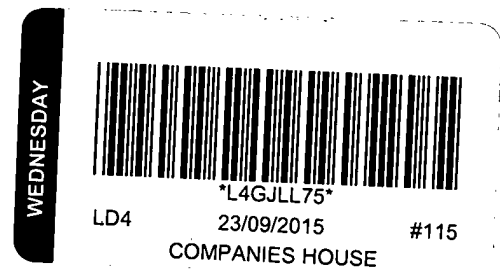


Discovery Communications Europe Limited

**Directors' report and financial statements
for the year ended 31 December 2014**



Registered Number 05039068

Discovery Communications Europe Limited

Contents	Pages
Strategic report	1-2
Directors' report	3-5
Independent auditors' report	6-7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10-31

Discovery Communications Europe Limited

Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2014.

Review of the business

The Company's audited results for the year are shown on page 8. The results for the Company show a loss on ordinary activities before taxation of £88,243,000 (2013: loss of £23,496,000) on revenue of £697,539,000 (2013: £607,937,000).

The Company has net assets of £911,517,000 (2013: £998,430,000).

The current year gross profit has reduced due to a group reorganisation and change in business activities which took place in October 2013. The Company's activity is now focused on the distribution of channel feeds.

Following the group reorganisation in 2013, the Company is undergoing a period of transition and is expected to be profitable by 2017. This is due to the cost of older program content which reduces to nil in 2016 and goodwill which will be fully amortised in 2017. This would have increased profitability in 2014 by approximately £162m. As a result, the directors remain confident that the Company will improve the level of financial performance for 2015 against 2014.

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 Conditions

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. Economic 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. 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.

Strategy

The Company's strategy is to develop sustainable long-term growth through the distribution 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

Strategic report (continued)

Strategy (continued)

In line with this strategy, the Company's specific priorities is to maintain 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.

Following the group reorganisation in 2013, the Company is undergoing a period of transition and is expected to be profitable around 2017. This is due to amortisation of program content which will end in 2016 and goodwill which will be fully amortised in 2017.

As a result, the directors remain confident that the Company will improve the level of financial performance for 2015 against 2014.

Key performance indicators

Financial key performance indicators:

	2014	Restated 2013
Increase in advertising revenue from prior year	12.20%	13.32%

The increase is driven by increased viewership in the UK for ID, Quest (launch of Quest +1) and TLC. 2014 includes full year TLC revenues against 8 months in prior year as the channel launched in May 2013.


Growth in subscriber revenue from prior year	5.84%	7.21%
--	-------	-------

The increase in subscriber revenue is mainly due to continued subscriber growth across Central and Eastern Europe, Middle East and Africa in particular, along with the continued expansion and wider distribution of the Company's flagship channels throughout the region.

Gross profit percentage	17%	37%
-------------------------	-----	-----

As part of the group reorganisation in 2013, the Company's activity is now focused on the distribution of channel feeds. From implementation date, Company activities will be limited to distribution and only distribution related costs will be contracted and borne by the Company. This change reduces the operating margin in comparison with prior years through a higher cost of sales and will mean less administrative expenses as some of these expenses have been borne by other group companies.

Approved by the Board of Directors and signed on behalf of the Board



Hester Wheeley
Director
21 September 2015

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

Discovery Communications Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Principal activities

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

Dividends

No dividends were declared and paid during the year (2013: £nil).

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 our television channels.

Following the group reorganisation in 2013, the Company is undergoing a period of transition and is expected to be profitable by 2017. This is due to the cost of older program content which reduces to nil in 2016 and amortisation of goodwill which will be fully amortised in 2017. This would have increased profitability in 2014 by approximately £162m. As a result, the directors remain confident that the Company will improve the level of financial performance for 2015 against 2014.

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 other European countries where it receives local revenues and incurs local costs. The Company uses forward contracts to hedge foreign exchange exposure, particularly against the Euro.

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. Financial instruments, loans and deposits are subject to pre-approval by an intermediate 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.

