# Netflix Services UK Limited
London

## Annual report as at and for the year ended 31 December 2020

Registration number: 9091899

# Netflix Services UK Limited
## Company information

| | |
|---|---|
| **Director:** | R S Thompson |
| **Company secretary:** | Abogado Nominees Limited |
| **Registered office:** | 100 New Bridge Street, London, EC4V 6JA |
| **Company registration number:** | 9091899 |
| **Independent auditor:** | Not applicable |

# Netflix Services UK Limited

Contents

# Netflix Services UK Limited
Strategic report

The director presents their Strategic report of Netflix Services UK Limited ("the Company") for the year ended 31 December 2020.

**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 decentralized 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. The feedback received from these events resulted in the following policies and programs being implemented.

Employee Resource Groups are vital in creating an inclusive environment for all employees, specifically those from historically underrepresented and/or marginalized communities. We have numerous active ERGs including: The Village (Parents and caregivers group), Pride ERG (LGBTQ 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 open place to work.

Between 1 Jan - 31 Dec 2020 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 anything in a safe space.

*Inclusion at the company*
We will find more stories and better improve our service if our employees come from different backgrounds, and we create an environment of inclusion. 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 all of 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 organization becomes larger and more diverse in terms of identities, locations, languages, roles, professional backgrounds, preferred ways of working...etc.

We are increasing representation by expanding our inclusion recruiting programs team. They train recruiters on how to hire more inclusively, help the company and senior leaders diversify their networks, and create programs to create access to emerging talent.

Once we attract talent to Netflix, we want them to feel represented in all aspects of the company. We work to improve our company practices around pay and benefits to be as equitable and inclusive as possible.

- Equitable Pay: We practice "open compensation," which means the top 1,000 leaders (directors and above) across the Group can see how much any employee is paid. This encourages open discussions about pay disparities. Outside of transparency, our talent team routinely analyzes pay across the company to look for disparities, including an annual compensation review. In both cases, when we find pay gaps, we rectify them.

- Inclusive Benefits: Our flexible parental leave policy is gender-blind. We offer a family forming benefit to support employees on their fertility, surrogacy, or adoption journey. It's available to employees regardless of marital status, gender, or sexual orientation. And we cover comprehensive transgender and non-binary care in our U.S. health plans. Outside of the U.S., we are exploring how we can expand transgender coverage (i.e. medical costs of transitioning).

We want employees to look at every decision with an "inclusion lens," so that they're embracing difference, spotting bias, and considering a decision's impact on marginalized groups. We run workshops to raise consciousness of topics like privilege, bias, intersectionality and allyship, which became important during the pandemic and racial reckoning of 2020.

Issues around inclusion and diversity vary by team, so we have inclusion leaders embedded with the different teams (e.g., marketing, product, and content). Content, production, and marketing focus on representation issues. Product is focused on increasing employee representation of women, Black and Latinx in technology roles.

*(c) The need to foster the Company's business relationships with suppliers and customers:*
The Company provides support services to other companies in the Netflix Group. In line with the Group's decentralized 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).

*(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.

As of March 2020, given the pandemic and worldwide events, Netflix's matching gift rate increased from 100% to 200%. Netflix retroactively topped up all matching gifts for donations made between January 1, 2020, and March 30th, 2020 with an additional 100% match to ensure all donations benefited from the increased rate. During this period we also worked with a number of UK charities including Beat, Brook, Sands, Women's Aid, Samaritans and Stonewall to create resources and raise awareness around where to find help and support for sensitive topics raised in our shows.

When our productions ceased in early 2020 due to the Covid outbreak, we continued to pay the wages of the cast and crew.

We donated over £1.1 million to the Film and TV Charity and the BFI in the UK to jointly establish the COVID-19 Film and TV Emergency Relief Fund, an initiative to support thousands of active workers and freelancers directly affected by the closure of productions across the country. We then donated an additional £600 thousand to the Film and TV Charity's latest COVID-19 recovery fund.

In July 2020, we helped to establish the new Theatre Artists Fund, with a £500k donation. Spearheaded by Sam Mendes, the fund provided relief to theatre workers in the UK, particularly those from underrepresented groups that were disproportionately affected by the crisis.

