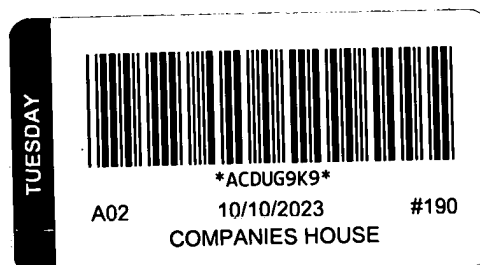


DISCOVERY COMMUNICATIONS EUROPE LIMITED

Annual Report and Financial Statements

for the year ended 31 December 2022



Contents

| | Page(s) |
|--|----------|
| Company Information | 1 |
| Strategic Report | 2 to 6 |
| Directors' Report | 7 to 11 |
| Independent auditors' report to the members of Discovery Communications Europe Limited | 12 to 14 |
| Profit and Loss Account | 15 |
| Statement of Comprehensive Income | 16 |
| Balance Sheet | 17 to 18 |
| Statement of Changes in Equity | 19 |
| Notes to the Financial Statements | 20 to 62 |

Company Information

| | |
|-----------------------------|--|
| Directors | James Richard Cooke Hester Jane Woolf |
| Registered address | 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 Citi bank N.A. Citigroup Centre Canada Square London United Kingdom E14 5LB Bank of America N.A. 2 King Edward Street London United Kingdom ECIA 1HQ |

Strategic Report *for the financial year ended 31 December 2022*

The directors present their Strategic Report for the financial year ended 31 December 2022.

The directors in preparing this Strategic Report have complied with s414C of the Companies Act.

Fair review of the business

Discovery Communications Europe Limited (the "Company") presents its full year results in the following statements for the year to 31 December 2022. The Company is a wholly owned subsidiary of the Warner Bros. Discovery, Inc. Group ("WBD Inc. Group").

During the year, the Company provided funding to the existing investments: £28,565,000 to Joyn GmbH and £1,540,000 to BLUTV İletişim Ve Dijital Yayın Hizmetleri A.Ş. ("BluTV"). The company also acquired 5.08% membership interest in Tri Sports LLC in exchange for an advertising contract in the amount of £3,338,000 (USD 4,000,000). See note 17.

The Company's audited results for the financial year are shown on page 17.

The results for the Company show a loss before tax of £115,431,000 (2021: profit before taxation of £118,240,000). The Company has net assets of £536,802,000 (2021: £655,576,000).

No dividends were declared and paid during the year (2021: £nil).

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

| | 2022 | 2021 | Variance % |
|--------------|-------------|-------------|-------------------|
| | £000 | £000 | |
| Turnover | 1,123,152 | 1,231,375 | (8.79%) |
| Gross profit | 124,895 | 142,682 | (12.47%) |
| Gross margin | 11.12% | 11.59% | (0.47%) |

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.

Economic conditions

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.

Strategic Report (continued)
for the financial year ended 31 December 2022

Changes in the distribution of content

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

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 multi-channel television markets in the world with varying degrees of investment from operators in expanding channel capacity or converting to digital. 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 WBD Inc. Group strategy are available in the consolidated financial statements, which can be obtained from the corporate website: <https://ir.wbd.com/investor-relations/>. 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 WBD Inc. 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's principal financial assets are bank balances and cash, trade and other receivables and investments. The credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for expected credit losses is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no exposure to credit risk in respect of intra group loans.

Strategic Report (continued)
for the financial year ended 31 December 2022

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The objective of managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

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

Statement of Compliance with S.172 Companies Act 2006

(1) Introduction

Each of the directors of Discovery Communications Europe Limited ("the Company", or "DCEL") are aware of their obligation to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard to the matters set out in paragraphs (a) to (f) of Section 172(1) of the Companies Act 2006 ("Section 172(1)").

The immediate parent company of the Company is DNI Europe Holdings Limited (DNIEH), which holds all the shares in the Company. The Company and DNIEH are each a wholly-owned indirect subsidiary of Warner Bros. Discovery, Inc. ("WBD Inc."), a United States company listed on the Nasdaq Stock Market and governed by the listing rules of the United States Securities and Exchange Commission. The Board of the Company accepts WBD Inc.'s Group policy that all of WBD Inc.'s directly and indirectly wholly-owned subsidiaries must have regard to the interests of all identifiable stakeholders when making board decisions.

The directors consider it essential to maintain the Company's reputation for high standards of business conduct, and the directors consider it essential to do so by setting, monitoring, and upholding the culture, values, standards, ethics (and brand) of the WBD Inc. Group in the Company's business, to ensure that the Company's obligations to its shareholders, employees, customers and third parties are met. The directors are also focused on the wider social context in which the Company operates and looks to build relationships with all stakeholders based on continuing dialogue and openness.

The directors continue to have regard to the interests of the Company's employees and other stakeholders, including the Company's activities in the community and the Company's reputation when making decisions. Whilst acting in good faith and fairly towards its sole member, the directors consider what is most likely to promote the success of the Company for its sole member in the long term.

(2) Standards of Business Conduct

A copy of the detailed Code of Ethics approved by the directors is set out at: <https://wbd.com/code-of-ethics/>. The Code of Ethics includes details of the WBD Inc. Group mission, Guiding Principles, and Purpose and Overview. The Code covers a broad range of topics upon which all employees must agree to observe at all times. Regular training is offered to all employees. The Code includes key topics such as complying with laws and regulations, making the right ethical decisions, accounting practices, conflicts of interest, anti-corruption, cross border business, fair competition, insider trading, misuse of funds and fraud, respecting human rights, confidential information and intellectual property, data privacy, communicating with the public, using social media, political activity, company resources, diversity, equal opportunity and non-discrimination, harassment free workplace, safe and healthy work environment and whistleblowing.

Strategic Report (continued)
for the financial year ended 31 December 2022

(2) Standards of Business Conduct (continued)

In 2022, the directors also approved the Company's acceptance of group policies in relation to:

- Business, Ethics and Fair Practices: <https://corporate.discovery.com/environmental-social-governance/our-value-chain/#ethics>; and
- Responsible Advertising & Marketing: <https://corporate.discovery.com/environmental-social-governance/our-value-chain/#advertising>, which demonstrates that the Company uses its platforms not only to entertain but to educate and inspire.

(3) Relations with Employees

The board actively seeks regular engagement with all employees, full details of which are set out below, including how the result of the annual employee survey is considered by the directors when making decisions which directly impact employees, in relation to pay, development, performance and minimizing unnecessary bureaucracy.

(4) Relations with Shareholders.

The directors note that the need to act fairly as between members (i.e., shareholders) of the Company (as set out in paragraph (f) of Section 172(1)) requires less consideration in standard decision-making processes, given that the Company has only a single member, but note that they welcome opportunities to engage with the sole shareholder.

(5) Relations with Stakeholders

The directors engage directly with stakeholders on certain issues (e.g., consumer content) but due to the size and distribution of stakeholders, this engagement often takes place at operational level. The directors consider reporting and information from across the organisation to help them understand the impact of the Company's operations and the interests and views of the key stakeholders. The directors also review strategy, financial and operational performance, as well as information covering areas such as key risks, legal and regulatory compliance. As a result of these activities, the directors have an overview of engagement with stakeholders and other relevant factors.

