Discovery Communications Europe Limited

Annual Report and Financial Statements

for the year ended 31 December 2018

Discovery Communications Europe Limited

Contents

Company Information

Officers and professional advisors

Directors	H Wheeley J Cooke
Registered office	Discovery House Chiswick Park Building 2 566 Chiswick High Road London W4 5YB United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Bankers	Bank Mendes Gans N.V. Herengracht 619 1000 AD Amsterdam The Netherlands
	Citibank N.A. Citigroup Centre Canada Square London United Kingdom E14 5LB
	Bank of America N.A. 2 King Edward Street London United Kingdom EC1A 1HQ

Strategic Report
for the financial year ended 31 December 2018

The directors present their strategic report for the financial year ended 31 December 2018.

The directors in preparing this strategic report have complied with s414C of the Companies Act.

Fair review of the business
Discovery Communications Europe Limited presents its full year results in the following statements for the year to 31 December 2018.

The Company's audited results for the financial year are shown on page 10. The results for the Company show a loss before tax of £396,609,000 (2017: £149,351,000). The loss is mainly attributed to the impairment of subsidiaries totalling £398,892,000 (2017: £245,961,000).

The figures for 2017 have been restated to correct an error in respect of transfer pricing.

No dividends were declared and paid during the year (2017: £Nil).

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

	2018	2017	Variance %
	£000	£000	
Turnover	1,448,332	1,429,543	1.31%
Gross Profit	126,506	191,808	(34.05)%
Gross margin	8.73%	13.42%	

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. Highlighted below are the risk factors facing the Company.

Economic Conditions
On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The progress of current negotiations between the UK Government and the EU will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the Company and the wider Discovery Group's operations. The uncertainty during and after the period of negotiation is also expected to increase volatility and may have an economic impact particularly in the UK and Eurozone.

The Company's business is significantly affected by prevailing economic conditions and by disruptions to financial markets. The Company derives substantial revenues from advertisers, and these expenditures are sensitive to general economic conditions and consumer buying patterns. Financial instability or a general decline in economic conditions in countries where our networks are distributed could adversely affect advertising rates and volume, resulting in a decrease in the Company's revenues.

Changes in the Distribution of Content

Technology and business models in the Company's industry continue to evolve rapidly. Consumer behavior related to changes in content distribution and technological innovation affect the Company's economic model and viewership in ways that are not entirely predictable.

Strategic Report
for the financial year ended 31 December 2018

Loss of Employees
The Company's performance depends upon the continued efforts, abilities and expertise of 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.

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 strategy of the Company is to distribute content through online platforms. The Company expects future profitability after a period of investment focusing on insourcing development teams, scaling the platform for further market expansion and product improvements to drive customer value.

Full details of the Discovery group strategy are available in the consolidated financial statements, which can be obtained from the corporate website: http://ir.corporate.discovery.com. The directors expect the general level of activity to be maintained in the coming year.

Financial risk management, objectives and policies
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 follow the Discovery Group policy with respect to credit risk associated with trade debtors.

The company has no exposure to credit risk in respect of intra group loans as all intra group balances are guaranteed at a group level.

Liquidity risk
The Company actively maintains short-term committed facilities with Bank Mendes Gans NV to ensure that the Company has sufficient available funds for operations and planned expansions. For more details refer to Note 27.

Approved by the board of directors on 04/11/19 and signed on its behalf by:

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H Wheeley
Director

Directors' Report
for the financial year ended 31 December 2018

The directors present their report together with the audited financial statements for the Company for the financial year ended 31 December 2018.

Directors of the Company
The directors of the company who held office during the financial year, up to the date of signing these financial statements, except as otherwise noted, were:

H Wheeley

Y Shmulewitz (resigned 23 July 2018)

J Cooke (appointed 23 July 2018)

Directors' indemnities
The directors have the benefit of the indemnity provisions pursuant to the company's articles of association. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of section 234 of Companies Act 2006 and which were in force throughout the year ended 31 December 2018 and remain in force.

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.

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, Inc. (previously known as 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 after at least 12 months from the date of the approval of these financial statements. On that basis the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

Directors' Report (continued)
for the financial year ended 31 December 2018

Prior period restatement

During the year, in came to the attention of the Company that there had been an error in the prior year transfer pricing transactions. The prior period has been restated to correct this error. Note 34 Prior year restatement refers.

Results and dividends

The results for the financial year are shown on page 10.

No dividends were declared and paid during the year. (2017: £nil).

Future developments and financial risk management, objectives and policies

Details of future developments and the financial risk management of the Company are included in the strategic report on page 3.

Business review and future developments

A review of the business of the company and future developments is included in the strategic report on pages 2-3.

