

Company No: 03223028

**Amazon UK Services Limited  
Report and Financial Statements**

**31 December 2019**



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**COMPANY INFORMATION**

**DIRECTORS**

Phaedra Andrews  
Mark Atkin  
Jeffrey Stauber

**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

**DIRECTORS' REPORT**  
**for the year ended 31 December 2019**

The directors of Amazon UK Services Limited ("the Company") present the annual report containing the Directors' Report, the Strategic Report and the financial statements for the year ended 31 December 2019.

**DIRECTORS**

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

Phaedra Andrews	
Mark Atkin	(appointed 20 May 2019)
Nicola Fyfe	(resigned 1 February 2019)
Mark Hemming	(appointed 6 February 2019, resigned 15 May 2019)
Jeffrey Stauber	(appointed 20 May 2019)
John Stone	(resigned 21 October 2019)

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 (2018: £nil).

**EMPLOYEES**

The Company is committed to providing equal opportunities for everyone who works at the Company and anyone who applies to work for the Company.

All applications for employment from disabled persons are fully and fairly considered. In the event an employee becomes disabled, it is the Company's practice to continue their current employment where possible or offer suitable alternatives. It is the policy of the Company that the training, career development and promotion opportunities for disabled persons should, as far as possible, be the same as for other employees.

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

The directors and management of the Company ensure that all employees in the UK have the opportunity to contribute to aspects of its business. The directors encourage employees to provide feedback through email, at team meetings and through anonymous channels. Management keeps employees aware of the commercial progress of the Company's business and expects employees to ask questions, suggest improvements and raise concerns. Such dialogue is encouraged and celebrated, as it is vital to the existence of a healthy, enterprising and rewarding workplace. The result of employee engagement is referenced in the Strategic Report.

Employees are encouraged to participate in the performance of Amazon.com, Inc. and its subsidiaries, which include the Company, through ownership of Amazon.com, Inc. 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.

**DIRECTORS' REPORT (continued)**  
**for the year ended 31 December 2019**

**ENGAGEMENT WITH CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS**

The directors of the Company strive to have a positive impact on customers, employees, small businesses and communities. Led by the directors, Amazon's employees are committed to learning and inventing on behalf of customers and supporting businesses and entrepreneurs to grow sales and reach new customers. The result of engagement with customers, suppliers and other stakeholders is referenced in the Strategic Report.

**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, and cash flow risk as such information is not considered material for the assessment of the Company's assets, liabilities, financial position and result for the financial year.

**CORPORATE GOVERNANCE ARRANGEMENTS**

The Company is a subsidiary of Amazon.com, Inc., a NASDAQ publicly listed company. Amazon.com, Inc. is guided by four core principles: customer obsession rather than competitor focus; passion for invention; commitment to operational excellence; and long-term thinking. As a subsidiary of Amazon.com, Inc., the Company abides by and applies these guiding principles. The directors of the Company consider that these principles and the corporate governance arrangements described herein, together with the recent changes to UK corporate law that the Company abides by, cover the key areas in the UK's corporate governance framework. As such, the directors of the Company have decided to comply with Regulation 14 of The Companies (Miscellaneous Reporting) Regulations 2018 for the financial year ending 31 December 2019 via a tailored statement of its corporate governance arrangements as outlined below instead of formally adopting a recognised code of corporate governance.

The Board of Directors of the Company comprises three directors who are responsible for the control and direction of the Company, operating within the guidelines of Amazon.com, Inc., the Company's ultimate beneficial owner. The size and structure of the Board is appropriate for the Company's strategic needs and challenges. Pursuant to section 173 of the Companies Act 2006, the directors of the Company ensure that they exercise independent judgement and objectivity, in addition to the other duties under the Companies Act 2006. The Company is accountable to its shareholder and its primary purpose is to build long-term, sustainable shareholder value, which it does through promoting and embracing Amazon.com, Inc.'s mission "to be Earth's most customer-centric company" and identifying opportunities to create and preserve value.

The Board takes decisions throughout the financial year on important matters to the Company. Details of principal risks considered are included in the Company's strategic report. Each director of the Company ensures that other existing and planned future commitments, including employment responsibilities and service on the boards of other entities, do not materially impede with their service as a director of the Company.

The Board believes that there is a balance of skills, backgrounds, experience and knowledge, with individual directors of the Company having sufficient capacity to make a valuable contribution, in order to promote the Company's and Amazon.com, Inc.'s values and culture and to contribute to the long-term sustainable success of the Company.