(6) Key Strategic Decisions

For each matter which comes before the directors, they consider the likely consequences of any decision in the long-term and identify stakeholders who may be affected and carefully consider their interests and any potential impact as part of the decision-making process. The board is aware of the importance of the likely consequences of any decisions made, in the long term, which are also considered in the interests of our colleagues, the need to foster the Company's business relationships with suppliers, customers and other key stakeholders and the impact of the Company's operations on communities and the environment.

(7) Stakeholder engagement statement

(7.1) Consumers

The directors receive regular reporting on customer outcomes and customer-related strategic initiatives throughout the year. The directors closely monitor customer metrics and engage with the leadership team to address any issues and concerns if performance does not meet expectations. The directors continue to monitor and review its customer and third party advertising and distribution IT platforms, to enhance and simplify services.

Strategic Report (continued)
for the financial year ended 31 December 2022

(7) Stakeholder engagement statement (continued)

(7.2) Suppliers

The directors maintain oversight of the management of the Company's most important suppliers of content and distribution via reporting from the procurement organisation, which reports to the board. All supplier related activity is managed in line with the Group Procurement Policy.

(7.3) Communities

As a purpose-driven company, the directors are committed to making the world a better place by leveraging the Company's market-leading global platform, and by extending the reach and influence of like-minded organisations and causes. They are also dedicated to employee volunteerism programmes, demonstrating that the directors took decisions to formulate and implement a strategy of corporate social responsibility to improve the lives of the wider community in which the Company operates.


(7.4) Creditors

The directors are committed to ensuring that the Company maintains and organises its business to ensure that it is always in a position to meet its liabilities and commitments to creditors including banks.

(8) Environment

A copy of the Environment and Social Policy approved by the directors appears at: <https://corporate.discovery.com/environmental-social-governance/our-planet/> which sets out the WBD Inc. Group's commitment to curbing its own impact on the environment.

Signed on behalf of the board of directors by:


Hester Woolf (Oct 6, 2023 10:40 GMT+2)

Hester Jane Woolf
Director

Directors' Report

for the financial Year ended 31 December 2022

The directors present their report together with the audited financial statements for the Company for the financial year ended 31 December 2022.

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, were:

Hester Jane Woolf
James Richard Cooke

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 2022 and remain in force.

Principal activity

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.

Stakeholder engagement

Details of employee and other stakeholder engagement are included in the Section 172(1) Statement on pages 5 to 6.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

Directors' Report (continued)
for the financial year ended 31 December 2022

Going concern (continued)

WBD Inc., the ultimate parent undertaking, has indicated its commitment to support the activities of the Company, including providing the means to enable it to meet its liabilities as they fall due for at least 12 months from the date of 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.

Results and dividends

The results for the financial year are shown on page 16.

No dividends were declared and paid during the year (2021: £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 pages 3 to 4.

Business review

A review of the business of the Company is included in the Strategic Report on page 2.

Events after the reporting period

On 24 January 2023, DCEL signed a second amendment to the Subscription and Shareholders' Agreement with BluTV to include a funding commitment to BluTV. In May 2023, DCEL provided funding in the amount of £1,684,000 (USD 2,105,000).

Streamlined Energy & Carbon Reporting for 1 January to 31 December 2022

The data relating to the SECR is consolidated within the SECR report prepared by Discovery Communications Europe Limited on behalf of all of WBD Inc.'s legacy Discovery entities which meet the relevant threshold criteria for reporting. The legacy Discovery UK entities share the same premises/facilities. It is therefore not practical to provide individual reporting on an entity-by-entity basis.

Directors' Report (continued)
for the financial year ended 31 December 2022

Carbon Reporting

Energy consumption (kWh)

| | 2022 | 2021 |
|-----------------|-------------------|-------------------|
| Electricity | 11,996,764 | 11,953,346 |
| Natural Gas | 342,246 | 454,801 |
| Transport Fuels | 76,391 | 30,336 |
| Other Fuels | - | - |
| Total | 12,415,401 | 12,438,483 |

Greenhouse Gas Emissions (tCO₂e)

From combustion of fuel

| | | |
|--|--------------|--------------|
| Natural Gas | 62.47 | 83.30 |
| Transport Fuel for Company Vehicles | - | - |
| Transport Fuel for Staff Owned & Rental Vehicles | 17.62 | 7.03 |
| Other Fuels | 14.55 | - |
| Subtotal | 94.64 | 90.33 |

| | | |
|---|-----------------|-----------------|
| From Other Activities inc. Process & Fugitive | - | - |
| From Purchased Electricity, Steam, Heat & Cooling | 2,319.93 | 2,538.05 |
| Subtotal | 2,319.93 | 2,538.05 |

| | | |
|------------------------------|-----------------|-----------------|
| Total gross emissions | 2,414.57 | 2,628.38 |
|------------------------------|-----------------|-----------------|

| | | |
|----------------------------|-----------------|-----------------|
| Renewable Electricity | - | - |
| Carbon Offsets | - | - |
| Domestic Carbon Units | - | - |
| Total Net Emissions | 2,414.57 | 2,628.38 |

Intensity ratios

| | | |
|--|-------|-------|
| Annual MWh per No. of FTE employees | 10.22 | 10.55 |
| Annual tCO ₂ e per No. of FTE employees | 1.98 | 2.23 |

Directors' Report (continued)
for the financial year ended 31 December 2022

Energy Efficiency

DCEL is committed to year-on-year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to DCEL has been compiled, with a view to implementing these measures in the next 5 years.

The Company prioritized for implementation in 2021/22:

- (1) Ongoing compliance with Energy Reporting legislation:
DCEL is mandated to comply with the Energy Savings Opportunity Scheme (ESOS) and as such produces a summary of all available energy efficiency improvements on a four-year cycle.
- (2) Energy and Environment Strategy:
DCEL is working towards implementing an Energy and Environment strategy that ensures ongoing energy and carbon reductions over the coming years in line with the UK's 2050 net zero targets.

Measures prioritized for implementation in 2022/23:

- (1) Chillers upgrade: The Company is already at the level of 50% advancement in the process of replacement three existing chillers, with technically similar units, with high seasonal efficiency, for our technical load.
- (2) Enhancement of production facilities: In April 2022, the Company stripped the entire floor back to its initial slab and is in the process of installing new power, lighting and air conditioning systems, and modern control systems. This enables tighter control of the environment and disposes of inefficient technology originally installed in 2002.

Methodology:

Conversion Factors

All conversion factors and fuel properties used in this report have been taken from the 2021 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). Average fuel prices have been taken from "Retail Prices of Petroleum Products and Crude Oil Price Index" published by BEIS. All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.

Utilities

Energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices. Conversion factors for the average UK generation mix have been used to calculate greenhouse gas emissions.

Transport

The cost of fuel purchases for staff owned vehicles has been taken from expense records and the average fuel price for each month has been used to estimate the quantity of fuel in Litres. The conversion factors based on the engine size and fuel type have been used to calculate greenhouse gas emissions and underlying energy use.

Other Fuels & Emissions

During the reporting period there was a refill of R407C but the amount recovered matched the amount entered into the system. No fugitive emissions have been released so the net amount was recorded as zero.

Directors' Report (continued)
for the financial year ended 31 December 2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Statement of disclosure of information to auditors


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 6 October 2023 and signed on its behalf by:


Hester Woolf (Oct 6, 2023 10:40 GMT+2)
Hester Jane Woolf
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 2022 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, including 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 2022; the Profit and Loss Account, the Statement of Comprehensive Income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' Report for the year ended 31 December 2022 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 the 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax law and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Performing procedures over higher risk journal entries;
- Challenging assumptions made by management in determining their judgements and accounting estimates; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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.



