Registration number: 05039068

Discovery Communications Europe Limited

Financial Statements

for the Year Ended 31 December 2016

Discovery Communications Europe Limited

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Discovery Communications Europe Limited

Company Information

Directors	H Wheeley
	Y Shmulewitz
Registered office	Discovery House Chiswick Park Building 2 566 Chiswick High Road London W4 5YB
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Discovery Communications Europe Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Fair review of the business
The Company's audited results for the year are shown on page 8. The results for the Company show a pre-tax loss of £278,984,530 (2015: £70,846,679). The Company has net assets of £627,980,461 (2015: £889,880,431).

No dividends were declared and paid during the year (2015: £nil).

The Company's key financial and other performance indicators during the year were as follows:

	2016	2015	Variance %
	£000	£000	
Turnover	1,129,057	795,242	41.98%
Gross Profit	168,835	89,073	89.55%
Gross margin	14.95%	11.20%	

Principal risks and uncertainties
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 Conditions
The Company derives substantial revenues from the provision of support services to fellow group operating companies. The group operating companies face cyclical economic conditions in the countries where they operate. Economic conditions may adversely affect the economic prospects of the group companies and therefore they may have an adverse effect on our business.

Employees
The Company's performance depends largely on its employees. 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 Group's performance that are designed to retain key individuals.

Approved by the Board on 29/9/17 and signed on its behalf by:

H Wheeley
Director

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Directors of the Company
The directors who held office during the year were as follows:

H Wheeley

N Bonard (resigned 13 October 2016)

Y Shmulewitz (appointed 13 October 2016)

Principal activities
The principal activity of the Company is the distribution of factual and lifestyle television channels via cable and satellite throughout the UK, the rest of Europe, the Middle East, Africa and Latin America.

Employment of disabled persons
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.

Employee involvement
Consultation with employees or their representatives takes place 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 the group companies' performance. Communication with all employees continues through in-house briefing groups and the Discovery Communications intranet.

Future developments
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 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.

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

Going concern
The directors have a reasonable expectation that the Company and the Discovery Group have adequate resources to continue in operational existence for the foreseeable future.

Discovery Communications, Inc., the ultimate parent undertaking of Discovery Communications Europe Limited, has indicated its current intention to support the activities of the Company, including providing the means to enable it to meet its liabilities as they fall due. On that basis, the Directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements.

Dividends
No dividends were paid during the year.

Financial risk management
The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, and liquidity 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, credit risk and the use of financial instruments to manage these risks.

Foreign exchange risk
The Company has operations in multiple currencies and is exposed to foreign exchange risk mainly with respect to the Euro and US Dollar.

Credit risk
The Company has no significant concentration of credit risk and follows the Discovery Group policy with respect to credit risk associated with trade debtors. The Company has major intercompany receivables and may be unable to recover the receivables if any of the group companies face financial difficulties. To mitigate this risk the Company follows strict intercompany settlements and monitors the intercompany balances on a regular basis.

Liquidity risk
The Company actively maintains short-term committed facilities with Bank Mendes Gans BV to ensure that the Company has sufficient available funds for operations and planned expansions. For more details refer to note 25.

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors
PricewaterhouseCoopers LLP have been appointed as auditors of the Company and a resolution to reappoint them was proposed at the Annual General Meeting.

Approved by the Board on 29/9/17 and signed on its behalf by:

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H Wheeley
Director

Discovery Communications Europe Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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.

Approved by the Board on 29/9/17 and signed on its behalf by:

H Wheeley
Director

Discovery Communications Europe Limited

Independent Auditors' Report to the Members of Discovery Communications Europe Limited

Report on the financial statements

Our opinion

In our opinion, Discovery Communications Europe Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016and of its loss 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of Discovery Communications Europe Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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Philip Stokes (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
London

Date: 29 September 2017

Discovery Communications Europe Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	1,129,057	795,242
Cost of sales		(960,222)	(706,169)
Gross profit		168,835	89,073
Administrative expenses		(106,363)	(157,814)
Operating loss	5	62,472	(68,741)
Investment impairment		(340,577)	-
Other interest receivable and similar income	6	7,102	546
Interest payable and similar charges	7	(7,982)	(2,652)
		(341,457)	(2,106)
Loss before taxation		(278,985)	(70,847)
Tax on loss	11	(16,312)	(5,348)
Loss for the financial year		(295,297)	(76,195)

The above results were derived from continuing operations.