Events since the balance sheet date

There have been no material adjusting or disclosable events since the financial year end.

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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 Generally Accepted Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

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 for that period.

In preparing the 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 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.

Directors' Report (continued)

for the financial year ended 31 December 2018

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the 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.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of the Annual General Meeting.

Approved by the board of directors on 04/11/19 and signed on its behalf by:

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H Wheeley
Director

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

Report on the audit of the financial statements

Opinion

In our opinion, Discovery Communications Europe Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

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

1 Embankment Place
London,
WC2N 6RH
United Kingdom

Date: 4 November 2019

Profit and Loss Account
for the financial year ended 31 December 2018

	Note	2018 £ 000	(As restated) 2017 £ 000
Turnover	5	1,448,332	1,429,543
Cost of sales		(1,321,826)	(1,237,735)
Gross profit		126,506	191,808
Administrative expenses		(124,451)	(145,678)
Operating profit	7	2,055	46,130
Interest receivable and similar income	8	5,442	62,349
Amounts written off investments	15	(398,892)	(245,961)
Interest payable and similar expenses	9	(5,214)	(11,869)
		(398,664)	(195,481)
Loss before taxation		(396,609)	(149,351)
Tax on loss	12	(6,645)	(12,333)
Loss for the financial year		(403,254)	(161,684)

All amounts are derived from continuing operations.

The figures for 2017 have been restated to correct an error in respect of transfer pricing thereby reducing reported turnover by £32,161,000 and the tax credit by £4,623,000.

Statement of Comprehensive Income
for the financial year ended 31 December 2018

	2018 £ 000	(As restated) 2017 £ 000
Loss for the financial year	(403,254)	(161,684)
Items that may be reclassified subsequently to profit or loss:		
(Loss)/profit on cash flow hedges (net)	(2,915)	10,755
Total comprehensive expense for the year	(406,169)	(150,929)

Balance Sheet
as at 31 December 2018

	Note	2018 £ 000	(As restated) 2017 £ 000
Fixed assets			
Intangible assets	13	191,759	192,175
Property, plant and equipment	14	89,808	89,175
Investments	15	243,500	483,972
Deferred tax assets	12	13,365	9,462
		538,432	774,784
Current assets			
Stocks		179	941
Trade and other receivables	16	677,098	754,425
Derivative financial instruments	28	-	4,909
Cash at bank and in hand	17	8,517	85,821
		685,794	846,096
Creditors: Amounts falling due within one year			
Trade and other payables	18	(461,809)	(334,789)
Borrowings	20	(459,094)	(724,958)
Derivative financial liabilities	28	(29,180)	(21,280)
		(950,083)	(1,081,027)
Net current liabilities		(264,289)	(234,931)
Total assets less current liabilities		274,143	539,853
Creditors: Amounts falling due after more than one year			
Borrowings	20	(50,830)	(58,523)
Deferred income		(715)	(1,556)
Other non-current financial liabilities	21	(182)	(374)
		(51,727)	(60,453)
Provisions for liabilities	23	(3,030)	(1,894)
Net assets		219,386	477,506

The figures for 2017 have been restated to correct an error in respect of transfer pricing. Refer to Note 34 for further information.

Balance Sheet
as at 31 December 2018

	Note	2018 £ 000	(As restated) 2017 £ 000
Capital and reserves			
Called up share capital	30	1,354,491	1,354,490
Share premium account	31	147,569	-
Other reserves		90,692	90,692
Profit and loss account		(1,373,366)	(967,676)
Total shareholders' funds		219,386	477,506

The financial statements on pages 10 to 48 were approved by the board of directors and authorised for issue on 04/11/19

They were signed on its behalf by:

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H Wheeley

Director

The figures for 2017 have been restated to correct an error in respect of transfer pricing thereby increasing reported trade debtors by £109,945,000, amount due to related parties by £142,106,000 and reducing tax liability by £4,623,000.

Statement of Changes in Equity

for the financial year ended 31 December 2018

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	(As restated) Profit and loss account £ 000	Total £ 000
At 1 January 2017	1,354,490	-	90,692	(817,203)	627,979
Loss for the year	-	-	-	(161,684)	(161,684)
Other comprehensive income	-	-	-	10,755	10,755
Total comprehensive expense	-	-	-	(150,929)	(150,929)
Share based payment transactions	-	-	-	456	456
At 31 December 2017	1,354,490	-	90,692	(967,676)	477,506

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	1,354,490	-	90,692	(967,676)	477,506
Loss for the year	-	-	-	(403,254)	(403,254)
Other comprehensive expense	-	-	-	(2,915)	(2,915)
Total comprehensive expense	-	-	-	(406,169)	(406,169)
New share capital subscribed	1	147,569	-	-	147,570
Share based payment transactions	-	-	-	479	479
At 31 December 2018	1,354,491	147,569	90,692	(1,373,366)	219,386

Notes to the Financial Statements
for the financial year ended 31 December 2018

1 General information

Discovery Communications Europe Limited is a private company limited by shares which is incorporated in the United Kingdom under the Companies Act 2006 and registered in England. The address of its registered office is as given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on pages 4-5.

