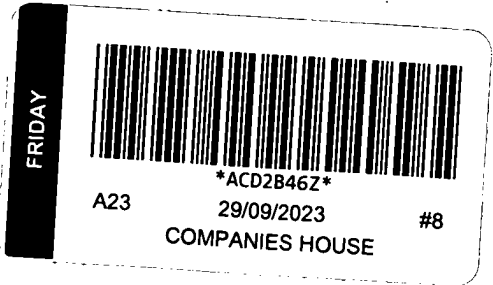


**Netflix Services UK Limited**  
London

Annual report as at and for the year ended  
31 December 2022

Registration number: 09091899



**Netflix Services UK Limited**

Company information

<b>Director:</b>	R S.Thompson
<b>Company secretary:</b>	Abogado Nominees Limited
<b>Registered office:</b>	100 New Bridge Street, London, EC4V 6JA, United Kingdom
<b>Company registration number:</b>	09091899
<b>Independent auditor:</b>	Ernst & Young LLP 1 More London Place, London SE1 2AF, United Kingdom

**Netflix Services UK Limited**  
**Contents**

Strategic report	4
Director's report	8
Director's responsibilities statement	12
Independent auditor's report	13
Financial statements	16
Statement of profit or loss and other comprehensive income	16
Balance sheet	17
Statement of changes in equity	18
Notes to the financial statements	19

## Strategic report

The Director presents their Strategic report of Netflix Services UK Limited ("the Company") for the year ended 31 December 2022.

### Principal activities

Netflix Services UK Limited is a private limited liability company. The Company is a member of the Netflix, Inc. corporate family ("Netflix"). Netflix is one of the world's leading entertainment services. The main activity of the Company is to distribute access to the Netflix service to members in the United Kingdom.

### Business review

The revenue of the Company for the year ended 31 December 2022 amounts to GBP 1,542.2 million compared with GBP 1,379.5 million in 2021, which represents an increase of 12%. This revenue composed of membership fees and reimbursement for services provided to Netflix International B.V. and Netflix, Inc. The increase in revenue is due to a larger member base, which continues to grow as Netflix becomes more popular, with a 4% growth in the average number of paid memberships and a 14% increase in average monthly revenue per paying membership.

Operating profit for the financial year ended 31 December 2022 amounts to GBP 31.6 million (2021: GBP 28.6 million), with a profit after tax amounting to GBP 26.7 million (2021: 22.7 million).

### Significant events and future developments

The Company distributed interim dividends in the amount of GBP 50 million on 12 August 2022.

On 21 December 2022 the Company prepaid a portion of its obligations under the distribution agreement with Netflix International B.V. for the annual period of 2023 in the amount of GBP 331 million in consideration for the allotment of 11,313,650 shares of nominal value GBP 1 each in the share capital of the Company.

On 21 December 2022 the Company provided an intercompany loan in the amount of GBP 155 million (EUR 178 million) to Netflix Streaming Services International B.V. (refer to note 3.2).

The business will continue to provide Netflix services to UK subscribers into the future.

### Principal risks and uncertainties

As a provider of the Netflix service in the United Kingdom and support services to Netflix, the risks and uncertainties faced by the Company are directly linked to the consolidated risks faced by the Netflix corporate family. As such, there are two principal risks that management deems applicable to the Company.

Management believes that the below risks, when combined with efforts to mitigate such risks, is within the existing risk appetite of the business.

In terms of control measures in place processes and business decisions are aimed to minimise described risks while at the same time focusing on growth.

Management does not see that the risks described below had a significant impact on the Company during the year.

*If our members were to terminate their subscriptions to the Netflix service, our business would be adversely affected.*

*If our distribution agreement with Netflix International B.V. were to be terminated or modified, our business may be adversely affected.*

The Company is reliant on Netflix International B.V. to appoint it as a distributor to provide members with access to the service. If Netflix International B.V. and Netflix, Inc. were to determine that a reorganisation of our corporate structure was in the best interest of the wider business, and they were to terminate or substantially modify the terms of our agreement, they would be able to execute on this as they have control of the Company. Our business may be unable to generate revenue, and our business may be adversely affected.

## Netflix Services UK Limited

### Strategic report (continued)

More information about the principal risks and uncertainties facing by the Netflix corporate family are included in Netflix Inc.'s filings with the U.S. Securities and Exchange Commission, including Annual Report and Form 10-K for the year ended 31 December 2022, and subsequent filings. There are no identified material adverse impact to the Company resulting from climate risks.

#### SECTION 172 (1) Statement

The Director is cognisant of his duties under the Companies Act 2006, and throughout the year he has acted in the way that he considers, in good faith, will be most likely to promote the long-term success of the Company. The Director has had regard to the matters set out in s.172(1)(a)-(f) of the Companies Act. The below paragraphs describe how the Director has specifically considered the matters set out in s.172:

*(a) The likely consequences of any decision in the long term:*

Netflix operates globally and our unique culture gives teams the freedom and responsibility to make decisions with confidence. As such, direction and decision-making are decentralised allowing the business to move fast. The Director has regard to how the likely long-term consequences of any decision will impact the Company's key stakeholders being its employees, other Netflix Group companies (the 'Netflix Group'), shareholders, the community, environment and suppliers.

*(b) The interests of the Company's employees:*

We share information openly, broadly and deliberately. Employees are regularly informed and consulted during the year through group-wide 'Town Halls,' leadership staff memos, various functional sessions and other briefings, which include a Q&A component.