As a subsidiary of Amazon.com, Inc., the Company is also required to abide by and enforce the provisions of Amazon.com, Inc.'s Code of Business Conduct and Ethics (which can be found here: <https://ir.aboutamazon.com/corporate-governance/documents-charters/code-business-conduct-and-ethics>) and related policies and procedures.

**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.

**DIRECTORS' REPORT (continued)**  
for the year ended 31 December 2019

**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



Phaedra Andrews  
Director

Date: 14/02/2020

## **STRATEGIC REPORT**

for the year ended 31 December 2019

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is the provision of fulfilment and corporate support services to other Amazon group undertakings. The business is expected to continue in this capacity for the foreseeable future.

### **GENERAL BUSINESS REVIEW**

Turnover and headcount have increased as the Company continues to support the growth of the Amazon group. Administrative expenses increased by 26% in 2019 to £2,844,380k (2018: £2,256,114k) as the Company opened new fulfilment centres and further expanded its UK delivery network. This has also resulted in the increase of current debtors by 24% to £716,591k (2018: £576,014k) and increase of current creditors by 3% to £450,699k (2018: £435,460k). The Company made an operating profit for the year of £114,868k (2018: £88,943k). The operating results are stated after a share based award expense of £78,127k (2018: £67,877k).

### **ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS**

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, including headcount growth, in order to effectively manage the activities of the Company. Performance is reviewed on a regular basis and appropriate actions are taken as required.

### **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 2019, 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.

### **SECTION 172(1) STATEMENT - DUTY TO PROMOTE THE SUCCESS OF THE COMPANY**

The directors of the Company act in good faith to promote the success of the Company for the benefit of its shareholder. The Company operates in the UK as part of Amazon.com, Inc.'s global business ('Amazon'). Amazon's mission, as presented in its group annual report is:

*"We seek to be Earth's most customer-centric company. We are guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. In each of our segments, we serve our primary customer sets, consisting of consumers, sellers, developers, enterprises, and content creators. In addition, we provide services, such as advertising to sellers, vendors, publishers, and authors, through programs such as sponsored ads, display, and video advertising."*

Amazon has a number of physical and digital channels in place to engage with its stakeholders. Feedback gathered through such mechanisms revealed that our stakeholders wanted a better understanding of Amazon's operations in the UK, including how it supports the communities in which it operates. During the year, this led to the directors continuing to support a corporate blog (<https://www.aboutamazon.co.uk>). This approach was selected in order to provide detailed information on topics that are important to the future of the business, and to broaden its communication channels to all of its stakeholders, be they customers, suppliers, employees or the wider community. The blog provides regular updates on Amazon's presence and economic impact in the UK, relationship with small businesses, impact in the community and the continued investment in sustainability, innovation and its employees. These blogs often include economic analysis and case studies, which go deeper than the regular reporting cycle.

**STRATEGIC REPORT (continued)**  
**for the year ended 31 December 2019**

Amazon commissioned independent research which identified a future computer science, tech, engineering and maths ('STEM') skills shortage in the UK. In direct response to these findings, the directors supported the launch of Amazon Future Engineer, a childhood-to-career programme to inspire, enable and educate young people in computer science and coding.

The directors encourage employees to provide feedback through email, at team meetings and through anonymous channels. Through such feedback, continuous learning and development opportunities were highlighted as topics important to drive overall job satisfaction and retention. As a result, the directors continue to support investment in training and development programmes, including for the year ended 31 December 2019:

- The launch of Amazon Amplify, which is a series of initiatives designed to further increase the number of women in technology and innovation roles across our UK business.
- A new, fully funded apprenticeship programme that will provide opportunities for new recruits and existing employees during 2019 and 2020, helping create future leaders and innovators.
- The LGBT+ Reading Roadshow where Amazon donated LGBT+ literature to school libraries and facilitated LGBT+ workshops in schools with employee volunteers across the UK.

The effect of these and other initiatives has ultimately led to Amazon being:

- Ranked #1 for LinkedIn Top Companies in the UK.
- Employer of the Year at the British Ex-Forces Business Awards.
- Recognised as Most Popular Graduate Recruiter in Retail at the TargetJobs Graduate Awards.
- Ranked #1 Most Popular Employer in the UK by Glassdoor.
- Presented with the Gold Award from the Ministry of Defence Employer Recognition Scheme.
- Recognised as the Most Attractive Employer in e-Commerce by Universum.
- Ranked Female Tech Employer of the Year by Women in Tech.