Jennifer Dickie (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

6 October 2023

Profit and Loss Account
for the financial year ended 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|---|------|------------------|----------------|
| Turnover | 4 | 1,123,152 | 1,231,375 |
| Cost of sales | | (998,257) | (1,088,693) |
| Gross profit | | 124,895 | 142,682 |
| Administrative expenses | | (100,925) | (95,558) |
| Other operating (loss)/income | 6 | (138) | 8,817 |
| Operating profit | 7 | 23,832 | 55,941 |
| Interest receivable and similar income | 8 | 2,866 | 4,796 |
| Interest payable and similar charges | 9 | (9,148) | (4,203) |
| Net impairments of investments | 17 | (156,143) | (32,290) |
| Loss on disposal of investments | 17 | (40,565) | - |
| Income from investments | 10 | 63,727 | 93,996 |
| (Loss)/profit before taxation | | (115,431) | 118,240 |
| Tax on (loss)/profit | 13 | 9,610 | 1,126 |
| (Loss)/profit for the financial year | | (105,821) | 119,366 |

All amounts are derived from continuing operations.

There is no material difference between the (loss)/profit before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

Statement of Comprehensive Income
for the financial year ended 31 December 2022

| | 2022 | 2021 |
|---|-------------|-------------|
| | £000 | £000 |
| (Loss)/profit for the financial year | (105,821) | 119,366 |
| Other comprehensive (expense)/income: | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| (Loss)/profit on cash flow hedges (net) | (13,657) | 12,344 |
| Total comprehensive (expense)/income for the year | (119,478) | 131,710 |

The notes on pages 20 to 62 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 14 | 200,809 | 198,148 |
| Property, plant and equipment | 15 | 38,348 | 40,428 |
| Right-of-use assets | 16 | 101,650 | 103,980 |
| Investments | 17 | 617,318 | 788,583 |
| Deferred tax assets | 13 | 54,727 | 30,599 |
| | | <u>1,012,852</u> | <u>1,161,738</u> |
| Current assets | | | |
| Trade and other receivables | 18 | 306,396 | 359,038 |
| Derivative financial instruments | 29 | 7,347 | 18,529 |
| Cash at bank and in hand | 19 | 5,746 | 1,685 |
| | | <u>319,489</u> | <u>379,252</u> |
| Creditors: Amounts falling due within one year | | | |
| Trade and other payables | 20 | (296,829) | (457,810) |
| Borrowings | 22 | (355,709) | (314,444) |
| Lease liability | 23 | (14,367) | (7,221) |
| Derivative financial liabilities | 29 | (24,408) | (3,997) |
| | | <u>(691,313)</u> | <u>(783,472)</u> |
| Net current liabilities | | <u>(371,824)</u> | <u>(404,220)</u> |
| Total assets less current liabilities | | <u>641,028</u> | <u>757,518</u> |
| Creditors: Amounts falling due after more than one year | | | |
| Lease liability | 23 | (99,738) | (98,622) |
| Provisions for liabilities | 24 | (4,488) | (3,320) |
| | | <u>(104,226)</u> | <u>(101,942)</u> |
| Net assets | | <u><u>536,802</u></u> | <u><u>655,576</u></u> |


Balance Sheet (continued)
as at 31 December 2022

Capital and reserves

| | | | |
|----------------------------------|----|----------------|----------------|
| Called-up share capital | 31 | 1,459,591 | 1,459,591 |
| Share premium account | 32 | 249,536 | 249,536 |
| Other reserves | | 91,185 | 90,481 |
| Profit and loss account | | (1,263,510) | (1,144,032) |
| Total shareholders' funds | | <u>536,802</u> | <u>655,576</u> |

The financial statements on pages 15 to 62 were approved by the board of directors and authorised for issue on 6 October 2023.

They were signed on its behalf by:


.....
Hester Woolf (Oct 6, 2023 10:40 GMT+2)
Hester Jane Woolf
Director

The notes on pages 20 to 62 form an integral part of these financial statements.

Statement of Changes in Equity
for the financial year ended 31 December 2022

| | Called-up share capital £000 | Share premium account £000 | Other reserves £000 | Profit and loss account £000 | Total £000 |
|---|---|---|------------------------------------|---|-----------------------|
| At 1 January 2021 | 1,459,591 | 249,536 | 91,527 | (1,275,742) | 524,912 |
| Profit for the year | - | - | - | 119,366 | 119,366 |
| Other comprehensive income | - | - | - | 12,344 | 12,344 |
| Total comprehensive income | - | - | - | 131,710 | 131,710 |
| Share-based receipt transactions (note 26) | - | - | 944 | - | 944 |
| Recharge of share-based payments (note 26) | - | - | (1,990) | - | (1,990) |
| At 31 December 2021 and 1 January 2022 | 1,459,591 | 249,536 | 90,481 | (1,144,032) | 655,576 |
| Loss for the year | - | - | - | (105,821) | (105,821) |
| Other comprehensive expense | - | - | - | (13,657) | (13,657) |
| Total comprehensive income | - | - | - | (119,478) | (119,478) |
| Share-based receipt transactions (note 26) | - | - | 1,853 | - | 1,853 |
| Recharge of share-based payments (note 26) | - | - | (1,149) | - | (1,149) |
| At 31 December 2022 | 1,459,591 | 249,536 | 91,185 | (1,263,510) | 536,802 |

The notes on pages 20 to 62 form an integral part of these financial statements.

Notes to the Financial Statements
for the financial year ended 31 December 2022

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 page 8.

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

The ultimate parent undertaking and controlling party is WBD Inc. a company incorporated in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. WBD Inc. consolidated financial statements can be obtained from the corporate website: <https://ir.wbd.com/investor-relations/>.

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, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

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'.

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the 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 10(f) of IAS 1 'Presentation of Financial Statements' to present a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;
- 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;
- 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 IFRS 7 Financial Instruments Disclosures;
- the requirements in paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- 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;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS2, 'Share-based-payments' (details of the number and weighted average exercise price of shares options, and how the fair value of goods or services received was determined; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Exemption from preparing consolidated financial statements (continued)

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 WBD Inc. a company registered in the USA. WBD 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 WBD Inc. are publicly available and can be obtained from the Company website <https://ir.wbd.com/investor-relations/>.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

WBD Inc., the ultimate parent undertaking, has indicated its commitment to support the activities of the Company, including providing the means to enable it to meet its liabilities as they fall due for at least 12 months from the date of 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.

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Derivatives and hedging (continued)

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.

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 an advertising (sponsorship, production) campaign of spots is considered a single distinct performance obligation. Revenue is recognised net of volume discounts and rebates as spots air or as impression levels are delivered. |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

| <i>Type of sale</i> | <i>Recognition</i> |
|------------------------------------|---|
| Licensing agreements (programming) | Each licensing agreement is separately considered at inception. The Company considers that each agreement has one performance obligation and is recognised at a point in time except for sales-based or usage-based royalty arrangements for which revenue is recognised at the later of when the subsequent sale or usage occurs and the satisfaction of the performance obligation allocated to the subsequent sale or usage. |
| Service contracts | Revenue is recognised as and when performance obligations are satisfied. |

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 for 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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Taxation (continued)

Deferred income tax is provided 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 substantively enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, except:

- 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; and
- 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.

