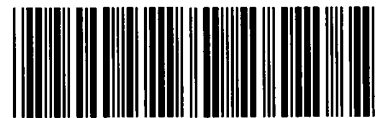


Company No: 3223028

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

**31 December 2016**

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COMPANIES HOUSE

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>Company Information</b>	<b>2</b>
<b>Directors' Report</b>	<b>3</b>
<b>Strategic Report</b>	<b>5</b>
<b>Statement of Directors' Responsibilities</b>	<b>6</b>
<b>Independent Auditor's Report</b>	<b>7</b>
<b>Statement of Comprehensive Income</b>	<b>9</b>
<b>Balance Sheet</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>11</b>
<b>Notes to the Financial Statements</b>	<b>12</b>

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**COMPANY INFORMATION**

**DIRECTORS**

Robert Mackenzie  
Phaedra Andrews  
John Tagawa  
George Castro Rodriguez

**SECRETARY**

Mitre Secretaries Limited

**REGISTERED OFFICE**

60 Holborn Viaduct  
London  
EC1A 2FD

**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 2016

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 2016.

**DIRECTORS**

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

Robert Mackenzie  
Phaedra Andrews  
John Tagawa  
George Castro Rodriguez (appointed 7 February 2017)

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

**DIVIDEND**

The directors do not recommend the payment of any dividends (2015: £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 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 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. 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.

**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 profit for the financial year.

**DIRECTORS' REPORT (continued)**  
for the year ended 31 December 2016

**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 and Young LLP will continue in office as auditor of the Company.

On behalf of the Board



Phaedra Andrews  
Director

Date: 15/02/17

**STRATEGIC REPORT**

for the year ended 31 December 2016

**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 60% in 2016 to £1,435,434,000 (2015: £896,370,000) as the Company opened new fulfilment centres and further expanded its UK delivery network. This has also resulted in the increase of the current debtors by 31% to £294,090,000 (2015: £224,814,000) and current creditors by 70% to £335,830,000 (2015: £197,441,000). The Company made an operating profit for the year of £26,574,000 (2015: £50,088,000). The operating results are stated after a share based payment expense of £36,718,000 (2015: £26,116,000).

**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.

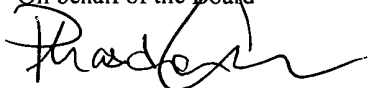
**PRINCIPAL RISKS AND UNCERTAINTIES**

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 to date 31 December 2016, 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: 15/02/17

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and applicable law. Under Company Law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMAZON UK SERVICES LIMITED**

We have audited the financial statements of Amazon UK Services Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. 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), including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

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 auditor**

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 Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

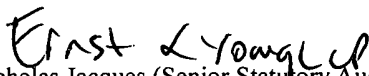


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMAZON UK SERVICES LIMITED (continued)**

**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 explanations we require for our audit.

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

Date: 15 February 2017

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2016**

	<i>Notes</i>	<i>2016</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
<b>TURNOVER</b>	2	1,462,008	946,458
Administrative expenses		<u>(1,435,434)</u>	<u>(896,370)</u>
<b>OPERATING PROFIT</b>	3	26,574	50,088
Interest receivable	6	28	1,594
Interest payable	7	<u>(2,337)</u>	<u>(3,172)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		24,265	48,510
Tax on profit on ordinary activities	8	<u>1,336</u>	<u>(9,798)</u>
<b>PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>25,601</u></u>	<u><u>38,712</u></u>