Discovery Communications Europe Limited

Directors' report (continued)

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only intercompany loans and cash balances. 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.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Hester Wheeley	(Appointed 6 January 2014)
Nicolas Bonard	(Appointed 6 January 2014)
Deirdre Forbes	(Resigned 6 January 2014)
John Honeycutt	(Resigned 6 January 2014)
Thomas Keaveny	(Resigned 1 July 2014)
Michael Papadimitriou	(Resigned 6 January 2014)
Yitzchok Shmulewitz	(Resigned 6 January 2014)

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.

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.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic report, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Discovery Communications Europe Limited

Directors' report (continued)

Statement of Directors' responsibilities (continued)

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

Disclosure of information to auditors

So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware. The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Hester Wheeley
Director
21 September 2015

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

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 2014 and of its loss for the 12 month period (the "period") 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

Discovery Communications Europe Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account for the period 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 applicable law and United Kingdom Accounting Standards (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 matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

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.

Independent auditors' report to the members of Discovery Communications Europe Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4 and 5, 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 opinion, 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 Directors' report and financial statements 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.



Simon Friend (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 September 2015

Discovery Communications Europe Limited
Registered number 05039068

Profit and loss account
Year ended 31 December 2014

		2014	Restated 2013
	Note	£'000	£'000
Turnover	2	697,539	607,937
Cost of sales		(578,251)	(383,653)
Gross profit		119,288	224,284
Administrative expenses		(206,069)	(244,404)
Operating (loss)	3	(86,781)	(20,120)
(Loss) on investment	11	-	(1,463)
Income from other fixed asset investments	4	-	51
(Loss) on ordinary activities before interest and taxation		(86,781)	(21,532)
Other interest receivable and similar income	6	182	223
Interest payable and similar charges	7	(1,644)	(2,187)
(Loss) on ordinary activities before taxation		(88,243)	(23,496)
Tax on loss on ordinary activities	8	(885)	(9,217)
(Loss) on ordinary activities after taxation	18	(89,128)	(32,713)

The Company has no recognised gains or losses (2013: £nil) 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 current and prior year of the Company derive from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents (2013: £nil).

The financial statements for 2013 have been restated to include the impact of 2013 adjustments that were required to be recorded in the prior year. See note 24 for further information.

Discovery Communications Europe Limited
Registered number 05039068

Balance Sheet
As at 31 December 2014

		2014	Restated
	Note	£'000	2013
			£'000
Fixed assets			
Intangible assets	9	117,316	169,513
Tangible assets	10	47,545	62,796
Investments	11	768,149	765,156
Current assets			
Stocks	12	110,444	203,605
Debtors	13	138,981	150,225
Cash at bank and in hand		1,086	1,391
Creditors: amounts falling due within one year	14	(249,675)	(328,672)
Net current (liabilities)/ assets		836	26,549
Total assets less current liabilities		933,846	1,024,014
Creditors: amounts falling due after more than one year	15	(20,188)	(23,562)
Provisions for liabilities	16	(2,141)	(2,022)
Net assets		911,517	998,430
Capital and reserves			
Called up share capital	17	1,313,232	1,313,232
Other reserves	18	90,693	90,693
Profit and loss account	18	(492,408)	(405,495)
Total shareholders' funds	19	911,517	998,430

The financial statements for 2013 have been restated to include the impact of 2013 adjustments that were required to be recorded in the prior year. See note 24 for further information.

The notes on pages 10 to 31 form an integral part of these financial statements. The financial statements of Discovery Communications Europe Limited were approved by the Board of Directors on 21 September 2015.

Signed on behalf of the Board of Directors



Hester Wheeley

Director

Discovery Communications Europe Limited

Discovery Communications Europe Limited

Notes to the financial statements

1. Principal accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described 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.

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'.

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..

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.

Following the group restructure, an assessment has been made of the revenue accounting policy and as a result, the Company has represented certain transactions from cost of revenue to revenue.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Turnover (continued)

This turnover is recognised as follows:

- Advertising revenues are recognized, 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).

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currency translation

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.

Taxation

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

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.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

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.

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	5.5 – 12.5 years

Finance Leases

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.

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.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Stock and work in progress (continued)

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 21).

Trade and other debtors

Trade and other debtors are carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover balances in full, with the charge being recognised in the profit and loss account. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

Trade and other creditors are stated at cost.