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 enforceable 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

Intangible assets are comprised of capitalised software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met

- it is technically feasible to complete the software products so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Intangible assets (continued)

Development costs that have not been finalised are classified as asset under construction and are not subject to amortisation until the software is capable of operating as intended. Amortisation 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:

| | |
|-----------------------|---------|
| Computer Software | 3 years |
| Software License Fees | 5 years |

Other intangible assets consist of customer relationships amortised over their useful life. The useful life of these intangible assets is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The estimate of the useful life is based on all pertinent factors including:

- The expected use of the asset by the entity.
- The expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate.
- Any legal, regulatory, or contractual provisions that may limit the useful life.
- The entity's own historical experience in renewing or extending similar arrangements (consistent with the intended use of the asset by the entity), regardless of whether those arrangements have explicit renewal or extension provisions. In the absence of that experience, the entity shall consider the assumptions that market participants would use about renewal or extension (consistent with the highest and best use of the asset by market participants), adjusted for entity-specific factors in this paragraph.
- The effects of obsolescence, demand, competition, and other economic factors.
- The level of maintenance expenditures required to obtain the expected future economic benefits from the asset.

The method of amortisation of a finite-lived intangible asset reflects the pattern in which the asset's economic benefits are consumed or otherwise used up. The Company generally amortises its finite-lived intangible assets on a straight-line basis.

| | |
|-------------------------|---------|
| Other intangible assets | 9 years |
|-------------------------|---------|

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 annually.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Intangible assets (continued)

The Company has goodwill in its balance sheet arising from an acquisition of trade and assets. Goodwill is not amortised under IFRS and there is no amendment to this in FRS 101. The non-amortisation of goodwill conflicts with company law, which requires acquired goodwill to be written off over its useful economic life. As a result this non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to SI 2008/410.

On disposal of a subsidiary or a jointly controlled entity or trade and assets which comprise a business, 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. During the construction phase of Property, plant and equipment, all expenditure is assigned to assets under construction until the project is completed and placed in service. No depreciation is charged on assets under construction. 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 or useful life |
| Computer equipment | 3 years |
| Film and edit equipment | 5 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 - recognition, measurement and impairment

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

The value of investments is reviewed annually by the directors at each financial year end or more frequently if there is a triggering event. 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 Profit and Loss Account in line "Net impairments of investments".

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Investments - recognition, measurement and impairment (continued)

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 below operating income.

Trade receivables

Trade receivables 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.

The Company has a factoring agreement to sell certain portfolio of trade accounts receivable on a non-recourse basis to a third-party financial institution to the Factor. The Company accounts for these transactions as sales, as its continuing involvement subsequent to the transfer is limited to providing certain servicing and collection actions on behalf of the purchaser of the designated trade accounts receivable. Proceeds from amounts factored are recorded as an increase to cash and cash equivalents and a reduction to receivables.

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 recorded as the proceeds received, net of direct issue costs. Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit 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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

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.

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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 amortized 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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Financial instruments (continued)

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:

- 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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

In accordance with IFRS 9, the Company applies the expected credit loss (ECL) model for the measurement and recognition of impairment loss on financial assets measured at amortised cost e.g., investments, loans and bank balance.

ECL is the weighted average of difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Company is required to consider:

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

- All contractual terms of the financial assets (including prepayment and extension) over the expected life the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 - recognition and measurement (continued)

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.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Asset Retirement Obligation

Asset retirement obligations are additional costs and are recognised at fair value as a separate liability. The liability is incurred with a corresponding increase in the carrying amount of the related assets referred to as an asset retirement cost. These costs are depreciated using the same method and estimated useful life as the related asset. The Company recognises the asset retirement obligation in the period in which it is incurred when:

- There is an existing enforceable legal obligation associated with the retirement of a tangible asset and,
- The amount of the liability can be reasonably estimated.

Share based payments

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

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

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Share based payments (continued)

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 WBD Inc., 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

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The amortisation periods for the right-of-use assets are as follows:

| | |
|--------------------|------------|
| Office Buildings | 1-15 years |
| Transponders | 3-9 years |
| Computer Equipment | 3 years |

The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate (IBR).

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss statement if the right-of-use asset is already reduced to zero.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

2. Accounting policies (continued)

Leases (continued)

The Company has elected to account for short-term leases (having a remaining lease term of less than 12 months from the date of initial application) and leases of low-value assets (less than £5000) using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position lease liabilities are listed as a separate line item.

Lease activities

The Company leases various offices, computer equipment and transponders. Rental contracts are typically made for fixed periods of 1 to 15 years but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimated and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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:

Extension options for leases

Where the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

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

Estimation of recoverable amount is required when there is objective evidence of impairment in the value of the investments. The recoverable amount, particularly the value in use calculations, require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

Significant judgements underpinning management's determination of recoverable amount include the period of cash flows in the forecasts used. The significant estimates used to assess the investments value in use includes the amount and timing of expected future cash flows were the discount rates and the long-term growth rates detailed below per entity:

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

3. Judgments in applying accounting policies (continued)

(i) Impairment of Investments in subsidiaries (continued)

| <i>Subsidiary</i> | <i>Discount Rate (%)</i> | | <i>Growth Rate (%)</i> | |
|--------------------------------------|--------------------------|-------------|------------------------|-------------|
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Discovery Networks Denmark Aps | 9.5% | 7.5% | 1.0% | 2.0% |
| Discovery Networks Sweden AB | 9.0% | 9.0% | 1.0% | 2.0% |
| Discovery Networks Finland Oy | 10.0% | 8.0% | 1.0% | 0.0% |
| Discovery Communications Nordics Aps | 10.0% | 7.5% | 1.0% | 0.5% |
| SporTV Medya Hizmeti | 16.5% | 12.0% | 1.0% | 0.0% |
| Enformasyon Reklamcilik | 15.5% | 12.0% | 1.0% | 0.0% |

The carrying amount of investments in subsidiaries at the balance sheet was £617,318,000 (2021: £788,583,000) as a result of the additions of £33,443,000 (2021: £177,608,000), disposals of £48,565,000 (2021: £90,128,000) and the net impairment of £156,143,000 (2021: £32,290,000) recognised during the year.

(ii) Impairment of intangible assets-goodwill

Impairment exists when the carrying value of goodwill is less than its recoverable amount. The directors have assessed the recoverable amount of goodwill 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 be recognised during the year.

The significant assumptions used to assess the investments value in use include the amount and timing of expected future cash flows, the discount rate of 10% (2021: 8%) and the long-term growth rate of 2%. A decrease of 1% in forecast future cashflows would trigger a material impairment.

The primary driver for the increase in the discount rate is due to a combination of factors such as change in market conditions, revision of equity risk premium, as well as revision in company specific risk premium.