**BALANCE SHEET**  
as at 31 December 2016

	<i>Notes</i>	<i>2016</i> £'000	<i>2015</i> £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	<u>629,128</u>	<u>288,804</u>
<b>CURRENT ASSETS</b>			
Debtors:			
amounts falling due within one year	10(a)	294,090	224,814
amounts falling due after one year	10(b)	31,929	23,258
Cash at bank and in hand		<u>2</u>	<u>2</u>
		326,021	248,074
<b>CREDITORS: amounts falling due within one year</b>	11(a)	<u>(335,830)</u>	<u>(197,441)</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(9,809)</u>	<u>50,633</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		619,319	339,437
<b>CREDITORS: amounts falling due after more than one year</b>	11(b)	(112,486)	(68,711)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	14	<u>(27,536)</u>	<u>(13,748)</u>
<b>NET ASSETS</b>		<u>479,297</u>	<u>256,978</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	10,366	10,366
Share premium		40,802	40,802
Capital contribution reserve	17	160,000	—
Share based awards reserve	18	159,741	123,023
Retained earnings		<u>108,388</u>	<u>82,787</u>
<b>SHAREHOLDER'S FUNDS</b>		<u>479,297</u>	<u>256,978</u>

Approved by the Board

Phaedra Andrews  
Director



Date: 15/02/17

Company Number: 3223028

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2016

	<i>Called up share capital</i> £'000	<i>Share Premium</i> £'000	<i>Capital contribution reserve</i> £'000	<i>Share based awards reserve</i> £'000	<i>Retained earnings</i> £'000	<i>Total share- holder's funds</i> £'000
At 1 January 2015	10,366	40,802	—	96,907	44,075	192,150
Profit for the year	—	—	—	—	38,712	38,712
Share based awards	—	—	—	26,116	—	26,116
At 31 December 2015	10,366	40,802	—	123,023	82,787	256,978
Profit for the year	—	—	—	—	25,601	25,601
Share based awards	—	—	—	36,718	—	36,718
Capital contribution	—	—	160,000	—	—	160,000
At 31 December 2016	10,366	40,802	160,000	159,741	108,388	479,297

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

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## **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 60 Holborn Viaduct, London, EC1A 2FD.

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

### ***Basis of preparation***

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

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

- The requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17(d)
- The requirements of Section 33 *Related Party Disclosures* paragraph 33.1A and 33.7
- The requirements of Section 11 *Basic Financial Instruments* paragraph 11.39 to 11.48A
- The 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 2016, total assets exceed total liabilities. 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 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.

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

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**1. ACCOUNTING POLICIES (continued)**

***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	-	2-4 years
Vehicles	-	12 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.

Depreciation is charged on all tangible fixed 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 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 risk-adjusted pre-tax discount rate in order to take effect of the time value of money to arrive at the value of the leasehold dilapidation provision. The accretion of the discount each year is recorded as interest payable.

***Leases***

***Finance leases***

Leases of assets that transfer substantially all the risks and rewards of ownership are classified as finance 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 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 statement of comprehensive income.

**1. ACCOUNTING POLICIES (continued)**

*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.

*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.

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

**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.

**3. OPERATING PROFIT**

This is stated after charging / (crediting):

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Loss / (Gain) on sale of tangible fixed assets	430	(416)
Depreciation of owned tangible fixed assets	64,560	40,156
Depreciation of leased tangible fixed assets	2,706	2,050
Operating lease rentals - land and buildings	66,468	45,382
Operating lease rentals - plant and machinery	29	—
Auditor's remuneration - audit of the financial statements	37	32
Net loss on foreign currency translation	1,663	101
Government grant income	<u>(1,113)</u>	<u>(1,955)</u>

**4. STAFF COSTS**

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	367,958	246,319
Social security costs	35,230	24,143
Staff pension contributions	9,118	6,582
Equity settled share based awards (note 18)	36,718	26,116
	<u>449,024</u>	<u>303,160</u>

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

	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
Management and administration staff	<u>14,118</u>	<u>9,090</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2016

**5. DIRECTORS EMOLUMENTS**

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate emoluments in respect of qualifying services	<u>572</u>	<u>646</u>
Value of Company pension contributions to money purchase schemes	<u>22</u>	<u>20</u>

	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	<u>3</u>	<u>4</u>
Directors who received share based awards	<u>3</u>	<u>5</u>
Directors who vested in or exercised share based awards	<u>3</u>	<u>5</u>

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

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate emoluments in respect of qualifying services	<u>213</u>	<u>197</u>
Company contributions to money purchase pension schemes	<u>5</u>	<u>9</u>

The highest paid director in 2016 received 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 2016 and 2015.

