ensures that all employees in the UK have the opportunity to contribute to aspects of Amazon's business. Part of that contribution is realised through free flow of ideas and exchange of viewpoints through periodic meetings between management and employees, email announcements and the intranet site. Management keeps employees aware of the financial and commercial progress of Amazon's business and expects employees to ask questions, suggest improvements, and raise concerns. Such dialogue is celebrated and encouraged, as it is vital to the existence of a healthy, enterprising and a rewarding workplace. The Company encourages employees to participate in the performance of the Amazon group through ownership of Amazon shares.

**HEALTH AND SAFETY**

The Company considers that the health and safety of its workforce is very important. The Company's policy therefore sets out its commitment to health and safety. The policy applies to all employees and anyone working for the Company in any of its business units or who are visiting any of the Company's premises. It is the Company's policy to operate its business in accordance with the Health and Safety at Work Act 1974 and all applicable regulations made under this legislation so far as is reasonably practicable. This policy is regularly reviewed and revised, as appropriate, to take into account changes in circumstances or in legal requirements.

**SUPPLIER PAYMENT POLICY**

The Company's policy is to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of the contract.

**FINANCIAL RISK MANAGEMENT**

The directors have not disclosed the Company's financial risk management objectives and policies nor the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk as such information is not considered material for the assessment of Company's assets, liabilities, financial position and profit for the financial year.

**DIRECTORS' REPORT (continued)**  
for the year ended 31 December 2011

**DIRECTORS AND THEIR INTERESTS**

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

Michael Deal  
Brian McBride (Resigned 17 February, 2011)  
Arthur L. Valdez Jr  
Allister Byrne  
Christopher North (Appointed 17 February, 2011)

No directors 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.

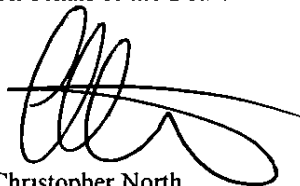
**DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each Director is aware at the date of approving this report, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each Director has taken all the steps that he is obliged to take as the Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITOR**

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board



Christopher North  
Director

Date 13.3.12

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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, 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 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 AMAZON.CO.UK LIMITED**

We have audited the financial statements of Amazon co uk Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors**

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 Director's Report to identify material inconsistencies with the audited financial statements. 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 2011 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in 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 explanation 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 *15 March 2012*

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2011**

	<i>Notes</i>	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
<b>TURNOVER</b>	2	207,696	147,303
Administrative expenses		<u>(204,724)</u>	<u>(150,128)</u>
<b>OPERATING PROFIT (LOSS)</b>	3	2,972	(2,825)
Interest receivable	6	448	305
Interest payable	7	<u>(328)</u>	<u>15</u>
<b>PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,092	(2,505)
Tax charge on profit (loss) on ordinary activities	8	<u>(1,880)</u>	<u>(517)</u>
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>		<u>1,212</u>	<u>(3,022)</u>

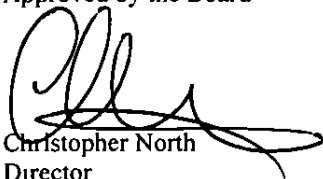
All amounts above arise from continuing operations

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been prepared

**BALANCE SHEET**  
 as at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	108,703	44,283
<b>CURRENT ASSETS</b>			
Debtors			
amounts falling due within one year	10(a)	41,686	41,164
amounts falling due after one year	10(b)	313	1,319
Cash at bank and in hand		2	520
		42,001	43,003
<b>CREDITORS: amounts falling due within one year</b>	11(a)	(34,184)	(24,785)
<b>DEFERRED INCOME: government grants</b>		(946)	(432)
<b>NET CURRENT ASSETS</b>		6,871	17,786
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		115,574	62,069
<b>CREDITORS: amounts falling due after more than one year</b>	11(b)	(45,421)	(4,872)
<b>PROVISION FOR LIABILITIES</b>	13	(6,756)	(2,592)
<b>DEFERRED INCOME: government grants</b>		(1,766)	(1,107)
<b>NET ASSETS</b>		61,631	53,498
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17, 18	9,366	9,366
Other reserves	18	11,802	11,802
Share based awards reserve	18	39,467	32,546
Profit and loss account	18	996	(216)
<b>SHAREHOLDER'S FUNDS</b>	18	61,631	53,498