Employee Resource Groups are vital in creating an inclusive environment for all employees, specifically those from historically underrepresented and/or marginalised communities. We have numerous active ERGs including: The Village (Parents and caregivers group), Pride ERG (LGBTQIA+ group), Black@Netflix, Women@Netflix, Mental Health ERG in addition to others, each of which has contributed to employee wellbeing and making Netflix a more inclusive place to work.

Between 1 Jan - 31 Dec 2022 we provided various employee engagement events and resources, such as: unlimited access to mindfulness and meditation content, behavioural health coaching available 24/7 to help guide members on how to reduce stress, reach goals and feel supported, support and vouchers for carers, short-term counselling/ crisis support through our Employee Assistance Program, coffee & chat sessions where members can drop in to discuss various topics in a safer space.

*Inclusion Inside Netflix*

Our members come from many different countries and cultures and to entertain them we need a workplace that's equally diverse. The success of our culture depends on our ability to work together as a dream team. Hence, we are intentional about fostering a sense of inclusivity within our teams. From the timing of our virtual calls to the ways that we collaborate on documents and memos, every aspect of our team experience can be used to cultivate a sense of inclusion for the people on our teams. This is especially important as our organisation becomes larger and more diverse in terms of identities, locations, languages, roles, professional backgrounds, ways of working...etc.

We are increasing representation by leveraging the work of our inclusion recruiting programmes team. They train recruiters on how to hire more inclusively, help the Company and senior leaders diversify their networks, and equip those who influence hiring decisions with tools to fight biases in themselves and those they work with.

There is always more work to do to increase representation of historically marginalised groups, though. While increasing representation is important, it's only part of the work. So we continue to build an inclusive workplace where everyone can thrive. The strategy we laid out in our first inclusion report remains the same.

First, we're improving our culture of inclusion and belonging. This past year, we:

- Conducted our annual compensation review to ensure pay equity across the Company,

## Netflix Services UK Limited

### Strategic report (continued)

- Progressed inclusions trainings across all our offices, most recently launching an internal leadership initiative on how to lead inclusively,
- Continued offering inclusive benefits, including gender-inclusive parental leave and family-forming support for employees regardless of marital status, gender, or sexual orientation, and supported our growing employee resource group programme around the world.

#### *(c) The need to foster the Company's business relationships with suppliers and customers*

The Company is a distributor of access to the Netflix service in the United Kingdom and also provides support services to other companies in the Netflix Group.

In line with the Group's decentralised approach, authority for operational decision making is delegated to management on a day-to-day basis. Management builds and develops relationships with suppliers and other key stakeholders by maintaining communication and good practice based on the Netflix Group code of ethics (available here: <https://ir.netflix.net/governance>) and the Netflix Supplier Code of Conduct (available here: <https://netflix.com/supplier-code-of-conduct>).

#### *(d) Community engagement and the impact of the Company's operations on the environment*

At Netflix, we support our employees to make an impact by giving them the freedom to choose an organisation that is important to them and double matching their contributions through our Employee Giving Programme.

We are committed to investing in the UK creative industry by playing a leading role in bridging the skills gap, upskilling the UK creative community, and improving diversity head-on. The Grow Creative Initiative was started toward the end of 2019, and Netflix is now investing GBP 1.2 million a year in a training programme for the screen sector that will help develop and support the careers and training of up to 1,000 people across the UK through our own productions, our partners and educational institutions. Grow Creative UK's focus is on upskilling below-the-line new and emerging British talent, especially those from diverse backgrounds. The programme forms part of Netflix's long term ambition to provide the most impactful training opportunities across High End TV and Film in the UK.

We are also developing a more inclusive pipeline of upcoming creatives across the entire production process and creating additional opportunities for diverse emerging talent and underrepresented stories and voices, through initiatives like our Documentary Talent Fund and the Netflix Screenwriters Fellowship.

Globally, Netflix also focuses its efforts in this sphere through the Fund for Creative Equity, a five year programme, to invest USD 100 million to help build new opportunities for underrepresented communities within entertainment. Through the fund, Netflix supports external organisations committed to creating equitable opportunities in the TV and film industries, as well as bespoke Netflix programs that help us to identify, train and provide job placement for up-and-coming talent globally.

The Company reports the environmental impact of its business in the United Kingdom through its streamlined energy and carbon reporting ("SECR"). This report is available in full in the Director's Report.

#### *(e) The desirability of the Company's maintaining a reputation for high standards of business conduct:*

We are committed to managing our business ethically and with integrity. Our Code of Ethics sets out our expectations for conduct among our employees and Board members. We encourage reporting of breaches of our Code or any unethical or inappropriate conduct to our Chief Legal Officer or, in the case of misconduct by a senior financial officer, to the Chair of our Audit Committee. We also provide access to a third-party operated service where reports of misconduct can be made confidentially and, if desired, anonymously, 24 hours a day, seven days a week, 365 days a year in local languages. Reports made through this service are elevated and investigated until they are resolved, and updates are provided annually to the Audit Committee.

As part of our commitment to managing our business ethically and with integrity, we seek to identify and mitigate risks that could lead to potential legal and/or regulatory violations. Our Global Anti-Corruption Policy requires our employees and contractors to abide by global anti-corruption and anti-bribery laws. We provide regular training on compliance with this policy, in addition to conducting regular and ongoing risk assessments. A copy of our practices and policies, which includes the Global Anti-Corruption Policy and Code of Ethics, has been translated into numerous languages and remains available to all employees throughout their employment with us. Other areas of

## Netflix Services UK Limited

### Strategic report (continued)

focus include commitments to compliance with applicable government mandated sanctions regimes (with leadership provided by a designated Sanctions Compliance Officer) as well as human rights legislation (e.g. UK Modern Slavery Act).