Discovery Communications Europe Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	2016 £ 000	2015 £ 000
Loss for the financial year	(295,297)	(76,195)
Items that may be reclassified subsequently to profit or loss:		
Loss on cash flow hedges (net)	(8,111)	(1,798)
Total comprehensive expense for the year	(303,408)	(77,993)

The notes on pages 13 to 36 form an integral part of these financial statements.

Discovery Communications Europe Limited

Registration number: 05039068
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Intangible assets	12	193,681	171,817
Property, plant and equipment	13	40,095	41,935
Investments	14	621,096	913,316
Deferred tax assets	11	9,870	9,451
		864,742	1,136,519
Current assets			
Stocks	15	6,859	36,916
Trade and other debtors	16	365,686	196,097
Derivative financial instruments	17	471	2,023
Cash at bank and in hand		42,786	1,875
		415,802	236,911
Creditors: Amounts falling due within one year			
Trade and other payables	18	(343,065)	(214,891)
Loans and borrowings	19	(284,990)	(250,278)
Income tax liability		(5,034)	-
Derivative financial liabilities	17	(12,135)	(1,859)
Creditors: Amounts falling due within one year		(645,224)	(467,028)
Net current liabilities		(229,422)	(230,117)
Total assets less current liabilities		635,320	906,402
Creditors: Amounts falling due after more than one year			
Loans and borrowings	19	(2,373)	(11,818)
Deferred income		(1,564)	(2,437)
Other non-current financial liabilities		(706)	-
Creditors: Amounts falling due after more than one year		(4,643)	(14,255)
Provisions for liabilities	21	(2,698)	(2,267)
Net assets		627,979	889,880

The notes on pages 13 to 36 form an integral part of these financial statements.

Discovery Communications Europe Limited

Registration number: 05039068
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Capital and reserves			
Called up share capital	28	1,354,490	1,313,232
Other reserves		90,692	90,692
Profit and loss account		(817,203)	(514,044)
Total Shareholders' funds		627,979	889,880

Approved by the Board on 29/9/17 and signed on its behalf by:

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H Wheeley

Director

The notes on pages 13 to 36 form an integral part of these financial statements.

Discovery Communications Europe Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2015	1,313,232	90,692	(436,299)	967,625
Loss for the financial year	-	-	(76,195)	(76,195)
Other comprehensive expense	-	-	(1,798)	(1,798)
Total comprehensive expense	-	-	(77,993)	(77,993)
Share based payment transactions	-	-	248	248
At 31 December 2015	1,313,232	90,692	(514,044)	889,880

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2016	1,313,232	90,692	(514,044)	889,880
Loss for the financial year	-	-	(295,297)	(295,297)
Other comprehensive expense	-	-	(8,111)	(8,111)
Total comprehensive expense	-	-	(303,408)	(303,408)
New share capital subscribed	41,258	-	-	41,258
Share based payment transactions	-	-	249	249
At 31 December 2016	1,354,490	90,692	(817,203)	627,979

1 General information

The address of the Company's registered office is:
Discovery House
Chiswick Park Building 2
566 Chiswick High Road
London
W4 5YB

Discovery Communications Europe Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 3 to 4.

These financial statements are presented in British pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, The Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the asset or liability.

Basis of preparation
The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016. The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

2 Accounting policies (continued)

Summary of disclosure exemptions

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

a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment;
b) the requirements of IAS 7 Statement of Cash Flows;
c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
e) the requirements in IAS 24 Related Party Disclosures 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 transactions is wholly owned by such a member.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report on page 2.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Discovery Communications Inc. group to continue as a going concern. The directors have assessed Discovery Communications Europe Limited's financial position and have a reasonable expectation that it will be able to continue in operational existence for the foreseeable future along with the support from Discovery Communications Inc.

Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Exemption from preparing group financial statements

Group financial statements of the Company and its subsidiary undertakings and its participating undertakings have not been prepared. The Company is exempt from the requirement to prepare group financial statements under the provisions of Section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking and not about its group.

Turnover

Current year turnover represents amounts charged to customers, 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.

The Company has represented certain transactions from cost of revenue to revenue.