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 to fund certain social programs in the UK. The key areas of focus will include investing in existing cultural programs and Netflix run above the line ("ATL") talent development programs, as well as hosting events for creatives and policymakers in the locations listed above. Overall, the intention of this program is to grow and develop creative talent in areas/markets where we feel our presence can have a meaningful impact locally. Through Grow Creative, and despite the pandemic, we are proud to have already supported the careers and development of over 600 people in 2020.

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 management. We encourage reporting of breaches of our Code or any unethical or inappropriate conduct to the Group's Chief Legal Officer or, in the case of misconduct by a senior financial officer, to the Chair of the Group's 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. 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 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 such as the 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.

**Principal activities**

The Company is a member of the Netflix, Inc. corporate family ("Netflix') and provides marketing and other support services to Netflix International B.V. Netflix is one of the world's leading entertainment services.

**Business review**

The revenue of the Company for the year ended 31 December 2020 amounts to EUR 90.1 million compared with EUR 86.5 million in 2019, which represents an increase of 4%. This revenue is composed of services provided to Netflix International B.V. The increase in revenue is due to an increase in services provided.

Operating profit for the financial year ended 31 December 2020 amounts to EUR 13.6 million (2019: EUR 12.4 million), with a profit after tax amounting to EUR 10.3 million (2019: 7.9 million).

**Significant events and future developments**

On 14 October 2020, the Company issued 15,500,000 shares, fully paid-up, with a par value of GBP 1 each.

As of 1 January 2021, Netflix reorganised its corporate structure. As a result, the Company will now recognise member revenue generated as the contracting party in the UK. In line with this, we expect an increase in revenue.

The aforementioned event's impact on the financial statements does not cause concern over the continued growth and successful operation of the Company in the foreseeable future.

The Company's functional currency changed to GBP (previously EUR) as of 1 January 2021 to reflect significant changes in economic facts, events and conditions.

As of 2 January 2021, the Company's immediate parent changed to Netflix Services Holdings B.V.

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

**Principal risks and uncertainties**

# Netflix Services UK Limited
Strategic report

The global spread of the coronavirus (COVID-19) and the various attempts to contain it have created significant volatility, uncertainty and economic disruption. In an effort to contain COVID-19 or slow its spread, governments around the world have enacted various measures, some of which have been subsequently rescinded, modified or reinstated, including orders to close all businesses not deemed "essential," isolate residents to their homes or places of residence, and practice social distancing. We anticipate that these actions and the global health crisis caused by COVID-19, including any resurgences, will continue to negatively impact business activity across the globe. In response to government mandates, health care advisories and otherwise responding to employee and vendor concerns, we have altered certain aspects of our operations. In an effort to protect the health and safety of our employees, our workforce has and continues to spend a significant amount of time working from home. International travel has been severely curtailed and many productions of our third-party partners have similarly had their operations disrupted, including those partners that we use for our operations. To the extent the resulting economic disruption is severe, we could see some vendors go out of business, resulting in supply constraints and increased costs or delays.

The full extent to which the COVID-19 pandemic and the various responses to it impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the availability and cost to access the capital markets; the effect on our customers and customer demand for and ability to pay for our services; disruptions or restrictions on our employees' ability to work and travel; interruptions or restrictions related to the provision of streaming services over the internet, including impacts on content delivery networks and streaming quality; and any stoppages, disruptions or increased costs associated with our marketing and distribution of original programming. During the COVID-19 crisis, we may not be able to provide the same level of customer service and product features that our members are used to which could negatively impact their perception of our service resulting in an increase in cancellations. Furthermore, given increased government expenditures associated with their COVID-19 response, we could see increased government obligations which could negatively impact our results of operations. We will continue to actively monitor the issues raised by the COVID-19 pandemic and may take further actions that alter our business operations as may be required by local or foreign authorities, or that we determine are in the best interests of our employees and partners.

In addition to the potential direct impacts to our business, the global economy is likely to be significantly weakened as a result of the actions taken in response to COVID-19. To the extent that such a weakened global economy impacts vendors' ability to provide services to us, we could see our business and results of operation negatively impacted.