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.

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.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Provisions and asset retirement obligations (continued)

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.

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.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Share-based compensation

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 FRS 20 '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 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 and received

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividend income is recognised when the right to receive payment is established.

2. Turnover

	2014	Restated 2013
	£'000	£'000
Broadcast of television channels		
UK and Ireland	174,487	158,347
Rest of Europe	484,784	419,616
Rest of World	38,268	29,974
	<hr/>	<hr/>
	697,539	607,937

The geographical analysis above is based on the country in which the television channel producing the income is shown. All turnover to third parties originates in the UK. The directors consider that the Company has one business class which is the broadcast of television channels.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

2 Turnover (continued)

	2014 £'000	Restated 2013 £'000
Operating (loss)/profit by geographical market		
Broadcast of television channels		
UK and Ireland	(14,128)	16,867
Rest of Europe	(13,039)	15,567
Rest of World	(2,977)	3,555
Operating (loss)/profit before goodwill and related amortisation/impairment	(30,144)	35,989
Goodwill and related amortisation/impairment (note 9)	(56,637)	(56,109)
Operating loss	(86,781)	(20,120)
	2014 £'000	2013 £'000
Net assets by origin of business		
Net assets (all UK based)	799,298	830,101
Goodwill	112,219	168,329
Net assets	911,517	998,430

3. Operating loss

Operating loss is stated after charging/(crediting):

	2014 £'000	2013 £'000
Operating lease charges – land and buildings	3,866	3,645
Operating lease charges – other	12,366	8,381
Depreciation of tangible assets – owned assets (see note 10)	15,403	11,304
Depreciation of tangible assets – under finance leases (see note 10)	7,938	7,749
Amortisation of content inventory	106,335	90,040
Amortisation of intangible assets (see note 9)	56,637	56,429
Services provided by the company's auditors:		
Fees payable for audit services	-	370

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's accounts were £331,000 (2013: £370,000). This was borne by Discovery Corporate Services Limited in the current year and by Discovery Communications Europe Limited in the prior year.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

4. Income from other fixed asset investments

	2014 £'000	2013 £'000
Dividends received from subsidiary undertaking	-	51
	<u>-</u>	<u>51</u>
	<u>-</u>	<u>51</u>

5. Employees and directors

	2014 £'000	2013 £'000
Wages and salaries	8,653	34,975
Social security costs	1,437	4,662
Other pension costs	743	2,148
Cost of employee share-based compensation plan (see note 22)	322	1,836
	<u>11,155</u>	<u>43,621</u>
	<u>11,155</u>	<u>43,621</u>

	2014 £'000	2013 £'000
Directors		
Aggregate emoluments	2,017	1,842
Company contributions to money purchase pension schemes	143	117
	<u>2,160</u>	<u>1,959</u>
	<u>2,160</u>	<u>1,959</u>

	2014 £'000	2013 £'000
Highest paid director		
Aggregate emoluments and benefits under share-based compensation plans	1,492	656
Company contributions to money purchase pension schemes	95	52
	<u>1,587</u>	<u>708</u>
	<u>1,587</u>	<u>708</u>

During the year, one director exercised their share options (2013: four).

Discovery Communications Europe Limited

Notes to the financial statements (continued)

5. Employees and directors (continued)

Average monthly number of people (including executive directors) employed by the Company:

	2014 No.	2013 No.
Programming and research	1	90
Broadcast and operations	96	214
Sales and marketing	37	89
Administration	56	197
	<hr/>	<hr/>
	190	590
	<hr/>	<hr/>

6. Other interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable on bank and other deposits	182	223
	<hr/>	<hr/>
	182	223
	<hr/>	<hr/>

7. Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable on bank loans and overdrafts	14	21
Interest payable on finance leases	1,630	2,167
	<hr/>	<hr/>
	1,644	2,188
	<hr/>	<hr/>

Discovery Communications Europe Limited

Notes to the financial statements (continued)