*(f) The need to act fairly as between members of the Company:*

The Company is a wholly owned subsidiary within the Netflix Group, with Netflix, Inc. being the ultimate parent company. All interactions with other Group companies are governed by established intercompany arrangements.

### Analysis of financial key performance indicators

The Company's primary financial metrics are revenue for growth, and operating margin for profitability. Revenue for the year ended 31 December 2022 amounts to GBP 1,542.2 million (GBP 1,379.5 million in 2021). Our goal is to accelerate revenue growth and expand our operating margin. More information is included in Netflix Inc.'s filings with the U.S. Securities and Exchange Commission, including Annual Report and Form 10-K for the year ended 31 December 2022, and subsequent filings.

This report was approved by the board on 18 September 2023 and signed on its behalf.

DocuSigned by:  
  
097730CC80A84F7...  
R S Thompson  
Director

## Director's report

The Director presents their report and the audited financial statements of Netflix Services UK Limited ("the Company") for the year ended 31 December 2022.

### Principal activities

The principal activities section can be found in the Strategic report.

### Business review and future developments

The business review and future developments section can be found in the Strategic report.

### Results and dividends

The profit for the year after taxation amounted to GBP 26.7 million (2021: GBP 22.7 million). The Director recommends the payment of a dividend for the year of GBP 35 million (2021: GBP nil).

### Charitable and political donations

The Company made charitable donations to various charities during the year which amounted to GBP 160 thousand (2021: GBP 484 thousand). No donations were made to political parties (2021: GBP nil).

### Subsequent events

On 18 May 2023 Netflix Streaming Services International B.V. paid back an intercompany loan in amount of EUR 178 million including interest accrued to the Company.

On 28 June 2023 the Company distributed interim dividends in the amount of GBP 35 million.

No other events after the reporting period have occurred that are deemed material to the users of these financial statements.

### Going concern

The financial statements disclose all matters relevant to the Company's ability to continue as a going concern including all significant conditions and events. The Director of the Company has considered the forecasts of the business for a period of 12 months from the date of signing these financial statements and considers it to be a going concern. Netflix, Inc. has agreed to support the Company for a period of at least 12 months from the date of signing of these financial statements, and the Director of the Company is satisfied that Netflix, Inc. is in a position to meet this commitment if required.

### Streamlined energy and carbon reporting

To entertain the world, we need a habitable planet to entertain. We are working to meet our climate commitments by making our operations more sustainable, including behind the camera in our productions, and to support creators who want to highlight sustainability on screen.

In March of 2021, we set two near-term global climate targets:

1. Science-based emissions reduction target: Reduce absolute Scope 1 and 2 emissions by 46% by 2030, as validated by the Science Based Targets Initiative (SBTi);
2. Net Zero Target: Bring our remaining net emissions from 2022 onwards to zero, in support of global net zero goals, by investing in nature-based solutions that retain and capture carbon.

To meet these objectives we are focused on four key levers:

1. Energy Efficiency: Identifying cost-effective efficiency improvements for energy used in our offices and studios;



## Netflix Services UK Limited

### Director's report (continued)

2. Vehicle Electrification: Transitioning from vehicles that use fossil fuels to fully electric and/or hydrogen powered alternatives;
3. Clean Mobile Power: Using alternatives to diesel generators on productions; and
4. Renewable Energy: Using renewable electricity and fuels.

We approach these four levers using an OED framework — i.e., optimizing energy use first, then electrifying where possible, and decarbonizing the rest.

**Optimize (O):** We are conducting energy efficiency audits, including for our stages, studios and offices, so we can optimize vehicle fleet operations, right-size vehicles and mobile power and give preference to more efficient equipment.

**Electrify (E):** We are working to electrify the equipment that uses the most fuel, like vehicles, buildings and generators. Where available, we use electric motors, which are more efficient and because electricity is more easily decarbonized. We've successfully piloted the use of mobile batteries and hydrogen-battery powered generators in lieu of fossil-fuel powered generators in our productions. And we are also replacing fossil-fuel vehicles with electric, plug-in hybrid and hybrid vehicles.

**Decarbonize (D):** When optimization and electrification aren't possible, we decarbonize the remaining emissions by installing and purchasing renewable energy. This means matching renewable electricity to any grid-connected power that isn't carbon-free and shifting to lower-carbon or zero-carbon fuel options when that isn't possible. Last year, we procured renewable electricity to match our global electricity demand and we're exploring more direct investments.

Each year, we continually develop and further refine our 2030 science-based emissions reduction target transition strategy.

To supplement our decarbonization work, we delivered on our promise to net all remaining emissions to zero, across all three scopes, in 2022. We did this by investing in nature to retain and remove carbon (nature-based carbon credits) and match remaining electricity use to like-for-like renewable energy credits. Our 2022 carbon credit portfolio spans four continents, six countries, and 25+ on-the-ground partners, with 100% third-party certification for carbon measurement. Netflix does extensive due diligence before including a project in our portfolio, using a rigorous five step evaluation process to select the highest quality credits, all of which need to demonstrate their value beyond the carbon, including social impact, community and biodiversity benefits. Nature-based projects make up 64% of our portfolio because of their ecosystem benefits and potential to bring economic value to the region, including indigenous people or those disproportionately affected by climate change.