Turnover is recognised as follows:

- Advertising revenues are recognised, net of agency commissions, in the period that the advertisements are aired; 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 Company's channels, as reported to the Company by the platforms, multiplied by the contractual rate per subscriber (with or without a minimum guaranteed fee).

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Share based payments

The Company employs certain senior staffs who are members of the Discovery Communications, Inc. (DCI) group's share-based compensation plans. There were two share-based compensation plans in existence during the period. Expenses arising under share-based compensation plans relate to stock options and restricted stock units.

The Company has applied the principles of IFRS 2 'Share-based payments' to its share-based compensation plans and has recorded all share-based compensation expenses as a component of administrative expenses.

The Company 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.

The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Impairment of non-financial assets

Assets are reviewed at each financial year end for any indication of impairment. If such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of any impairment. The recoverable amount is the higher of its net selling price (fair value less selling costs) and its value in use. In estimating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects the time value of money and the risks specific to the asset. Under IAS 36, the impairment test is performed at a cash-generating unit level, being the "smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets". An impairment loss is recognised immediately as part of operating income.

An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However the increased amount will not exceed the value that would have been determined had no impairment been recognised in prior years. A reversal of impairment loss is recognised immediately as part of operating income.

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the profit and loss account. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the profit and loss account on disposal.

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

2 Accounting policies (continued)

Investments
Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income arc recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Stock and work in progress
Stock comprises acquired and commissioned television content and translation costs.

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

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

The costs of produced content 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 content 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 content and translation rights is recognised in the cost of sales expense line of the profit and loss account. Where content rights are identified as surplus to the Company's requirements, and no gain is anticipated through a disposal of the rights, or where the content 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 content, but in advance of the legal right to broadcast the content, are treated as prepayments. Content rights not yet available for transmission are not included in inventories and are instead disclosed as contractual commitments (see note 24).

Debtors
Debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Loans and Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

2 Accounting policies (continued)

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when it becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the Income statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets and liabilities
Classification and recognition
The classification of financial asset depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Derivative financial assets are measured at fair value through the profit and loss account, unless they are designated in a cash flow hedging relationship, in which case the change in the effective portion of the cash flow hedge is recorded in the statement of other comprehensive income and the ineffective portion is recorded in the profit and loss account.

Other financial assets are classified as 'loans and other debtors'. These include trade and other debtors that have fixed or determinable payments and are not quoted in an active market. Loans and other debtors are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying value of the allowance account are recognised in the profit and loss account.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in the statement of other comprehensive income and accumulated in equity is recognised in the profit and loss account.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Derivatives and hedging
The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

2 Accounting policies (continued)

Derivatives and hedging (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account, and is included in the 'other gains and losses' line item.

Amounts previously recognised in the statement of other comprehensive income and accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in the statement of other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the profit and loss account.

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments in subsidiaries

Determining whether subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations requires the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £621,095,624 (2015: £913,315,933) with impairment of £340,577,000 recognised in the year.

4 Turnover

	2016 £ 000	2015 £ 000
UK and Ireland	667,586	424,939
Rest of Europe	385,002	327,885
Rest of World	76,469	42,418
	1,129,057	795,242

4 Turnover (continued)

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 one business class which is the broadcast of television channels.

5 Operating loss

Arrived at after charging/(crediting):

	2016 £ 000	2015 £ 000
Depreciation expense	18,248	13,276
Amortisation expense	1,938	1,701
Foreign exchange losses	48,236	33,740
Operating lease expense - property	4,446	3,841
Operating lease expense - other	14,765	15,451
(Profit)/loss on disposal of property, plant and equipment	(360)	11

6 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest income on bank deposits	9	491
Dividend income	7,093	55
	7,102	546

7 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest on bank overdrafts and borrowings	6,845	1,439
Interest on obligations under finance leases and hire purchase contracts	1,084	1,199
Other finance costs	53	14
	7,982	2,652

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	7,598	5,934
Social security costs	1,736	1,211
Other pension costs	755	635
Cost of employee share-based compensation plan (see note 23)	249	248
	10,338	8,028

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2016 No.	2015 No.
Programming and research	1	1
Broadcast and operations	16	94
Sales and marketing	16	30
Administration	8	62
Office and management	66	-
Media and operations	1	-
	108	187

9 Directors' remuneration

	2016 £ 000	2015 £ 000
Aggregate emoluments	501	387
Company contributions to money purchase pension schemes	33	32
	534	419

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	-	1
Exercised share options	-	1

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	501	387
Company contributions to money purchase pension schemes	33	32

9 Directors' remuneration (continued)

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

10 Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's financial statements were £303,000 (2015: £308,000). This is borne by Discovery Corporate Services Limited in current and prior year.