The directors and management of the Company are strongly committed to conducting business in a lawful and ethical manner, including engaging with suppliers that are committed to the same principles. The directors and management of the Company oversee compliance with Amazon's group policies that require suppliers in our manufacturing supply chain and suppliers supporting the Company's operations to comply with our Supplier Code of Conduct. The directors and management of the Company also expect our suppliers to hold their suppliers and subcontractors to the standards and practices covered by our Supplier Code of Conduct.

The directors and management of the Company support Amazon's corporate social responsibility programme for communities. The interests of communities include development support, such as through education, healthcare and environmental conservation.

Amazon is proud of its commitment to supporting UK-based small businesses who now sell their products on Amazon's global sites, helping to support jobs in the UK. Amazon offers a suite of support tools to help businesses export their products and services, including providing global delivery and distribution, managing customer services in the local language and translating product listings on behalf of smaller businesses.

In 2019, Amazon worked with Enterprise Nation, a small business network and business support provider, to host Amazon Academy training events, providing free digital training to small businesses to help grow their sales and boost exports. In collaboration with Enterprise Nation, Amazon launched the 'Clicks and Mortar' pilot programme, helping small online businesses who want to test physical retail for the first time. These businesses were given the opportunity to reach customers in 'Clicks and Mortar' pop-up shops across the UK.

In recognition of Amazon's ongoing commitment to customers, in 2019, Amazon won Retail Week's Consumer Choice Award, and TechRadar Award's 'Best Online Retailer', following a combined vote from the public and a panel of expert judges.



**STRATEGIC REPORT (continued)**  
**for the year ended 31 December 2019**

Amazon maintains a long-term commitment to sustainable practices across the organisation. In September 2019, Amazon co-founded The Climate Pledge and became the first signatory. Signatories commit to be net zero carbon across their businesses by 2040, a decade ahead of the Paris Agreement's goal of 2050, and agreed to the following:

- Measure and report greenhouse gas emissions on a regular basis.
- Implement decarbonisation strategies in line with the Paris Agreement through real business changes and innovations, including efficiency improvements, renewable energy, materials reductions, and other carbon emission elimination strategies.
- Neutralise any remaining emissions with additional, quantifiable, real, permanent and socially-beneficial offsets to achieve net zero annual carbon emissions by 2040.

Amazon is putting its scale and inventive culture to work on sustainability, which is good for the environment, the business, our customers, and the communities in which we operate. Amazon has a goal to reach 100% renewable energy to power its business operations by 2030 (80% by 2024) and in 2019 signed the largest wind corporate power purchase agreement in the UK for an Amazon Wind Farm located in Scotland, and initiated the process of installing solar panels on its fulfilment centres across the UK.

More information about Amazon's commitment to sustainability can be found on a new website launched in 2019 (<https://sustainability.aboutamazon.co.uk/>).

On behalf of the Board



Phaedra Andrews  
Director

Date: 14/02/2020

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report, the 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 UK 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 AMAZON UK SERVICES LIMITED**

We have audited the financial statements of Amazon UK Services Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, 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 UK 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 2019 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 Report and Financial Statements, 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 AMAZON UK SERVICES LIMITED (continued)**

### **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 9, 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.

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/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.



Neil Cullum (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 14/2/2020.

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> £'000	<i>2018</i> £'000
<b>TURNOVER</b>	2	2,959,248	2,345,057
Administrative expenses		<u>(2,844,380)</u>	<u>(2,256,114)</u>
<b>OPERATING PROFIT</b>	3	114,868	88,943
Interest receivable	6	2,223	1,069
Interest payable	7	<u>(15,150)</u>	<u>(14,631)</u>
<b>PROFIT BEFORE TAXATION</b>		101,941	75,381
Tax on profit	8	<u>(6,328)</u>	<u>(1,060)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>95,613</u></u>	<u><u>74,321</u></u>

## Amazon UK Services Limited

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### BALANCE SHEET as at 31 December 2019