8. Tax on loss on ordinary activities

	2014 £'000	Restated 2013 £'000
Analysis of tax charge in the year		
Corporation tax on profits in the year	7,241	7,243
Adjustment in respect of prior years	(3,363)	1,171
	<hr/>	<hr/>
Current tax charge	3,878	8,414
	<hr/>	<hr/>
Deferred tax (credit)/ charge		
Origination and reversal of timing differences	(2,160)	49
Adjustment in respect of prior years	(833)	(60)
Effect of changes in tax rates and laws	-	814
	<hr/>	<hr/>
Total deferred tax (credit)/ charge	(2,993)	803
	<hr/>	<hr/>
Tax charge on loss on ordinary activities	885	9,217
	<hr/>	<hr/>

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The difference is explained below:

Discovery Communications Europe Limited

Notes to the financial statements (continued)

8. Tax on loss on ordinary activities (continued)

Factors affecting the current tax charge for the year:

	2014 £'000	Restated 2013 £'000
Loss on ordinary activities before taxation	(88,243)	(23,496)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(18,966)	(5,463)
Effects of:		
Expenses not deductible for tax purposes	361	(789)
Depreciation in excess of capital allowances	2,819	671
Amortisation of non-qualifying intangibles	12,058	13,046
Other timing differences	(496)	(45)
Net share scheme deductions	50	(394)
Foreign tax	5,685	217
Group relief surrendered for nil consideration	5,730	-
	7,241	7,243
Adjustment in respect of prior years	(3,363)	1,171
Current tax charge for the year	3,878	8,414

On 2 July 2013, the Government enacted into law a reduction in the main rate of tax to 21% from 1 April 2014 and 20% from 1 April 2015. As this was enacted prior to the balance sheet date, the deferred tax asset has been calculated at the rate of 20%.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

9. Intangible assets

	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost			
At 1 January 2014	712,086	4,217	716,303
Additions	-	4,440	4,440
	<hr/>	<hr/>	<hr/>
At 31 December 2014	712,086	8,657	720,743
	<hr/>	<hr/>	<hr/>
Accumulated amortisation			
At 1 January 2014	543,757	3,033	546,790
Charge in the year	56,109	528	56,637
	<hr/>	<hr/>	<hr/>
At 31 December 2014	599,866	3,561	603,427
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2014	112,220	5,096	117,316
	<hr/>	<hr/>	<hr/>
At 31 December 2013	168,329	1,184	169,513
	<hr/>	<hr/>	<hr/>

Discovery Communications Europe Limited

Notes to the financial statements (continued)

10. Tangible assets

	Asset retirement obligation £'000	Leasehold improve- ments and office equipment £'000	Computer equipment £'000	Film and edit equipment £'000	Trans- ponders £'000	Total £'000
Cost						
At 1 January 2014	1,549	17,182	31,525	51,536	54,134	155,926
Additions	-	4,532	1,797	2,181	-	8,510
Disposals	-	-	-	-	(17,755)	(17,755)
At 31 December 2014	1,549	21,714	33,322	53,717	36,379	146,681
Accumulated depreciation						
At 1 January 2014	1,549	15,183	19,684	25,916	30,798	93,130
Charge in the year	-	3,022	5,446	6,935	7,938	23,341
Disposals	-	-	-	-	(17,335)	(17,335)
At 31 December 2014	1,549	18,205	25,130	32,851	21,401	99,136
Net book value						
At 31 December 2014	-	3,509	8,192	20,866	14,978	47,545
At 31 December 2013	-	1,999	11,841	25,620	23,336	62,796

The asset retirement obligation represented 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:

	2014 £'000	2013 £'000
Cost	36,379	54,134
Accumulated depreciation	(21,401)	(30,798)
Net book value	14,978	23,336

Discovery Communications Europe Limited

Notes to the financial statements (continued)

11. Investments

	2014 £'000	2013 £'000
Cost		
At 1 January	765,156	54,544
Additions	2,993	712,077
Disposals	-	(2)
Impairments	-	(1,463)
	<hr/>	<hr/>
At 31 December	768,149	765,156
	<hr/>	<hr/>

Investments are supported by their underlying net assets or have been tested for impairment according to the investment policy. During the year, the Company increased its capital in Discovery Italia Srl, retaining a 3.14% shareholding.