As a provider of support services to Netflix, the risks and uncertainties faced by the Company are generally contingent on the consolidated risks faced by the Netflix corporate family. With consideration of this, based on consideration of the performance of the Netflix corporate family, and the current structure, there is only one principal risk that management deems applicable to the Company. We note that this is exclusive of the inherent risk associated with COVID-19 which has been discussed above.

Management believes that the below risk, when combined with efforts to mitigate such risk, is within the existing risk appetite of the business, and is suitable for a business that is in an investment phase working to grow the business.

In terms of control measures in place, management notes that dependent on the nature of described risk, processes and business decisions are aimed to minimise risk while at the same time focusing on growth.

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

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

We are reliant on Netflix International B.V. to compensate us for our services. If Netflix International B.V. or ultimately 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

**Analysis of financial key performance indicators**

The Company measures its performance on a number of key performance indicators which are monitored at group level, including budgets and cost variances.

This report was approved by the board on 27 September 2021 and signed on its behalf.

R S Thompson
Director

DocuSigned by:
Reg Thompson
097730CC60AB4F7...

# Netflix Services UK Limited

## Director's report

The director presents their report and the financial statements of Netflix Services UK Limited ("the Company") for the year ended 31 December 2020.

**Principal activity**

The Company is a member of the Netflix, Inc. corporate family ("Netflix') and provides marketing and other support services to Netflix International B.V. Netflix is one of the world's leading entertainment services.

**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 EUR 10.3 million (2019: EUR 7.9 million). The director does not recommend the payment of a dividend for the year (2019: EUR nil).

**Subsequent events**

The subsequent events can be found in the Strategic report.

**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. Netflix, Inc. has agreed to support the business for a period of 12 months from the date of signing of these financial statements, and the director is satisfied they are in a position to meet this commitment if required. As such, the director considers the business to be a going concern.

***Director***

The director who served during the year was:

R S Thompson

**Qualifying third party indemnity provisions**

The Company has granted an indemnity to its director 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.

**Audit exemption**

In accordance with section 479A of the Companies Act 2006, we are utilising the audit exemption for subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. In accordance with section 479C of the Companies Act 2006, the intermediate parent entity Netflix International Holdings B.V. registered in the Netherlands under registration number 67203043, with registered office located at Karperstraat 10, 1075 KZ Amsterdam, the Netherlands has issued a guarantee that it is jointly and severally liable for the debts resulting from legal acts of the Company for the year ended 31 December 2020. The financial information of this entity is included in the consolidated financial statements of Netflix International Holdings B.V.

This report was approved by the board on 27 September 2021 and signed on its behalf.

R S Thompson
Director

DocuSigned by:
Reg Thompson
097730CC60AB4F7...

# 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 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- 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. 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.

**Streamlined energy and carbon reporting**

At Netflix we aspire to entertain the world. As we grow, we recognize that our responsibilities increase too.

If we are to succeed in entertaining the world, we need a habitable, stable world to entertain. So by the end of 2022, Netflix will achieve net zero emissions— putting our internal emissions reductions on a 1.5°C science-aligned pathway and bringing the remainder to zero through projects that remove carbon from the atmosphere.

To reach this goal, Netflix will achieve net zero greenhouse gas emissions by the end of 2022, and every year thereafter. We have a plan called Net Zero + Nature.

We'll start first by reducing our internal emissions, aligning with the Paris Agreement's goal to limit global warming to 1.5°C. We will reduce Scope 1 and 2 emissions by 45% by 2030, based on the Science-Based Targets Initiative Guidance.

By the end of 2021, for emissions we can't avoid internally, including Scope 3 emissions, we'll fully neutralize them by investing in projects that prevent carbon from entering the atmosphere. We'll start by conserving at-risk natural areas like tropical forests that are critical to meeting global climate goals.

By year-end 2022, we will incorporate investment in the regeneration of critical natural ecosystems to achieve net zero. These projects, such as restoring grasslands, mangroves, and healthy soils, capture and store carbon, in addition to other benefits.