In the year to 31 December 2022, Netflix Services UK Limited falls under the scope of the UK Streamlined Energy and Carbon Reporting (SECR) framework. Below we have disclosed our energy and emissions data:

# Netflix Services UK Limited

## Director's report (continued)

	Year ended 31 December 2022	Year ended 31 December 2021
Energy consumption used to calculate emission (kWh)	2,901,299	1,455,199
Emissions from activities for which the Company own or control including combustion of fuel and operation of facilities - Scope 1 (tCO <sub>2</sub> e)	133	32
Emissions from purchase of electricity, heat, steam and cooling purchased from own use - Scope 2 (tCO <sub>2</sub> e) - location based	455	275
Emissions from purchase of electricity, heat, steam and cooling purchased from own use - Scope 2 (tCO <sub>2</sub> e) - market based	Nil	Nil
<b>Total gross Scope 1 &amp; Scope 2 emissions (tCO<sub>2</sub>e)</b>	<b>588</b>	<b>307</b>
<b>Intensity ratio: Total gross Scope 1 &amp; Scope 2 emissions (tCO<sub>2</sub>e) / revenue in GBP million</b>	<b>0.38</b>	<b>0.22</b>

### Methodology applied

Netflix's GHG emissions reporting is consistent with the operational control approach as set out by the GHG Protocol Corporate Accounting and Reporting Standard: Revised Edition (2004).

The methodology applied to estimate annual carbon footprint totals for both market-based and location-based emissions are the accounting methods as defined by the GHG Protocol Scope 2 Guidance. The location-based figures are calculated based on the emissions intensity of the locations where the electricity consumption occurs. A market-based method incorporates electricity procurement decisions that companies have chosen, such as provider-specific electricity supply and contractual instruments such as renewable energy certificates (RECs).

The organizational and operational boundary applies to Netflix Services UK Limited as well as owned and controlled corporate assets and administrative facilities, and leased facilities which are operationally controlled by Netflix through its leasing agreements.

The operational control approach best reflects Netflix's ability to direct operational policies and therefore generate emission reductions (as well as obtain access to accurate and reliable data).

Increase year over year is caused by moving to the new office building in London in April 2022.

### Emission Reduction Activities

Netflix operates a global sustainability programme. For the purpose of this section of the report we have summarised key initiatives related to Netflix Services UK:

- Netflix is a member of the albert Directorate and Consortium, which supports the global Film and TV industry to reduce the environmental impacts of production and to create content that supports a vision for a sustainable future. Netflix participates in the albert certification scheme for both our self-managed and partner-managed shows.
- Netflix actively partners with the entertainment industry to empower the industry to create content that supports a vision for a sustainable future through BAFTA and albert.
- Netflix has committed globally to a Science-Based Target of 46% reduction below 2019 levels across scopes 1 and 2 by 2030 and is implementing the purchase of renewable energy and fuels across its key markets, including the U.K.
- We maintain BREEAM compliance at our facilities.

## Netflix Services UK Limited

### Director's report (continued)

Further information on our sustainability progress can be found in our 2022 Environmental, Social and Governance (ESG) Report on our investor relations website at <https://ir.netflix.net/governance/ESG>.

#### Disclosure of information to the auditor

So far as the Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. The Director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### Director

The Director who served during the year was:

R S Thompson

#### Qualifying third party indemnity provisions

Netflix, Inc. has granted an indemnity to the Director of the Company against liability in respect of court proceedings brought by third-parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Director's report.

This report was approved by the board on 18 September 2023 and signed on its behalf.

DocuSigned by:  
  
097730CC80AB4F7...  
R S Thompson  
Director

## **Netflix Services UK Limited**

### **Director's responsibilities statement**

The Director is responsible for preparing the Strategic report, Director's report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Director to prepare financial statements for each financial period. Under that law the Director has elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under company law the Director must not approve the financial statements unless he is 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 the financial statements the Director is required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 enable him to ensure that the financial statements comply with the Companies Act 2006. The Director is 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.

Under applicable law and regulations, the Director is also responsible for preparing a Strategic report and Director's report that comply with that law and those regulations. The Director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

## **Netflix Services UK Limited**

### **Independent auditor's report**

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

##### **Opinion**

We have audited the financial statements of Netflix Services UK Limited for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 4, 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 FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 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. 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**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when these financial statements were authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Netflix Services UK Limited**

### **Independent auditor's report**

#### **Opinions 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or director's report.

We have nothing to report in respect of the following matters in relation to which 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement set out on page 12, the director is 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 director determines 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 director is 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 director 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.

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

## Netflix Services UK Limited

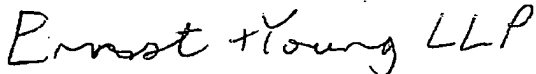
### Independent auditor's report

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax legislation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, employees, data protection, and anti-bribery and corruption.
- We understood how Netflix Services UK Limited is complying with those frameworks by making enquiries of management. We determined whether there were deficiencies within the company's control environment, including entity level controls such as those relating to ethical behaviour and fraud prevention and deterrence, through observations during our audit procedures, review of the workpapers and discussions with the auditor of the company's ultimate parent, Netflix Inc. We read correspondence with relevant authorities.
- We read board minutes to identify any non-compliance with laws and regulations, and we read significant contracts and agreements impacting the company in the financial year.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We designed and performed audit procedures to ensure that revenue was recognised in line with our expectations which were based on subscriber data and price point data.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria.

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.



