

Company No: 04392195

LOVEFiLM International Limited
Report and Financial Statements

31 December 2018

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COMPANY INFORMATION

DIRECTORS

John Stone
Darren Waterman

SECRETARY

Mitre Secretaries Limited

REGISTERED OFFICE

1 Principal Place
Worship Street
London
EC2A 2FA

AUDITORS

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

BANKERS

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

DIRECTORS' REPORT
for the year ended 31 December 2018

The directors of LOVEFiLM International Limited ("the Company") present the annual report containing the Directors' Report, the Strategic Report and the financial statements for the year ended 31 December 2018.

DIRECTORS

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

Robert Mackenzie (resigned 5 March 2018)
John Stone (appointed 25 April 2018)
Darren Waterman

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

DIVIDEND

The directors do not recommend the payment of any dividends (2017: £nil).

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

On behalf of the Board



Darren Waterman
Director

Date: 13 February 2019

STRATEGIC REPORT

for the year ended 31 December 2018

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments in subsidiaries. The business is expected to continue in the capacity of a holding company for the foreseeable future.

GENERAL BUSINESS REVIEW

During the year, the Company received dividend income of £1,198k from a subsidiary undertaking. Following the distribution, the Company recorded a reduction in value of the investment of £1,189k.

The Company also recorded interest income from group undertakings of £4k (2017: £84k).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is dependent on the continued success of the Amazon group companies. The principal risks and uncertainties they face include, among others, risks related to competition, management of growth, new products, services and technologies, potential fluctuations in operating results, international expansion, outcomes of legal proceedings and claims, fulfillment centre optimisation, seasonality, commercial agreements, acquisitions and strategic transactions, foreign exchange rates, system interruption, government regulation and taxation, and fraud. More information about the principal risks and uncertainties facing the group are included in Amazon.com, Inc.'s filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended 31 December 2018, and subsequent filings.

FUTURE DEVELOPMENTS

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

On behalf of the Board



Darren Waterman
Director

Date: 13 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVEFiLM INTERNATIONAL LIMITED

We have audited the financial statements of LOVEFiLM International Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVEFiLM INTERNATIONAL LIMITED (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

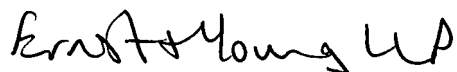
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 15/2/2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Net administrative expenses		<u>(8)</u>	<u>964</u>
OPERATING (LOSS)/PROFIT	2	(8)	964
Income from shares in group undertakings	6	1,198	—
Amounts written off investments	6	(1,189)	—
Interest receivable	3	<u>4</u>	<u>84</u>
PROFIT BEFORE TAXATION		5	1,048
Tax on profit	5	<u>1</u>	<u>702</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>6</u></u>	<u><u>1,750</u></u>

BALANCE SHEET
as at 31 December 2018

	<i>Notes</i>	2018 £'000	2017 £'000
FIXED ASSETS			
Investments	6	<u>3,656</u>	<u>4,845</u>
		3,656	4,845
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	<u>1,951</u>	<u>1,338</u>
CREDITORS: amounts falling due within one year	8	<u>(1)</u>	<u>(583)</u>
NET CURRENT ASSETS		<u>1,950</u>	<u>755</u>
NET ASSETS		<u>5,606</u>	<u>5,600</u>
CAPITAL AND RESERVES			
Share capital	9	—	—
Share premium		3,800	3,800
Retained earnings		<u>1,806</u>	<u>1,800</u>
TOTAL SHAREHOLDER'S FUNDS		<u>5,606</u>	<u>5,600</u>

Approved by the Board

Darren Waterman
Director

Date: 13 February 2019

Company number 04392195

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

	<i>Share capital</i> £'000	<i>Share premium</i> £'000	<i>Retained earnings</i> £'000	<i>Total shareholder's funds</i> £'000
At 1 January 2017	—	—	50	50
Profit for the year	—	—	1,750	1,750
Share issue	—	3,800	—	3,800
At 1 January 2018	—	3,800	1,800	5,600
Profit for the year	—	—	6	6
At 31 December 2018	—	3,800	1,806	5,606

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

1. ACCOUNTING POLICIES

Statement of compliance

LOVEFiLM International Limited ("the Company") is a limited company incorporated and domiciled in England and Wales. The registered office of the Company is 1 Principal Place, Worship Street, London, EC2A 2FA.

