

DLG Financing 2 Limited

Registered Company Number: 09168112

Unaudited report and financial statements
For the year ended 31 December 2022

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Company information

Directors

A McMullen
R L Weekes
B L Campbell
D O Brook
J Henderson
N H Alitalo
S Freer (resigned 29 July 2022)

Registered office

Berkshire House
168-173 High Holborn
London
WC1V 7AA

Registered number 09168112

Strategic report

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

Principal activities and review of the business

The principal activity of the company is that of an intermediate financing company. The Directors do not anticipate any changes in those activities over the coming year.

Financial highlights

The loss for the financial year amounted to £39,194,545 (2021 profit for the year: £4,591,649).

As at 31 December 2022, shareholders' funds totalled £29,881,367 (2021 deficit: £30,924,088).

Principal risks and uncertainties

The key business risks and uncertainties affecting the company relate to the general economic environment, competition from other distributors of television programmes and the success of the company's programming available for worldwide distribution. Further discussion of these risks and uncertainties, in the context of the DLG Acquisitions Limited group (the "group") as a whole, is provided in the group's financial statements which do not form part of this report.

Key performance indicators

The Directors of DLG Acquisitions Limited manage the group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of DLG Financing 2 Limited. The development, performance and position of DLG Acquisitions Limited group, which includes the Company, are discussed in the group's financial statements which do not form part of this report.

Approval

Approved by the Board and signed by on its behalf on 28 September 2023:



A McMullen
Director

Berkshire House
168-173 High Holborn
London
WC1V 7AA

Directors' report

The Directors present their Report and financial statements on the affairs of the Group for the year to 31 December 2022.

Financial risk management

Through its main activity, the company is exposed to certain levels of credit and currency risk. Main credit risk arises from group companies not meeting payment terms however this is monitored closely by management. Currency risk arises as certain intercompany balances are denominated in foreign currencies.

Going concern

The Directors have 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 annual financial statements.

Dividends

Aggregate dividends paid for the year totalled £nil (2021: £nil).

Directors of the company

A list of Directors who served during the year and up to the date of signing of the financial statements is shown on page 3 of the financial statements.

As permitted by the articles of association of the company, the Directors and other officers have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the year and up to the date of the financial statements. The company also purchases and maintains liability insurance for itself, its Directors and officers and associated companies. The Company maintains liability insurance for its Directors and officers.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and the company 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 company will continue in business.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved.

Approved by the Board and signed on its behalf:



A McMullen
Director
28 September 2023

Berkshire House
168-173 High Holborn
London
WC1V 7AA

Profit and loss account

		Year ended 31 December 2022	Year ended 31 December 2021
	Note	£	£
Operating result	4	-	-
Interest receivable and similar income	5	33,450,666	21,956,394
Interest payable and similar expenses	6	(72,143,062)	(17,365,745)
(Loss)/profit before tax		(38,692,396)	4,590,649
Tax on (loss)/profit	8	(502,149)	-
(Loss)/profit for the financial year		(39,194,545)	4,590,649

The notes on pages 10-16 form an integral part of these financial statements.

Statement of comprehensive (expense)/income

	Year ended 31 December 2022	Year ended 31 December 2021
Note	£	£
(Loss)/profit for the financial year	(39,194,544)	4,591,649
Total comprehensive (expense)/income for the year	<u>(39,194,544)</u>	<u>4,591,649</u>

The notes on pages 10-16 form an integral part of these financial statements.

Balance sheet

Registration number: 09168112

	Note	31 December 2022 £	31 December 2021 £
Current assets			
Debtors	9	35,864,705	334,612,007
		<u>35,864,705</u>	<u>334,612,007</u>
Current liabilities			
Creditors: due within one year	10	(5,983,338)	(365,536,095)
		<u>29,881,367</u>	<u>(30,924,088)</u>
Net current assets/(liabilities)			
		<u>29,881,367</u>	<u>(30,924,088)</u>
Total assets less current liabilities			
		<u>29,881,367</u>	<u>(30,924,088)</u>
Net assets/(liabilities)			
		<u>29,881,367</u>	<u>(30,924,088)</u>
Capital and reserves			
Called-up share capital	11	100,002,001	2,001
Share premium account		19,997,999	19,997,999
Profit and loss account		(90,118,633)	(50,924,088)
		<u>29,881,367</u>	<u>(30,924,088)</u>
Total shareholders' funds/(deficit)			
		<u>29,881,367</u>	<u>(30,924,088)</u>

For the year ending 31 December 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements have been approved and authorised for issue by the board on 28 September 2023 and were signed on behalf by:



A McMullen
Director

The notes on pages 10-16 form an integral part of these financial statements.

Statement of changes in equity

	Called up share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds/(deficit) £
As at 1 January 2021	2,001	19,997,999	(55,515,737)	(35,515,737)
Total comprehensive result for the financial year	-	-	4,591,649	4,591,649
Dividends	-	-	-	-
As at 31 December 2021	2,001	19,997,999	(50,924,088)	(30,924,088)
Issue of share capital	100,000,000	-	-	100,000,000
Total comprehensive result for the financial year	-	-	(39,194,545)	(39,194,545)
As at 31 December 2022	100,002,001	19,997,999	(90,118,633)	(29,881,367)

The notes on pages 10-16 form an integral part of these financial statements.

Notes to the financial statements

1. General information

DLG Financing 2 Limited is a private company limited by shares incorporated in United Kingdom under the Companies Act 2006. The address of the registered office is:

Berkshire House
168-173 High Holborn
London
WC1V 7AA

The nature of the company's operations and principal activities are set out in the Strategic report on page 4.

