Discovery Communications Europe Limited

Directors' report and financial statements
for the year ended 31 December 2012

Registered Number 05039068

Discovery Communications Europe Limited

Directors' report and financial statements for the year ended 31 December 2012

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Discovery Communications Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities

The Company provides factual and lifestyle television channels via cable and satellite throughout the UK, the rest of Europe, the Middle East and Africa

Business review

The Company's audited results for the year are shown on page 9 The results for the Company shows a pre-tax profit of £47,389,000 (2011 loss of £34,779,000) on revenue of £400,763,000 (2011 £377,870,000)

The Company has net assets of £346,155,000 (2011 £309,694,000) No dividends were declared and paid during the year (2011 £106,521,000)

Business environment and future outlook

International television markets vary in their stages of development Some, notably the UK, are among the more advanced digital multi-channel television markets in the world, while others remain in the analogue environment with varying degrees of investment from operators in expanding channel capacity or converting to digital The Company believes there is future growth in many markets, including Central and Eastern Europe that are in the early stages of pay TV evolution

The Company's turnover is principally earned from (1) the receipt of subscriber revenue from the delivery of television channels pursuant to affiliation agreements with cable network operators, direct-to-home satellite operators and other operators, and (2) advertising sales on our television channels

The Company has continued to trade strongly during the economic downturn This is partly due to the fact that over 50% of the Company's turnover is subscriber revenue which is less susceptible to the current economic conditions due to the fixed term and fixed price nature of the related distribution contracts Advertising revenue has grown strongly as the market has recovered

In relatively mature markets, such as the UK, the growth dynamic is changing Increased penetration and distribution are unlikely to drive rapid growth in these markets Instead, growth is expected in advertising revenue, which is driven by increased audience performance and viewing market share

Discovery's strong brands and globally recognised leadership in factual content means that the Company is ideally placed to continue to growth in advertising revenue and take advantage of expanding pay TV markets

Strategy

The Company's strategy is to develop sustainable long-term growth at or above the levels our peers achieve through the development of high quality media brands that build consumer viewership, optimise distribution growth and capture advertising revenue In addition, the Company is focused on maximising the overall efficiency and effectiveness of its operations through collaboration and innovation across the regions in which the Company operates and across all television and digital platforms

Discovery Communications Europe Limited

Directors' report (continued)

In line with this strategy, the Company's specific priorities include

- Maintaining the Company's focus on creative excellence in non-fiction programming and expanding the portfolio's brand entitlement by developing compelling content that increases audience growth, builds advertising relationships and supports continued distribution revenue growth on all platforms,

- Undertaking a significant effort to increase the proportion of advertising revenue versus subscriber revenue in all markets The opportunity reflects the high penetration of the Company's network in a maturing environment where it aims to improve long-term future advertising revenue performance through an ongoing investment in infrastructure, product and channel rollout The Company will also review any loss making and underperforming operations and take action to improve their profitability, and

- Continuing an expansion programme to launch new channels throughout Europe, the Middle East and Africa

As a result, the directors remain confident that the Company will improve the level of financial performance for 2013 against 2012

Key performance indicators

Financial key performance indicators

	2012	**2011**
Increase in advertising revenue from prior year	3 13%	16 07%

The increase is primarily driven by more favourable pricing on UK Channel Quest, partially offset by reductions in revenues from Russia and Turkey

Growth in subscriber revenue from prior year	7 55%	3 62%

The increase in subscriber revenue is mainly due to new affiliate deals across EMEA and a wider distibution in Russia

Gross profit percentage	76%	64%

Gross profit has grown to 76% due to a combined effect of a 6% growth in turnover and a 30% reduction cost of sales, largely driven by a decrease in content amortisation

Non-financial key performance indicators

	2012	**2011**
Cumulative viewing subscriber numbers for all channels operated by the Company	407 0m	383 9m

Subscriber increase is mainly due to new affiliate deals across EMEA, launch of HD channels and general affiliate growth, as well as wider distribution across Russia

Directors' report (continued)

The Discovery Channel continues to be one of the biggest income driving brands in most of the countries in which the Company operates The table below gives viewer share information for some of the key European countries in which the Company broadcasts this channel The percentages shown are the yearly average share of TV viewers within the male 20-49 group which continues to be the Company's main demographic group target for this channel

Market	2012	2011
United Kingdom	0 80%	0 60%
Poland	1 20%	1 50%
Romania	1 20%	1 70%
Netherlands	3 50%	3 30%
Denmark	2 50%	2 70%
Norway	3 60%	3 20%
Sweden	3 20%	2 90%

There has been significant distribution growth of National Geographic in Poland, one of Discovery Communications largest competitors in this region, leading to a drop in the viewership share The Company has also been affected by the loss of distribution on one of the largest Romanian affiliates which has also had a negative impact on the viewership figures in the Romanian market

Principal risks and uncertainties

The execution of the Company's strategy is subject to a number of risks

Risks are formally reviewed by management and appropriate processes put in place to monitor and mitigate them If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Company

The key business risks affecting the Company are set out below

Economic downturn

The Company derives substantial revenues from the sale of advertising on its television channels Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns The current economic conditions and any continuation of these adverse conditions may adversely affect the economic prospects of advertisers and could alter current or prospective advertisers' spending priorities A decrease in advertising expenditures would likely have an adverse effect on our business