The immediate parent undertaking is DNI Europe Holdings Limited, a company incorporated in United Kingdom. The registered address of the parent is Discovery House Chiswick Park, Building 2, 566 Chiswick High Road, London, W4 5YB.

These financial statements are presented in British pounds sterling as this the currency of the primary economic environment in which the Company operates.

The level of rounding is to the nearest thousand (£'000) unless otherwise stated.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements consistently are set out below. These policies that have been applied consistently to all 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. Further information about the assumptions made in measuring fair values is included in Note 29. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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 are inputs, other than quoted prices included in 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.

2 Accounting policies (continued)

Basis of preparation
The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- 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;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- 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 transaction is wholly owned by such a member;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Exemption from preparing consolidated financial statements
The financial statements contain information about the company as an individual company and do not contain consolidated financial information as 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 financial statements of Discovery Inc., a company registered in the USA. Discovery Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The financial statements of Discovery Inc. are publicly available and can be obtained from the company website http://ir.corporate.discovery.com.

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, Inc. (previously known as 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 after at least 12 months from the date of the approval of these financial statements. On that basis the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

Notes to the Financial Statements
for the financial year ended 31 December 2018

2 Accounting policies (continued)

Interest receivable
Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Foreign currency transactions and balances
The Company's financial statements are presented in £ Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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.

The changes in the fair value of the derivatives that are designated and qualify as fair value hedges is recognised in the profit and loss account. The carrying amount of the hedged item is adjusted for the change in value attributable to the hedged risk and recognised in the profit and loss account, including of the hedged item is otherwise measured at cost.

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.

Notes to the Financial Statements
for the financial year ended 31 December 2018

2 Accounting policies (continued)

Revenue

Revenue represents amounts recognised in relation to content distribution, advertising, licensing agreements and service contracts shown as net of value added tax.

The Company recognises revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. The Company measures revenue at the transaction price, excluding estimates of variable considerations and recognises revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. IFRS 15 states that "control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset". Control also means the ability to prevent others from directing the use of, and receiving the benefit from, a good or service.

As per IFRS 15, the performance obligations are deemed to be satisfied in respect of the following when:

Type of sale	*Recognition*
Content Distribution	Revenue recognised over the term of the contract based on the license fee or subscriber levels.
Advertising (sponsorship, production)	A single spot is considered a distinct performance obligation if no impression guarantee is contained in the contract otherwise a campaign of spots is considered a single distinct performance obligation. Revenue is recognised net of agency commissions as spots air or as impression levels are delivered.
Licensing agreements (programming)	Each licensing agreement is separately considered at inception, the Company considers that each agreement has one performance obligation. Right to access Intellectual Property – The performance obligation is satisfied over time, and therefore revenue is recognised over time. Right to use Intellectual Property – The performance obligation is satisfied at a point in time, and therefore revenue is recognised at a point in time. Usage-based royalties associated with a license of intellectual property are recognised as revenue when the performance obligation to which the royalty has been allocated has been satisfied.
Service Contracts	As and when performance obligations are satisfied using measure of progress/completion.

2 Accounting policies (continued)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Company reports the contract asset under Accrued Income.

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in financial instruments - initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract. The Company reports the contract liability under Deferred Income.

Taxation

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all 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 substantially 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.

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

2 Accounting policies (continued)

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

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.

Depreciation is recognised so as to write-off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	Shorter of term of lease
Computer equipment	3 years or useful life
Film and edit equipment	5 years
Transponder	10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

2 Accounting policies (continued)

Impairment of subsidiaries
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.

Stock
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, Animal Planet, DMAX, Home & Health, Investigation Discovery, TLC and Quest) 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 26).

Notes to the Financial Statements
for the financial year ended 31 December 2018

2 Accounting policies (continued)

Trade 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.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. In accordance with IFRS 9, the company applies expected credit loss (ECL) model for the measurement and recognition of impairment loss on trade receivables.

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

Loans are recoded 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 or loss account using the effective interest rate 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.

Dividends paid and received

Dividend income is recognised when the shareholder's right to receive payment is established, that is on declaration of the dividend by the subsidiary. Dividend distribution to the Company's shareholder 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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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 asset - recognition and measurement

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive cash.

