

Company No: 04749640

# **Video Island Entertainment Limited**

## **Report and Financial Statements**

**31 December 2016**

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**Video Island Entertainment Limited**

**COMPANY INFORMATION**

**DIRECTORS**

Allister Byrne  
George Castro Rodriguez  
Robert Mackenzie

**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 Video Island Entertainment 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:

Allister Byrne  
George Castro Rodriguez (appointed 7 February 2017)  
Robert Mackenzie

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

**DIVIDEND**

The directors do not recommend the payment of a final dividend (2015: £nil).

During the year the Company undertook a capital and share premium reduction and converted 14,132 shares into retained earnings. The Company paid an interim dividend-in-kind on ordinary shares of £216,719k (2015: £234,000k) in the form of an assignment of a loan receivable from group undertakings and an interim cash dividend on ordinary shares of £21,000k (2015: nil).

**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



Allister Byrne  
Director

Date: 14 February 2017

**STRATEGIC REPORT**  
for the year ended 31 December 2016

**PRINCIPAL ACTIVITY**

The principal activity of the Company is that of a holding company. The company held loans receivable from group undertakings, which were settled during the year.

**GENERAL BUSINESS REVIEW**

The Company recorded interest income on loans to group undertakings of £2,050k (2015: £8,986k). These loans were settled during the year.

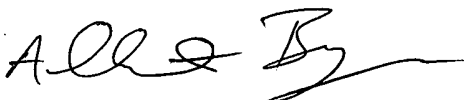
**PRINCIPAL RISKS AND UNCERTAINTIES**

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



Allister Byrne  
Director

Date: 14 February 2017

## **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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

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

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 VIDEO ISLAND ENTERTAINMENT LIMITED**

We have audited the financial statements of Video Island Entertainment 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 9. 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**

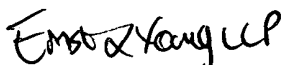
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIDEO ISLAND ENTERTAINMENT 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: 14 February 2017



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

	<i>Notes</i>	2016 £'000	2015 £'000
Administrative expenses		<u>(1)</u>	<u>(1)</u>
<b>OPERATING LOSS</b>		(1)	(1)
Interest receivable	3	<u>2,050</u>	<u>8,986</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,049	8,985
Tax on profit on ordinary activities	5	<u>—</u>	<u>(1,834)</u>
<b>PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>2,049</u></u>	<u><u>7,151</u></u>

**Video Island Entertainment Limited**

**BALANCE SHEET**  
as at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>CURRENT ASSETS</b>			
Debtors:			
amounts falling due within one year	6	1,191	487
amounts falling due after one year	6	—	238,260
		<u>1,191</u>	<u>238,747</u>
<b>CREDITORS: amounts falling due within one year</b>	7	<u>—</u>	<u>(1,886)</u>
<b>NET CURRENT ASSETS</b>		<u>1,191</u>	<u>236,861</u>
<b>NET ASSETS</b>		<u>1,191</u>	<u>236,861</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	—	14
Share premium account		—	184,375
Retained earnings		<u>1,191</u>	<u>52,472</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u>1,191</u>	<u>236,861</u>

Approved by the Board



Allister Byrne  
Director

Date: 14 February 2017

Company Number 04749640

**STATEMENT OF CHANGES IN EQUITY**  
as at 31 December 2016

	<i>Called up share capital</i> £'000	<i>Share premium</i> £'000	<i>Retained earnings</i> £'000	<i>Total share- holder's funds</i> £'000
At 1 January 2015	14	184,375	279,321	463,710
Profit for the year	—	—	7,151	7,151
Dividends (note 8)	—	—	(234,000)	(234,000)
At 31 December 2015	<u>14</u>	<u>184,375</u>	<u>52,472</u>	<u>236,861</u>
Profit for the year	—	—	2,049	2,049
Capital reduction (note 8)	(14)	(184,375)	184,389	—
Dividends (note 8)	—	—	(237,719)	(237,719)
At 31 December 2016	<u>—</u>	<u>—</u>	<u>1,191</u>	<u>1,191</u>

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

**1. ACCOUNTING POLICIES**

***Statement of compliance***

Video Island Entertainment 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 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* paragraphs 33.1A and 33.7
- The requirements of Section 11 *Basic Financial Instruments* paragraphs 11.39 to 11.48A

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 the Company made a profit as a result of the interest received on loans issued to group companies. These loans were settled in the year. The Company remains in a net asset position and is expected to continue to hold assets required to settle current and future obligations of the Company. 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.

***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.

***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 period 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 period.

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

**2. OPERATING PROFIT**

This is stated after charging:

	2016 £'000	2015 £'000
Auditor's remuneration - audit of the financial statements	<u>—</u>	<u>—</u>

The auditor's remuneration for the audit of the financial statements is borne by an affiliate company.

**3. INTEREST RECEIVABLE**

	2016 £'000	2015 £'000
Interest receivable on loans to group undertakings	<u>2,050</u>	<u>8,986</u>
	<u>2,050</u>	<u>8,986</u>

**4. DIRECTORS' EMOLUMENTS**

Directors' emoluments have been borne by the ultimate parent company, Amazon.com Inc., or one of its affiliated companies. The directors do not consider that they have received any remuneration for their services to the Company for the year ended 31 December 2016 or 2015.

**Video Island Entertainment Limited**

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

**5. TAXATION**

*(a) Tax on profit on ordinary activities*

	2016 £'000	2015 £'000
Current Tax:		
UK corporation tax	—	1,819
Adjustment in respect of previous periods	—	15
Total tax on profit on ordinary activities	<u>—</u>	<u>1,834</u>

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

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

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	<u>2,049</u>	<u>8,985</u>
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20% (2015: 20.25%)	410	1,819
Effects of:		
Adjustments in respect of prior years	—	15
Losses claimed at rates other than 20%	<u>(410)</u>	<u>—</u>
Total tax on profit on ordinary activities	<u>—</u>	<u>1,834</u>

*(c) Deferred tax*

There are no recognised or unrecognised deferred tax assets or liabilities at 31 December 2016 (2015: £nil).

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%.

There is not expected to be any reversal of deferred tax assets in the next 12 months.

**6. DEBTORS**

	2016 £'000	2015 £'000
Amounts owed by group undertakings:		
falling due in less than one year	1,191	487
falling due in more than one year	—	238,260
	<u>1,191</u>	<u>238,747</u>

**Video Island Entertainment Limited**

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

**7. CREDITORS**

*Amounts falling due within one year*

	2016 £'000	2015 £'000
Amounts owed to group undertakings	—	1,886
	<u>—</u>	<u>1,886</u>

**8. SHARE CAPITAL**

	2016 No.	£	2015 No.	£
Authorised:				
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	2016 No.	£	2015 No.	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>14,133</u>	<u>14,133</u>

During the year the Company undertook a capital and share premium reduction and converted 14,132 shares into retained earnings. The Company paid an interim dividend-in-kind on ordinary shares of £216,719k (2015: £234,000k) in the form of an assignment of a loan receivable from group undertakings and an interim cash dividend on ordinary shares of £21,000k (2015: nil).

**9. ULTIMATE PARENT COMPANY**

The immediate parent company of Video Island Entertainment Limited is LOVEFiLM International Limited, a company incorporated in the United Kingdom. The address of this company is 60 Holborn Viaduct, London EC1A 2FD, United Kingdom.

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.