In the year to 31st December 2020, 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:

| | Year ended 31 December 2020 |
|---|---|
| Energy consumption used to calculate emission (kWh) | 1,754,466 |
| Emissions from activities for which the company own or control including combustion of fuel and operation of facilities - Scope 1 (tCO2e) | 113 |
| Emissions from purchase of electricity, heat, steam and cooling purchased from own use - Scope 2 (tCO2e) - location based | 279 |
| Emissions from purchase of electricity, heat, steam and cooling purchased from own use - Scope 2 (tCO2e) - market based | Nil |
| **Total gross Scope 1 & Scope 2 emissions (tCO2e)** | **392** |
| **Intensity ratio: Total gross Scope 1 & Scope 2 emissions (tCO2e) / revenue £'m** | **4** |

*Methodology applied*

From 1st January 2020, 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 owned and controlled corporate assets and administrative facilities, and leased facilities which are operationally controlled by Netflix Services UK Limited 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).

*Energy efficiency*

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 Limited:

- Member of the albert Directorate and Consortium, with both our self-managed and partner-managed shows participating in the albert certification scheme.
- Netflix has committed globally to a Science Based Target of 45% reduction below 2019 levels across scopes 1 and 2 by 2030 and is beginning implementation of green power purchasing efforts across its key markets, including the U.K.
- Upgrades (i.e. set back glazing and passive shading) to all our facilities
- Building Research Establishment Environmental Assessment Method (BREEAM) compliance at our facilities

Further information on Netflix's Net Zero + Nature commitment and SASB report, can be seen on its investor relations website at https://ir.netflix.net/.

## Statement of comprehensive income

For the year ended 31 December
(In thousand EUR)

| | Note | 2020 | 2019 |
|---|---|---|---|
| Revenue | 2.1 | 90,128 | 86,473 |
| **Gross profit** | | **90,128** | **86,473** |
| Marketing expenses | | (37,273) | (43,451) |
| General and administrative expenses | 2.2 | (39,288) | (30,601) |
| **Operating profit** | | **13,567** | **12,421** |
| Finance costs | | (622) | (2,137) |
| **Finance costs - net** | | **(622)** | **(2,137)** |
| **Profit before income tax** | | **12,945** | **10,284** |
| Income tax expense | 2.3 | (2,623) | (2,430) |
| **Profit for the year** | | **10,322** | **7,854** |
| **Other comprehensive income for the year** | | | |
| Deferred and current tax | | 441 | 219 |
| Impact of adoption of IFRS 16 | | — | 166 |
| **Total other comprehensive income for the year** | | 441 | 385 |
| **Total comprehensive income for the year** | | **10,763** | **8,239** |

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

## Balance sheet

As at 31 December
(In thousand EUR)

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3.1 | 3,743 | 4,289 |
| Trade and other receivables | 3.2 | 39,036 | 23,608 |
| **Total current assets** | | **42,779** | **27,897** |
| **Non-current assets** | | | |
| Property, plant and equipment | 3.3 | 5,249 | 5,175 |
| Right-of-use leased assets | 3.4 | 56,694 | 19,934 |
| Other assets | | 1,295 | 590 |
| **Total non-current assets** | | **63,238** | **25,699** |
| **Total assets** | | **106,017** | **53,596** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 3.5 | 5,467 | 14,837 |
| Current tax liabilities | | 544 | 2,026 |
| Lease and other liabilities | | 5,260 | 8,733 |
| **Total current liabilities** | | **11,271** | **25,596** |
| **Non-current liabilities** | | | |
| Lease and other liabilities | | 52,819 | 13,868 |
| **Total non-current liabilities** | | **52,819** | **13,868** |
| **Total liabilities** | | **64,090** | **39,464** |
| **Equity** | | | |
| Share capital | 4.2 | 17,032 | — |
| Retained earnings | | 24,895 | 14,132 |
| **Total equity** | | **41,927** | **14,132** |
| **Total equity and liabilities** | | **106,017** | **53,596** |

For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

*The financial statements on pages 12 to 26 were approved and signed on 27 September 2021 by:*

DocuSigned by:
Reg Thompson
8977780CC60AB4E7...
R S Thompson
Director

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

## Statement of changes in equity

For the year ended 31 December
(In thousand EUR)