All financial assets are initially measured at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company classifies its financial assets in the following measurement categories:

- those measured at amortised cost,
- those to be measured subsequently at fair value, either through other comprehensive income (FVTOCI) or through profit or loss (FVTPL)

Financial asset at amortised cost

A financial asset is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Financial asset at FVTOCI

A 'financial asset' is classified as at the FVTOCI if both of the following criteria are met:

2 Accounting policies (continued)

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

However, there are no instruments which have been classified under this category.

Financial asset at FVTPL

Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. FVTPL is a residual category for financial assets.

Derecognition

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.

Impairment of financial assets

Other financial assets are classified as 'loans and receivables'. These include trade and other receivables that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate (EIR) 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.

Financial liabilities - recognition and measurement

Financial liabilities are recognised when the entity becomes a party to the contract and, as a consequence, has a legal obligation to pay cash.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are initially measured at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprises of loans and borrowings including bank overdrafts.

2 Accounting policies (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial Instruments- Accounting policies applied until 31 December 2017

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company 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 profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

At the date of each balance sheet management assesses whether there is any objective evidence that any financial asset is impaired. Financial assets are derecognised from the Company's balance sheet when the Company 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.

Notes to the Financial Statements
for the financial year ended 31 December 2018

2 Accounting policies (continued)

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.

Share based payments
The Company employs certain senior staffs who are members of the Discovery, Inc. (previously known as Discovery Communications, Inc.) (DCI) group's share-based compensation plans. There were two share-based compensation plans in existence during the year. 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.

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)

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.

3 Significant accounting judgements, estimates and assumptions

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.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers in compliance with IFRS15:

(i) Identifying performance obligations in Content distribution service
The Company provides distribution of network content services to the customers. The revenue is recognised normally over time (term of the contract) based on the license fee or subscriber levels when the control of content is transferred.

(ii) Identifying performance obligations in Advertising service
The advertising sold as bundled commercial time on the Company's television network and websites are promises to transfer services to its customers. The revenue is recognised as spots air or impression levels are delivered normally at a point of time.

Estimates and assumptions
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.

(i) Impairment of Investments in subsidiaries

Significant judgements and assumptions used to assess the investments' values in use include the amount and timing of expected future cash flows, a discount rate of 10.5% (2017: 9.75%) and a long-term growth rate of 2.5% (2017: 2.5%). The cash flows employed are based on the investments' budgets and long-term business plans. The carrying amount of investments and subsidiaries at the balance sheet date was £243,500,000 (2017: £483,972,000) with an impairment of £398,892,000 recognised during the year (2017: £245,961,000).

Notes to the Financial Statements
for the financial year ended 31 December 2018

3 Significant accounting judgements, estimates and assumptions (continued)

(ii) Impairment of trade receivables
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

(iii) Impairment of Intangible assets-goodwill
Impairment exists when the carrying value of goodwill less than its fair value. The directors have assessed the fair value of investment by estimating the investment value in use, and believe the carrying value of goodwill (fair value over cost of investment) is fairly stated in the financial statement and no further impairment losses are needed to recognise during the year.

4 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:-

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

There was £nil impact of IFRS9 in the financial statements of the Company.

IFRS 15 Revenue from contracts with customers

IFRS 15 superseded IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. The standard introduces unified principles regarding reporting of the nature, amounts, moment of recognition and variability of revenues and cash flows generated from contracts with clients. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The moment of recognition of revenue depends on the moment the customer obtains control over the goods or service.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

4 New and amended standards and interpretations (continued)

The Company applied IFRS 15 using the modified retrospective approach which requires recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. The Company assessed that the impact to the opening balance of equity at January 1, 2018 was £nil. Therefore, the comparative information has not been adjusted and continues to be reported in line with the previous year under IAS 18. In the comparative period, revenue was recognised to the extent that it was probable that the economic benefits would flow to the company and the revenue could be reliably measured.

5 Turnover

	2018 £ 000	2017 £ 000
UK	239,803	451,676
Rest of Europe	1,074,708	975,583
Rest of World	133,821	2,284
	1,448,332	1,429,543

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.

6 Contract balances

The following table provides information about receivables, contracts assets and contract liabilities:

	2018 £ 000	2017 £ 000
Trade receivables, which are included in "Trade debtors" (Refer Note 16)	531,043	505,474
Contract assets	91,249	85,324
Contract liabilities	14,548	22,795

Contract assets	2018 £ 000	2017 £ 000
At 1 January	85,324	51,561
Plus: Accrued income recognised in the period	9,304	39,322
Less: Progress billings	(3,380)	(5,559)
Less: Allowance for unbilled receivables	-	-
At 31 December	91,249	85,324

The Company recognises a contract asset for any contract work performed and reports this under accrued income. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Notes to the Financial Statements
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6 Contract balances (continued)

The Company has not recognised any impairment losses in relation to the contract assets.