Louise Pennell (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

19 September 2023

**Netflix Services UK Limited****Financial statements****Statement of comprehensive income**

For the year ended 31 December  
(In thousand GBP)

		2022	2021
	Note		
Revenue	2.1	1,542,177	1,379,473
Cost of providing services	2.2	(1,369,749)	(1,240,949)
<b>Gross profit</b>		<b>172,428</b>	<b>138,524</b>
Marketing expenses		(59,332)	(47,307)
General and administrative expenses	2.3	(81,505)	(62,625)
<b>Operating profit</b>		<b>31,591</b>	<b>28,592</b>
Finance income		3,734	—
Finance costs		(1,207)	(700)
<b>Finance costs - net</b>		<b>2,527</b>	<b>(700)</b>
<b>Profit before income tax</b>		<b>34,118</b>	<b>27,892</b>
Income tax expense	2.4	(7,462)	(5,187)
<b>Profit for the year</b>		<b>26,656</b>	<b>22,705</b>
<b>Other comprehensive income for the year</b>			
Deferred and current tax		(907)	478
<b>Total other comprehensive income for the year</b>		<b>(907)</b>	<b>478</b>
<b>Total comprehensive income for the year</b>		<b>25,749</b>	<b>23,183</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



# Netflix Services UK Limited

## Financial statements

### Balance sheet

For the years ended 31 December  
(In thousand GBP)

	Note	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	35,439	144,917
Trade and other receivables	3.2	455,697	60,929
Current tax receivables		4,113	3,791
<b>Total current assets</b>		<b>495,249</b>	<b>209,637</b>
<b>Non-current assets</b>			
Property, plant and equipment	3.3	29,914	22,915
Right-of-use leased assets	3.4	29,926	43,432
Other assets		706	2,007
<b>Total non-current assets</b>		<b>60,546</b>	<b>68,354</b>
<b>Total assets</b>		<b>555,795</b>	<b>277,991</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	3.5	144,990	166,649
Lease and other liabilities		8,399	11,656
<b>Total current liabilities</b>		<b>153,389</b>	<b>178,305</b>
<b>Non-current liabilities</b>			
Lease and other liabilities		34,724	38,753
<b>Total non-current liabilities</b>		<b>34,724</b>	<b>38,753</b>
<b>Total liabilities</b>		<b>188,113</b>	<b>217,058</b>
<b>Equity</b>			
Share capital	4.2	26,814	15,500
Share premium		319,686	—
Translation reserve		810	810
Retained earnings		20,372	44,623
<b>Total equity</b>		<b>367,682</b>	<b>60,933</b>
<b>Total equity and liabilities</b>		<b>555,795</b>	<b>277,991</b>

The financial statements on pages 16 to 31 were approved and signed on 18 September 2023 by:

DocuSigned by:  
  
 097730CC80AB4F7...  
 R S Thompson  
 Director

The above balance sheet should be read in conjunction with the accompanying notes.

**Netflix Services UK Limited**

## Financial statements

**Statement of changes in equity**

For the year ended 31 December

(In thousand GBP)

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
<b>1 January 2022</b>	<b>15,500</b>	<b>—</b>	<b>810</b>	<b>44,623</b>	<b>60,933</b>
Issuance of share capital	11,314	319,686	—	—	331,000
Profit for the year	—	—	—	26,656	26,656
Deferred tax	—	—	—	(907)	(907)
Dividends	—	—	—	(50,000)	(50,000)
<b>31 December 2022</b>	<b>26,814</b>	<b>319,686</b>	<b>810</b>	<b>20,372</b>	<b>367,682</b>
<b>1 January 2021</b>	<b>15,500</b>	<b>—</b>	<b>783</b>	<b>21,440</b>	<b>37,723</b>
Issuance of share capital	—	—	—	—	—
Translation	—	—	27	—	27
Profit for the year	—	—	—	22,705	22,705
Deferred tax	—	—	—	478	478
<b>31 December 2021</b>	<b>15,500</b>	<b>—</b>	<b>810</b>	<b>44,623</b>	<b>60,933</b>

On 12 August 2022 the Company distributed interim dividends in the amount of GBP 50 million to the immediate parent company Netflix Services Holdings B.V.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Notes to the financial statements

**1 About this report****1.1 General information****1.1.1 Activities**

Netflix Services UK Limited ('the Company') is a private limited liability company. The Company is part of the Netflix group, one of the world's leading entertainment services. The main activity of the Company is to distribute access to the Netflix service to members in the United Kingdom.

Netflix Services Holdings B.V. and Netflix International B.V. are the immediate parents of the Company and the ultimate parent of the Company is Netflix, Inc. The registered office of Netflix Services Holdings B.V. and Netflix International B.V. is located at Karperstraat 10, 1075 KZ Amsterdam, the Netherlands. The registered office of Netflix, Inc. is located at 121 Albright Way, Los Gatos, California 95032, United States of America and the consolidated financial statements are available at this address.

The Company is incorporated in England and Wales, and has its registered office at 100 New Bridge Street, London, EC4V 6JA, United Kingdom. The registered number Companies House is 09091899.

The Company's financial year covers the period from 1 January through 31 December of each year.

**1.1.2 Going concern assumption**

These financial statements disclose all matters relevant to the Company's ability to continue as a going concern, including all significant conditions and events. Netflix, Inc. has agreed to support the Company for a period of 12 months from the date of signing of these financial statements, and the Director of the Company is satisfied that Netflix, Inc. is in a position to meet this commitment if required. As such, the Director the Company considers the business to be a going concern.

**1.1.3 Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the statutory provisions of the Companies Act 2006 ('the Act'). They were authorised for issue by the Director of the Company on 18 September 2023.

