

Company No: 03223028

Amazon UK Services Limited
Report and Financial Statements

31 December 2018



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COMPANY INFORMATION

DIRECTORS

Phaedra Andrews
Mark Hemming
John Stone

SECRETARY

Mitre Secretaries Limited

REGISTERED OFFICE

1 Principal Place
Worship Street
London
EC2A 2FA

AUDITORS

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

BANKERS

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

DIRECTORS' REPORT
for the year ended 31 December 2018

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 2018.

DIRECTORS

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

Phaedra Andrews	
Nicola Fyfe	(appointed 6 April 2018, resigned 1 February 2019)
Mark Hemming	(appointed 6 February 2019)
Robert Mackenzie	(resigned 5 March 2018)
Stefano Perego	(resigned 6 April 2018)
John Stone	(appointed 25 April 2018)

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 (2017: £nil).

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 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 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 its 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 the Company's business and expect 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. Employees are encouraged to participate in the performance of Amazon.com, Inc. ("Amazon") and its subsidiaries, which include the Company, 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.

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.

DIRECTORS' REPORT (continued)
for the year ended 31 December 2018

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

On behalf of the Board



Phaedra Andrews
Director

Date: 15 February 2019

STRATEGIC REPORT
for the year ended 31 December 2018

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 18% in 2018 to £2,256,114k (2017: £1,907,913k) 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 38% to £576,014k (2017: £418,784k) and increase of current creditors by 11% to £435,460k (2017: £393,981k). The Company made an operating profit for the year of £88,943k (2017: £79,784k). The operating results are stated after a share based payment expense of £67,877k (2017: £54,855k).

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 2018, and subsequent filings.

FUTURE DEVELOPMENTS

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

On behalf of the Board



Phaedra Andrews
Director

Date: 15 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, a Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the 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 2018 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 2018 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

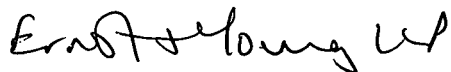
Auditor's responsibilities for the audit of the financial statements

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

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: 15/2/2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018


	<i>Notes</i>	<i>2018</i> <i>£'000</i>	<i>2017</i> <i>£'000</i>
TURNOVER	2	2,345,057	1,987,697
Administrative expenses		<u>(2,256,114)</u>	<u>(1,907,913)</u>
OPERATING PROFIT	3	88,943	79,784
Interest receivable	6	1,069	119
Interest payable	7	<u>(14,631)</u>	<u>(7,524)</u>
PROFIT BEFORE TAXATION		75,381	72,379
Tax on profit	8	<u>(1,060)</u>	<u>(1,703)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>74,321</u></u>	<u><u>70,676</u></u>

Amazon UK Services Limited

BALANCE SHEET as at 31 December 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Tangible assets	9	<u>1,747,830</u>	<u>1,460,035</u>
CURRENT ASSETS			
Debtors:			
amounts falling due within one year	10(a)	576,014	418,784
amounts falling due after one year	10(b)	<u>69,754</u>	<u>52,100</u>
		645,768	470,884
CREDITORS: amounts falling due within one year	11(a)	<u>(435,460)</u>	<u>(393,981)</u>
NET CURRENT ASSETS		<u>210,308</u>	<u>76,903</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,958,138	1,536,938
CREDITORS: amounts falling due after more than one year	11(b)	(432,919)	(365,889)
PROVISIONS FOR LIABILITIES	14	<u>(93,193)</u>	<u>(81,221)</u>
NET ASSETS		<u>1,432,026</u>	<u>1,089,828</u>
CAPITAL AND RESERVES			
Share capital	17	170,366	170,366
Share premium	17	725,802	525,802
Share based awards reserve	18	282,473	214,596
Retained earnings		<u>253,385</u>	<u>179,064</u>
SHAREHOLDER'S FUNDS		<u>1,432,026</u>	<u>1,089,828</u>

Approved by the Board


Phaedra Andrews
Director

Date: 15 February 2019

Company Number: 03223028

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	<i>Share capital</i>	<i>Share premium</i>	<i>Capital contribution reserve</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>	<i>£'000</i>
At 1 January 2017	10,366	40,802	160,000	159,741	108,388	479,297
Shares issued	160,000	485,000	(160,000)	—	—	485,000
Profit for the year	—	—	—	—	70,676	70,676
Share based awards	—	—	—	54,855	—	54,855
At 31 December 2017	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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018**