Approved by the Board

  
 Christopher North  
 Director

Date 13.3.12

Company Number 3223028

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

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

The Company recorded a profit before taxation of £3,092,000 in the current year. This is inclusive of a share-based payment charge of £6,921,000, which is, and is expected to remain, a non-cash expense of the company. As at 31 December 2011 the company had net current assets amounting to £6,871,000 and net assets of £61,631,000. 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 that have been continuously followed are set out below.

#### *Turnover*

Turnover, which is stated net of value added tax, represents amounts invoiced to other group companies and is attributable to the principal activity of the Company.

#### *Cash flow statement*

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its ultimate parent company publishes consolidated financial statements including a cash flow statement.

#### *Tangible fixed assets*

All fixed assets are initially recorded at cost. Costs comprise the purchase price and any direct costs incurred in bringing the asset to its location and condition for its intended use.

#### *Depreciation*

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

Plant & Machinery	–	10 years
Office Equipment	–	2-5 years
Leasehold Improvements	–	Lower of expected useful life or lease term
Computer Equipment	–	2 years
Leasehold Buildings	–	Lower of expected useful life or lease term
Assets held under finance leases	–	Lower of expected useful life or lease term

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Company makes provisions in respect of leasehold dilapidation commitments where it is probable that a transfer of economic benefits will be required to settle a present obligation. The Company applies a weighted average cost of capital in order to take effect of the time value of money to arrive at the value of the leasehold dilapidation provision.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

### 1. ACCOUNTING POLICIES (continued)

#### *Leases*

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, are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases 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 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. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

#### *Government grants*

Grants received are credited to the profit and loss account as the expenditure to which they relate is incurred.

#### *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.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax or to receive more tax credits, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Pension costs*

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

#### *Share based awards*

In accordance with FRS 20, the fair value of equity-settled share based awards to eligible employees is determined at the date of grant and is expensed over the vesting period based on the Company's estimate of equity awards that will eventually vest. A corresponding entry is recognised in equity (further details set out in note 19).

### 2. TURNOVER

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

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2011

**3. OPERATING PROFIT (LOSS)**

This is stated after charging / (crediting)

	2011 £'000	2010 £'000
Loss on sale of tangible fixed assets	161	45
Depreciation of tangible fixed assets – owned assets	10,881	7,881
– leased assets	547	-
Operating lease rentals – land and buildings	11,389	9,246
– plant and machinery	51	858
Auditor's remuneration – audit of the financial statements	29	25
Net (gain) loss on foreign currency translation	(1)	51
Government grant income	<u>(901)</u>	<u>(801)</u>

**4. STAFF COSTS**

	2011 £'000	2010 £'000
Wages and salaries	82,624	58,683
Social security costs	8,870	6,177
Staff pension contributions	1,764	1,427
Equity settled share based awards (note 19)	6,921	9,805
	<u>100,179</u>	<u>76,092</u>

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

	2011 No	2010 No
Management and administration staff	<u>3,023</u>	<u>2,265</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 5. DIRECTORS' EMOLUMENTS

	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	<u>457</u>	<u>555</u>

Value of Company pension contributions to money purchase schemes	<u>9</u>	<u>15</u>
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	2011 No	2010 No
Members of money purchase pension schemes	<u>3</u>	<u>2</u>
Directors who received share based awards	<u>3</u>	<u>2</u>
Directors who vested in or exercised share based awards	<u>4</u>	<u>3</u>

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

	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	<u>169</u>	<u>200</u>
Company contributions to money purchase pension schemes	<u>-</u>	<u>10</u>

The highest paid director in 2011 and in 2010 vested in share based awards during the year

Certain directors' emoluments have been borne by the ultimate parent company, Amazon.com Inc, or one of its affiliated companies. These directors do not consider that they have received any remuneration for their services to the Company for the years ended 31 December 2011 and 31 December 2010.