4. Turnover

| | 2022 | 2021 |
|----------------|------------------|------------------|
| | £000 | £000 |
| UK | 280,348 | 276,531 |
| Rest of Europe | 777,432 | 858,321 |
| Rest of World | 65,372 | 96,523 |
| | <u>1,123,152</u> | <u>1,231,375</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

4. Turnover (continued)

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

5. Contract balances

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

| | 2022 | 2021 |
|--|-------------|-------------|
| | £000 | £000 |
| Trade receivables and amounts owed by group undertaking (refer to note 18) | 208,869 | 254,290 |
| Contract assets (refer to note 18) | 74,217 | 87,005 |
| Contract liabilities (refer to note 20) | 21,915 | 21,275 |

Contract assets

| | 2022 | 2021 |
|---|-------------|-------------|
| | £000 | £000 |
| At 1 January | 87,005 | 85,183 |
| Plus: Accrued income recognised in the period | 74,217 | 87,005 |
| Less: Progress billings | (87,005) | (85,183) |
| At 31 December | 74,217 | 87,005 |

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 when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

Contract liabilities

| | 2022 | 2021 |
|--|-------------|-------------|
| | £000 | £000 |
| At 1 January | 21,275 | 18,799 |
| Plus: Deferred income recognised in the period | 21,915 | 21,275 |
| Less: Revenue recognised in the period | (21,275) | (18,799) |
| At 31 December | 21,915 | 21,275 |

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

6. Other operating (loss)/income

| | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| | £000 | £000 |
| Foreign exchange (loss)/gains | (4,183) | 6,666 |
| Other income | 4,045 | 2,151 |
| | <u>(138)</u> | <u>8,817</u> |

Other income generated in 2022 in the amount of £4,045,000 (2021: £2,151,000) results from:

- sale of business assets to Discovery Corporate Services Limited (DCSL) in the amount £3,360,000 (2021: £nil);
- written off over payments in trade receivables from prior years in the amount £685,000 (2021: £1,647,000); and
- corporate tax return refunds from prior years on R&D, £nil (2021: £411,000) and interest on tax refund on prior years, £nil (2021: £93,000).

7. Operating profit

Arrived at after charging:

| | 2022 | 2021 |
|----------------------|--------------|-------------|
| | £000 | £000 |
| Depreciation expense | 13,229 | 27,874 |
| Amortisation expense | 6,136 | 6,512 |
| Restructuring costs | 1,284 | 434 |
| | <u>1,284</u> | <u>434</u> |

8. Interest receivable and similar income

| | 2022 | 2021 |
|--|--------------|--------------|
| | £000 | £000 |
| Interest income on derivative instruments | 2,866 | 2,873 |
| Interest from amounts owed by group undertakings | - | 1,923 |
| | <u>2,866</u> | <u>4,796</u> |

9. Interest payable and similar charges

| | 2022 | 2021 |
|--|--------------|--------------|
| | £000 | £000 |
| Interest on bank overdrafts and borrowings | 4,897 | 595 |
| Interest on obligations under finance leases and hire purchase contracts | 3,381 | 3,323 |
| Other finance costs | 870 | 285 |
| | <u>9,148</u> | <u>4,203</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

10. Income from investments

| | 2022 | 2021 |
|--------------------------------------|---------------|---------------|
| | £000 | £000 |
| <i>Other Income</i> | | |
| Joyn GmbH | - | 6,523 |
| <i>Dividends received</i> | | |
| DNI Finance 2 Ltd | - | 1,891 |
| DNE Music Publishing Ltd | - | 3,031 |
| Discovery Networks Sweden | 23,727 | 82,374 |
| Discovery Communications Ukraine TOB | - | 195 |
| DNI German Holdings I Ltd | 40,000 | - |
| | <u>63,727</u> | <u>93,336</u> |

11. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's financial statements were £320,000 (2021: £353,000). This is borne by DCSL in the current and prior year.

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

12. Directors' remuneration and staff cost

(a) Staff costs

| | 2022 | 2021 |
|--|---------------|---------------|
| | £000 | £000 |
| Wages and salaries | 16,071 | 14,494 |
| Social security costs | 2,307 | 1,985 |
| Other pension costs | 970 | 844 |
| Share-based compensation plan (refer to note 26) | 1,853 | 944 |
| | <u>21,201</u> | <u>18,267</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

12. Directors' remuneration and staff cost (continued)

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

| | 2022 | 2021 |
|--------------------------|-------------|-------------|
| | No. | No. |
| Administration | 2 | 8 |
| Broadcast and operations | 58 | 48 |
| Media and operations | 53 | 34 |
| Office and management | 48 | 49 |
| Sales and marketing | 40 | 32 |
| | <u>201</u> | <u>171</u> |

(b) Directors' remuneration

| | 2022 | 2021 |
|---|-------------|-------------|
| | £000 | £000 |
| Aggregate remuneration and benefits under long-term incentive schemes | 416 | 434 |
| Company contributions to money purchase pension schemes | 38 | 36 |
| | <u>454</u> | <u>470</u> |

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

| | 2022 | 2021 |
|--|-------------|-------------|
| | No. | No. |
| Receiving shares in respect of qualifying services | 1 | 1 |
| Exercised share options | 1 | 1 |

Retirement benefits are accruing to one (2021: one) director under the Company's money purchase pension scheme.

In respect of the highest paid director:

| | 2022 | 2021 |
|---|-------------|-------------|
| | £000 | £000 |
| Aggregate remuneration and benefits under long-term incentive schemes | 416 | 434 |
| Company contributions to money purchase pension schemes | 38 | 36 |
| | <u>454</u> | <u>470</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

12. Directors' remuneration and staff cost (continued)

The highest paid director exercised share options during the year and received shares under the executive long-term incentive scheme.

The above table includes £17,000 (2021: £41,000) of remuneration of a director that is recharged to DCSL, a fellow subsidiary within WBD Inc. Group, for their services to that Company. Another director was remunerated by DCSL whose remuneration is disclosed in that company's financial statements and not included in the table above. The director is also a director across various companies within the group and it is not practicable to allocate the director's time and remuneration across these companies. There are no recharges to the Company from DCSL in respect of this director's remuneration.

13. Tax on (loss)/profit

(a) *Tax credited in the profit and loss account*

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Corporation tax | | |
| Foreign tax | 14,518 | 10,595 |
| Adjustment in respect of prior years | - | (875) |
| Total current income tax | <u>14,518</u> | <u>9,720</u> |
| Deferred taxation: | | |
| Arising from origination and reversal of temporary differences | (18,345) | (1,746) |
| Arising from changes in tax rates and laws | (5,793) | (7,344) |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | 10 | (1,756) |
| Total deferred taxation | <u>(24,128)</u> | <u>(10,846)</u> |
| Tax credit in the profit and loss account | <u>(9,610)</u> | <u>(1,126)</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

13. Tax on (loss)/profit (continued)

(b) Reconciliation of the total tax credit

The tax credit in the profit and loss account for the financial year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below

| | 2022 £000 | 2021 £000 |
|---|----------------------------|----------------------------|
| (Loss)/profit before tax | (115,431) | 118,240 |
| Corporation tax at the standard rate of 19% (2021: 19%) | (21,932) | 22,466 |
| Effects of: | | |
| Adjustment to tax charge in respect of previous periods | 10 | (2,631) |
| Effect of expenses not deductible | 37,708 | 23,454 |
| Income not taxable | (15,422) | (37,394) |
| Tax rate changes | (5,793) | (7,344) |
| Group relief claimed | (3,953) | (6,725) |
| Increase arising from overseas tax suffered | 14,518 | 10,596 |
| (Non-Taxable)/non-deductible hedging exchange movement | 3,485 | (3,268) |
| Unrecognised deferred tax on losses utilised | (18,231) | (280) |
| Total tax credit | (9,610) | (1,126) |

(c) Factors affecting tax credit for the financial year

The standard rate of corporation tax in the UK throughout the financial year was 19% (2021: 19%).