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
D-E Television Distribution Co. Limited	UK	Service company	Ordinary – 50%
Discovery Communications Bulgaria EOOD	Bulgaria	Service company	Ordinary – 100%
Discovery Communications Nordic ApS	Denmark	Service company	Ordinary – 100%
Discovery Communications Ukraine LLC	Ukraine	Service company	Ordinary – 99.99%
		Management company	
Discovery Content Verwaltungs GmbH	Germany	company	Ordinary – 99%
Discovery Czech Republic S.R.O.	Czech Republic	Service company	Ordinary – 99%
Discovery Medya Hizmetleri Limited Sirketi	Turkey	Holding company	Ordinary – 99%
DNE Music Publishing Limited	UK	Holding company	Ordinary – 100%
DNI German Holdings I Limited	UK	Holding company	Ordinary – 100%

Discovery Communications Europe Limited

Notes to the financial statements (continued)

Details of the Company's indirectly owned subsidiaries (continued)

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held
Animal Planet Televizyon yayincilik Anonim Sirketi (Turkey)	Turkey	TV Broadcaster	Ordinary - 99.99%
Discovery Communications Nordic ApS (Denmark) (Swedish Branch)	Denmark	Service company	Ordinary - 100%
Discovery Communications Nordic ApS (Denmark) (Finnish Branch)	Finland	Service company	Ordinary - 100%
Discovery Communications Nordic ApS (Denmark) (Norway Branch)	Norway	Service company	Ordinary - 100%
Discovery Czech Republic S.R.O. (Ukraine Branch)	Ukraine	Service company	Ordinary - 100%
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%
E-FM Sverige AB	Sweden	Radio Broadcaster	Ordinary - 100%
Eskilstuna SBS Radio AB	Sweden	Radio Broadcaster	Ordinary - 70%
Euradio I Sverige AB	Sweden	Radio Broadcaster	Ordinary - 100%
Kaimax Media Oy	Finland	Radio Broadcaster	Ordinary - 100%
LoveSearch DP AB (dormant)	Sweden	Dormant	Ordinary - 100%
Miracle Sound Oulu Oy	Finland	Radio Broadcaster	Ordinary - 100%
Miracle Sound Oy	Finland	Radio Broadcaster	Ordinary - 100%
Miracle Sound Tampere Oy	Finland	Radio Broadcaster	Ordinary - 100%
Mix Megapol.se AB	Sweden	Radio Broadcaster	Ordinary - 100%
Radiobranschen	Sweden	Radio Broadcaster	Ordinary - 60%
Radio City AB	Sweden	Radio Broadcaster	Ordinary - 100%
Radio Daltid SBS AB	Sweden	Radio Broadcaster	Ordinary - 51%
Radio license startup Orebro AB	Sweden	Radio Broadcaster	Ordinary - 100%
Radio License startup Halland AB	Sweden	Radio Broadcaster	Ordinary - 100%
Radio License startup Vasteras AB	Sweden	Radio Broadcaster	Ordinary - 100%
Radio Match AB	Sweden	Radio Broadcaster	Ordinary - 100%
Radio Nova A/S	Denmark	Radio Broadcaster	Ordinary - 100%
Radioutveckling Sverige KB	Sweden	Radio Broadcaster	Ordinary - 86%
RIS Vinyl Skane AB	Sweden	Radio Broadcaster	Ordinary - 100%
Rockklassiker Sverige AB	Sweden	Radio Broadcaster	Ordinary - 100%
SBS Discovery Media Finland Oy	Finland	Service company	Ordinary - 100%
SBS Discovery Radio AB	Sweden	Holding company	Ordinary - 100%
SBS Discovery Radio Oy	Finland	Radio Broadcaster	Ordinary - 100%
SBS Discovery Radio Sweden Holding AB	Sweden	Service company	Ordinary - 100%

Discovery Communications Europe Limited

Notes to the financial statements (continued)

Details of the Company's indirectly owned subsidiaries (continued)