## 6. INTEREST RECEIVABLE

	2011 £'000	2010 £'000
Bank interest receivable	4	1
Interest receivable from Group companies	<u>444</u>	<u>304</u>
	<u>448</u>	<u>305</u>

## 7. INTEREST PAYABLE

	2011 £'000	2010 £'000
Finance charges payable including finance leases	328	-
Other interest payable	<u>-</u>	<u>(15)</u>
	<u>328</u>	<u>(15)</u>

During the prior year, an unutilised accrual of £15,000 was released against this account

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

### 8. TAXATION

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

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

	2011 £'000	2010 £'000
<i>Current tax</i>		
UK corporation tax	—	—
Adjustment in respect of previous periods	874	(6)
Total current tax charge / (credit) (note 8(b))	<u>874</u>	<u>(6)</u>
<i>Deferred tax</i>		
Current year	947	(76)
Rate change adjustment	101	46
Adjustment in respect of prior years	(42)	553
Total deferred tax charge	<u>1,006</u>	<u>523</u>
Tax charge on profit (loss) on ordinary activities	<u>1,880</u>	<u>517</u>

#### (b) Factors affecting current tax credit

The tax charge / (credit) assessed on the profit (loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are reconciled below

	2011 £'000	2010 £'000
Profit (loss) on ordinary activities before taxation	<u>3,092</u>	<u>(2,505)</u>
Profit (loss) on ordinary activities multiplied by standard rate of corporation tax of 26.5% (2010: 28%)	819	(701)
Expenses not deductible for tax	429	269
Timing differences on share based awards	(2,933)	(1,701)
Timing differences on capital allowance claims	(282)	(110)
Adjustments in respect of prior years	874	(6)
Unrelieved tax losses in current year	1,967	2,243
Total current tax charge / (credit) (note 8(a))	<u>874</u>	<u>(6)</u>



**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2011

**8. TAXATION (continued)***(c) Deferred tax*

The deferred tax asset recognised in the financial statements is as follows

	2011 £'000	2010 £'000
Timing differences on capital allowance claims	(2,296)	(1,655)
Timing differences related to shared based awards	2,329	2,973
Other timing differences	280	1
Total deferred tax asset recognised in the financial statements (note 10(b))	<u>313</u>	<u>1,319</u>

	£'000
Deferred tax asset at 1 January 2011	1,319
Deferred tax charge for the year	(947)
Rate change adjustment	(101)
Adjustment in respect of prior years	42
Deferred tax asset at 31 December 2011	<u>313</u>

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

	2011 £'000	2010 £'000
Tax losses available	<u>6,760</u>	<u>5,328</u>

The Company has not recognised a deferred tax asset in respect of certain tax losses carried forward as there is uncertainty regarding the realisation of the related tax benefit through future taxable income

The Finance Bill 2011 included a reduction in the UK corporation tax rate to 26% from 1 April 2011 and a further reduction to 25% from 1 April 2012. These rates were enacted on 19 July 2011 and therefore deferred tax assets and liabilities as at 31 December 2011 have been calculated at a rate of 25%

In his Budget of 23 March 2011, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. The Budget proposed a decrease in the rate of UK corporation tax in addition to the reduction to 25% by a further 1% each year until April 2014. This reduction will affect both the future and current tax charge of the Company. The effect of the reduction in the tax rate to 23% would be to reduce the unrecognised deferred tax asset to £6,219,000.

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, as appropriate, once the proposals have been substantially enacted.