Political and financial stability

General political and financial stability in our major markets, specifically Eastern Europe and emerging markets, is a pre-requisite of a sustainable market place in which advertisers are willing to invest their marketing resources With the expansion of the European Union, an increasing part of the European business is now within the EU area Management reviews on a regular basis the financial environment of all territories and provides mitigating actions to limit the impact of any changes on the local operation

Employees

The Company's performance depends largely on its employees in all markets The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Company's results To mitigate these issues, the Company has introduced programmes and schemes linked to the Company's performance that are designed to retain key individuals

Discovery Communications Europe Limited

Directors' report (continued)

Financial risk management

The Company's multinational operations exposes it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, liquidity risks and interest rate risks

The central treasury team of Discovery Communications, LLC, an intermediate parent company, has the responsibility of setting risk management policies applied across the global Discovery group The Company treasury team implements these policies to enable prompt identification of financial risks so that appropriate actions may be taken The treasury team has a set of guidelines to manage exchange risk, interest risk, credit risk and the use of financial instruments to manage these risks

Foreign exchange risk

The Company has multinational operations and is exposed to foreign exchange risk, principally with respect to the Euro and US Dollar and to a lesser extent currencies in smaller countries where it receives local revenues and incurs local costs The Company uses forward contracts to hedge foreign exchange exposure, particularly against the Euro To manage its foreign exchange risk, the Company has executed forward contracts, and previously, zero-cost collars Zero cost collars are a hedge product where there is a simultaneous purchase of one option and sale of another, with the same amount and time frame Only the strikes differ The cost to purchase one option is completely offset by the price in the sale of the other thus arriving at a zero-cost structure A zero-cost collar protects the Company from adverse currency movement, but likewise limits or caps the benefits of a favourable currency move

Credit rate risk

The Company has no significant concentration of credit risk and follows the Discovery Networks International, the ultimate parent company) policy with respect to credit risk associated with trade debtors Financial instruments, loans and deposits are subject to pre-approval by the parent company and such approval is limited to suitably rated banks and financial institutions

Liquidity risk

The Company actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Company has sufficient available funds for operations and planned expansions

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities Interest bearing assets include only intercompany loans and cash balances, which earn interest at fixed rates and floating rates Interest bearing liabilities include finance leases that incur interest at fixed rates and cash balances which incur interest at floating rates The Company has a policy of maintaining debt at fixed rates The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature The Company does not use swaps to hedge interest risks

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Discovery Communications Europe Limited

Directors' report (continued)

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole The involvement of employees in the Company's performance is encouraged through the company bonus scheme which is partly linked to company performance Communication with all employees continues through in-house briefing groups and the Discovery Communications intranet

Charitable donations

During the year, the Company made charitable donations of £7,946 (2011 £nil) to an organisation aimed at preventing poverty

Creditor payment policy

For all trade creditors, it is the Company's policy to agree the terms of payment at the start the start of business with that supplier to ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations

Directors

The directors who held office during the year, and subsequent to the year-end, were as follows

Deirdre Forbes
Yitzchok Shmulewitz
John Honeycutt
Michael Papadimitriou (appointed 2 August 2012)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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 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

Discovery Communications Europe Limited

Directors' report (continued)

Statement of directors' disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to serve as auditors for the coming year and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting

On behalf of the board

Yitzchok Shmulewitz
Director
11th September 2013

Discovery House
Chiswick Park Building 2
566 Chiswick High Road
W4 5YB

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DISCOVERY COMMUNICATIONS EUROPE LIMITED

We have audited the financial statements of Discovery Communications Europe Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities 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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the director's report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report

Opinion on financial statements

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Giles Hannam (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12th September 2013

Discovery Communications Europe Limited
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Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover		**400,763**	**377,870**
Cost of sales		(96,833)	(137,914)
Gross profit		**303,930**	**239,956**
Administrative expenses	3	(254,731)	(202,643)
Exceptional administrative expense			
Loss on sale of stock and work in progress		-	(66,490)
Operating Profit/(Loss)		**49,199**	**(29,177)**
Income from fixed assets investments		1,378	1,242
Profit/(Loss) on ordinary activities before interest and taxation		**50,577**	**(27,935)**
Interest receivable and similar income	5	403	1,354
Interest payable and similar charges	6	(3,591)	(8,198)
Profit/(Loss) on ordinary activities before taxation		**47,389**	**(34,779)**
Taxation on Profit/(Loss) on ordinary activities	7	(12,415)	(17,093)
Profit/(Loss) on ordinary activities after taxation		**34,974**	**(51,872)**

The notes on pages 11 to 33 form an integral part of these financial statements

The Company has no recognised gains or losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

The results of the Company derive from continuing operations

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents

Discovery Communications Europe Limited
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Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible fixed assets	8	225,517	285,763
Tangible fixed assets	9	61,791	54,138
Investments	10	54,544	53,373
Current assets			
Stock and work in progress	11	151,146	40,760
Deferred launch incentives	12	2,265	118
Debtors	13	167,543	168,329
Cash at bank and in hand		8,578	492
Creditors amounts falling due within one year	14	(294,854)	(267,756)
Net current assets/(liabilities)		**34,678**	**(58,057)**
Total assets less current liabilities		**376,530**	**335,217**
Creditors amounts falling due after more than one year	15	(28,118)	(23,394)
Provisions for liabilities and charges	16	(2,257)	(2,129)
Net assets		**346,155**	**309,694**
Capital and reserves			
Called up share capital	17	630,184	630,184
Other reserves	18	90,693	90,693
Profit and loss account	18	(374,722)	(411,183)
Shareholders' funds	19	**346,155**	**309,694**