**6. INTEREST RECEIVABLE**

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Interest receivable from group undertakings	<u>28</u>	<u>1,594</u>

**7. INTEREST PAYABLE**

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Finance charges payable including finance leases	2,138	2,932
Accretion of discount on provision for liabilities and charges (note 14)	<u>199</u>	<u>240</u>
	<u>2,337</u>	<u>3,172</u>

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

**8. TAXATION**

(a) *Tax on profit on ordinary activities*

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Current Tax:		
UK corporation tax	7,401	15,844
Adjustment in respect of previous periods	(3,661)	4,882
Total current tax	<u>3,740</u>	<u>20,726</u>
Deferred Tax:		
Origination and reversal of timing differences	(6,295)	(8,254)
Impact of change in tax rates	1,122	1,337
Adjustment in respect of previous periods	97	(4,011)
Total deferred tax	<u>(5,076)</u>	<u>(10,928)</u>
Tax on profit on ordinary activities	<u>(1,336)</u>	<u>9,798</u>

(b) *Reconciliation of tax on profit on ordinary activities*

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities before taxation	<u>24,265</u>	<u>48,510</u>
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20% (2015: 20.25%)	4,853	9,823
Effects of:		
Expenses not deductible for tax	6,836	1,152
Adjustment in respect of share based awards	(11,695)	(4,416)
Adjustments in respect of prior years	(3,563)	871
Effect of rate change on current year movement of deferred tax	1,111	—
Effect of rate change on opening deferred tax balance	1,122	2,368
Total tax on profits on ordinary activities	<u>(1,336)</u>	<u>9,798</u>

**8. TAXATION (continued)**

(c) *Deferred tax*

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

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Timing differences related to tangible fixed assets	18,441	15,220
Timing differences related to share based awards	6,295	4,587
Timing differences on asset retirement obligation	325	263
Timing differences in relation to pension contributions	—	106
Other timing differences	307	116
Total deferred tax asset recognized in the financial statements	<u>25,368</u>	<u>20,292</u>
		<i>£'000</i>
Deferred tax asset at 1 January 2016		20,292
Adjustment in respect of previous periods		(97)
Impact of change in tax rates		(1,122)
Origination and reversal of timing differences		6,295
Deferred tax asset at 31 December 2016		<u>25,368</u>

The main UK corporation tax rate remained at 20% throughout 2016. In his Summer Budget 2016, the Chancellor of the Exchequer announced that the UK rate of Corporation Tax will be reduced from its current rate of 20% to 19% for the year beginning 1 April 2017, and then to 17% for the year beginning 1 April 2020.

The Summer Finance Bill 2016 received Royal Assent on 15 September 2016 and therefore any deferred tax assets and liabilities existing at 31 December 2016 are measured at a rate of 17%.

During the year beginning 1 January 2017, the expected net increase in deferred tax assets is £6,646,000. This is primarily due to the reversal of existing timing differences on tangible fixed assets.

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2016

**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>Vehicles</i>	<i>Assets under Construction</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost:</i>								
1 January 2016	118,076	163,343	76,940	27,977	40,995	—	28,899	456,230
Additions	165,416	102,491	47,405	11,765	39,350	1,136	40,519	408,082
Disposals	(717)	—	(265)	(34)	—	—	—	(1,016)
31 December 2016	282,775	265,834	124,080	39,708	80,345	1,136	69,418	863,296
<i>Depreciation:</i>								
1 January 2016	23,179	64,720	49,533	21,264	8,730	—	—	167,426
Charge for the year	22,785	20,068	17,379	4,312	2,706	16	—	67,266
Disposals	(330)	—	(180)	(14)	—	—	—	(524)
31 December 2016	45,634	84,788	66,732	25,562	11,436	16	—	234,168
<i>Net book value:</i>								
1 January 2016	94,897	98,623	27,407	6,713	32,265	—	28,899	288,804
31 December 2016	237,141	181,046	57,348	14,146	68,909	1,120	69,418	629,128

Included in the above are assets held under finance leases and capitalised in leasehold buildings and office equipment with a cost of £80,905,000 (2015: £41,555,000) and accumulated depreciation of £11,807,000 (2015: £9,101,000). The net book value of assets held under finance leases is £69,098,000 (2015: £32,454,000).