		2019	2018
	Notes	£'000	£'000
<b>FIXED ASSETS</b>			
Tangible assets	9	<u>1,866,983</u>	<u>1,747,830</u>
<b>CURRENT ASSETS</b>			
Debtors:			
amounts falling due within one year	10(a)	716,591	576,014
amounts falling due after one year	10(b)	<u>88,779</u>	<u>69,754</u>
		805,370	645,768
<b>CREDITORS: amounts falling due within one year</b>	11(a)	<u>(450,699)</u>	<u>(435,460)</u>
<b>NET CURRENT ASSETS</b>		<u>354,671</u>	<u>210,308</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,221,654	1,958,138
<b>CREDITORS: amounts falling due after more than one year</b>	11(b)	(462,284)	(432,919)
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(153,604)</u>	<u>(93,193)</u>
<b>NET ASSETS</b>		<u><u>1,605,766</u></u>	<u><u>1,432,026</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	170,366	170,366
Share premium		725,802	725,802
Share based awards reserve	18	360,600	282,473
Retained earnings		<u>348,998</u>	<u>253,385</u>
<b>SHAREHOLDER'S FUNDS</b>		<u><u>1,605,766</u></u>	<u><u>1,432,026</u></u>

Approved by the Board



Phaedra Andrews  
Director

Date: 14/02/2020

Company Number: 03223028

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2019**

	<i>Share capital</i>	<i>Share premium</i>	<i>Share based awards reserve</i>	<i>Retained earnings</i>	<i>Total shareholder's funds</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2018	170,366	525,802	214,596	179,064	1,089,828
Shares issued	—	200,000	—	—	200,000
Profit for the year	—	—	—	74,321	74,321
Share based awards	—	—	67,877	—	67,877
At 31 December 2018	170,366	725,802	282,473	253,385	1,432,026
Profit for the year	—	—	—	95,613	95,613
Share based awards	—	—	78,127	—	78,127
At 31 December 2019	170,366	725,802	360,600	348,998	1,605,766

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**1. ACCOUNTING POLICIES**

***Statement of compliance***

Amazon UK Services 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 UK 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 requirements of Section 26 *Share-based payment* paragraph 26.18(b), 26.19 to 26.21 and 26.23

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.

***Going concern***

During the year ended 31 December 2019, the Company's operations generated a profit after tax and an increase to net current assets 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.

***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, recognised as services are provided.

***Tangible assets***

All tangible 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***

Land is not depreciated. Depreciation is provided on other tangible 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:

Leasehold Buildings & Improvements	-	Lower of expected useful life or lease term
Plant & Machinery	-	5-12 years
Office Equipment	-	2-5 years
Computer Equipment	-	2-4 years



**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**1. ACCOUNTING POLICIES (continued)**

***Depreciation (continued)***

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

Depreciation is charged on all tangible assets from the date that assets are put into service.

***Debtors***

Short term debtors are measured at transaction price, less any impairment.

***Creditors***

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

***Provisions for liabilities***

The Company makes provisions where it is probable that a transfer of economic benefits will be required to settle a present obligation. The Company applies a risk-adjusted pre-tax discount rate in order to take effect of the time value of money to arrive at the value of the provision.

***Leases***

***Finance leases***

Leases of assets that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. Assets held under finance leases are capitalised at the commencement of the lease at the lower of fair value and the present value of minimum lease payments. The assets are depreciated over the shorter of the lease term and the assets' useful life.

The capital element of lease obligations is recorded as a liability on the balance sheet. Lease payments are apportioned between capital repayment and finance charges, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

***Operating leases***

Rentals payable and lease incentives under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

***Government grants***

Grants received are credited to the Statement of Comprehensive Income 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 Statement of Comprehensive Income.

***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 2019**

**1. ACCOUNTING POLICIES (continued)**

*Taxation (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.

*Pension costs*

The Company operates a defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

*Share based awards*

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 18).

*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. TURNOVER**

Turnover by business and 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. OPERATING PROFIT**

Operating profit is stated after charging / (crediting):

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
(Profit) / loss on sale of tangible fixed assets	(1,919)	3,467
Depreciation of tangible fixed assets	241,031	177,759
Operating lease charges	152,560	119,298
Auditor's remuneration - audit of the financial statements	104	73
Net (gain) / loss on foreign currency translation	(1,395)	1,626
Government grant income	(145)	(438)

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019****4. STAFF COSTS**

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	797,071	630,115
Social security costs	83,782	65,632
Staff pension contributions	26,230	20,723
Equity settled share based awards (note 18)	78,127	67,877
	<u>985,210</u>	<u>784,347</u>

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

	<i>2019</i>	<i>2018</i>
	<i>No.</i>	<i>No.</i>
Management and administration staff	<u>25,498</u>	<u>22,073</u>

**5. DIRECTORS' REMUNERATION**

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate remuneration in respect of qualifying services	<u>621</u>	<u>865</u>
Value of Company pension contributions to money purchase schemes	<u>19</u>	<u>17</u>

	<i>2019</i>	<i>2018</i>
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	<u>5</u>	<u>4</u>
Directors who received share based awards	<u>5</u>	<u>5</u>
Directors who vested in or exercised share based awards	<u>4</u>	<u>5</u>

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

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate remuneration in respect of qualifying services	<u>326</u>	<u>419</u>
Company contributions to money purchase pension schemes	<u>5</u>	<u>3</u>

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**5. DIRECTORS' REMUNERATION (continued)**

The highest paid director in 2019 and 2018 received and vested in or exercised share based awards during the year.