Contract liabilities	2018 £ 000	2017 £ 000
At 1 January	22,795	11,993
Plus: Deferred income recognised in the period	(12,044)	10,802
Less: Revenue recognised in the period	3,797	-
At 31 December	14,548	22,795

The Company recognises a contract liability for any payments received in advance of performance under the contract and reports this under deferred income. Any amount previously recognised as a contract liability is recognised as revenue as or when the Company perform under the contract.

7 Operating profit

Arrived at after charging:

	2018 £ 000	2017 £ 000
Depreciation expense	22,249	18,776
Amortisation expense	416	1,506
Loss on foreign exchange	13,116	22,403
Operating lease expense - property	4,861	4,719
Restructuring costs	3,322	381

8 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest income on bank deposits	5,442	2,088
Dividend income	-	60,261
	5,442	62,349

9 Interest payable and similar expenses

	2018 £ 000	2017 £ 000
Interest on bank overdrafts and borrowings	3,228	10,594
Interest on obligations under finance leases and hire purchase contracts	1,945	1,275
Other finance costs	41	-
	5,214	11,869

Notes to the Financial Statements
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10 Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's financial statements were £325,000 (2017: £312,000). This is borne by Discovery Corporate Services Limited in the current and prior year.

There are no non-audit services fees payable to the auditor.

11 Directors' remuneration and staff cost

(a) Staff costs

	2018 £ 000	2017 £ 000
Wages and Salaries	12,381	9,942
Social security costs	1,804	2,071
Other pension costs	846	816
Cost of employee share-based compensation plan (see Note 25)	479	456
	15,510	13,285

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

	2018 No.	2017 No.
Administration	4	-
Broadcast and operations	24	39
Media and operations	56	59
Office and management	65	80
Sales and marketing	35	43
	184	221

(b) Directors' remuneration

	2018 £ 000	2017 £ 000
Aggregate emoluments	442	465
Company contributions to money purchase pension schemes	35	34
	477	499

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

	2018 No.	2017 No.
Receiving shares in respect of qualifying services	-	-
Exercised share options	-	-

11 Directors' remuneration and staff cost (continued)

In respect of the highest paid director:

	2018 £ 000	2017 £ 000
Remuneration	442	465
Company contributions to money purchase pension schemes	35	34

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

12 Tax on loss

(a) Tax charged in the profit and loss account

	2018 £ 000	(As restated) 2017 £ 000
Current taxation:		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	-	409
	-	409
Foreign tax	10,548	11,516
Total current income tax	10,548	11,925
Deferred taxation:		
Arising from origination and reversal of temporary differences	(2,661)	472
Arising from changes in tax rates and laws	280	(55)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1,522)	(9)
Total deferred taxation	(3,903)	408
Tax expense in the profit and loss account	(6,645)	(12,333)

Notes to the Financial Statements
for the financial year ended 31 December 2018

12 Tax on loss (continued)

(b) Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £ 000	(As restated) 2017 £ 000
Loss before tax	(396,609)	(149,351)
Corporation tax at standard rate	(75,356)	(28,750)
Decrease from effect of revenues exempt from taxation	-	(11,598)
Increase from effect of expenses not deductible in determining taxable loss	75,926	46,545
Decrease arising from group relief tax reconciliation	(3,290)	(7,254)
Increase arising from overseas tax suffered	10,548	11,516
Adjustment to tax charge in respect of previous periods	(1,521)	400
Deferred tax expense from unrecognised temporary difference from a prior period	280	(55)
Other differences	(1,948)	(2,064)
Non deductible hedging exchange losses	2,006	3,593
Total tax charge	6,645	12,333

(c) Factors affecting tax charge for the financial year

The main rate of UK Corporation Tax is 19% and will fall to 17% from 1 April 2020. As this change was substantively enacted at the balance sheet date, deferred tax has been calculated at the appropriate rate when the balance is expected to unwind in these financial statements.

(d) Deferred tax

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	8,716	3,874	12,590
Other items	746	29	775
Net tax assets	9,462	3,903	13,365

Notes to the Financial Statements
for the financial year ended 31 December 2018

12 Tax on loss (continued)

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	9,352	(636)	8,716
Other items	518	228	746
Net tax assets	9,870	(408)	9,462

13 Intangible assets

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2018	734,914	10,173	745,087
At 31 December 2018	734,914	10,173	745,087
Accumulated amortisation			
At 1 January 2018	543,757	9,155	552,912
Amortisation charge	-	416	416
At 31 December 2018	543,757	9,571	553,328
Carrying amount			
At 31 December 2018	191,157	602	191,759
At 31 December 2017	191,157	1,018	192,175