The Company is a qualifying entity for the purposes of FRS 101. The smallest group in which the results of the Company are consolidated is Netflix International Holdings B.V. The consolidated financial statements of this group may be obtained from Netflix International Holdings B.V., Karperstraat 10, 1075 KZ Amsterdam, the Netherlands. The largest group in which the results of the Company are consolidated is Netflix, Inc.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2, 'Share based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of:
  - The following paragraphs of IAS 1, 'Presentation of financial statements';
    - 10(d), (statement of cash flows);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B to D (additional comparative information);
    - 79(a)(iv) (share reconciliation);

## **Netflix Services UK Limited**

### **Notes to the financial statements (continued)**

- 111 (cash flow statement information); and
- 134 to 136 (capital management disclosures); and
- paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures', and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- disclosure of information in relation to new standards not yet applied and
- disclosures in respect of capital management.

Details of the Company's accounting policies are included within the relevant note where applicable, or disclosed in Note 4.5.

#### **1.1.4 Basis of measurement**

These financial statements have been prepared on a historical cost basis, unless otherwise stated.

#### **1.1.5 Functional and presentational currency**

These financial statements are presented in pound sterling (GBP) which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

#### **1.1.6 Current or non-current classification**

Current assets include assets that are consumed or realised as part of the normal operating cycle, being 12 months, other assets are classified as non-current. Current liabilities include all liabilities unless the Company has a contractual or unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **1.2 Critical accounting estimates and judgements**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies, accompanying notes and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Details of the judgements and estimates made are included in the following notes:

- Note 2.1 Revenue from contracts with customers
- Note 2.2 Cost of providing services
- Note 2.3.3 Share based payments

## Netflix Services UK Limited

### Notes to the financial statements (continued)

## 2 Business performance

### 2.1 Revenue from contracts with customers

	2022	2021
Revenue from streaming	1,508,033	1,364,508
Revenue from services rendered	34,144	14,965
	<b>1,542,177</b>	<b>1,379,473</b>

The Company is a distributor of access to the Netflix service and recognises revenue generated from members in the United Kingdom. The Company continues to recognise some service revenue for providing support services to related parties.

#### i. Principal versus agent

The Company acts as a distributor of access to the Netflix Service, contracting directly with members in the United Kingdom. The Company controls the provision of access to the Netflix Service before access is provided to the member. Netflix International B.V. has appointed the Company to provide access to the Netflix Service per a distribution agreement. These factors indicate that the entity is acting as a principal to the transactions for the purposes of IFRS 15 - Revenue from contracts with customers. Determining whether the Company is a principal or agent requires judgment and management has concluded that, based on the above, the entity is principal in all transactions with its members. As such, revenues are disclosed on a gross basis in the statement of comprehensive income. There are no significant estimates made in the recognition of revenue.

#### ii. Revenue recognition

The Company recognises revenue from contracts with customers when services have been provided, can be reliably estimated and when it is probable that the consideration will be received.

The Company's primary source of revenue is monthly membership fees. Members are billed in advance of the start of their monthly membership and revenues are recognised ratably over each monthly membership period. Revenues are presented net of the taxes that are collected from members and remitted to governmental authorities. Deferred revenue consists of membership fees billed that have not been recognised and gift cards and other prepaid memberships that have not been redeemed, refer to note 3.5.

The Company is the principal in all its relationships where partners (e.g. internet service providers) provide access to the service as the Company retains control over service delivery to its members. Typically, payments made to the partners, such as for marketing, are expensed. However, if there is no distinct service provided in exchange for the payments made to the partners or if the price that the member pays is established by the partners and there is no standalone price for the Netflix service (for instance, in a bundle), these payments are recognised as a reduction of revenues.

### 2.2 Cost of providing services

	2022	2021
Distribution fees to Netflix Group Companies	1,365,972	1,237,490
Other expenses	3,777	3,459
	<b>1,369,749</b>	<b>1,240,949</b>

#### Distribution fee to Netflix Group Companies

The Company acts as a distributor of access to the Netflix Service in the UK per a distribution agreement with Netflix International B.V. A distribution fee is paid by the Company under this agreement, and the operating margin

## Netflix Services UK Limited

### Notes to the financial statements (continued)

retained by the Company is an arm's length return in accordance with the Netflix Group's transfer pricing policy. No significant balances were long outstanding at year end.

#### 2.3 General and administrative expenses

	Note	2022	2021
Employee benefits		54,203	37,049
Depreciation and amortisation	3.3	4,829	1,632
Lease expenses	3.4	10,074	13,713
Payment service providers fees		9,209	9,188
Other expenses		19,751	16,462
Recharges to Netflix group companies		(16,561)	(15,419)
		<b>81,505</b>	<b>62,625</b>

##### 2.3.1 Employee benefits

	2022	2021
Salaries and wages	41,834	29,249
Social security contributions	5,478	3,914
Pension contributions	1,819	1,349
Stock-based compensation	3,177	1,902
Other personnel expenses	1,895	635
	<b>54,203</b>	<b>37,049</b>

No Director's remuneration was paid or payable during the year (2021: nil) for services provided to the Company.

The Director's remuneration has been borne by the ultimate parent company, Netflix, Inc. or one of its affiliate companies with no recharge to the Company.

The Director does not believe that it is practicable to apportion his remuneration for qualifying services to the Company for the year ended 31 December 2022.

The Company has a defined contribution plan and pension contributions are paid as part of monthly payroll.

##### 2.3.2 Average number of employees

During the year, the average number of employees calculated on a full-time-equivalent basis was 202 (2021: 153).