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held
SBS Discovery TV AB	Sweden	TV Broadcaster	Ordinary - 100%
SBS Discovery TV Oy	Finland	TV Broadcaster	Ordinary - 100%
SBS Radio A/S	Denmark	Radio Broadcaster	Ordinary - 80%
SBS Radio ÁpS	Denmark	Radio Broadcaster	Ordinary - 100%
SBS Radio HNV AB	Sweden	Radio Broadcaster	Ordinary - 100%
SBS Radio Norge AS Norway	Norway	Radio Broadcaster	Ordinary - 100%
SBS Radio Sweden AB	Sweden	Radio Broadcaster	Ordinary - 100%
SRU Svensk Radioutveckling AB	Sweden	Radio Broadcaster	Ordinary - 77.6%
Svensk Radioutveckling KB	Sweden	Radio Broadcaster	Ordinary - 87%
The Voice TV Norge AS	Norway	TV Broadcaster	Ordinary - 100%
Vinyl AB	Sweden	Radio Broadcaster	Ordinary - 100%

Details of the Company's indirectly owned associates

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held
Discovery communications OOO	Russia	TV Broadcaster	Ordinary - 0.5%
Discovery Holdings OOO	Russia	Holding company	Ordinary - 1%
Discovery Italia Srl	Italy	TV broadcaster	Ordinary - 3.14%
Discovery Latin America SL	Spain	Holding company	Ordinary - 30%
FM 6 A/S	Denmark	Radio Broadcaster	Ordinary - 32%
Mediamatning I Skandinavien AB	Sweden	Radio Broadcaster	Ordinary - 24%
Ostersjons Reklamradio AB	Sweden	Radio Broadcaster	Ordinary - 40%
Takhayal for Art Production JSC	Egypt	Service company	Ordinary - 5%
Televisa S.A.	France	TV broadcaster	Ordinary - 20%

12. Stocks

	2014 £'000	2013 £'000
Work in progress	1,470	24,815
Content inventory	108,974	178,790
	<hr/>	<hr/>
	110,444	203,605
	<hr/>	<hr/>

Content inventory includes £35,767,468 (2013: £135,118,121) which will amortise after one year.

Discovery Communications Europe Limited

Notes to the financial statements (continued)

13. Debtors

	2014 £'000	2013 £'000
Trade debtors	64,847	64,374
Deferred launch incentives	4,963	8,070
Amounts owed by group undertakings	14,066	25,088
Other debtors	2,061	188
Prepayments and accrued income	39,303	36,776
Deferred tax	8,423	5,431
Corporation tax	5,318	10,298
	<u>138,981</u>	<u>150,225</u>

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

- £420,273 with Discovery Communications Ukraine TOV which accrues interest on a compound basis quarterly at 7.5% and is repayable on 18 December 2015;
- £5,071,684 with Takhayal Television LLC with accrues interest on a compound basis yearly at 5% and is repayable 26 November 2017;

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

	2014 £'000	Restated 2013 £'000
Deferred tax		
Accelerated capital allowances	7,735	4,282
Other timing differences	688	1,149
	<u>8,423</u>	<u>5,431</u>
Total deferred tax asset		
1 January	5,431	6,234
Adjustment in respect of prior years	(132)	60
Deferred tax credit in profit and loss account	3,124	(863)
	<u>8,423</u>	<u>5,431</u>
31 December		

Discovery Communications Europe Limited

Notes to the financial statements (continued)

14. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	31,573	83,374
Trade creditors	5,482	3,672
Amounts owed to fellow group undertakings	171,454	194,532
Obligations under finance leases	5,931	5,690
Taxation and social security	1,740	843
Other creditors	26	-
Accruals and deferred income	33,469	40,561
	<u>249,675</u>	<u>328,672</u>

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

15. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Obligations under finance leases	16,438	21,728
Accruals and deferred income	3,750	1,834
	<u>20,188</u>	<u>23,562</u>

Obligations under finance leases

Future minimum payments under finance leases are as follows:

	2014 £'000	2013 £'000
Within one year	5,931	5,690
In more than one year, but less than five years	17,832	21,078
In more than five years	3,770	7,528
	<u>27,533</u>	<u>34,296</u>
Total gross payments	27,533	34,296
Less finance charges included above	(5,164)	(6,678)
	<u>22,369</u>	<u>27,618</u>

Discovery Communications Europe Limited

Notes to the financial statements (continued)

16. Provisions for liabilities

	2014 £'000	2013 £'000
At 1 January	2,022	2,257
Charge/(credit) to the profit and loss account	119	(235)
At 31 December	2,141	2,022

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.