The notes on pages 11 to 33 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 11th September 2013 and were signed on their behalf by

Yitzchok Shmulewitz
Director
Discovery Communications Europe Limited

Discovery Communications Europe Limited

Notes to the financial statements

1 Principal accounting policies

A summary of the principal accounting policies is set out below

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and have been applied consistently throughout the year

Discovery Communications, Inc , the ultimate parent undertaking of Discovery Communications Europe Limited, has indicated its current intention to continue to support the activities of the Company, including providing the means to enable it to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements On that basis, the directors believe it is appropriate for the financial statements to be prepared on a going concern basis

Consolidation

The financial statements contain information about Discovery Communications Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, Discovery Communications, Inc , a company registered in the USA

Cash flow statement

The Company is a subsidiary undertaking where 90% or more of the voting rights are controlled within Discovery Communications, Inc and is included in the consolidated financial statements of that group, which are publicly available Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'

Goodwill

Acquisitions are accounted for by applying the purchase method of accounting Following this method, goodwill is initially recognised, representing the difference between the fair value of the consideration paid for the acquired business and the fair value of the identifiable assets and liabilities

Goodwill is stated at cost less accumulated amortisation and impairment losses Amortisation is calculated to write off the cost on a straight-line basis over the expected useful economic lives of the assets, which are between 2 5 and 10 years

Goodwill is tested for impairment based on the recoverable amounts of the cash generating unit to which the goodwill has been allocated at the end of the first full year following the date of acquisition and should a triggering event occur as defined by FRS 11 'Impairment of fixed assets and goodwill' The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset Any impairment identified is recognised immediately in the profit and loss account

1 Principal accounting policies (continued)

Other intangible fixed assets

Other intangible fixed assets are stated at cost less accumulated amortisation Amortisation is calculated to write off the cost on a straight-line basis over the expected useful economic life of the assets, which are between 4 and 10 years

Turnover

Current year turnover represents amounts charged to customers in relation to the provision of cable and satellite television services, net of VAT, and at the fair value of the consideration received or receivable when the product has been delivered and all the Company's contractual obligations have been met

This turnover is recognised as follows

- Advertising sales revenue is recognised when the advertising is broadcast, and
- Satellite and cable revenue is recognised as the services are provided to the platforms and may sometimes be a flat fee but is typically calculated based on the number of subscribers taking the Discovery channels, as reported to the Company by the platforms, multiplied by the contractual rate per subscriber (with or without a minimum guaranteed fee)

Investments

Investments are stated at cost less provision for impairment, if appropriate, for any permanent diminution in value Should a triggering event occur as defined by FRS 11 'Impairment of fixed assets and goodwill', investments are tested for impairment based on the recoverable amounts of the cash generating unit to which the investment has been allocated The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset Any impairment identified is recognised immediately in the profit and loss account

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation Depreciation is calculated to write down the cost less estimated residual balance on a straight-line basis over the expected useful economic lives of the assets, which are as follows

Leasehold improvements and office equipment	5-10 years
Computer equipment	3 years
Film and edit equipment	5 years
Transponders (assessed individually)	5 5 years – 12 5 years

Discovery Communications Europe Limited

Notes to the financial statements (continued)

Principal accounting policies (continued)

Leased assets

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter Future instalments under such leases, net of finance charges, are included within creditors

Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

Stock

Stock comprises acquired and commissioned television programme and translation costs

Programme inventory is stated at the lower of cost and net realisable value incurred up to the balance sheet date after making provision for expenditure on programmes and translations which are unlikely to be transmitted or sold

Programming cost is defined as payments made or due to programme and translation suppliers once the programme is aired or the license period commences Translation cost is defined as payments made or due to translation suppliers once the programme has been translated

The costs of produced programming are capitalised and amortised based on the expected realisation of revenues, resulting in an accelerated basis over four years for developed networks (Discovery Channel and Animal Planet) and a straight-line basis over a period of three years for developing networks (all other networks) The cost of licensed programming is capitalised and amortised over a term not longer than the length of the license period, based on the expected realisation of revenues, resulting in an accelerated basis for developed networks and a straight-line basis for all other networks

The costs of translation are capitalised and amortised on a straight line basis over a three year term, based on the expected realisation of revenues

The cost of television programmes and translation rights is recognised in the cost of sales expense line of the profit and loss account Where programme rights are identified as surplus to the Company's requirements, and no gain is anticipated through a disposal of the rights, or where the programming will not be broadcast for any other reason, a charge to the profit and loss account is made

Payments made upon receipt of commissioned and acquired programming, but in advance of the legal right to broadcast the programmes, are treated as prepayments Programme rights not yet available for transmission are not included in inventories and are instead disclosed as contractual commitments (see note 21)

Deferred launch incentives

Deferred launch incentives are recognised as assets on payment and amortised over the term of the distribution contracts to which they relate