Furthermore, from 1 April 2012, there will be a 2% reduction in the rates of capital allowances, the main rate pool going down from 20% to 18% and the special rate pool from 10% to 8%.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

### 9. TANGIBLE ASSETS

	<i>Leasehold Improvements</i>	<i>Plant &amp; Machinery</i>	<i>Office Equipment</i>	<i>Computer Equipment</i>	<i>Leasehold Buildings</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>						
At 1 January 2011	8,870	49,701	15,060	9,418	-	83,049
Additions	6,329	16,723	8,730	3,233	40,995	76,010
Disposals	(253)	(179)	(545)	(358)	-	(1,335)
Reclassifications	(206)	1,693	(1,487)	(1)	-	(1)
At 31 December 2011	14,740	67,938	21,758	12,292	40,995	157,723
<i>Depreciation</i>						
At 1 January 2011	5,857	17,686	8,659	6,564	-	38,766
Provided during the year	722	4,595	3,705	2,064	342	11,428
Disposals	(253)	(106)	(459)	(356)	-	(1,174)
Reclassifications	-	74	(74)	-	-	-
At 31 December 2011	6,326	22,249	11,831	8,272	342	49,020
<i>Net book value</i>						
At 31 December 2011	8,414	45,689	9,927	4,020	40,653	108,703
At 1 January 2011	3,013	32,015	6,401	2,854	-	44,283

Included in the above are assets held under finance leases and capitalised in leasehold buildings and office equipment with a cost of £41,547,000 (2010 £nil) and accumulated depreciation of £547,000 (2010 £nil). The net book value of assets held under finance leases is £41,000,000 (2010 £nil).

### 10. DEBTORS

	<i>2011 £'000</i>	<i>2010 £'000</i>
<i>(a) Amounts falling due within one year</i>		
Amounts owed by group undertakings	31,008	31,463
Corporation tax receivable	-	676
Other debtors	3,612	5,023
Prepayments and accrued income	7,066	4,002
	<u>41,686</u>	<u>41,164</u>
<i>(b) Amounts falling due after more than one year</i>		
Deferred tax asset (note 8c)	<u>313</u>	<u>1,319</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 11. CREDITORS

### (a) Amounts falling due within one year

	2011 £'000	2010 £'000
Bank overdraft	466	-
Trade creditors	12,700	11,461
Amounts owed to group undertakings	116	299
Corporation tax payable	198	-
Obligations under finance leases (note 12)	1,488	-
Other taxation and social security	3,802	2,470
Accruals and deferred income	15,414	10,555
	<u>34,184</u>	<u>24,785</u>

### (b) Amounts falling due after more than one year

	2011 £'000	2010 £'000
Obligations under finance leases (note 12)	39,695	-
Other long term creditors – lease incentives	5,726	4,872
	<u>45,421</u>	<u>4,872</u>

## 12. OBLIGATIONS UNDER FINANCE LEASES

### Amounts due under finance lease contracts

	2011 £'000	2010 £'000
<i>Amounts payable</i>		
Within one year	2,975	-
In more than one year, but not more than five years	11,884	-
After five years	47,270	-
Total gross payments	62,129	-
Less finance lease charges included above	(20,946)	-
	<u>41,183</u>	<u>-</u>

## 13. PROVISION FOR LIABILITIES

	<i>Leasehold Dilapidations £'000</i>
At 1 January 2011	2,592
Provided during the year	4,164
At 31 December 2011	<u>6,756</u>

The provision held at 31 December 2011 is to cover estimated costs the Company may incur on exit of leasehold properties when the leases expire (see note 14)

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2011

**14. COMMITMENTS UNDER OPERATING LEASES**

Annual commitments under non cancellable operating leases are as follows

	<i>2011</i> <i>Land and</i> <i>buildings</i> <i>£'000</i>	<i>2010</i> <i>Land and</i> <i>buildings</i> <i>£'000</i>
Operating lease which expire		
Within one year	468	–
In one to two years	1,660	–
In two to five years	700	4,104
In over five years	12,214	5,998
	<u>15,042</u>	<u>10,102</u>

**15. RELATED PARTY TRANSACTIONS**

In accordance with the exemption stated in FRS 8 no details are shown of related party transactions with the Company's parent and fellow subsidiaries as they are wholly owned subsidiaries of the Amazon group

**16. 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.

**17. SHARE CAPITAL**

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Authorised		
Ordinary shares of £1 each	40,000	40,000

	<i>No</i>	<i>2011</i> <i>£'000</i>	<i>No</i>	<i>2010</i> <i>£'000</i>
Allotted, called up and fully paid				
Ordinary shares of £1 each	9,366,036	9,366	9,366,036	9,366