Certain directors' remuneration has been borne by the ultimate 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 2019 and 31 December 2018.

**6. INTEREST RECEIVABLE**

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Interest receivable from group undertakings	2,223	1,069
	<u>2,223</u>	<u>1,069</u>

**7. INTEREST PAYABLE**

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Finance charges payable including finance leases	12,534	12,477
Accretion of discount on provisions for liabilities (note 14)	2,616	2,118
Other interest charges	—	36
	<u>15,150</u>	<u>14,631</u>

**8. TAXATION**

*(a) Tax on profit*

The components of tax on profit are as follows:

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Current tax	14,463	14,038
Deferred tax	(8,135)	(12,978)
Tax on profit	<u>6,328</u>	<u>1,060</u>

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**8. TAXATION (continued)**

*(b) Reconciliation of tax on profit*

The items accounting for differences between tax on profit computed at the UK statutory rate and recorded for tax on profit are as follows:

	2019 £'000	2018 £'000
Profit before taxation	<u>101,941</u>	<u>75,381</u>
Tax computed at the UK statutory rate	19,369	14,322
Effects of:		
Non deductible expenses	7,627	7,129
Adjustment in respect of share based awards	(17,452)	(22,991)
Effect of rate differential on current year movement of deferred tax	436	1,703
Effect of transfer of assets	(4,525)	—
Other	873	897
Tax on profit	<u>6,328</u>	<u>1,060</u>

*(c) Deferred tax*

Deferred tax assets are as follows:

	2019 £'000	2018 £'000
Timing differences related to pension liability	450	401
Timing differences related to tangible assets	32,032	26,637
Timing differences on asset retirement obligation	5,691	3,725
Timing differences related to share based awards	11,278	10,443
Other timing differences	—	110
Total deferred tax asset recognised in the financial statements	<u>49,451</u>	<u>41,316</u>

The UK corporation tax rate for the year ended 31 December 2019 was 19% (2018: 19%). The Finance Act 2016 enacted a 2% reduction in the Corporation Tax rate from its current rate of 19% to 17% for the year beginning 1 April 2020 and therefore any deferred tax assets and liabilities existing at 31 December 2019 reflect this rate change.

During the year beginning 1 January 2020, the expected net decrease in recognised deferred tax assets is £16,847k. This is primarily due to timing differences on tangible assets.

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**9. TANGIBLE ASSETS**

	<i>Leasehold Buildings &amp; Improvements</i>	<i>Plant &amp; Machinery</i>	<i>Office Equipment</i>	<i>Computer Equipment</i>	<i>Assets under Construction</i>	<i>Freehold Land</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
At 1 January 2019	1,099,063	649,256	209,953	60,753	232,409	13,016	2,264,450
Additions	102,534	66,875	80,421	15,346	202,902	2,150	470,228
Transfers	176,362	158,273	20,808	2,021	(357,464)	—	—
Disposals	(98,189)	(3,786)	(4,248)	(823)	—	(13,016)	(120,062)
At 31 December 2019	1,279,770	870,618	306,934	77,297	77,847	2,150	2,614,616
Depreciation:							
At 1 January 2019	187,086	175,017	116,365	38,152	—	—	516,620
Charge for the year	97,247	78,586	53,415	11,783	—	—	241,031
Disposals	(3,917)	(1,245)	(4,047)	(809)	—	—	(10,018)
At 31 December 2019	280,416	252,358	165,733	49,126	—	—	747,633
Net book value:							
At 1 January 2019	911,977	474,239	93,588	22,601	232,409	13,016	1,747,830
At 31 December 2019	999,354	618,260	141,201	28,171	77,847	2,150	1,866,983

Included in the above are assets held under finance leases and capitalised in leasehold buildings, plant and machinery equipment, and office equipment with a cost of £367,513k (2018: £352,332k) and accumulated depreciation of £59,319k (2018: £36,227k). The net book value of assets held under finance leases is £308,194k (2018: £316,105k).