##### 2.3.3 Share based payments

The Company employees have the option to participate in a share-option plan. The ultimate parent company Netflix, Inc. generally provides fully vested non-qualified share options, and grants these to employees on a monthly basis. The options generally remain exercisable for a period of ten years from grant date, regardless of employment status. Each option is convertible into one ordinary share. Options granted under the plan carry no dividend or voting rights.

The options granted by Netflix, Inc. to the Company's employees are accounted for as equity-settled share-based compensation transactions since the Company has no obligation to settle the transactions. The fair value of the equity-settled options is determined at the grant date and is expensed, with a corresponding amount recognised in

## Netflix Services UK Limited

### Notes to the financial statements (continued)

equity as a capital contribution. On grant date, the Company receives a recharge from Netflix, Inc. for the fair value of the options, the recharge is recognised in the same period as the expense.

For share options exercised during the year, the weighted-average share price at the date of exercise was \$325.64 (2021: \$655.10). The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Netflix, Inc. closing share price on the last trading day of 2022 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last trading day of 2022.

The weighted average remaining contract life was 5.01 years.

The total charge for the year relating to employee share based payment plans was GBP 3.2 million (2021: GBP 1.9 million).

#### 2.4 Income tax expense

	2022	2021
<b>Current tax expense</b>		
Current year	6,953	5,783
Adjustments for prior years	(893)	(147)
	<b>6,060</b>	<b>5,636</b>
<b>Deferred tax expense</b>		
Deferred tax assets	389	(449)
Deferred tax liabilities	1,013	—
<b>Total income tax expense</b>	<b>7,462</b>	<b>5,187</b>
<b>Tax recognised in equity</b>		
Deferred tax assets	(907)	478
	<b>(907)</b>	<b>478</b>

The tax on the profit before tax differs from the statutory amount that would arise using the tax rate applicable to profits of the Company as follows:

	2022	2021
Profit before tax	34,118	27,892
<b>Income tax using the domestic tax rate</b>	<b>6,482</b>	<b>5,299</b>
Change in income tax due to:		
Adjustments for prior years	51	(48)
Effects of changes in tax rates	110	(206)
Effects of changes in foreign exchange	—	(86)
Other permanent differences	819	228
<b>Income tax expense</b>	<b>7,462</b>	<b>5,187</b>
Effective tax rate	22 %	19 %
Applicable tax rate	19 %	19 %

**Netflix Services UK Limited**

## Notes to the financial statements (continued)

The movement and composition of deferred tax assets and liabilities is as follows:

	2022	2021
<b>Opening as at 1 January</b>	1,939	1,011
Increase/(decrease) in deferred tax assets	(1,354)	851
(Increase)/decrease in deferred tax liabilities	(955)	77
<b>Closing as at 31 December</b>	<b>(370)</b>	<b>1,939</b>
Share based payments	585	1,881
Fixed assets	(955)	58
	<b>(370)</b>	<b>1,939</b>

i. Corporate income tax

The income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax assets and tax liabilities are offset only if certain criteria are met.

ii. Changes in tax rates

At the Spring Budget 2021 announcements on 3 March 2021, the UK government announced that the UK's main corporation tax rate will increase to 25% effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end.



**Netflix Services UK Limited**  
Notes to the financial statements (continued)

**3 Operating assets and liabilities**

**3.1 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, bank overdrafts.

All cash and cash equivalents are at the Company's free disposal.

**3.2 Trade and other receivables**

	2022	2021
Trade receivables	76,917	44,425
Due from affiliated companies	348,268	5,598
Prepaid expenses	1,451	2,332
Value-added tax	15,041	8,323
Other receivables	14,020	251
	<b>455,697</b>	<b>60,929</b>

Trade and other receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment when applicable.

The amounts due from affiliated companies includes GBP 157,995,489 (2021: nil) relating to a loan which is unsecured, repayable within 1 year and bears interest at 3.27%. The remaining receivables due from affiliated companies are unsecured. They bear no interest, are short-term in nature and are periodically settled. Transactions with group companies are concluded under normal market conditions.

# Netflix Services UK Limited

## Notes to the financial statements (continued)

### 3.3 Property, plant and equipment

	Leasehold Improvements	Computer equipment	Office equipment, fixtures and fittings	Total
<b>Opening net book value as at 1 January 2022</b>	<b>21,980</b>	<b>796</b>	<b>139</b>	<b>22,915</b>
Additions	5,181	5,363	2,257	12,801
Disposals	(2,372)	(69)	—	(2,441)
Depreciation for the year	(2,747)	(1,469)	(613)	(4,829)
Depreciation of disposal	1,457	11	—	1,468
<b>Closing net book value</b>	<b>23,499</b>	<b>4,632</b>	<b>1,783</b>	<b>29,914</b>
<b>Cost</b>	<b>26,873</b>	<b>7,530</b>	<b>3,134</b>	<b>37,537</b>
<b>Accumulated impairments and depreciation</b>	<b>(3,374)</b>	<b>(2,898)</b>	<b>(1,351)</b>	<b>(7,623)</b>
<b>Closing net book value as at 31 December 2022</b>	<b>23,499</b>	<b>4,632</b>	<b>1,783</b>	<b>29,914</b>
<b>Opening net book value as at 1 January 2021</b>	<b>3,412</b>	<b>900</b>	<b>384</b>	<b>4,696</b>
Additions	19,209	642	—	19,851
Depreciation for the year	(641)	(746)	(245)	(1,632)
<b>Closing net book value as at 31 December 2021</b>	<b>21,980</b>	<b>796</b>	<b>139</b>	<b>22,915</b>
<b>Cost</b>	<b>24,064</b>	<b>2,236</b>	<b>877</b>	<b>27,177</b>
<b>Accumulated impairments and depreciation</b>	<b>(2,084)</b>	<b>(1,440)</b>	<b>(738)</b>	<b>(4,262)</b>
<b>Closing net book value as at 31 December 2021</b>	<b>21,980</b>	<b>796</b>	<b>139</b>	<b>22,915</b>