Discovery Communications Europe Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Provisions and asset retirement obligations

Provisions are recognised when the Company has a present legal or constructive obligation to make a probable transfer of economic benefits as a result of past events The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as at the balance sheet date Provisions are discounted if the effect of the time value of money is material using a market rate adjusted for risks specific to the liability

The asset retirement obligation represents management's estimate of the fair value amount that will ultimately be incurred to restore the leased space to its original condition The estimate of the fair value is obtained from a surveyor's report The asset retirement provision represents the existing asset retirement obligation at its present value The capitalised asset retirement cost represents the carrying value of the associated long-lived asset at its present value Depreciation on the asset is recognised on a straight-line basis over its estimated useful economic life

Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs At each balance sheet date, management assesses whether there is any objective evidence that any financial asset is impaired Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires

Cash and cash equivalents
Cash and cash equivalents include cash in hand and bank accounts

Loans
Loans are recorded as the proceeds received, net of direct issue costs Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the underlying instrument to which they relate, to the extent that they are not settled in the period in which they arise

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the day the transaction occurs

Monetary assets and liabilities denominated in a foreign currency are translated at the rate ruling on the balance sheet date Non-monetary assets and liabilities are translated at the rate ruling on the date of acquisition

Exchange differences are taken to the profit and loss account

The Company has executed zero-cost currency collars to mitigate the foreign exchange risk on non sterling denominated revenue contracts The derivative is recognised on the balance sheet at a value, being the difference between the notional amount hedged translated at the spot rate at the balance sheet and the notional translated at the option rate

Discovery Communications Europe Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Until the related revenue is recognised, the related gain/loss is deferred on the balance sheet in reserves until the revenue is recognised At that point, the option will have been exercised and the deferred gain/loss can be released to revenue in the P&L At year end there were no open options, £34,000 loss remained on the balance sheet in respect of the underlying revenue that was billed in January 2013 at which point the amount was expensed

Taxation

Current tax is applied to taxable profit at the rates ruling in the relevant country

License fees agreement

The company accrues and is billed license fees on a usage basis

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date Deferred tax assets are recognised only to the extent that it is probable that there will be sufficient future taxable profits against which the deferred tax asset may be offset Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date Deferred tax is measured on an undiscounted basis

Post retirement benefits

The Company operates a defined contribution pension scheme The assets are held separately from those of the Company in an independently administered fund The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period

Related party disclosures

As the Company is a wholly owned subsidiary within a group headed by Discovery Communications, Inc whose consolidated financial statements are publicly available, the Company has taken advantage of the exemptions contained in FRS 8 'Related party transactions' not to disclose transactions or balances with entities that are part of Discovery Communications, Inc

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Share-based compensation

The Company employs certain senior staff who are members of the Discovery Communications, Inc ("DCI") group's various share-based compensation plans There were three share-based compensation plans in existence during the period Expenses arising under share-based compensation plans primarily include stock options, the DCI group long-term incentive plan ("LTIP"), and restricted stock units

The Company has applied the principles of FRS 20 'Share-based payments' to its share-based compensation plans

Under the LTIP plan, eligible employees receive cash settled unit awards indexed to the price of Series A common stock of DCI As the units are indexed to the equity of another entity, the Company treats the units similar to a derivative by determining their fair value each reporting period The Company attributes compensation expense for the new awards on a straight-line basis Once units are fully vested, the Company recognises all mark-to-market adjustments to fair value in each period as compensation expense

The Company has applied the provisions of FRS 20 and has recorded all share-based compensation expenses as a component of administrative expenses

The Company has applied the principles of FRS 20 and treats the award of units and stock options, and adjustments to the fair value of units and stock options, as a movement in equity as settlement of units and stock options is made by DCI, the ultimate parent company

Dividends paid

Dividends paid are included in the Company financial statements in the period in which the related dividends are approved

2 Geographical analysis of turnover, operating profit / (loss) and net assets

	Turnover		Operating profit / (loss)		Net assets	
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
UK and Ireland	146,750	116,851	52,195	10,655	44,569	7,786
Rest of Europe	232,190	239,862	48,344	20,139	70,520	16,080
Rest of World	21,823	21,157	8,641	2,013	6,628	1,410
	400,763	377,870	109,180	32,807	121,717	25,276
Goodwill and related amortisation/impairment	-	-	(59,981)	(61,984)	224,438	284,419
	400,763	**377,870**	**49,199**	**(29,177)**	**346,155**	**309,694**

The geographical analysis above is based on the country in which the television channel producing the income is shown

The directors consider that the Company has only one business class which is the broadcast of television channels

3 Operating profit/(loss)

Operating profit / (loss) is stated after charging/(crediting):

	2012 £'000	2011 £'000
Operating lease charges – land and buildings (see below)	419	2,293
Operating lease charges – other	9,121	10,438
Depreciation of tangible assets – owned assets (See Note 9)	12,293	10,082
Depreciation of tangible assets – under finance leases (See Note 9)	3,552	6,000
Amortisation of programming inventory	38,965	77,024
Amortisation of intangible assets (See Note 8)	60,246	61,984
Services provided by the company's auditor		
Fees payable for audit services	304	304
Fees payable for other services	-	-