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2011

**18. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES**

	<i>Share capital</i> £'000	<i>Other reserve</i> £'000	<i>Share based awards reserve</i> £'000	<i>Profit and loss account</i> £'000	<i>Total share- holder's funds</i> £'000
At 1 January 2010	9,366	11,802	22,741	2,806	46,715
Loss for the year	-	-	-	(3,022)	(3,022)
Share based awards	-	-	9,805	-	9,805
At 31 December 2010	9,366	11,802	32,546	(216)	53,498
Profit for the year	-	-	-	1,212	1,212
Share based awards	-	-	6,921	-	6,921
At 31 December 2011	9,366	11,802	39,467	996	61,631

**19. SHARE BASED AWARD PLANS**

Amazon.com, Inc ("Amazon") may grant equity awards to employees, officers and directors of Amazon and its subsidiaries which include Amazon.co.uk Limited, as well as to consultants, agents, advisors and independent contractors, pursuant to Amazon's 1997 Stock Incentive Plan (the "1997 Plan") and Amazon's 1999 Nonofficer Employee Stock Option Plan (the "1999 Plan"). Amazon may grant equity awards in the form of stock options, stock, or restricted stock units ("RSUs"). Equity awards are evidenced by, and subject to the terms and conditions of, an agreement between the recipient and Amazon, as well as the terms and conditions of the applicable plan (and, where applicable, sub-plans in jurisdictions where local tax law or other regulations merit their adoption, such as in the UK). The following paragraphs describe the terms and conditions generally applicable to equity awards granted by Amazon under the 1997 and 1999 Plans.

During 2011 and 2010, RSUs were the primary type of equity award granted. RSUs are granted from the 1997 Plan. RSUs represent the right to receive shares of common stock of Amazon, on a one-for-one basis, upon vesting. There is no exercise price associated with an RSU. Employees vest in RSUs and stock options over a specified course of time that the employee provides service to Amazon or one or more of its subsidiaries. Typically, the service terms for vesting are between two and five years.

Unvested portions of equity awards are subject to forfeiture if the holder's employment or other service relationship with Amazon (including its subsidiaries) terminates.

In accordance with the transition provisions, FRS 20 has been applied to all grants after 7 November 2002 that were unvested as of 1 January 2005. Since October 2002, Amazon has only granted RSUs which are valued at the average of the high and low share price on the date of grant.

The fair value of each RSU is equal to the market value of Amazon.com Inc's common stock on the date of the grant. The fair value is recognised as compensation expense over the requisite service period. The company estimates forfeiture of RSUs at the time of the grant based on historical experience and records compensation expense only for those awards that are expected to vest.

The expense recognised for share based awards in respect of employee services received during the year to 31 December 2011 is £6,921,000 (2010: £9,805,000).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 19. SHARE BASED AWARD PLANS (continued)

Details of unvested stock (restricted stock units) awarded to employees are set out below

RSUs	2011		2010	
	Number	Weighted Avg Share Price at grant date \$	Number	Weighted Avg Share Price at grant date \$
Outstanding at the beginning of the year	455,170	95 68	529,439	66 28
Granted during the year	200,712	194 02	181,389	141 07
Forfeited during the year	(89,825)	92 30	(42,379)	86 07
Vested during the year <sup>1</sup>	(170,144)	72 38	(174,641)	65 11
Transfers in from (out to) other group undertakings	24,914	115 20	(38,638)	54 59
Outstanding at the end of the year	<u>420,827</u>	150 50	<u>455,170</u>	95 68

Scheduled vesting for outstanding restricted stock units as at 31 December 2011 was as follows

	2012	2013	2014	2015	Thereafter	Total
Scheduled vesting	<u>139,307</u>	<u>140,640</u>	<u>82,196</u>	<u>43,183</u>	<u>15,501</u>	<u>420,827</u>

<sup>1</sup> The weighted average share price at the date of share based award vesting was \$199 56 (2010 \$136 60)