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

As at 31 December 2018, 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 and 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 2018**

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

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 2018**

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):

	2018	2017
	£'000	£'000
Loss on sale of tangible fixed assets	3,467	3,497
Depreciation of tangible fixed assets	177,759	128,762
Operating lease charges	119,298	108,637
Auditor's remuneration - audit of the financial statements	73	37
Net loss on foreign currency translation	1,626	529
Government grant income	(438)	(709)
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

4. STAFF COSTS

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	630,115	530,450
Social security costs	65,632	54,135
Staff pension contributions	20,723	13,892
Equity settled share based awards (note 18)	67,877	54,855
	<u>784,347</u>	<u>653,332</u>

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

	<i>2018</i>	<i>2017</i>
	<i>No.</i>	<i>No.</i>
Management and administration staff	<u>22,073</u>	<u>19,749</u>

5. DIRECTORS' REMUNERATION

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate remuneration in respect of qualifying services	<u>865</u>	<u>1,075</u>
Value of Company pension contributions to money purchase schemes	<u>17</u>	<u>19</u>

	<i>2018</i>	<i>2017</i>
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	<u>4</u>	<u>3</u>
Directors who received share based awards	<u>5</u>	<u>4</u>
Directors who vested in or exercised share based awards	<u>5</u>	<u>4</u>

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

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate remuneration in respect of qualifying services	<u>419</u>	<u>503</u>
Company contributions to money purchase pension schemes	<u>3</u>	<u>—</u>

The highest paid director in 2018 and 2017 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 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

6. INTEREST RECEIVABLE

	2018	2017
	£'000	£'000
Interest receivable from group undertakings	<u>1,069</u>	<u>119</u>

7. INTEREST PAYABLE

	2018	2017
	£'000	£'000
Finance charges payable including finance leases	12,477	6,752
Accretion of discount on provisions for liabilities (note 14)	2,118	772
Other interest charges	36	—
	<u>14,631</u>	<u>7,524</u>

8. TAXATION

(a) Tax on profit

The components of tax on profit are as follows:

	2018	2017
	£'000	£'000
Current tax	14,038	4,673
Deferred tax	(12,978)	(2,970)
Tax on profit	<u>1,060</u>	<u>1,703</u>

(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:

	2018	2017
	£'000	£'000
Profit before taxation	<u>75,381</u>	<u>72,379</u>
Tax computed at the UK statutory rate	14,322	13,933
Effects of:		
Expenses not deductible for tax	7,129	5,765
Adjustment in respect of share based awards	(22,991)	(17,490)
Effect of rate change on current year movement of deferred tax	1,703	276
Effect of transfer of assets	—	(293)
Other items	897	(488)
Tax on profit	<u>1,060</u>	<u>1,703</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

8. TAXATION (continued)

(c) Deferred tax

Deferred tax assets are as follows:

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Timing differences related to tangible fixed assets	26,637	17,048
Timing differences related to share based awards	10,443	8,974
Timing differences on asset retirement obligation	3,725	1,959
Timing differences related to pension liability	401	247
Other timing differences	110	110
Total deferred tax asset recognised in the financial statements	<u>41,316</u>	<u>28,338</u>

The main UK corporation tax rate reduced from 20% to 19% effective from 1 April 2017, with the tax rate for the year ended 31 December 2018 being 19% (2017: 19.25%). The UK rate of corporation tax will be reduced further from its current rate of 19% to 17% for the year beginning 1 April 2020 and therefore any deferred tax assets and liabilities existing at 31 December 2018 reflect this rate change.

During the year beginning 1 January 2019, the expected net decrease in recognised deferred tax assets is £11,498k. This is primarily due to timing differences on fixed assets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