The Company released a one-off excess deferred rent provision of £1 9m during the period following the renegotiation of the Company's premises

Discovery Communications Europe Limited

Notes to the financial statements (continued)

4 Employees and directors

Staff costs for the year	**2012 £'000**	**2011 £'000**
Wages and salaries	39,986	37,087
Social security costs	4,807	4,562
Other pension costs	2,141	1,751
Cost of employee share-based compensation plan (see note 22)	1,521	1,871
	48,455	**45,271**

Average monthly number of people (including executive directors) employed by the Company	**2012**	**2011**
Programming and research	147	118
Broadcast and operations	211	176
Sales and marketing	115	120
Administration	206	195
	679	**609**

Directors	**2012 £'000**	**2011 £'000**
Aggregate emoluments	1,867	1,538
Company contributions to money purchase pension schemes	82	-
	1,949	**1,538**

Highest paid director	**2012 £'000**	**2011 £'000**
Aggregate emoluments and benefits under share-based compensation plans	692	748
Company contributions to money purchase pension schemes	35	-
	727	**748**

During the year, 4 directors exercised share options (2011 3)

Discovery Communications Europe Limited

Notes to the financial statements (continued)

5 Interest receivable and similar income

	2012	2011
	£'000	£'000
Interest receivable on intercompany loans	-	578
Interest receivable on bank and other deposits	403	776
	403	**1,354**

6 Interest payable and similar charges

	2012	2011
	£'000	£'000
Interest payable on intercompany loans	12	5,616
Interest payable on bank loans and overdrafts	101	117
Interest payable on finance leases	3,478	2,465
	3,591	**8,198**

Discovery Communications Europe Limited

Notes to the financial statements (continued)

7 Taxation on profit/(loss) on ordinary activities

	2012 £'000	2011 £'000
Analysis of tax charge in the year		
UK corporation tax on profits in the year	16,682	22,733
Adjustment in respect of prior periods	(5,101)	(3,166)
Current tax charge	**11,581**	**19,567**
Deferred tax (credit) / charge		
Origination and reversal of timing differences	2	609
Adjustment in respect of prior periods	17	(3,674)
Effect of changes in tax rates and laws	815	591
Total deferred tax (credit) / charge	**834**	**(2,474)**
Tax charge on profit/(loss) on ordinary activities	**12,415**	**17,093**

The tax assessed for the year is lower (2011 higher) than the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) The difference is explained below

Factors affecting the current tax charge for the year

Profit/(loss) on ordinary activities before taxation	47,389	(34,779)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	11,610	(9,215)
Effects of		
Expenses not deductible for tax purposes	1,158	283
Losses of subsidiary partnership	-	(719)
Depreciation in excess of capital allowances	(15)	196
Depreciation on non-qualifying assets	-	-
Amortisation of non-qualifying intangibles	14,296	15,490
Other timing differences	43	3
Non taxable income	(266)	(421)
Net share scheme deductions	(338)	(504)
Adjustment in respect of prior periods	(5,101)	(3,166)
Non-deductible loss on sale of stock	-	17,620
Foreign tax	214	-
Group relief received for no consideration	(10,020)	-
Current tax charge for the period	**11,581**	**19,567**

A number of changes to the UK Corporation tax system were announced in the March 2013 UK Budget Statement These changes and their impact on deferred tax assets are fully explained in note 24 relating to post balance sheet events

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is expected to be included in the Finance Act 2013 This expected rate reduction has not been substantively enacted at the balance sheet date and is not therefore included in the financial statements

The Company has claimed tax losses from another group company for consideration of £nil (2011 £8,666,000)

Discovery Communications Europe Limited

Notes to the financial statements (continued)

8 Intangible assets

	Goodwill	Other intangible assets	Total
	£'000	£'000	£'000
Cost			
At 1 January 2012	712,086	3,792	715,878
Disposals	-	-	-
At 31 December 2012	**712,086**	**3,792**	**715,878**
Accumulated amortisation			
At 1 January 2012	427,667	2,448	430,115
Charge in the year	59,981	265	60,246
At 31 December 2012	**487,648**	**2,713**	**490,361**
Net book value			
At 31 December 2012	**224,438**	**1,079**	**225,517**
At 31 December 2011	284,419	1,344	285,763

Discovery Communications Europe Limited

Notes to the financial statements (continued)

9 Tangible fixed assets

	Asset retirement obligation £'000	Leasehold improvements and office equipment £'000	Computer equipment £'000	Film and edit equipment £'000	Transponders £'000	Total £'000
Cost						
At 1 January 2012	1,437	15,385	16,981	30,920	47,647	112,370
Additions	-	1,400	4,957	11,626	5,515	23,498
Disposals	-	-	-	-		-
At 31 December 2012	**1,437**	**16,785**	**21,938**	**42,546**	**53,162**	**135,868**
Accumulated depreciation						
At 1 January 2012	1,043	11,197	13,295	13,200	19,497	58,232
Charge in the year	153	2,428	3,244	6,468	3,552	15,845
Disposals	-	-	-	-	-	-
At 31 December 2012	**1,196**	**13,625**	**16,539**	**19,668**	**23,049**	**74,077**
Net book value						
At 31 December 2012	**241**	**3,160**	**5,399**	**22,878**	**30,113**	**61,791**
At 31 December 2011	394	4,188	3,686	17,720	28,150	54,138