**10. DEBTORS**

	2016	2015
	£'000	£'000
<i>(a) Amounts falling due within one year</i>		
Amounts owed by group undertakings	245,472	201,562
Other debtors	6,720	1,095
Corporation tax receivable	2,469	2,469
Prepayments and accrued income	39,429	19,688
	<u>294,090</u>	<u>224,814</u>
<i>(b) Amounts falling due after one year</i>		
Deferred tax asset	25,368	20,292
Prepayments and accrued income	6,561	2,966
	<u>31,929</u>	<u>23,258</u>

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

**11. CREDITORS**

	2016	2015
	£'000	£'000
<i>(a) Amounts falling due within one year</i>		
Bank overdraft	3,702	21,242
Trade creditors	203,868	109,004
Amounts owed to group undertakings	47,339	22,665
Obligations under finance leases (note 12)	3,043	1,091
Other taxation and social security	17,226	12,897
Corporation Tax Payable	7,401	—
Accruals	52,542	29,430
Deferred income - government grants (note 13)	709	1,112
	<u>335,830</u>	<u>197,441</u>
<i>(b) Amounts falling due after one year</i>		
Obligations under finance leases (note 12)	69,743	34,246
Other long term creditors - lease incentives	42,138	33,150
Deferred income - government grants (note 13)	605	1,315
	<u>112,486</u>	<u>68,711</u>

**12. OBLIGATIONS UNDER FINANCE LEASE**

Amounts due under finance lease contracts:

	2016	2015
	£'000	£'000
<i>Amounts payable:</i>		
Within one year	8,367	2,238
In two to five years	36,684	15,180
After five years	100,994	32,089
Total gross payments	<u>146,045</u>	<u>49,507</u>
Less: finance lease charges included above	<u>(73,259)</u>	<u>(14,170)</u>
	<u>72,786</u>	<u>35,337</u>
Amounts falling due within one year	3,043	1,091
Amounts falling due after one year	69,743	34,246
Total obligations under finance leases	<u>72,786</u>	<u>35,337</u>

**Amazon UK Services Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

**13. DEFERRED INCOME**

	<i>£'000</i>
At 1 January 2016	2,427
Received during the year	—
Recognised in income	(1,113)
At 31 December 2016	<u>1,314</u>

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

**14. PROVISION FOR LIABILITIES AND CHARGES**

	<i>Lease Dilapidations</i>
	<i>£'000</i>
At 1 January 2016	13,748
Provided during the year	13,589
Accretion of discount	199
At 31 December 2016	<u>27,536</u>

The provision held at 31 December 2016 is to cover estimated costs the Company may incur on exit of leasehold properties when the leases expire (see note 15).

**15. COMMITMENTS UNDER OPERATING LEASES**

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

	<i>2016</i>	<i>2015</i>
	<i>Land and buildings</i>	<i>Land and buildings</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	70,844	50,200
In one to two years	70,068	42,801
In two to five years	197,057	105,770
In over five years	232,951	102,531
	<u>570,920</u>	<u>301,302</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2016

**17. SHARE CAPITAL AND CAPITAL CONTRIBUTION RESERVE**

	2016		2015	
	No.	£	No.	£
Called up share capital				
Ordinary shares of £1 each	10,366,036	10,366,036	10,366,036	10,366,036

In November 2016, a capital contribution reserve was created to reflect a £160,000,000 investment from the Company's immediate parent company, Amazon EU Sarl. On 13 February 2017, the reserve was fully extinguished by the issue of 160,000,000 £1 bonus ordinary shares.

**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") 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 2016 and 2015, 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.

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 2016 was as follows:

	2017	2018	2019	2020	Thereafter	Total
Scheduled vesting	165,342	168,446	56,552	21,868	1,827	414,035

The weighted average share price at the date of share based award vesting was US\$704.10 (2015: US\$467.62).