11 Income tax

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	6,904	-
UK corporation tax adjustment to prior periods	10	-
	6,914	-
Foreign tax	9,817	6,376
Total current income tax	16,731	6,376
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,030)	(1,943)
Arising from changes in tax rates and laws	520	834
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	91	81
Total deferred taxation	(419)	(1,028)
Tax expense in the profit and loss account	16,312	5,348

11 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015: higher than the standard rate of corporation tax in the UK) of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Loss before tax	(278,985)	(70,847)
Corporation tax at standard rate	(55,797)	(14,344)
Decrease/(increase) from effect of revenues exempt from taxation	(1,505)	(10)
Increase/(decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	69,091	212
Increase/(decrease) from effect of exercise employee share options	-	(41)
Increase/(decrease) arising from group relief tax reconciliation	(2,529)	13,288
Increase/(decrease) arising from overseas tax suffered (expensed)	9,817	5,085
Other tax adjustments, reliefs and transfers	(1,462)	-
Adjustment to deferred tax	702	-
Adjustment to tax charge in respect of previous periods	10	-
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	91	81
Deferred tax expense/(credit) relating to changes in tax rates or laws	-	1,077
Other differences	(2,106)	-
Total tax charge	16,312	5,348

Deferred tax

Deferred tax assets and liabilities

2016	Asset £ 000
Accelerated tax depreciation	9,352
Other items	518
	9,870

2015	Asset £ 000
Accelerated tax depreciation	8,902
Other items	549
	9,451

11 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	8,902	450	9,352
Other items	549	(31)	518
Net tax assets/(liabilities)	9,451	419	9,870

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	Recognised in income £ 000	31 December 2015 £ 000
Accelerated tax depreciation	7,735	1,167	8,902
Other items	688	(139)	549
Net tax assets/(liabilities)	8,423	1,028	9,451

12 Intangible assets

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2016	712,086	8,751	720,837
Transfer from group undertakings	22,828	1,422	24,250
At 31 December 2016	734,914	10,173	745,087
Accumulated amortisation			
At 1 January 2016	543,757	5,263	549,020
Amortisation charge	-	1,938	1,938
Transfer from group undertakings	-	448	448
At 31 December 2016	543,757	7,649	551,406
Carrying amount			
At 31 December 2016	191,157	2,524	193,681
At 31 December 2015	168,329	3,488	171,817

13 Property, plant and equipment

	Asset retirement obligation £ 000	Leasehold improvements and office equipment £ 000	Computer equipment £ 000	Film and edit equipment £ 000	Transponder £ 000	Asset under construction £ 000	Total £ 000
Cost or valuation							
At 1 January 2016	1,666	20,047	35,264	54,877	35,252	1,034	148,140
Transfer from other group undertakings	-	-	-	9,602	-	-	9,602
Transfers from third party	(13)	-	3,182	4,716	2,170	1,439	11,494
Disposals	-	-	(2,903)	-	-	-	(2,903)
Transfers	-	-	453	452	-	(905)	-
At 31 December 2016	1,653	20,047	35,996	69,647	37,422	1,568	166,333
Accumulated depreciation							
At 1 January 2016	1,603	17,613	26,534	39,728	20,727	-	106,205
Charge for the year	21	940	5,489	7,975	3,823	-	18,248
Transfer from other group undertakings	-	-	-	4,617	-	-	4,617
Disposals	-	-	(2,832)	-	-	-	(2,832)
At 31 December 2016	1,624	18,553	29,191	52,320	24,550	-	126,238
Carrying amount							
At 31 December 2016	29	1,494	6,805	17,327	12,872	1,568	40,095
At 31 December 2015	63	2,434	8,730	15,149	14,525	1,034	41,935

13 Property, plant and equipment (continued)

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

Assets held under finance leases relate to transponders and computer equipment. These assets are included in tangible assets as follows:

	2016 £ 000	2015 £ 000
Cost	38,068	38,801
Accumulated depreciation	(24,978)	(23,772)
Net book value	13,090	15,029

14 Investments

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2016	913,316
Additions	48,357
At 31 December 2016	961,673
Provision	
At 1 January 2016	-
Impairment	340,577
Carrying amount	
At 31 December 2016	621,096
At 31 December 2015	913,316

Company's directly owned subsidiaries

Details of the investments in which the Company holds 50% or more of the nominal value of any class of share capital are as follows:

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
Discovery Communications Bulgaria EOOD	Bulgaria	Service Company	Ordinary	100%
Discovery Communications Nordic ApS	Denmark	Service Company	Ordinary	100%
Discovery Communications Ukraine TOV	Ukraine	Service Company	Ordinary	99.99%
Discovery Content Verwaltungs GmbH	Germany	Management Company	Ordinary	99%

14 Investments (continued)

Discovery Czech Republic S.R.O.	Czech Republic	Service Company	Ordinary	99%
Discovery Medya Hizmetleri Limited Sirketi	Turkey	Holding Company	Ordinary	99%
Discovery Networks Sweden AB	Sweden	Holding Company	Ordinary	100%
DNE Music Publishing Limited	UK	Holding Company	Ordinary	100%
DNI Germany Holdings I Limited	UK	Holding Company	Ordinary	100%

Company's indirectly owned subsidiaries

Details of the investments in which the Company holds 50% or more of the nominal value of any class of share capital are as follows:

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
Discovery Czech Republic S.R.O. (Ukraine Branch)	Ukraine	Service Company	Ordinary	99.99%
Discovery Networks Demark Aps	Denmark	TV Broadcaster	Ordinary	100%
Discovery Networks Demark Holding Aps	Denmark	Holding Company	Ordinary	100%
Discovery Networks Norway AS	Norway	TV Broadcaster	Ordinary	100%
Discovery Networks Norway Holding AS	Norway	Holding Company	Ordinary	100%
Discovery Networks Sweden Holding AB	Sweden	Holding Company	Ordinary	100%
Discovery Science Televizyon yayincilik Anonim Sirketi	Turkey	TV Broadcaster	Ordinary	99.99%
Discovery Televizyon yayincilik Anonim Sirketi	Turkey	TV Broadcaster	Ordinary	99.99%
DNE Music Publishing Limited (Kazakhstan Branch)	Kazakhstan	Service Company	Ordinary	100%
DNI German Holdings II Limited	UK	Holding Company	Ordinary	100%
The Voice TV Norge AS	Norway	TV Broadcaster	Ordinary	100%
Discovery Sweden AB	Sweden	Dormant	Ordinary	100%
Discovery Networks Norge Holding AS	Norway	Holding Company	Ordinary	100%

14 Investments (continued)

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
Discovery Networks Finland Oy	Finland	TV Broadcaster	Ordinary	100%
Discovery Networks OOO (Russia)	Russia	Service Company	Ordinary	90%
Avrupa Spor TelevizyonYayincilik Anonim Sirketi (Turkey)	Turkey	Dormant	Ordinary	99%

Company's indirectly owned associates

Details of the investments in which the Company holds less than 50% of the nominal value of any class of share capital are as follows:

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
All Music SpA	Italy	TV Broadcaster	Ordinary	3.14%
Discovery Communications OOO	Russia	TV Broadcaster	Ordinary	20%
Discovery Holdings OOO	Russia	Holding Company	Ordinary	20%
Discovery Italia Srl	Italy	TV Broadcaster	Ordinary	3.14%
Discovery Networks SL	Spain	Service Company	Ordinary	30%
Mediamatning I Skandinavien AB	Sweden	Radio Broadcaster	Ordinary	24%
Takhayal for Art Production JSC	Egypt	Service Company	Ordinary	5%

The registered office for entities in the respective country of registration is as follows:

Country	Registered office
UK	Discovery House, Chiswick Park Building 2, London, W4 5YB
Denmark	H.C. Andersens Boulevard 1, 1553, Copenhagen V
Ukraine	5th floor, 19-21 (Letter "A") Bohdan Khmelnytskiy Street, Kyiv, Ukraine, 01030
Germany	Sternstr. 5, 2. OG, Munich, 80538
Czech Republic	Na Pankraci 1724/129, Prague 4, 140-00
Turkey	Buyukdere Caddesi, No: 127 Astoria, B Kule 1401, Kat 14 Esentepe 34394 Sisli/Istanbul
Sweden	Radmansgatan 42, 113 57, Stockholm
Norway	Nydalen alle 37A, Oslo, 0484
Finland	Tallberginkatu 1C, Helsinki, 00180
Russia	Fabrika Stanislavskogo Business Center, 3th floor, 21 buld.1 Stanislavskogo str., 109004

14 Investments (continued)

Italy	via Uberto Visconti di Modrone 11 Milano, 20122
Spain	Paseo de la Castellana 202 - Planta 4ª, 28046, Madrid
Egypt	11 Sizostrees Street, Al Korba, Heliopolis, Cairo

15 Stocks

	2016 £ 000	2015 £ 000
Content inventory	6,859	36,916

16 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade debtors	128,856	89,852
Amounts due from group undertakings	134,747	55,837
Accrued income	51,561	42,739
Prepayments	50,482	7,476
Other debtors	40	193
	365,686	196,097

The fair value of the above trade and other receivables classified as financial instruments approximate to their carrying value.

17 Derivative financial instruments

	2016 £ 000	2015 £ 000
Current derivative assets and liabilities		
Derivative assets used for hedging	471	2,023
Derivative financial liabilities	(12,135)	(1,859)
	(11,664)	164

18 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	17,581	11,738
Amounts due to related parties	289,550	170,803
Deferred income	12,066	15,889
Accrued expenses	15,547	9,258
Social security and other taxes	704	6,351
Other payables	7,617	852
	343,065	214,891

The fair value of the above trade and other payables classified as financial instruments approximate to their carrying value.

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 26 "Financial risk management and impairment of financial assets".

19 Loans and borrowings

	2016 £ 000	2015 £ 000
Current loans and borrowings		
Bank overdrafts	268,985	244,511
Finance lease liabilities	15,676	5,767
Other borrowings	329	-
	284,990	250,278

	2016 £ 000	2015 £ 000
Non-current loans and borrowings		
Finance lease liabilities	2,373	11,818

Bank borrowings

The fair value of the above loans and borrowings classified as financial instruments approximate to their carrying value.

The Company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in note 26 "Financial risk management and impairment of financial assets".

20 Obligations under leases and hire purchase contracts

Finance leases

Future minimum leases payments under finance lease contracts are as follows:

	2016 £ 000	2015 £ 000
Within one year	6,006	5,767
Between 2 and 5 years	14,976	12,166
More than 5 years	-	3,173
Total gross payments	20,982	21,106
Lease charges included above	(2,933)	(3,521)
	18,049	**17,585**

Operating leases

	Land and Building		Other	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Within one year	22,755	4,842	21,491	16,006
Within two to five years	12,889	12,204	1,734	15,516
	35,644	17,046	23,225	31,522

21 Provisions for liabilities

	Other provisions £ 000
At 1 January 2016	2,267
Increase (decrease) due to passage of time or unwinding of discount	431
At 31 December 2016	2,698

The provision in 2015 and 2016 is represented by an asset retirement obligation in relation to the future cost of removing leasehold improvements installed in the Chiswick Park property.

The asset retirement obligation was reassessed on the extension of the existing premises lease to 31 July 2019 and increased to include a new provision in relation to an additional new lease of premises.

22 Pension and other schemes

The Company operates a defined contribution pension scheme. The assets are held separately from those of the Company in an independently administered fund. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £754,785 (2015: £634,625).

23 Share-based payments

Share-based compensation expense

Compensation expense recognised of share-based compensation plans is as follows:

	2016 £ 000	2015 £ 000
Stock options	75	110
Restricted stock units	174	138
	249	248

Stock options

Stock options are granted with exercise prices equal to, or in excess of, the fair 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 specific age and years of service.