Legislation has been introduced to increase the main rate of corporation tax from 19% to 25% (effective from 1 April 2023), which was substantively enacted on 24 May 2021. As these changes have been enacted at the balance sheet date, we have reflected this in the measurement of deferred tax balances at the period end.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

13. Tax on (loss)/profit (continued)

(d) Deferred tax

| | At 1 January 2022 £000 | Recognised in income £000 | At 31 December 2022 £000 |
|------------------------------|---|--|---|
| Accelerated tax depreciation | 27,732 | 961 | 28,693 |
| Other items | 2,867 | (373) | 2,494 |
| Losses | - | 23,540 | 23,540 |
| Net tax assets | <u>30,599</u> | <u>24,128</u> | <u>54,727</u> |

| | At 1 January 2021 £000 | Recognised in income £000 | At 31 December 2021 £000 |
|------------------------------|---|--|---|
| Accelerated tax depreciation | 17,062 | 10,670 | 27,732 |
| Other items | 2,691 | 176 | 2,867 |
| Net tax assets | <u>19,753</u> | <u>10,846</u> | <u>30,599</u> |

There are no unrecognised deferred tax assets relating to tax losses carried forward (2021: £23,977,900). In 2021 this balance was not recognised as there was no indication that it could be used against future taxable income or gains.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

14. Intangible assets

| | Goodwill | Other | Computer | Assets under | Total |
|--|-----------------|-------------------|-----------------------|---------------------|----------------|
| | £000 | Intangible | Software & | construction | £000 |
| | | assets | License Fees | | |
| | | £000 | £000 | £000 | |
| Cost | | | | | |
| At 1 January 2022 | 732,423 | 9,855 | 18,475 | 2 | 760,755 |
| Reclassification* | - | - | 1,492 | - | 1,492 |
| Additions | - | - | 7,480 | - | 7,480 |
| Disposals | - | - | (2,219) | (2) | (2,221) |
| At 31 December 2022 | <u>732,423</u> | <u>9,855</u> | <u>25,228</u> | <u>-</u> | <u>767,506</u> |
| Accumulated amortisation/ Impairment loss | | | | | |
| At 1 January 2022 | 541,273 | 9,673 | 11,661 | - | 562,607 |
| Amortisation charge | - | 66 | 6,070 | - | 6,136 |
| Disposals | - | - | (2,046) | - | (2,046) |
| At 31 December 2022 | <u>541,273</u> | <u>9,739</u> | <u>15,685</u> | <u>-</u> | <u>566,697</u> |
| Carrying amount | | | | | |
| At 31 December 2022 | <u>191,150</u> | <u>116</u> | <u>9,543</u> | <u>-</u> | <u>200,809</u> |
| At 31 December 2021 | <u>191,150</u> | <u>182</u> | <u>6,814</u> | <u>2</u> | <u>198,148</u> |

*Computer software amounting to £1,492,000 has been reclassified from Assets under construction group in Property, plant and equipment.

The average remaining amortisation period for each group of intangible assets as of 31 December 2022 is:

*Goodwill - unamortised

*Other intangible assets - 1 year

*Computer software & software license fees - 2 years

*Assets under construction - unamortised

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

15. Property, plant and equipment

| | Leasehold improvements and office equipment £000 | Computer equipment £000 | Film and edit equipment £000 | Asset under construction £000 | Total £000 |
|---------------------------------|---|--|---|--|-----------------------|
| Cost or Valuation | | | | | |
| At 1 January 2022 | 13,509 | 14,049 | 100,127 | 2,019 | 129,704 |
| Additions | 31 | 1,282 | 455 | 16,856 | 18,624 |
| Transfers | - | - | 139 | (139) | - |
| Reclassification* | 4 | 68 | (152) | (1,412) | (1,492) |
| Disposals | (556) | (1,075) | - | (5,983) | (7,614) |
| At 31 December 2022 | 12,988 | 14,324 | 100,569 | 11,341 | 139,222 |
| Accumulated depreciation | | | | | |
| At 1 January 2022 | 12,127 | 12,215 | 64,934 | - | 89,276 |
| Charge for the year | 247 | 1,342 | 11,640 | - | 13,229 |
| Disposals | (556) | (1,075) | - | - | (1,631) |
| At 31 December 2022 | 11,818 | 12,482 | 76,574 | - | 100,874 |
| Carrying amount | | | | | |
| At 31 December 2022 | 1,170 | 1,842 | 23,995 | 11,341 | 38,348 |
| At 31 December 2021 | 1,382 | 1,834 | 35,193 | 2,019 | 40,428 |

*Assets under construction related to Computer software amounting to £1,492,000 has been reclassified to Computer software group in Intangible assets.

The gross carrying amount of fully depreciated items of property, plant and equipment still in use as of 31 December 2022 amounted to: £74,259,000 (2021: £75,504,000).

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

16. Right-of-use assets

| | | | 2022 £000 | 2021 £000 |
|--------------------------|-----------------------------|----------------------|-------------------------------|-----------------------|
| Office Buildings | | | 63,991 | 60,787 |
| Transponders | | | 32,293 | 37,330 |
| IT Equipment | | | 5,366 | 5,863 |
| | | | <u>101,650</u> | <u>103,980</u> |
| | | | <u><u>101,650</u></u> | <u><u>103,980</u></u> |
| | Office buildings £000 | Transponders £000 | Computer equipment £000 | Total £000 |
| Cost | | | | |
| At 1 January 2022 | 72,207 | 55,166 | 8,574 | 135,947 |
| Additions | 7,787 | 2,348 | 2,528 | 12,663 |
| Disposals | (1,451) | (2,271) | (317) | (4,039) |
| At 31 December 2022 | <u>78,543</u> | <u>55,243</u> | <u>10,785</u> | <u>144,571</u> |
| Accumulated depreciation | | | | |
| At 1 January 2022 | 11,420 | 17,836 | 2,711 | 31,967 |
| Charge for the year | 4,487 | 7,385 | 3,025 | 14,897 |
| Disposals | (1,355) | (2,271) | (317) | (3,943) |
| At 31 December 2022 | <u>14,552</u> | <u>22,950</u> | <u>5,419</u> | <u>42,921</u> |
| Carrying amount | | | | |
| At 31 December 2022 | <u><u>63,991</u></u> | <u><u>32,293</u></u> | <u><u>5,366</u></u> | <u><u>101,650</u></u> |
| At 31 December 2021 | <u><u>60,787</u></u> | <u><u>37,330</u></u> | <u><u>5,863</u></u> | <u><u>103,980</u></u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

17. Investments

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| | £000 | £000 |
| Subsidiaries, joint ventures and associated undertakings | | |
| Cost | | |
| At 1 January | 1,824,231 | 1,736,751 |
| Additions | 33,443 | 177,608 |
| Disposals | (228,139) | (90,128) |
| At 31 December | <u>1,629,535</u> | <u>1,824,231</u> |
| Provision for impairments | | |
| At 1 January | (1,035,648) | (1,003,358) |
| Net impairment of investments | (156,143) | (32,290) |
| Disposal of prior year impairment on Joyn GmbH | 179,574 | - |
| At 31 December | <u>(1,012,217)</u> | <u>(1,035,648)</u> |
| Carrying amount | | |
| At 31 December | <u><u>617,318</u></u> | <u><u>788,583</u></u> |

The directors believe that the net carrying amount of investments as at balance sheet date is not impaired. The carrying value of investments is assessed on the investments' recoverable amount, which in this case is the assets value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from investments and suitable discount rates in order to calculate present values.

Additions:

During the year the Company provided capital contribution to its existing investments and invested in new investments as follows:

Existing investments

- Joyn GmbH - £28,564,748
- BLUTV İletişim Ve Dijital Yayın Hizmetleri A.Ş. ("BluTV") - £1,539,506

The company made call contributions to Joyn GmbH joint venture (JV) investment according to the JV agreement.