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| **1 January 2020** | **—** | **14,132** | **14,132** |
| Issuance of capital | 17,032 | — | 17,032 |
| Profit for the year | — | 10,322 | 10,322 |
| Deferred tax | — | 441 | 441 |
| **31 December 2020** | 17,032 | 24,895 | 41,927 |
| | | | |
| **1 January 2019** | **—** | **5,893** | **5,893** |
| Profit for the year | — | 7,854 | 7,854 |
| Deferred and current tax | | 219 | 219 |
| Impact of adoption of IFRS 16 | — | 166 | 166 |
| **Total comprehensive income for the year** | — | 8,239 | 8,239 |
| **31 December 2019** | — | 14,132 | 14,132 |

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

# Netflix Services UK Limited
Notes to the financial statements

## 1 About this report

### 1.1 General information
*1.1.1 Activities*

Netflix Services UK Limited (hereafter '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 provide marketing and other services to Netflix International B.V.

Netflix International B.V. is the immediate parent of the Company and the ultimate parent of the Company is Netflix, Inc. The registered office of Netflix International B.V. is located at Karperstraat 10, 1075 KZ Amsterdam, the Netherlands. The registered office of Netflix, Inc. is located at 100 Winchester Circle, 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. The registered number Companies House is 9091899.

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. The Company has the intention and ability to take actions necessary to continue as 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 27 September 2021.

The Company is a qualifying entity for the purposes of FRS 101. The smallest group in which the results of the Company are consolidated financial statements 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., 100 Winchester Circle, Los Gatos, California 95032, United States of America.

In accordance with section 479A of the Companies Act 2006, we are utilising the audit exemption for subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. In accordance with section 479C of the Companies Act 2006, the intermediate parent entity Netflix International Holdings B.V. registered in the Netherlands under registration number 67203043, with registered office located at Karperstraat 10, 1075 KZ Amsterdam, the Netherlands has issued a guarantee that is jointly and severally liable for the debts resulting from legal acts of the Company for the year ended 31 December 2020. The financial information of this entity is included in the consolidated financial statements of Netflix International Holdings B.V.

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);
        - 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 4.4.

*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 euro (EUR) unless otherwise stated, 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 group 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 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 2.3 Income tax expense

## 2 Business performance

### 2.1 Revenue from contracts with customers

| | 2020 | 2019 |
|---|---|---|
| Revenue from services rendered | 90,128 | 86,473 |
| | **90,128** | **86,473** |

i. Revenue recognition

Revenue comprises the consideration receivable for the provision of services, and is shown net of taxes collected. This is based on the costs the company incurs, plus an agreed margin. The Company recognises revenue when these services have been provided, can be reliably estimated and when it is probable that the consideration will be received. There are no significant judgments made in the recognition of revenue. The Company has only one operating segment, the whole of revenue is attributable to this segment. All revenues are from related parties, refer to note 4.3.

### 2.2 General and administrative expenses

| | Note | 2020 | 2019 |
|---|---|---|---|
| Employee benefits | | 28,793 | 19,223 |
| Depreciation and amortisation | | 1,656 | 917 |
| Lease expenses | | 9,412 | 4,904 |
| Travel expenses | | 377 | 1,790 |
| Technology and development expenses | | 1,018 | 1,766 |
| Other expenses | | 8,338 | 7,400 |
| Recharges to Netflix group companies | | (10,306) | (5,399) |
| | | **39,288** | **30,601** |

No fee is due for the audit of these financial statements, as they are unaudited .

*2.2.1 Employee benefits*

| | 2020 | 2019 |
|---|---|---|
| Salaries and wages | 22,932 | 14,634 |
| Social security contributions | 2,493 | 2,401 |
| Pension contributions (DC) | 926 | 490 |
| Stock-based compensation | 1,920 | 1,180 |
| Other personnel expenses | 522 | 518 |
| | **28,793** | **19,223** |

No directors remuneration was paid or payable during the year (2019: nil) for services provided to the Company. The director is remunerated by the ultimate parent as an employee, with no recharge to the Company.