Notes to the Financial Statements
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14 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 2018	1,653	20,047	41,702	72,649	81,664	6,306	224,021
Additions	-	-	2,027	16,566	-	4,289	22,882
Transfers	-	6	1,536	471	-	(2,013)	-
At 31 December 2018	1,653	20,053	45,265	89,686	81,664	8,582	246,903
Accumulated depreciation							
At 1 January 2018	1,645	19,281	34,811	59,640	19,469	-	134,846
Additions	8	629	5,119	8,810	7,683	-	22,249
At 31 December 2018	1,653	19,910	39,930	68,450	27,152	-	157,095
Carrying amount							
At 31 December 2018	-	143	5,335	21,236	54,512	8,582	89,808
At 31 December 2017	8	766	6,891	13,009	62,195	6,306	89,175

14 Property, plant and equipment (continued)

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

	2018 £ 000	2017 £ 000
Cost	81,664	81,664
Accumulated depreciation	(27,152)	(19,469)
Net book value	54,512	62,195

15 Investments

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2018	1,070,510
Additions	158,420
At 31 December 2018	1,228,930
Provision	
At 1 January 2018	(586,538)
Impairment	(398,892)
At 31 December 2018	(985,430)
Carrying amount	
At 31 December 2018	243,500
At 31 December 2017	483,972

The directors believe that the book value of the investments is not less than the value of the underlying net assets.

The carrying value of investments is assessed on the estimated investments' value 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 £243,500,000 (2017: £483,972,000) with impairment of £398,892,000 (2017: £245,961,000) recognised during the year. The impairment loss recognised is mainly attributable to the below subsidiaries:

- Discovery Communications Nordics ApS (Denmark) - £248,388,339
- Discovery Networks Sweden - £150,210,946

Details of the Company's investments are listed in Note 19.

Notes to the Financial Statements
for the financial year ended 31 December 2018

16 Trade and other receivables

	2018 £ 000	2017 £ 000
Trade debtors	100,026	178,537
Amounts owed by group undertakings	431,934	436,882
Accrued income	90,774	85,324
Prepayments	54,028	51,472
Other debtors	262	2,210
Corporation tax	74	-
	677,098	754,425

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

All amounts owed by group undertakings are payable on demand and unsecured. They are repayable on demand and no provisions are held against amounts due from group undertakings.

17 Cash at bank and in hand

	2018 £ 000	2017 £ 000
Cash at bank	8,517	85,821

18 Trade and other payables

	2018 £ 000	2017 £ 000
Trade payables	132,048	21,492
Amounts due to related parties	237,711	250,890
Deferred income	14,548	22,795
Accrued expenses	25,235	16,575
Social security and other taxes	46,293	13,737
Other payables	5,974	8,262
Content payable	-	48
Corporation tax	-	990
	461,809	334,789

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

Notes to the Financial Statements
for the financial year ended 31 December 2018

18 Trade and other payables (continued)

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 29 "Financial risk management and impairment of financial assets".

All amounts due to group undertakings are unsecured in nature and bear no interest. They are repayable on demand.

19 Subsidiary undertakings, associates and joint ventures

Company's directly owned subsidiaries

Details of the investments in which the Company holds 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 Bulgaria EOOD	Bulgaria	Service Company	Ordinary	100%
Discovery Communications Nordic ApS	Denmark	Service Company	Ordinary	100%
Discovery Communications Ukraine TOV	Ukraine	Service Company	Ordinary	100%
Discovery Content Verwaltungs GmbH	Germany	Management Company	Ordinary	100%
Discovery Czech Republic S.R.O.	Czech Republic	Service Company	Ordinary	100%
Discovery Italia SRL	Italy	TV Broadcaster	Ordinary	100%
Discovery Medya Hizmetleri Limited Sirketi	Turkey	Holding Company	Ordinary	100%
Discovery Networks Finland Oy	Finland	TV Broadcaster	Ordinary	100%
Discovery Networks Norge Holdings AS	Norway	Holding Company	Ordinary	100%
Discovery Networks OOO	Russia	Service Company	Ordinary	100%
Discovery Networks Sweden AB	Sweden	Holding Company	Ordinary	100%
DNE Music Publishing Limited	UK	Holding Company	Ordinary	100%
DNI German Holdings I Limited	UK	Holding Company	Ordinary	100%