The asset retirement obligation represents the future cost of removing the leasehold improvements installed in the Chiswick Park property

Assets held under finance leases, all of which relate to transponders, capitalised and included in tangible assets

	2012 £'000	2011 £'000
Cost	53,162	47,647
Accumulated depreciation	(23,049)	(19,497)
Net book value	**30,113**	**28,150**

Discovery Communications Europe Limited

Notes to the financial statements (continued)

10 Investments

	2012 £'000	2011 £'000
Cost		
At 1 January	53,373	53,306
Additions	1,171	67
At 31 December	**54,544**	**53,373**

Investments are supported by their underlying net assets or have been tested for impairment according to the investment policy

Details of the Company's directly owned subsidiaries

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held
Televista S A	France	TV broadcaster	Ordinary shares – 20%
Discovery Medya Hizmetleri Limited	Turkey	Holding Company	Ordinary shares – 99%
Discovery Bulgaria EOOD	Bulgaria	TV broadcaster	Ordinary shares – 100%
Discovery Communications Nordic A/S	Denmark	TV broadcaster	Ordinary shares – 100%
Discovery Communications Ukraine TOB	Ukraine	TV broadcaster	Ordinary shares – 99 99%
Discovery Content Verwaltungs GmbH	Germany	Management company	Ordinary shares – 99%
Discovery Czech Republic s r o	Czech Republic	TV broadcaster	Ordinary shares – 99%
DNE Music Publishing Limited	UK	Holding company	Ordinary shares – 100%
DNI German Holdings I Limited	UK	Holding company	Ordinary shares – 100%

For the subsidiaries of the Company which are considered material by the directors, the following additional information is shown for the year to 31 December 2012, as extracted from unaudited management accounts

	Net assets 2012 £'000	Profit for the year 2012 £'000
Discovery Communications Nordic Aps	9,987	2,416
DNI German Holdings I Limited	146,522	(1,024)

Discovery Communications Europe Limited

Notes to the financial statements (continued)

11 Stocks

	2012 £'000	2011 £'000
Work in progress	15,021	15,023
Programme inventory	136,125	25,737
	151,146	**40,760**

Stock and work in progress includes £54,882,450 (2011 £7,786,033) which will amortise after one year In 2011 the net book value of stock was sold to a fellow group company, the company has subsequently continued to acquire new content

12 Deferred launch incentives

	2012 £'000	2011 £'000
Deferred launch incentives	2,265	118
	2,265	**118**

Included in deferred launch incentives is £nil (2011 £nil) to be amortised in more than one year

Discovery Communications Europe Limited

Notes to the financial statements (continued)

13 Debtors

	2012 £'000	2011 £'000
Trade debtors	62,076	89,776
Owed by fellow group undertakings	52,620	49,631
Other debtors	286	272
Prepayments and accrued income	35,238	9,959
Taxation, VAT and social security	11,089	11,623
Deferred tax	6,234	7,068
	167,543	**168,329**

Included in amounts owed by group undertakings are loans owed by group undertakings, all of which are unsecured, interest bearing and due as follows

- £3,129,891 with Discovery Communications Russia which accrues interest on a compound basis quarterly at 7 5% and is repayable on 5 November 2013,
- £430,928 with Discovery Communications Ukraine which accrues interest on a compound basis quarterly at 7 5% and is repayable on 8 November 2014,
- £1,539,029 with Takhayal Television with accrues interest on a compound basis yearly at 5% and is repayable 28 November 2017,

Other amounts owed by fellow group undertakings are unsecured, interest free and have no fixed date of repayment

Deferred Tax	**2012** **£'000**	**2011** **£'000**
Accelerated capital allowances	4,289	4,970
Other timing differences	1,945	2,098
Total deferred tax asset	**6,234**	**7,068**
1 January 2012	7,068	4,592
Adjustment in respect of prior periods	-	2
Deferred tax credit in profit and loss account (note 7)	(834)	2,474
31 December 2012	**6,234**	**7,068**

Discovery Communications Europe Limited

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank overdraft	-	26,073
Trade creditors	256	1,708
Amounts owed to fellow group undertakings	231,978	194,118
Finance leases	12,170	9,913
Accruals and deferred income	46,396	32,715
Corporation tax	4,054	3,229
	294,854	**267,756**

Amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand The overdraft is part of the Bank Mendes Gans BV arrangement detailed in note 23

15 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Finance leases	27,208	20,062
Accruals and deferred income	910	3,332
	28,118	**23,394**

Finance leases

Future minimum payments under finance leases are as follows

	2012 £'000	2011 £'000
Within one year	14,622	11,644
In more than one year, but less than five years	20,041	13,153
In more than five years	13,749	17,495
Total gross payments	48,412	42,292
Less finance charges included above	(9,034)	(10,572)
	39,378	**31,720**

Discovery Communications Europe Limited

Notes to the financial statements (continued)

16 Provisions for liabilities

	2012 £'000	2011 £'000
At 1 January	2,129	2,008
Charge to the profit and loss account	128	121
At 31 December	**2,257**	**2,129**

The provision in both years is represented by an asset retirement obligation in relation to the future cost of removing leasehold improvements installed in the Chiswick Park property