New investments

- Tri Sports LLC - £3,337,505 (USD 4,000,000)

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

17. Investments (continued)

On 19 December 2022, Discovery Communications Europe Limited signed an advertising sales contract with PTO Commercial Limited ("PTO UK") with a value of £ 3,337,505 (USD 4,000,000). In consideration, Tri Sports LLC, a US LLC which is the owner of PTO UK, issued membership interest to DCEL. DCEL received an interest around 5.08% of Tri Sports LLC.

Disposals:

The disposal line relates to sales of All Perspectives Ltd investment and to termination of the joint venture agreement with Joyn GmbH.

On 16 August 2022, Discovery Communications Europe Limited signed a share sales agreement of 1,533,888 fully paid-up Series A shares in All Perspectives Ltd for consideration of £8,000,000, which resulted in a loss of £12,000,000.

On 12 September 2022, Discovery Communications Europe Limited signed a termination agreement in relation to the Joint Venture Agreement signed 13 September 2017 with the joint venture partner Seven.One Entertainment Group GmbH. Each shareholder held 50% of the share capital of the joint venture company, Joyn GmbH. As a result of the termination, Discovery Communications Europe Limited paid call contributions in the amount of £28,564,748 and sold the 50% of shares for the consideration EUR 1 which resulted a loss of £28,564,747.

Impairments:

The carrying value of investments is assessed on the estimated investments' value in use. The value in use calculations require 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 £617,318,000 (2021: £788,583,000) as a result of the additions of £33,443,000 (2021: £177,608,000), disposals of £48,565,000 (2021: £90,128,000) and the net impairment of £156,143,000 (2021: £32,290,000) recognised during the year.

| Subsidiary | (Impairment)/ Impairment Recovery Amount (£'000) |
|---|---|
| Discovery Networks Denmark Aps | (77,089) |
| Discovery Networks Sweden | (51,488) |
| Discovery Medya Hizmetleri Limited Sirketi | (15,506) |
| Discovery Networks Finland Oy | (9,580) |
| Discovery Networks OOO - Russia | (185) |
| Blu TV | (2,554) |
| Discovery Networks, S.L.(former Discovery Latin America SL) | 259 |
| Total net impairment | (156,143) |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

17. Investments (continued)

Impairment in Discovery Communications Europe Limited is driven by revision of forecasts primarily for the impact of the changes in the expected growth which is a combination of factors such as change in market conditions, revision of equity risk premium as well as a revision in company specific risk premium within its investments particularly Discovery Networks Denmark ApS and Discovery Networks Sweden.

Details of the Company's Investments are listed in note 21.

18. Trade and other receivables

| | 2022 | 2021 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Trade receivables | 89,572 | 127,125 |
| Amounts owed by group undertakings | 119,297 | 127,165 |
| Accrued income | 74,217 | 87,005 |
| Prepayments | 21,795 | 16,868 |
| Other receivables | 1,515 | - |
| Corporation tax | - | 875 |
| | <u>306,396</u> | <u>359,038</u> |

Trade receivables are stated at amortized cost. In accordance with IFRS 9, the Company applied expected credit loss (ECL) model for the measurement and recognition of impairment loss on trade receivables. In 2022, the Company released previously recognised ECL of £1,471,000 (2021: £3,367,000). The fair value of the above trade and other receivables classified as financial instruments approximate their carrying value. Amounts owed by group undertakings are unsecured in nature, bear no interest and are repayable on demand.

19. Cash and cash equivalents

| | 2022 | 2021 |
|--------------------------|--------------|--------------|
| | £000 | £000 |
| Cash at bank and in hand | <u>5,746</u> | <u>1,685</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

20. Trade and other payables

| | 2022 | 2021 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Trade payables | 39,429 | 16,800 |
| Amounts owed to group undertakings | 208,343 | 241,350 |
| Deferred income | 21,915 | 21,275 |
| Accrued expenses | 22,183 | 17,991 |
| Social security and other taxes | 3,037 | 159,991 |
| Other payables | 1,922 | 403 |
| | <u>296,829</u> | <u>457,810</u> |

The fair value of the above trade and other payables classified as financial instruments approximate their carrying value. The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 30 "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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

21. Subsidiary undertakings, associates, joint ventures and other investments

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 Networks Denmark ApS | Denmark | TV Broadcaster | Ordinary | 100% |
| Discovery Communications Ukraine TOV | Ukraine | Service Company | Ordinary | 99.9% |
| Discovery Content Verwaltungs GmbH | Germany* | Management Company | Ordinary | 99% |
| Discovery Czech Republic S.R.O. | Czech Republic | Service Company | Ordinary | 99% |
| 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% |
| DNI Finance 2 Limited (in liquidation) | Norway | Holding Company | Ordinary | 100% |
| Kazakhstan Branch | Kazakhstan | Service Company | Ordinary | 100% |
| Discovery Networks OOO | Russia* | Service Company | Ordinary | 90% |
| Discovery Networks Sweden AB | Sweden* | TV Broadcaster | Ordinary | 100% |
| DNE Music Publishing Limited | UK | Holding Company | Ordinary | 100% |
| DNI Germany Holdings I Limited | UK | Holding Company | Ordinary | 100% |
| Discovery Networks Norway AS | Norway | TV Broadcaster | Ordinary | 100% |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

21. Subsidiary undertakings, associates, joint ventures and other investments (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: | |
|--|--------------------------------|---------------------------|---|--------|
| 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 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% |
| SporTV Medya Hizmetleri Anonim Sirketi | Turkey** | TV Broadcaster | Ordinary | 100% |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

21. Subsidiary undertakings, associates, joint ventures and other investments (continued)

Company's directly owned associates

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: | |
|---|--------------------------------|-----------------------------------|---|-----|
| BLUTV İletişim Ve Dijital Yayın Hizmetleri A.Ş. ("BLUTV") | Turkey*** | TV Broadcaster | Ordinary | 35% |
| Reshet Media Ltd. | Israel | Radio and Television Broadcasting | Ordinary | 21% |

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:

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

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

21. Subsidiary undertakings, associates, joint ventures and other investments (continued)

Company's indirectly owned joint ventures

Details of the investments 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% |

Company's directly owned other investments

Details of the other 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: | |
|----------------|--------------------------------|---|---|-------|
| Think GmbH | Germany** | Service company | Ordinary | 1.3% |
| TRI Sports LLC | United States | Activities of professional membership organisations | Ordinary | 5.08% |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

21. Subsidiary undertakings, associates, joint ventures and other investments (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 Khmelnytskyi Street, Kyiv, Ukraine, 01030 |
| Germany* | Stemstr. 5, 2. OG, Munich, 80538 |
| Germany** | Gipsstraße 15, 10119 Berlin, Germany |
| 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 |
| Turkey** | Adnan Saygun Cad. Akmekez AVM, B3, Kule Kat 1 1, Istanbul, Turkey |
| Turkey*** | Eski Büyükdere Cd. No:1, Maslak, Istanbul, Turkey |
| Sweden* | Radmansgatan 42, 113 57, Stockholm |
| Sweden** | 61 A, 6th Floor. 2nd North Avenue |
| Norway | Nydalen alle 37A, Oslo, 0484 |
| Finland | Tallberginkatu 1C, Helsinki, 00180 |
| Russia* | Fabrika Stanislavskogo Business Center, 3th floor, 21 buld.1 Stanislavskogo str., 109004 |
| Russia** | 21, building 1, floor 2, premise I, room 66, Stanislavskogo street, 109004, Moscow, Russian Federation |
| Russia*** | 21, building 1, Stanislavskogo street, 109004, Moscow, Russian Federation |
| 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 |
| United States | 1209 Orange Street, Wilmington, Delaware 19801 |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

22. Loans and borrowings

| | 2022 | 2021 |
|-----------------|-------------|-------------|
| | £000 | £000 |
| Bank overdrafts | 355,709 | 314,444 |

Bank borrowings

The fair value of the above loans and borrowings classified as financial instruments approximate their carrying value. The Company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings are disclosed in note 30 "Financial risk management and impairment of financial assets.