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

Basis of preparation

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

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

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

The exemptions stated above are available to the Company as it is a member of a group where the parent of that group prepares publicly available consolidated financial statements.

Going concern

As at 31 December 2018, current assets exceed current liabilities and are expected to continue to do so. On this basis the directors have a reasonable expectation that the Company has adequate resources to continue as an operational business for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

Investments

Investments are either trade investments or are subsidiary undertakings. Investments are stated at cost less any provision for impairment.

Taxation

Taxation expense comprises current and deferred tax. Current and deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable with respect to the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the end of the year.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted at the reporting date and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018**1. ACCOUNTING POLICIES** *(continued)****Significant management judgement***

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expense. The directors have concluded that the judgements made during the year are not significant and that any estimation uncertainty does not give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2018	2017
	£'000	£'000
Auditor's remuneration - audit of the financial statements	<u>—</u>	<u>—</u>

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

3. INTEREST RECEIVABLE

	2018	2017
	£'000	£'000
Interest receivable from group undertakings	<u>4</u>	<u>84</u>
	<u>4</u>	<u>84</u>

4. DIRECTORS' REMUNERATION

The directors' remuneration has been borne by the parent company, Amazon.com, Inc. or one of its affiliated companies. The directors do not believe that it is practicable to apportion their remuneration for qualifying services to the Company for the years ended 31 December 2018 and 31 December 2017.

5. TAXATION***(a) Tax on profit***

The components of tax on profit are as follows:

	2018	2017
	£'000	£'000
Current tax	(1)	(702)
Deferred tax	<u>—</u>	<u>—</u>
Tax on profit	<u>(1)</u>	<u>(702)</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018****5. TAXATION (continued)***(b) Reconciliation of tax on profit*

The items accounting for differences between tax on profit computed at the UK statutory rate and recorded for tax on profit are as follows:

	<i>2018</i> <i>£'000</i>	<i>2017</i> <i>£'000</i>
Profit before taxation	<u>5</u>	<u>1,048</u>
Tax computed at the UK statutory rate	1	202
Effects of:		
Expenses not deductible for tax	—	(188)
Adjustment in respect of previous periods	—	(716)
Impairment of investment not deductible for tax	226	—
Dividend income not taxable	<u>(228)</u>	<u>—</u>
Tax on profit	<u>(1)</u>	<u>(702)</u>

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

As at 31 December 2018 and 31 December 2017 there were no recognised deferred tax assets or liabilities.

6. INVESTMENTS

	<i>Investment in subsidiaries</i> <i>£'000</i>
At 1 January 2018	4,845
Amounts written off investments	(1,189)
At 31 December 2018	<u>3,656</u>

During the year, the Company received dividend income of £1,198k from a subsidiary undertaking. Following the distribution, the company recorded a reduction in value of the investment of £1,189k.

The Company holds investments in the following principal subsidiary undertakings:

	<i>Country of incorporation and operation</i>	<i>Principal activity</i>	<i>Proportion of ordinary shares held by the Company</i>
Video Island Entertainment Limited	UK	Holding company	100%
Twitch Sweden AB (formerly: Amazon Services Sweden AB)	Sweden	Provision of support services	100%
LOVEFiLM Danmark A/S (dormant)*	Denmark	Online film rental, streaming	100%

*This company is held by an intermediate subsidiary

LOVEFiLM International Limited

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

7. DEBTORS

	2018	2017
	£'000	£'000
<i>amounts falling due within one year:</i>		
Amounts owed by group undertakings	1,951	1,338
	<u>1,951</u>	<u>1,338</u>

8. CREDITORS

	2018	2017
	£'000	£'000
<i>amounts falling due within one year:</i>		
Amounts owed to group undertakings	—	563
Corporation tax	—	14
Accruals	1	6
	<u>1</u>	<u>583</u>

9. SHARE CAPITAL

	2018		2017	
	No.	£	No.	£
Allotted, called up and fully paid				
Ordinary shares of £0.001 each	991	1	991	1

10. ULTIMATE PARENT COMPANY

The immediate parent company is Amazon EU S.à.r.l. which is incorporated in Luxembourg. The address of this company is 38 avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg.

The Company regards Amazon.com, Inc., a company incorporated in the United States, as its ultimate holding company and controlling party. The largest and the smallest group in which the results of the Company are consolidated is headed by Amazon.com, Inc. Copies of the group consolidated financial statements of Amazon.com, Inc. are available at 410 Terry Avenue North, Seattle, WA 98109-5210, USA.