17 Called up share capital

	2012 £	2011 £
Authorised		
1,500,000,000 (2011 1,500,000,000) ordinary shares of £1 each	1,500,000,000	1,500,000,000
Alloted, called up and fully paid		
630,183,606 (2011 630,183,606) ordinary shares of £1 each	630,183,606	630,183,606

18 Reserves

	Other reserves 2012 £'000	Profit and loss reserve 2012 £'000
At 1 January	90,693	(411,183)
Profit / (Loss) for the year	-	34,974
Foreign exchange taken to reserves	-	(34)
Adjustment in respect of long term incentive plan	-	1,521
At 31 December	**90,693**	**(374,722)**

The adjustment in respect of the long term incentive plan is a result of units settled by the intermediate parent company during the year and a fair value adjustment of the outstanding units to be settled by the intermediate parent company

Discovery Communications Europe Limited

Notes to the financial statements (continued)

19 Reconciliation of movement in shareholders' funds

	2012 £'000	2011 £'000
Opening shareholders' funds	309,694	466,216
Distributed dividends	-	(106,521)
Profit/(loss) for the year	34,974	(51,872)
Adjustment in respect of long term incentive plan	1,521	1,871
Foreign exchange taken to reserves	(34)	-
Closing shareholders' funds	**346,155**	**309,694**

There were no dividends paid or declared in the year (2011 £106,521,000) The final dividend paid in 2011 was £0 16p per share

20 Operating leases

At 31 December 2012, the Company had annual commitments in the next year under non-cancellable operating leases expiring as follows

	Land and buildings 2012 £'000	Other 2012 £'000	Land and buildings 2011 £'000	Other 2011 £'000
Operating leases which expire				
Within one year	-	2,083	-	2,231
Within two to five years	2,664	3,013	3,077	7,297
In more than 5 years	-	-	-	-
	2,664	**5,096**	**3,077**	**9,528**

21 Other commitments

At 31 December 2012, the Company had other contractual commitments as follows

	2012 £'000	2011 £'000
Programming commitments	23,326	25,732
Transmission services	166,508	180,200
	189,834	**205,932**

Transmission services consist of long-term transmission agreements payable over a number of years as part of the normal course of business

Discovery Communications Europe Limited

Notes to the financial statements (continued)

22 Share-based compensation

Share-based compensation expense

Compensation expense recognised for share-based compensation plans is as follows

	2012	2011
	£'000	£'000
Long term incentive plan	238	535
Stock options	829	1,087
Restricted stock units	454	249
	1,521	**1,871**

Long term incentive plan ("LTIP")

These awards, which are cash-settled, consist of a number of units which represent an equivalent number of shares of common stock of DCI and have a base price which is determined based on the stock price of DCI (Discovery Communications Inc) The LTIP units are indexed to the share price of DCI's common stock

Each year 25% of the units awarded will expire and the employees will receive a cash payment for the increase in value

Upon voluntary termination of employment, the group distributes 75% of the intrinsic value of the participant's vested units, participants must return a General Release within 45 days of their termination date which requires them to comply with post-employment obligations for one year in order to receive remaining benefits The remaining 25% is paid once the General Release is completed and returned

The fair value of LTIP units issued has been determined using the Black-Scholes option-pricing model The weighted average assumptions used in this option-pricing model were as follows

Weighted average assumptions for the year ended 31 December	**2012**	**2011**
Risk-free interest rate	0 00%	0 07%
Expected term (years)	0	0 25
Expected volatility	0 00%	34 85%
Dividend yield	0 00%	0 00%

The weighted average fair value of LTIP units outstanding is £nil at 31 December 2012 (2011 £15 88) The total accrued fair value of LTIP units outstanding under the plan is £nil at 31 December 2012 (2011 £284,952) Any liability associated with the LTIP is that of DCI, the ultimate parent company

The expense recognised by the Company in 2012, relating to the compensation expense and changes in valuation assumptions, amounted to £238,238 (2011 expense of £534,900)

Notes to the financial statements (continued)

22 Share-based compensation (continued)

The followıng table summarıses LTIP unıt actıvıty for the year ended 31 December 2012

	Units	Weighted Average Grant Price
Outstanding at 1 January 2012	24,785	£12 19
Units transferred to/from other group companies	0	£0 00
Units exercised	(24,650)	£12 19
Units cancelled/redeemed	(135)	£11 91
Outstanding at 31 December 2012	**0**	£0 00
Vested at 31 December 2012	0	0

Stock options

Stock options are granted with exercise prices equal to, or in excess of, the fair market value at the date of the grant These stock options vest either 25% or 33 3% per year, beginning one year after the grant date, and expire after three to ten years Certain stock option awards provide for accelerated vesting upon an election to retire pursuant to the DCI group incentive plans or after reaching a specified age and years of service

The fair value of the stock options issued has been determined using the Black-Scholes option-pricing model The weighted average assumptions used in this option-pricing model were as follows

Weighted average assumptions for the year ended 31 December	2012	2011
Risk-free interest rate	1 00%	1 83%
Expected term (years)	5 00	5 00
Expected volatility	38 33%	38 86%
Dividend yield	0 00%	0 00%

Discovery Communications Europe Limited

Notes to the financial statements (continued)