23. Lease liabilities

(i) Lease liabilities included in the statement of financial position at 31 December 2022 :

| | 2022 | 2021 |
|-------------|----------------|----------------|
| | £000 | £000 |
| Current | 14,367 | 7,221 |
| Non-current | 99,738 | 98,622 |
| | <u>114,105</u> | <u>105,843</u> |

(ii) Amounts relating to leases recognised for the reporting period

| | 2022 | 2021 |
|---|---------------|---------------|
| | £000 | £000 |
| Depreciation charge of right-of-use assets | | |
| Office buildings | 4,487 | 4,050 |
| Computer equipment | 3,025 | 1,929 |
| Transponders | 7,385 | 6,800 |
| | <u>14,897</u> | <u>12,779</u> |
| Interest expense (included in Interest payable and similar charges) | 3,381 | 3,323 |
| | <u>18,278</u> | <u>16,102</u> |

(iii) Cash outflow for leases

| | 2022 | 2021 |
|----------------------------|---------------|---------------|
| | £000 | £000 |
| Principal | 12,765 | 11,613 |
| Interest | 3,381 | 3,323 |
| Total Cash Outflows | <u>16,146</u> | <u>14,936</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

23. Lease liabilities (continued)

(iv) Maturity Analysis - Total Gross Lease Payments

| | 2022 | 2021 |
|---------------------------------|----------------|----------------|
| | £000 | £000 |
| Within one year | 18,553 | 10,077 |
| Between two to five years | 61,205 | 55,247 |
| More than five years | 51,124 | 58,648 |
| Total gross payments | 130,882 | 123,972 |
| Interest charges included above | (16,777) | (18,129) |
| | 114,105 | 105,843 |

24. Provisions for liabilities

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

| | 2022 | 2021 |
|---------------------------|--------------|--------------|
| | £000 | £000 |
| At 1 January | 3,320 | 3,790 |
| Provisions created/(used) | 1,168 | (470) |
| At 31 December | 4,488 | 3,320 |

25. 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 £970,000 (2021: £844,000).

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

26. Share-based payments

The movements in Other reserves in respect of share-based payments represent the fair value adjustment on these share options, which has a corresponding charge to the profit or loss, and the recharges from the parent associated with employee share-based compensation.

Movements in other reserves, before tax, in respect of share-based compensation plans are as follows:

| | 2022 | 2021 |
|---|----------------|----------------|
| | £000 | £000 |
| Stock options | 3 | 24 |
| Restricted stock units | 1,850 | 920 |
| Share-based payment transactions | 1,853 | 944 |
| Recharge of share-based payments | (1,149) | (1,990) |

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 22,363 (2021: 30,465) outstanding options 22,363 (2021: 26,915) were exercisable. There were no options exercised in 2022 (2021: 36,422) on shares being issued at weighted average price of £nil (2021: £20.86).

Share options outstanding at the end of year are as follows:

| | Units | Weighted Average Grant Price |
|--|---------------|---|
| Outstanding at 1 January 2022 | 30,465 | £20.86 |
| Units granted | - | - |
| Units exercised | - | - |
| Units cancelled/forfeited | (8,102) | £23.45 |
| Units transfer in | - | - |
| Units transfer out | - | - |
| Outstanding at 31 December 2022 | 22,363 | £20.06 |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

26. Share-based payments

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 94,025 (2021:86,974) outstanding RSUs. RSUs exercised in 2022 resulted in 72,572 (2021: 39,191) shares being issued at a weighted average price £25.12 (2021: £28.23).

RSUs outstanding at the end of year are as follows:

| | Units | Weighted Average Grant Price |
|--|---------------|---|
| Outstanding at 1 January 2022 | 86,974 | £28.23 |
| Transfer in | 17,069 | £24.08 |
| Transfer out | (11,138) | £20.07 |
| Units granted | 76,478 | £21.44 |
| Units exercised | (72,572) | £25.68 |
| Units cancelled | (2,786) | £24.67 |
| Outstanding at 31 December 2022 | 94,025 | £25.12 |

27. Other Commitments

At 31 December 2022, the Company had other contractual commitments as follows:

| | 2022 £000 | 2021 £000 |
|--------------------------------|----------------------|----------------------|
| Transmission services - SDN | 71,193 | 81,762 |
| Transmission services - Arqiva | - | 5,048 |
| | 71,193 | 86,810 |

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

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

28. Contingent liabilities

The Company entered into an arrangement with Bank Mendes Gans N.V. (the “Bank”) whereby the cash position of WBD 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 a negative balance of £355,708,527 (2021: £312,759,305) with the “Bank” at 31 December 2022. The net balance for the Subsidiaries at 31 December 2022 under this arrangement was as positive balance of £224,001,044 (2021: £253,060,588). The combined bank balances of all subsidiaries are not permitted to be less than £nil.

29. 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 and fair value through OCI.

| | 2022 | 2021 |
|--|-----------------|---------------|
| | £000 | £000 |
| Current derivative assets and liabilities | | |
| Derivative assets used for hedging | 7,347 | 18,529 |
| Derivative financial liabilities | (24,408) | (3,997) |
| | <u>(17,061)</u> | <u>14,532</u> |

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

30. Financial risk management and impairment of financial assets

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

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

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

The movement in cash flow hedging reserve is as follows:

| | 2022 | 2021 |
|--|------------------------|------------------------|
| | £000 | £000 |
| Balance at the beginning of the year | (22,232) | (2,149) |
| (Loss)/gain on hedging instrument (foreign currency forward contracts) designated in a cash flow hedging relationship recognised in hedging reserve recognised | 13,657 | (12,344) |
| Cumulative gain arising on changes in fair value of hedging instruments (foreign currency forward contracts) reclassified to profit and loss account | (2,749) | (7,739) |
| Balance at the end of the year | <u><u>(11,324)</u></u> | <u><u>(22,232)</u></u> |

31. Called up share capital

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| | £000 | £000 |
| 1,459,591,000 (2021: 1,459,591,000) ordinary shares of £1 each at 1 January | 1,459,591 | 1,459,591 |
| 1,459,591,000 (2021: 1,459,591,000) ordinary shares of £1 each at 31 December | <u><u>1,459,591</u></u> | <u><u>1,459,591</u></u> |

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2022

32. Share premium account

| | 2022 | 2021 |
|-------------------------------|----------------|----------------|
| | £000 | £000 |
| Balance at 1 January | 249,536 | 249,536 |
| Balance at 31 December | 249,536 | 249,536 |

33. Events after the reporting period

On 24 January 2023, DCEL signed a second amendment to the Subscription and Shareholders' Agreement with BluTV to include a funding commitment to BluTV. In May 2023, DCEL provided funding in the amount of £1,684,000 (USD 2,105,000).

34. 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.

35. Parent and ultimate parent undertaking

The Company's immediate parent undertaking is DNI Europe Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is WBD Inc., a company incorporated in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. WBD Inc. consolidated financial statements can be obtained from the corporate website: <https://ir.wbd.com/investor-relations/>.