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.

17. Called up share capital

	2014 £	2013 £
Authorised		
1,500,000,000 ordinary shares of £1 each (2013: 1,500,000,000)	1,500,000,000	1,500,000,000
Allotted and fully paid		
1,313,231,924 (2013: 1,313,231,924) ordinary shares of £1 each	1,313,231,924	1,313,231,924
	Share capital Number of shares	Share capital £'000
At 1 January 2014	1,313,231,924	1,313,232
At 31 December 2014	1,313,231,924	1,313,232

Discovery Communications Europe Limited

Notes to the financial statements (continued)

18. Reserves

	Other reserves £'000	Profit and loss account £'000
At 1 January 2014	90,693	(405,495)
Loss for the year	-	(89,128)
Foreign exchange taken to reserves	-	1,893
Adjustment in respect of long term incentive plan	-	322
	<hr/>	<hr/>
At 31 December 2014	90,693	(492,408)
	<hr/>	<hr/>

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.

19. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Opening shareholders' funds	998,430	346,155
Issue of shares	-	683,048
Loss for the year	(89,128)	(32,713)
Adjustment in respect of long term incentive plan	322	1,836
Foreign exchange taken to reserves	1,893	104
	<hr/>	<hr/>
Closing shareholders' funds	911,517	998,430
	<hr/>	<hr/>

There were no dividends paid or declared in the year (2013: £nil).

Discovery Communications Europe Limited

Notes to the financial statements (continued)

20. Operating leases

At 31 December 2014, the Company had annual commitments in the next year under non-cancellable operating leases expiring as follows:

	2014 Land and buildings £'000	Other £'000	2013 Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	3,545	-	964
Within two to five years	5,074	9,447	402	6,645
In more than 5 years	-	-	1,349	-
	<u>5,074</u>	<u>12,992</u>	<u>1,751</u>	<u>7,609</u>

21. Other commitments

At 31 December 2014, the Company had other contractual commitments as follows:

	2014 £'000	2013 £'000
Programming commitments	8,583	22,488
Transmission services	157,699	158,845
	<u>166,282</u>	<u>181,333</u>

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

22. Share-based compensation

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

	2014 £'000	2013 £'000
Stock options	138	1,026
Restricted stock units	184	810
	<u>322</u>	<u>1,836</u>

Discovery Communications Europe Limited

Notes to the financial statements (continued)

22. Share-based compensation (continued)

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.

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 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.

The expense recognised by the Company in 2014, relating to the compensation expense and changes in valuation assumptions, amounted to £184,107 (2013: £809,579).

23. Contingent liabilities

In 2009 the Company entered into an arrangement with Bank Mendes Gans B.V. (the "Bank") whereby the cash position of Discovery Communications, Inc. subsidiaries (the "Subsidiaries") are combined, with cleared debit and credit balances being offset for interest calculation purposes. Each of the Subsidiaries, which at any time have an overdraft, 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 overdraft, the Bank shall first seek recourse against the positive balances.

The Company had an overdraft of £31,922,022 (2013: overdraft of £83,374,000) with the Bank at the year end. The net balance for the Subsidiaries at 31 December 2014 under this arrangement was a positive balance of £18,357,354 (2013: £39,470,614). The combined balances of all Subsidiaries are not permitted to be less than nil across all Subsidiaries.

24. Prior year adjustments

The financial statements for 2013 have been restated to include the impact of 2013 adjustments that were required to be recorded in the prior year. The adjustments were included within the Company's financial reporting system for 2014, although relating to 2013. The 2013 figures have therefore been restated for statutory reporting purposes in 2014. The net adjustment to the balance sheet is a credit of £6,478,000 to debtors. Turnover has increased by £617,000 with cost of sales and administrative expenses increasing by £217,000 and £8,693,000 respectively. The taxation charge for 2013 was recomputed to include the impact of the adjustment, resulting in an additional taxation credit of £1,815,000.

25. Ultimate parent company

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>.