19 Subsidiary undertakings, associates and joint ventures (continued)

Company's indirectly owned subsidiaries

Details of the investments in which the Company holds 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 SRL	Italy	TV Broadcaster	Ordinary	100%
Animal Planet Televizyon Yayincilik	Turkey	TV broadcaster	Ordinary	99.99%
Avrupa Spor Televizyon Yayincilik Anonim Sirketi	Turkey	TV broadcaster	Ordinary	100%
Discovery Communications Deutschland GmbH & Co KG	Germany	TV Broadcaster	Ordinary	100%
Discovery Networks Demark Aps	Denmark	TV Broadcaster	Ordinary	100%
Discovery Networks Norway AS	Norway	TV Broadcaster	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%
DNI German Holdings II Limited	UK	Holding Company	Ordinary	100%
Enformasyon Reklamcilik Ve Filmcilik	Turkey	TV Broadcaster	Ordinary	100%
The Voice TV Norge AS	Norway	TV Broadcaster	Ordinary	100%
SporTV Medya Hizmetieri Anonim Sirketi	Turkey	TV Broadcaster	Ordinary	100%

Company's indirectly owned associates

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

Notes to the Financial Statements
for the financial year ended 31 December 2018

19 Subsidiary undertakings, associates and joint ventures (continued)

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
Media Alliance OOO	Russia	Holding Company	Ordinary	20%
Mediamatning I Skandinavien AB	Sweden	Radio Broadcaster	Ordinary	24%
NMG Design OOO	Russia	TV Broadcaster	Ordinary	20%
Otrkytie TV OOO	Russia	TV Broadcaster	Ordinary	20%
Turner Info Lifestyle	Russia	TV Broadcaster	Ordinary	20%
Turner Kids OOO	Russia	TV Broadcaster	Ordinary	20%

Company's directly owned joint ventures

Details of the investment in joint venture which the Company holds 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	
7TV Joint Venture GmbH	Germany	Streaming Service	Ordinary	50%

The registered office for 7TV Joint Venture GmbH is Landsberger Strasse 110, D-80339, Munich, Germany.

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.

Company's indirectly owned joint ventures

Details of the investment in joint venture which the Company holds 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	
Airtime Sales AB	Sweden	Service company	Ordinary	50%

The registered office for Airtime Sales AB is Radmansgatan 42, 113 57, Stockholm.

19 Subsidiary undertakings, associates and joint ventures (continued)

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
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
Bulgaria	128 Georgi Rakovsk Str, 4th Floor, Office 2, Sofia 1000

20 Borrowings

	2018 £ 000	2017 £ 000
Current borrowings		
Bank overdrafts	450,504	721,055
Finance lease liabilities	8,590	3,903
	459,094	724,958

	2018 £ 000	2017 £ 000
Non-current borrowings		
Finance lease liabilities	50,830	58,523

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 29 "Financial risk management and impairment of financial assets".

Notes to the Financial Statements
for the financial year ended 31 December 2018

21 Other non-current financial liabilities

	2018 £ 000	2017 £ 000
Other non-current financial liabilities	182	374

22 Obligations under leases and hire purchase contracts

Finance leases

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

	2018 £ 000	2017 £ 000
Within one year	9,743	8,077
Between 2 and 5 years	32,067	30,858
More than 5 years	17,674	26,955
Total gross payments	59,484	65,890
Lease charges included above	(5,093)	(3,464)
	54,391	**62,426**

Operating leases

	2018 £ 000	2017 £ 000
Land and Building		
Within one year	6,180	6,331
Within two to five years	22,542	8,400
In more than 5 years	68,264	-
	96,986	14,731
Other		
Within one year	151	11,503
Within two to five years	175	349
	326	11,852

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,861,000 (2017: £4,719,000).

23 Provisions for liabilities

	Other provisions £ 000
At 1 January 2018	1,894
Additional provisions	1,136
At 31 December 2018	3,030

The provision in 2017 and 2018 is represented by an asset retirement obligation in relation to the future cost of removing leasehold improvements installed in the Chiswick Park property.

24 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 £846,000 (2017: £816,000).

25 Share-based payments

Share-based compensation expense

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

	2018 £ 000	2017 £ 000
Stock options	170	154
Restricted stock units	309	302
	479	456

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 108,010 (2017: 139,891) outstanding options, 49,933 (2017: 51,725) were exercisable. Options exercised in 2018 resulted in 3,243 (2017: 401) shares being issued at a weighted average price of £21.09 (2017: £18.66).

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

Notes to the Financial Statements
for the financial year ended 31 December 2018

25 Share-based payments (continued)

	Units	Weighted Average Grant Price
Outstanding at 1 January 2018	139,891	£23.05
Units granted	32,868	£18.08
Units exercised	(3,243)	£20.45
Units cancelled/forfeited	(58,897)	£23.47
Units transfer In	13,443	£6.43
Units transfer out	(16,052)	£5.91
Outstanding at 31 December 2018	108,010	£21.87

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 70,467 (2017: 65,205) outstanding RSUs. RSUs exercised in 2018 resulted in 10,792 (2017: 4,881) shares being issued at a weighted average price £19.92 (2017: £27.23).