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

Leasehold improvements	shorter of lease term and 5 year useful life
Computer equipment	3 year useful life
Machinery & equipment	3-5 years useful life
Office equipment, fixtures and fittings	3 year useful life

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Netflix Services UK Limited

### Notes to the financial statements (continued)

#### 3.4 Right-of-use leased assets

The Company predominantly leases office space, other leases are not of a material value. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for these leases on the balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of office space the Company has elected not to separate non-lease components, and instead accounts for these as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (less than 12 months). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *Subleases*

When the Company is a sub-lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

## Netflix Services UK Limited

### Notes to the financial statements (continued)

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

The Company does not act as a lessor except in the situation of a sub-lease of office space.

The movement in the right-of-use assets during the year was as follows:

	2022	2021
<b>Opening net book value as at 1 January</b>	43,432	50,929
Additions	1,790	6,216
Disposals	(25,243)	—
Accumulated depreciation of disposals	20,021	—
Depreciation for the year	(10,074)	(13,713)
<b>Closing net book value</b>	<b>29,926</b>	<b>43,432</b>
 Cost	 46,192	 69,645
Accumulated impairments and depreciation	(16,266)	(26,213)
<b>Closing net book value as at 31 December</b>	<b>29,926</b>	<b>43,432</b>

The amounts recognised in the profit or loss in relation to leases were as follows:

	2022	2021
Interest on lease liabilities	739	837

### 3.5 Trade and other payables

	2022	2021
Trade payables	13,625	17,872
Due to affiliated companies	9,513	33,609
Value-added tax	51,524	46,805
Deferred revenue	50,520	49,683
Other liabilities and accrued expenses	19,808	18,680
	<b>144,990</b>	<b>166,649</b>

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

The payables due to Netflix Group companies are unsecured, they bear no interest, are short-term in nature and are periodically settled.

Deferred revenue consists of membership fees billed that have not been recognised, as well as gift and other prepaid memberships that have not been fully redeemed. As of year end, total deferred revenue was GBP 50,520 thousand (2021: GBP 49,683 thousand), the vast majority of which was related to monthly membership fees billed that are expected to be recognised as revenue within the next month, which is consistent with the timing of recognition of the deferred revenue balance in the last financial year. The remaining deferred revenue balance,

**Netflix Services UK Limited**  
Notes to the financial statements (continued)

which is related to other prepaid memberships, will be recognised as revenue over the period of service after redemption, which is expected to occur over the next 12 months.

**Netflix Services UK Limited**

Notes to the financial statements (continued)

**4 Other**

**4.1 Fair value estimation**

Cash and cash equivalents, trade and other receivables, and trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

**4.2 Equity**

The authorised share capital of the Company is unlimited. The issued share capital of the Company of GBP 26,813,750 is divided into 26,813,750 ordinary shares with a par value of GBP 1 each fully paid.

On 21 December 2022 the Company prepaid a portion of its obligations under the distribution agreement with Netflix International B.V. for the annual period of 2023 in the amount of GBP 331 million in consideration for the allotment of 11,313,650 shares of nominal value GBP 1 each in the share capital of the Company.

The translation reserve relates to the use of GBP as the presentation currency.

**4.3 Related party transactions**

The Company is exempt from disclosing related party transactions with companies that are wholly owned with the Netflix group.

The following notes however include detail of related party transactions:

- Revenue (refer to note 2.1);
- Cost of providing services (refer to note 2.2); and
- Intercompany receivables/payables (refer to the note 3.2 and 3.5).

**4.4 Auditor's remuneration**

The following audit fees were expensed in the statement of comprehensive income in the reporting period:

	2022	2021
<b>Accountants</b>		
Audit of the financial statements	78,500	103,155
	<b>78,500</b>	<b>103,155</b>

The fees listed above relate to the services provided to the Company by external independent auditors Ernst & Young LLP

**4.5 Significant accounting policies and accounting standards**

The principal accounting policies applied in the preparation of these financial statements are generally disclosed within the related note. New policies and other accounting policies that are considered significant are disclosed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

*Finance income and expenses*

Finance income and expenses are recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on an impaired loan or receivable is recognised using the original effective interest rate.

## Netflix Services UK Limited

### Notes to the financial statements (continued)

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company does not have any legally enforceable right to offset the recognised amounts in the balance sheet.

#### *Impairment of financial assets*

The Company assesses impairment of financial assets on a forward looking basis through measuring the expected credit losses (ECL) associated with instruments recognised at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for cash balances and debt securities which are measured at 12 month ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

#### *Impairment of non-financial assets*

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). No impairment occurred during 2022 or 2021. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period, other than goodwill of which the Company has none at this time.

#### *Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

#### **4.6 Events after the reporting period**

On 18 May 2023 Netflix Streaming Services International B.V. paid back an intercompany loan in amount of EUR 178 million including interest accrued to the Company.

On 28 June 2023 the Company distributed interim dividends in the amount of GBP 35 million.

No other events after the reporting period have occurred that are deemed material to the users of these financial statements.