9. TANGIBLE ASSETS

	<i>Leasehold Buildings & Improvements</i>	<i>Plant & 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
<i>Cost:</i>							
1 January 2018	876,507	455,427	188,199	53,919	231,316	13,016	1,818,384
Additions	235,853	196,930	30,805	10,574	1,093	—	475,255
Disposals	(13,297)	(3,101)	(9,051)	(3,740)	—	—	(29,189)
31 December 2018	1,099,063	649,256	209,953	60,753	232,409	13,016	2,264,450
<i>Depreciation:</i>							
1 January 2018	113,740	118,977	93,965	31,667	—	—	358,349
Charge for the year	80,303	57,563	29,874	10,019	—	—	177,759
Disposals	(6,957)	(1,523)	(7,474)	(3,534)	—	—	(19,488)
31 December 2018	187,086	175,017	116,365	38,152	—	—	516,620
<i>Net book value:</i>							
1 January 2018	762,767	336,450	94,234	22,252	231,316	13,016	1,460,035
31 December 2018	911,977	474,239	93,588	22,601	232,409	13,016	1,747,830

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 £352,332k (2017: £310,464k) and accumulated depreciation of £36,227k (2017: £20,368k). The net book value of assets held under finance leases is £316,105k (2017: £290,096k).

The Company has contractual commitments not provided in the financial statements for the construction of property, plant and equipment as at 31 December 2018 of £5,850k (2017: £35,920k).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

10. DEBTORS

	2018	2017
	£'000	£'000
<i>(a) amounts falling due within one year</i>		
Amounts owed by group undertakings	528,414	378,569
Other debtors	13,073	7,430
Prepayments and accrued income	34,527	32,785
	<u>576,014</u>	<u>418,784</u>
<i>(b) amounts falling due after one year</i>		
Deferred tax asset	41,316	28,338
Prepayments and accrued income	28,438	23,762
	<u>69,754</u>	<u>52,100</u>

11. CREDITORS

	2018	2017
	£'000	£'000
<i>(a) amounts falling due within one year</i>		
Bank overdraft	17,238	30,286
Trade creditors	302,473	257,169
Amounts owed to group undertakings	703	9,035
Obligations under finance leases	14,362	7,444
Other taxation and social security	29,109	23,073
Corporation tax payable	11,026	1,740
Accruals	60,404	64,796
Deferred income - government grants (note 13)	145	438
	<u>435,460</u>	<u>393,981</u>
<i>(b) amounts falling due after one year</i>		
Obligations under finance leases	322,323	298,103
Other long term creditors - lease incentives	110,574	67,619
Deferred income - government grants (note 13)	22	167
	<u>432,919</u>	<u>365,889</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

12. OBLIGATIONS UNDER FINANCE LEASES

Amounts due under finance lease contracts:

	2018	2017
	£'000	£'000
<i>Amounts payable:</i>		
Within one year	36,822	22,865
In two to five years	128,634	82,175
After five years	379,091	397,200
Total gross payments	<u>544,547</u>	<u>502,240</u>
Less: finance lease charges included above	<u>(202,703)</u>	<u>(196,693)</u>
	<u>341,844</u>	<u>305,547</u>
Amounts falling due within one year	19,521	7,444
Amounts falling due after one year	322,323	298,103
Total obligations under finance leases	<u>341,844</u>	<u>305,547</u>

13. DEFERRED INCOME

	£'000
At 1 January 2018	605
Recognised in operating profit	(438)
At 31 December 2018	<u>167</u>

In accordance with the grant agreements the Company is required to maintain agreed employment levels in certain locations until 2019.

14. PROVISIONS FOR LIABILITIES

	<i>Lease Dilapidations</i>
	£'000
At 1 January 2018	81,221
Provided during the year	9,878
Utilised during the year	(24)
Accretion of discount	2,118
At 31 December 2018	<u>93,193</u>

The provision held at 31 December 2018 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 2018**

15. COMMITMENTS UNDER OPERATING LEASES

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

	<i>2018</i>	<i>2017</i>
	<i>Land and buildings</i>	<i>Land and buildings</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	93,251	82,197
In one to two years	123,408	84,186
In two to five years	355,288	307,310
In over five years	705,709	565,587
	<u>1,277,656</u>	<u>1,039,280</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, 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>2018</i>		<i>2017</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>170,366,038</u>	<u>170,366,038</u>

On 19 December 2018, the Company issued 1 ordinary share to the immediate parent at a par value of £1 for a share premium of £199,999k.

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 2018 and 2017, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018**

18. SHARE BASED AWARD PLANS (continued)

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 2018 was as follows:

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Thereafter</i>	<i>Total</i>
Scheduled vesting	116,942	88,918	21,987	5,246	49	233,142

The weighted average share price at the date of share based award vesting was US\$1,611.29 (2017: US\$992.67).