Notes to the Financial Statements
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25 Share-based payments (continued)

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

	Units	Weighted Average Grant Price
Outstanding at 1 January 2018	65,205	£21.53
Transfer in	2,055	£24.00
Transfer out	(4,635)	£18.27
Units granted	38,897	£17.99
Units exercised	(10,792)	£23.07
Units cancelled	(20,263)	£20.53
Outstanding at 31 December 2018	70,467	£19.91

26 Other commitments

At 31 December 2018, the Company had other contractual commitments as follows:

	2018 £ 000	2017 £ 000
Transmission services	116,647	128,117
	116,647	128,117

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

27 Contingent liabilities

The Company entered into an arrangement with Bank Mendes Gans NV (the "Bank") whereby the cash position of Discovery, Inc. (previously known as 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 wished to seek repayment of any negative balances, the Bank shall first seek recourse against positive balances.

The company has an overdraft of £450,409,000 (2017: £721,055,000) with the "Bank" at 31 December 2018. The net balance for the Subsidiaries at 31 December 2018 under this arrangement was as positive balance of £118,576,000 (2017: £225,950,000). The combined bank balances of all subsidiaries are not permitted to be less than nil.

Notes to the Financial Statements

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28 Derivative financial instruments

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the profit and loss account, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost. The fair value adjustment to the hedged item is amortised to the income statement over the year to maturity of the hedge relationship.

The Company applies hedge accounting to hedge the risk of fluctuations in the value of the security.

The Group applies IFRS 9. All derivative instruments are held at fair value through profit or loss.

	2018 £ 000	2017 £ 000
Current derivative assets and liabilities		
Derivative assets used for hedging	-	4,909
Derivative financial liabilities	(29,180)	(21,280)
	(29,180)	(16,371)

29 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.

Notes to the Financial Statements

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29 Financial risk management and impairment of financial assets (continued)

The movement in cash flow hedging reserve is as follows:

	2018 £ 000	2017 £ 000
Balance at the beginning of the year	2,809	(7,946)
Gain/(loss) on hedging instrument (foreign currency forward contracts) designated in a cash flow hedging relationship recognised in hedging reserve recognised	6,042	(6,304)
Cumulative (gain)/loss arising on changes in fair value of hedging instruments (foreign currency forward contracts) reclassified to profit and loss account	(3,127)	17,059
Balance at the end of the year	5,724	2,809

30 Called up share capital

	2018 £ 000	2017 £ 000
Allotted, called up and fully paid		
1,354,490,000 (2017: 1,354,490,000) Authorised Ordinary shares of £1 each at 1 January	1,354,490	1,354,490
1,000 (2017: nil) Authorised ordinary shares issued	1	-
1,354,491,000 (2017: 1,354,490,000) Authorised Ordinary shares of £1 each at 31 December	1,354,491	1,354,490

On December 18, 2018, DNI Europe Holdings Limited contributed its Swedish Note in the amount of SEK 1,692,000,039 (£147,570,179) to the company in exchange for additional ordinary shares. The Company issued 1,000 Ordinary Shares of £1 each with a total premium of £147,569,179.

The shares have attached to them full voting, dividend and capital distribution rights (including on a winding up). They do not confer any rights of redemption.

31 Share premium account

	2018 £ 000	2017 £ 000
Premium arising on issue of equity shares	147,569	-

32 Events after balance sheet date

There were no significant events after the balance sheet date.

Notes to the Financial Statements
for the financial year ended 31 December 2018

33 Related party transactions

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

34 Prior year restatement

During the year, in came to the attention of the Company that there had been an error in the prior year transfer pricing transactions. The prior period has been restated to correct this error.

The impact of the restatements is as follows:

Balance sheet as at 1 December 2017

£nil impact

Profit & Loss Account for the year ended 31 December 2017	**As originally reported £ 000**	**Adjustments £ 000**	**As restated £ 000**
Turnover	1,461,704	(32,161)	1,429,543
Tax on loss	(16,956)	4,623	(12,333)

Balance sheet as at 31 December 2017	**As originally reported £ 000**	**Adjustments £ 000**	**As restated £ 000**
Income tax liability	(5,613)	4,623	(990)
Amount due to related parties	108,784	142,106	250,890
Trade debtors	68,592	109,945	178,537

35 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is DNI Europe Holdings Limited.

The ultimate parent undertaking and controlling party is Discovery, Inc. (previously known as Discovery Communications, Inc.), a company incorporated in USA, which is the parent undertaking for the smallest and largest group to consolidate these financial statements. Discovery, Inc. (previously known as Discovery Communications, Inc.) consolidated financial statements can be obtained from the corporate website: http://ir.corporate.discovery.com.