During the year ended 31 December 2019 the Company sold land and buildings with a net book value of £107,998k (2018: nil) to a third party, and entered into an operating lease for those land and buildings with the third party.

The Company has no contractual commitments not provided for in the financial statements for the construction of property, plant and equipment as at 31 December 2019 (2018: £5,850k).

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**10. DEBTORS**

<i>(a) amounts falling due within one year</i>	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Amounts owed by group undertakings	619,180	528,414
Other debtors	51,531	13,073
Prepayments and accrued income	45,880	34,527
	<u>716,591</u>	<u>576,014</u>
<i>(b) amounts falling due after one year</i>	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Deferred tax asset (note 8)	49,451	41,316
Prepayments and accrued income	39,328	28,438
	<u>88,779</u>	<u>69,754</u>

**11. CREDITORS**

<i>(a) amounts falling due within one year</i>	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Bank overdraft	6,348	17,238
Trade creditors	322,642	302,473
Amounts owed to group undertakings	2,016	703
Obligations under finance leases (note 12)	10,296	14,362
Other taxation and social security	37,424	29,109
Corporation tax payable	11,453	11,026
Accruals	60,498	60,404
Deferred income - government grants (note 13)	22	145
	<u>450,699</u>	<u>435,460</u>
<i>(b) amounts falling due after one year</i>	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Obligations under finance leases (note 12)	318,594	322,323
Other long term creditors - lease incentives	143,690	110,574
Deferred income - government grants (note 13)	—	22
	<u>462,284</u>	<u>432,919</u>

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**12. OBLIGATIONS UNDER FINANCE LEASES**

Amounts due under finance lease contracts:

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Amounts payable:		
Within one year	22,165	31,548
In two to five years	118,737	107,538
After five years	293,808	321,946
Total gross payments	<u>434,710</u>	<u>461,032</u>
Less: finance lease charges included above	<u>(105,820)</u>	<u>(119,188)</u>
	<u>328,890</u>	<u>341,844</u>
Amounts falling due within one year	10,296	19,521
Amounts falling due after one year	318,594	322,323
Total obligations under finance leases	<u>328,890</u>	<u>341,844</u>

**13. DEFERRED INCOME**

	<i>£'000</i>
At 1 January 2019	167
Recognised in operating profit	(145)
At 31 December 2019	<u>22</u>

In accordance with the grant agreements the Company is required to maintain agreed employment levels in certain locations until February 2020.

**14. PROVISIONS FOR LIABILITIES**

	<i>Lease Dilapidations</i>
	<i>£'000</i>
At 1 January 2019	93,193
Provided during the year	57,795
Accretion of discount (note 7)	2,616
At 31 December 2019	<u>153,604</u>

The provision held at 31 December 2019 is to cover costs the Company may incur on exit of leasehold properties when the leases expire (see note 15). The accretion of the discount each year is recorded as interest payable.



**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**15. COMMITMENTS UNDER OPERATING LEASES**

The commitments under non-cancellable operating leases are as follows:

	<i>2019</i>	<i>2018</i>
	<i>Land and buildings</i>	<i>Land and buildings</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	155,464	93,251
In one to two years	160,060	123,408
In two to five years	442,833	355,288
In over five years	867,086	705,709
	<u>1,625,443</u>	<u>1,277,656</u>

**16. ULTIMATE PARENT COMPANY**

The immediate parent company is Amazon EU S.à.r.l. which is incorporated in Luxembourg. The address of this company is 38 avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg.

The Company regards Amazon.com, Inc., a company incorporated in the United States of America, 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.

**17. SHARE CAPITAL**

	<i>2019</i>		<i>2018</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>170,366,039</u>	<u>170,366,039</u>	<u>170,366,039</u>	<u>170,366,039</u>

**18. 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 UK Services Limited, as well as to consultants, agents, advisors and independent contractors, pursuant to Amazon's 1997 Stock Incentive Plan (the "1997 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 Plan.

During 2019 and 2018, 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 four years.

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

**18. SHARE BASED AWARD PLANS (continued)**

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

The fair value of each RSU is equal to the market value of Amazon 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 RSU's at the time of the grant based on historical experience and records compensation expense only for those awards that are expected to vest.

Scheduled vesting for outstanding restricted stock units as at 31 December 2019 was as follows:

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>Thereafter</i>	<i>Total</i>
Scheduled vesting	83,748	49,015	15,964	8,042	123	156,892

The weighted average share price at the date of share based award vesting was US\$1,799.22 (2018: US\$1,611.29).