*2.2.2 Average number of employees*

During the year, the average number of employees calculated on a full-time-equivalent basis was 108 (2019: 67).

These employees were in the following functional areas:

| | 2020 | 2019 |
|---|---|---|
| Marketing, public relations and business development | 67 | 51 |
| General and administrative | 29 | 11 |
| Other | 12 | 5 |
| | **108** | **67** |

*2.2.3 Share based payments*

The Company employees participate in a share-option plan. It is designed to provide long-term incentive to attract and retain the best available employees, and to promote the success of the Netflix group as a whole. The ultimate parent company Netflix, Inc. grants fully vested non-qualified share options to employees of the Company on a monthly basis. The options 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 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.

Set out below are summaries of options granted to employees of the Company under the plan (in USD):

| | 2020 | | | | 2019 | |
|---|---|---|---|---|---|---|
| | **Average exercise price** | **Number of options** | **Weighted average exercise period (years)** | **Aggregate intrinsic value** | **Average exercise price** | **Number of options** |
| **At 1 January** | $226.65 | 24,273 | | | $202.70 | 16,497 |
| Granted | $435.81 | 10,009 | | | $318.37 | 8,510 |
| Exercised | $147.58 | (2,453) | | | $105.91 | (734) |
| **At 31 December** | **$314.89** | **31,829** | **8.36** | **$8,002,499** | **$226.65** | **24,273** |
| Vested and exercisable | | 31,829 | | | | 24,273 |

For share options exercised during the year, the weighted-average share price at the date of exercise was $399.76 (2019: $346.34). 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 2020 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 2020.

The total charge for the year relating to employee share based payment plans was EUR 1.9 million (2019: EUR 1.2 million).

## Netflix Services UK Limited
Notes to the financial statements

### 2.3 Income tax expense

| | 2020 | 2019 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 2,666 | 2,145 |
| Adjustments for prior years | (43) | 66 |
| | **2,623** | **2,211** |
| **Deferred tax expense** | | |
| Deferred tax assets | (1,241) | 116 |
| Deferred tax liabilities | 110 | 103 |
| **Total income tax expense** | **1,492** | **2,430** |
| | | |
| **Tax recognised in equity** | | |
| Deferred tax assets | (442) | (228) |
| Deferred tax liabilities | — | 28 |
| Current tax | — | (19) |
| | **(442)** | **(219)** |

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:

| | 2020 | 2019 |
|---|---|---|
| Profit before tax | 12,945 | 10,284 |
| **Income tax using the domestic tax rate** | **2,460** | **1,954** |
| | | |
| Change in income tax due to: | | |
| Adjustments for prior years | (11) | 68 |
| Non-deductible expenses | 267 | 90 |
| Effects of changes in tax rates | 6 | (25) |
| Effects of changes in foreign exchange | (29) | — |
| Share options | (70) | 343 |
| **Income tax expense** | **2,623** | **2,430** |
| | | |
| Effective tax rate | 20 % | 24 % |
| Applicable tax rate | 19 % | 19 % |

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

| | 2020 | 2019 |
|---|---|---|
| **Opening as at 1 January** | 214 | 233 |
| Increase/(decrease) in deferred tax assets | 1,683 | 112 |
| (Increase)/decrease in deferred tax liabilities | (110) | (131) |
| **Closing as at 31 December** | **1,787** | **214** |
| | | |
| Share based payments | 371 | 371 |
| Fixed assets | (157) | (157) |
| | **214** | **214** |

i. Estimation uncertainty of income tax

The Company records a provision for income taxes for the anticipated tax consequences of its reported results using the asset and liability method. There are no certain tax benefits from uncertain tax positions within the provision for income taxes. The Company only recognises a tax benefit if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Due to uncertainties in any tax audit outcome, estimates of the ultimate settlement of unrecognised tax positions may change and the actual tax benefits may differ from the estimates.

ii. 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 substantially 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.

iii. Changes in tax rates

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the Company's deferred tax balances.

## 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, and amounts in transit from payment processors for credit card and debit card transactions.