22 Share-based compensation (continued)

The weighted average fair value of the stock options outstanding is £7 86 at 31 December 2012 (2011 £5 65) The total accrued fair value of stock options outstanding under the plan is £2,579,452 at 31 December 2012 (2011 £2,555,496) Any liability associated with the stock options is that of DCI, the ultimate parent company

The expense recognised by the Company in 2012, relating to the compensation expense and changes in valuation assumptions, amounted to £828,659 (2011 £1,086,720)

The following table summarises stock options activity for the year ended 31 December 2012

	Units	Weighted Average Grant Price
Outstanding at 1 January 2012	452,150	£15 36
Units transferred in from other group companies	62,576	£15 17
Units transferred out to other group companies	(36,106)	£10 18
Units granted	106,065	£30 12
Units exercised	(224,843)	£11 44
Units cancelled / redeemed	(31,754)	£19 67
Outstanding at 31 December 2012	**328,088**	£22 94
Vested at 31 December 2012	72,934	£16 54

Restricted stock units ("RSUs")

Restricted stock units are granted with exercise prices equal to, or in excess of, the fair market value at the date of the grant Typically vesting over 4 years with 33% of units vest in year 2, 33% in year 3 and 34% in year 4 Vesting is dependent on an employee remaining employed through the applicable date or otherwise meeting the vesting requirements of the award

The fair value of the RSUs is the price of the stock at the grant date

The expense recognised by the Company in 2012, relating to the compensation expense and changes in valuation assumptions, amounted to £454,161 (2011 £248,918)

Discovery Communications Europe Limited

Notes to the financial statements (continued)

22 Share-based compensation (continued)

The followıng table summanses RSU actıvıty for the year ended 31 December 2012

	Units	Weighted Average Grant Price
Outstandıng at 1 January 2012	54,467	£22 79
Units transferred ın from other group companıes	8,363	£22 12
Units transferred out from other group companıes	(1,205)	£19 94
Units granted	31,921	£29 47
Units exercised	(10,213)	£20 03
Units cancelled / redeemed	(7,240)	£22 33
Outstanding at 31 December 2012	**76,093**	£25 27
Vested at 31 December 2012	-	£0 00

The weıghted average faır value of the RSUs outstandıng ıs £25 27 at 31 December 2012 (2011 £22 79) The total accrued faır value of RSUs outstandıng under the plan ıs £1,922,870 at 31 December 2012 (2011 £1,241,293) Any lıabılıty associated with the RSUs ıs that of DCI, the ultımate parent company

23 Contingent liabilities

In 2009, the Company entered ınto an arrangement with Bank Mendes Gans BV (the "Bank") whereby the accounts of Discovery Communıcatıons, Inc subsıdıanes (the "Subsıdıanes") are combined, with cleared debıt and credıt balances beıng offset for ınterest calculatıon purposes Each of the Subsıdıanes, whıch at any tıme have a negatıve balance, may set-off any amounts due to the Bank with any amounts due by the Bank to each of the Subsıdıanes with a posıtıve balance When ıt wishes to seek repayment of any negatıve balances, the Bank shall first seek recourse against the posıtıve balances

The Company had a posıtıve balance of £7,869,639 (2011 negatıve £26,073,297) with the Bank at the year end The net balance for the Subsıdıanes at 31 December 2012 under thıs arrangement was a posıtıve balance of £44,261,472 (2011 £14,076,135) The combıned balances of all Subsıdıanes are not permıtted to be less than nıl across all Subsıdıanes

24 Post balance sheet events

A change to the UK Corporatıon Tax System was announced ın the March 2013 UK Budget Statement

Legıslatıon to reduce the maın rate of corporatıon tax from 23% to 21% from 1 Apnl 2014 ıs expected to be ıncluded ın the Fınance Act 2013 Thıs expected rate reductıon has not been substantıvely enacted at the balance sheet date, and ıs not therefore ıncluded ın the financıal statements

Discovery Communications Europe Limited

Notes to the financial statements (continued)

24 Post balance sheet events (continued)

The effect of the changes to be enacted in the Finance Act 2013 would be to reduce the deferred tax asset provided at the balance sheet date by £570,000 This £570,000 decrease in the deferred tax asset would decrease profit by £570,000 This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 23% to 21% with effect from 1 April 2014

25 Operating exceptional loss

	2011
	£'000
Book value of stock sold	(142,150)
Proceeds	75,660
Loss on sale of stock	**(66,490)**

On 1 November 2011, the Company sold stock with a book value of £142,150,367 to a fellow group company in exchange for the acceptance to pay on the company's behalf an intercompany loan of £75,660,284 The difference between the book value of the stock and the value of the consideration for the sale of £66,490,083 has been recognised as an operating exceptional loss in the profit and loss account The company has agreed a license agreement with the fellow group company to allow the continuing use of the stock Both companies have a right to terminate the license agreement with 6 months notice

26 Ultimate parent company

The immediate and ultimate UK parent company is DNI Europe Holdings Limited, a company incorporated in England and Wales

The directors consider the ultimate parent undertaking and controlling to be Discovery Communications, Inc, incorporated in the USA, which is the largest undertaking to consolidate the financial statements for the Company Copies of the Discovery Communications, Inc financial statements can be obtained from their registered office at One Discovery Place, Silver Spring, MD 20910, USA