2. Significant accounting policies

Summary of significant accounting policies

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

Basis of preparation

The financial statements of DLG Financing 2 Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The financial statements contain information about DLG Financing 2 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of one of its parent undertakings, DLG Acquisitions Limited.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosure'
- 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)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirement in respect of:
 - i. Paragraph 79(a)(iv) of IAS 1;
 - ii. Paragraph 73(e) of IAS 16 Property, plant and equipment;
 - iii. Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Basis of preparation (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 10(f) (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),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Where required, equivalent disclosures are given in the group financial statements of DLG Acquisitions Limited. The group financial statements of DLG Acquisitions Limited are available to the public and can be obtained as set out in note 14.

New standards and interpretations not yet adopted

A number of interpretations and revisions to existing standards have been issued which will be applicable to the financial statements in future years, but will not have a material effect on reported profit or equity or on the disclosures in the financial statements.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, the company's immediate and ultimate parent company has undertaken to provide continuing financial support so that the company is able to pay its debts as and when they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Translation of foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Historic cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives using the straight-line basis at the following annual rates:

Furniture, fixtures, and equipment	20%
Computer equipment	33%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be in line with the remaining estimated useful life.

Fixed asset investments

Investments held as fixed assets are shown at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

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

Financial assets and financial liabilities are recognised in the company's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

The company does not have any financial assets in the current or prior year, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities and equity

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or 'financial liabilities at amortised cost'.

A financial liability is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it forms part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and IFRS 9 Financial Instruments permits the entire combined contract (asset or liability) to be designated FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest payable and similar charges' line item in the income statement.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no critical judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of Intercompany balances

The company makes an estimate of the recoverable value of intercompany balances. When assessing the impairment of debtors management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The expected credit loss model was applied to intercompany balances and the impact was not material. See note 12 for the net carrying amount of receivables and associated impairment provision.

Notes to the financial statements (continued)

4. Operating result

No audit was undertaken in the financial year ended 31 December 2022 (2021: nil).
The company had no employees during the year (2021: none).

5. Interest receivable and similar income

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Interest receivable from parent undertakings	33,450,666	21,956,394
	<u>33,450,666</u>	<u>21,956,394</u>

6. Interest payable and similar expenses

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Interest payable to parent undertakings	72,143,062	17,365,745
	<u>72,143,062</u>	<u>17,365,745</u>

7. Directors' remuneration

No directors' emoluments (2021: £nil) are paid by DLG Financing 2 Limited to its statutory directors. These directors are remunerated by Discovery Inc. and Liberty Global plc in lieu of this, a management fee of combined total £3m per annum is payable by DLG Acquisitions Limited, the ultimate parent company, to Discovery Inc. and Liberty Global plc.

One (2021: one) of the directors is remunerated by All3Media Limited, and details of the emoluments and pension payments are available in the financial statements of that company.

Notes to the financial statements (continued)

8. Tax on (loss)/profit

(a) Factors affecting the tax credit for the current year

The tax expense for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
(Loss)/profit before taxation	(38,692,396)	4,591,649
Corporation tax at the standard rate at 19% (2021: 19%)	(7,351,555)	872,414
<i>Effect of:</i>		
Expenses not deductible for tax purposes	13,694,110	4,589,160
Remeasurement of deferred tax for rate changes	-	-
Group losses brought forward utilised	(495,610)	-
Non-taxable income	-	(1,289,859)
Group relief surrendered for no consideration	(5,344,795)	(4,171,715)
Total tax charge for the year	502,149	-

The company has surrendered the benefit of current year tax losses to another group company for no payment (2021: £nil).

(b) Factors affecting the tax charge for the future years

The Finance Act 2020 reversed the previously planned rate reductions, with the existing 19% corporation tax rate substantively enacted as continuing. The Budget on 3 March 2021 announced that the rate will remain at 19% until 1 April 2023 when it will increase to 25%.

9. Debtors

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Amounts owed by parent company	35,864,705	334,612,007
	35,864,705	334,612,007

10. Creditors: amounts falling due within one year

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Amounts owed to group undertakings	-	360,054,906
Amounts owed to group undertakings for group relief	5,983,338	5,481,189
	5,983,338	365,536,095

11. Called up share capital

	31 December 2022		31 December 2021	
	No.	£	No.	£
<i>Allotted, called up and fully paid shares</i>				
Ordinary shares of £1 each	100,002,001	100,002,001	2,001	2,001

12. Contingent liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the company has issued an unlimited guarantee to the bank to support these bank facilities. Details of these facilities are disclosed in the DLG Acquisitions Limited financial statements which are publicly available.

13. Related party transactions

As permitted by FRS 101, the company has taken advantage of the exemption available under that standard in relation to "related party transactions" from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company. There were no other related party transactions in the year.

14. Parent and ultimate parent company undertaking

The company's immediate and ultimate parent undertaking is DLG Acquisitions Limited. DLG Acquisitions Limited is the parent undertaking of the smallest and the largest group to consolidate these financial statements at 31 December 2022. Copies of its group financial statements, which include the company, are available from Berkshire House, 168-173 High Holborn, London, WC1V 7AA. The ultimate controlling parties at the balance sheet date are Liberty Global plc and Warner Bros. Discovery, Inc., which own LGCI HoldCo I B.V. and Discovery International UK Holdings Limited respectively, which are joint owners of DLG Acquisitions Limited.