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

### 3.2 Trade and other receivables

| | 2020 | 2019 |
|---|---|---|
| Due from affiliated companies | 35,145 | 16,235 |
| Prepaid expenses | 579 | 573 |
| Value-added tax | 3,312 | 6,800 |
| | **39,036** | **23,608** |

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

### 3.3 Property, plant and equipment

| | Leasehold Improvements | Computer equipment | Office equipment, fixtures and fittings | Total |
|---|---|---|---|---|
| **Opening net book value as at 1 January 2020** | **3,636** | **893** | **646** | **5,175** |
| Additions | 1,101 | 529 | 85 | 1,715 |
| Depreciation for the year | (915) | (421) | (305) | (1,641) |
| **Closing net book value** | **3,822** | **1,001** | **426** | **5,249** |
| Cost | 5,479 | 1,782 | 982 | 8,243 |
| Accumulated impairments and depreciation | (1,657) | (781) | (556) | (2,994) |
| **Closing net book value as at 31 December 2020** | **3,822** | **1,001** | **426** | **5,249** |
| **Opening net book value as at 1 January 2019** | **2,077** | **391** | **286** | **2,754** |
| Additions | 2,082 | 681 | 528 | 3,291 |
| Depreciation for the year | (523) | (226) | (168) | (917) |
| Intercompany transfer | — | 47 | — | 47 |
| **Closing net book value** | **3,636** | **893** | **646** | **5,175** |
| Cost | 4,378 | 1,253 | 897 | 6,528 |
| Accumulated impairments and depreciation | (742) | (360) | (251) | (1,353) |
| **Closing net book value as at 31 December 2019** | **3,636** | **893** | **646** | **5,175** |

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 (3-10 years), and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain we will obtain ownership by the end of the lease term.

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

### 3.4 Right-of-use leased assets

The Company predominantly leases office space, other leases are not of a material value. The Company previously classified leases as operating given that all of the risks and rewards incidental to ownership of the underlying asset did not transfer to the Company. 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 account 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.

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.

*Sub-leases*

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.

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:

| | 2020 | 2019 |
|---|---|---|
| **Opening net book value as at 1 January** | 19,934 | 7,403 |
| Additions | 46,196 | 17,435 |
| Depreciation for the year | (9,436) | (4,904) |
| Closing net book value | 56,694 | 19,934 |
| | | |
| Cost | 66,130 | 24,838 |
| Accumulated impairments and depreciation | (9,436) | (4,904) |
| **Closing net book value as at 31 December** | 56,694 | 19,934 |

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

| | 2020 | 2019 |
|---|---|---|
| Interest on lease liabilities | 693 | 622 |

### 3.5 Trade and other payables

| | 2020 | 2019 |
|---|---|---|
| Trade payables | 4,416 | 13,084 |
| Due to affiliated companies | 227 | 516 |
| Value-added tax | 502 | — |
| Other liabilities and accrued expenses | 322 | 1,237 |
| | 5,467 | 14,837 |

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.

## 4 Other

### 4.1 Fair value estimation

The Company has no financial assets and liabilities measured at fair value. The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

### 4.2 Equity

On 14 October 2020, the Company issued 15,500,000 shares, fully paid-up, with a par value of GBP 1 each bringing the total authorised share capital of the Company to GBP 15,500,100 (EUR 17,032,299) divided into 15,500,100 ordinary shares, fully paid-up, with a par value of GBP 1 each.

### 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); and
- Intercompany receivables/payables (refer to the note 3.2 and 3.5).

### 4.4 Significant accounting policies and new 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. Certain prior year amounts may have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

*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.

*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 2019 or 2020. 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.

### 4.5 Events after the reporting period

As of 1 January 2021, Netflix reorganised its corporate structure. As a result, the Company will now recognise member revenue generated as the contracting party in the UK. In line with this, we expect an increase in revenue.

The aforementioned event's impact on the financial statements does not cause concern over the continued growth and successful operation of the Company in the foreseeable future.

The Company's functional currency changed to GBP (previously EUR) as of 1 January 2021 to reflect significant changes in economic facts, events and conditions.

As of 2 January 2021, the Company's immediate parent changed to Netflix Services Holdings B.V.

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