Out of the 103,850 outstanding options, 26,270 were exercisable. Options exercised in 2016 resulted in 17,651 shares being issued at a weighted average price of £14.97.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-Vest	Expiry date	Exercise price in £ per share option	Share options
2009 - 2013	2016		-
2010 - 2014	2017	21.16	-
2011 - 2015	2018	21.00	-
2012 - 2016	2019	21.19	788
2013 - 2017	2020		11,470
2014 - 2018	2021		13,959
2015 - 2019	2022		36,786
2016 - 2020	2023		40,847
Total share options outstanding			**103,850**

23 Share-based payments (continued)

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 grant. Typically vesting over 4 years with 33% of units vesting in year 2, 33% in year 3 and 34% in year 4. Vesting is depending on an employee remaining employed throughout the applicable date of otherwise meeting the vesting requirements of the award.

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

There were 40,275 outstanding RSUs. RSUs exercised in 2016 resulted in 4,592 shares being issued at a weighted average price £25.08.

RSUs outstanding at the end of year have the following expiry date and exercise prices:

Grant-Vest	Grant price in £ per RSU	RSU
2013 - 2017	27.38	976
2014 - 2018	30.46	4,072
2015 - 2019	23.64	10,707
2016 - 2020	18.34	24,520
Total RSU outstanding		**40,275**

24 Other Commitments

At 31 December 2016, the Company had other contractual commitments as follows:

	2016 £ 000	2015 £ 000
Transmission services	130,200	140,400
	130,200	140,400

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

25 Contingent liabilities

The Company entered into an arrangement with Bank Mendes Gans BV (the "Bank") whereby the cash position of Discovery Communications, Inc. subsidiaries (the "Subsidiaries") were combined, with cleared debit and credit balances being offset for interest calculation purposes.

Each of the Subsidiaries, which at any time have a negative balance, may set-off any amounts due to the Bank with any amounts due by the Bank to each of the Subsidiaries with a positive balance. When it wishes to seek repayment of any negative balances, the Bank shall first seek recourse against the positive balances.

25 Contingent liabilities (continued)

The Company has an overdraft of £268,984,655 (2015: £244,509,525) with the Bank at 31 December 2016. The net balance for the Subsidiaries at 31 December 2016 under this arrangement was a positive balance of £75,090,915 (2015: £139,647,303). The combined bank balances of all Subsidiaries are not permitted to be less than nil.

26 Financial risk management and impairment of financial assets

The Company enters into forward foreign exchange contracts to manage the risk associated with anticipated sales transactions in foreign currency out to 12 months within 50 per cent to 80 per cent of the exposure generated

The fair values of derivative instruments are calculated using composite Bloomberg prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted composite Bloomberg forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to the Income statement only when the hedged transaction affects the profit or loss which is expected to take place during each month of the next financial year.

The movement in cash flow hedging reserve is as follows:

	2016 £ 000	2015 £ 000
Balance at 1 January 2016	164	1,962
Gain on hedging instrument (foreign currency forward contracts) designated in a cash flow hedging relationship recognised in hedging reserve recognised	(33,322)	8,120
Cumulative gain arising on changes in fair value of hedging instruments (foreign currency forward contracts) reclassified to profit and loss account	25,212	(9,918)
Balance at 31 December 2016	(7,946)	164

27 Related party transactions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to related party transactions.

28 Called up share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£ 000	No.	£ 000
Authorised ordinary shares of £1 each	1,500,000,000	1,500,000	1,500,000,000	1,500,000

28 Called up share capital (continued)

Allotted, called up and fully paid shares

	2016		2015	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1,354,490	1,354,490	1,313,232	1,313,232

29 Parent and ultimate parent undertaking

The immediate parent undertaking is DNI Europe Holdings Limited. The ultimate parent undertaking and controlling party is Discovery Communications Inc., which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Discovery Communications Inc. consolidated financial statements can be obtained from the corporate website: http://ir.corporate.discovery.com.

30 Non adjusting events after the financial period

On 13 September 2017, the Company entered into a joint venture agreement with the joint venture partner ProSiebenSat.1 Digital GmbH acquiring 50% of the share capital of the joint venture company, 7TV Joint Venture GmbH. The business of the joint venture will primarily be that of a streaming service bringing together the Company's free-to-air German channels and several of the joint venture partners' channels within their mobile offering, with the intention to expand Germany's mobile video and over-the-top marketplace. The enhanced streaming service will initially be delivered to consumers under the 7TV brand using its app and underlying technology platform, and then further technology enhancements are planned by the partners to ensure the most robust viewing experience.