

Discovery Communications Europe Limited

Annual Report and Financial Statements

for the year ended 31 December 2021



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Company Information

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Strategic Report *for the financial year ended 31 December 2021*

The directors present their Strategic Report for the financial year ended 31 December 2021.

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

Fair review of the business

Discovery Communications Europe Limited presents its full year results in the following statements for the year to 31 December 2021.

During the year the Company provided £40,668,328 funding to the existing investment in Joyn GmbH and invested in new investments as follows:

- BluTV - £15,507,971 (USD 20,000,000)
- GB News - £20,000,000
- Discovery Networks Norge Holdings AS - £92,019,194 (NOK 1,081,685,502)
- Reshet - £ 7,298,271 (USD 10,000,000)
- tink GmbH - £2,114,700 (EUR 2,500,881)

The Company's audited results for the financial year are shown on page 26.

The results for the Company show a profit before tax of £118,240,000 (2020: loss before taxation of £251,176,000). The Company has net assets of £655,576,000 (2020: £524,912,000).

No dividends were declared and paid during the year (2020: £nil).

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

	2021	2020	Variance %
	£ 000	£ 000	
Revenue	1,231,375	1,133,099	8.67%
Gross Profit	142,682	116,730	22.23%
Gross margin	11.59%	10.30%	1.29%

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)
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Covid-19

The Company is closely monitoring the impact of Covid-19 on all aspects of its business and geographies. The global Coronavirus pandemic involving the spread of Covid-19 presents a number of different risks to the business. The risks of adverse health and safety, operational and financial impacts arising from the pandemic and the associated governmental responses in the markets where we operate could be significant and could force us to postpone or cancel some arrangements in place. We will continue with our current focused management approach to protect the Company and its key stakeholders until the impact of Covid-19 abates. Our priorities remain the health and safety of our staff, customer service, financial discipline and business continuity.

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 Warner Bros. Discovery group strategy are available in the consolidated financial statements, which can be obtained from the corporate website: 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 Warner Bros. Discovery group. The Company treasury team implements these policies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury team has a set of guidelines to manage exchange risk, credit risk and the use of financial instruments to manage these risks.

Foreign exchange risk

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

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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 as all intra group balances are guaranteed at a group level.

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) Overview

1.1 Discovery Communications Europe Limited (DCEL) is a wholly owned subsidiary of Warner Bros. Discovery, Inc. ("WBD Inc.") (former Discovery, Inc.) which is the US parent company, listed on the NASDAQ, governed by the listing rules of the SEC. WBD Inc. is a premier global media and entertainment company which offers the world's most differentiated and complete portfolio of content brands and franchise, across television, film, streaming and gaming. WBD Inc. company combines Warner Media's premium entertainment, sports and news assets with Discovery's leading nonfiction and international entertainment and sports. WBD Inc. ensures that all of its wholly owned subsidiaries (including DCEL and other UK subsidiaries) have regard to the interests of all identifiable stakeholder groups, when making board decisions. We set out below details of how the board of DCSL has demonstrated compliance with S.172 (1) of the Companies Act 2006 during 2021, by effective engagement with a wide range of stakeholder groups, enabling stakeholder views and concerns to be taken into consideration when making board decisions. The direct legal owner of DCEL is DNI Europe Holdings Limited (DNIEH), which holds all the shares in DCEL. DNIEH is also a wholly owned subsidiary of WBD Inc.

1.2 DCEL is an operating subsidiary which also directly and solely owns 100% of the shares in twelve wholly owned Discovery group subsidiaries and shareholding in four further entities. The group entities directly owned by DCEL are indirectly owned by WBD Inc.

1.3 DCEL's board is subject to the broad strategic decision-making powers, vested by WBD Inc. in Discovery Corporate Services Limited ("DCSL"), which is the board of directors responsible for setting the international strategy and for monitoring international performance, which covers all regions except for the US. Consequently, to ensure consistency of decision making between DCSL and DCEL, Hester Wheeley is a director on both boards. As a UK registered wholly owned WBD Inc. Group subsidiary, the board of DCEL is subordinate to the strategy set by the board of DCSL, led by the chief executive who reports directly to David Zaslav, chief executive of WBD Inc. DCEL is an operational company which is owned 100% by a wholly owned UK WBD Inc. Group subsidiary. DCEL owns 90% of a private WBD Inc. Group corporate entity in India.

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

1.5 The S.172 statement focuses on matters of strategic importance to DCEL and the level of information disclosed is consistent with the size and the complexity of the business. Set out below are details of how the directors of DCEL have demonstrated compliance with S.172 (1) of the Companies Act 2006 during 2021, by effective engagement of employees and the wider stakeholder groups and by enabling stakeholder views and concerns to be taken into consideration when making decisions. The key strategic decisions taken by the board during 2021 are set out below at paragraph 5. The employee specific engagement information is set out below at paragraphs 2.1 and 10.1. The broader stakeholder engagement information is set out below at paragraphs 4 & 10.

1.6 S.172 of the Companies Act requires the directors to take into consideration the interests of the stakeholders in their decision making. The directors continue to have regard to the interests of DCEL's employees and other stakeholders, including its activities in the community and DCEL'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 DCEL for its sole member in the long term. This statement aims to explain in detail how the board engages with stakeholders to comply with the requirement to provide a statement setting out how the directors have discharged this duty.

1.7 The directors are aware of their responsibilities to promote the success of DCEL in accordance with S.172 of the Companies Act 2006 and have fully considered the requirements of S.172. In paragraph 10 below, we set out our principal stakeholders and details of how we engaged with those stakeholder groups.

(2) Relations with Employees

2.1 The board of DCEL is subordinate to the board of DCSL, in relation to the operational and strategic management of all UK WBD employees, including the employees of DCEL. The board of DCEL therefore adopts the decisions of DCSL in relation to employee relations, and adopts the employee related operations of DCSL to actively maintain regular engagement with all DCEL employees. Full details are set out at paragraph 10.1 including how the results of the annual employee survey are considered by the directors when making decisions which directly impact employees, in relation to pay, development, performance and minimising unnecessary bureaucracy.

(3) Relations with Shareholders

3.1 The directors welcome opportunities to engage with the sole shareholder and both directors take joint responsibility for ensuring that the views of the sole shareholder are communicated to the board and that the directors are made aware of any major shareholder issues or concerns, so they can be fully considered. However, it should be noted that the sole shareholder is a private limited company which is a UK registered wholly owned group subsidiary of WBD Inc. which is the US parent company, listed on the NASDAQ.

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(4) Relations with Stakeholders

4.1 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 the operational level of DCSL. The directors consider reporting and information from across the organisation to help them understand the impact of DCEL'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 and legal and regulatory compliance. As a result of these activities, the directors have an overview of engagement with stakeholders and other relevant factors, which enable the directors to comply with their legal duty under S.172 of the Companies Act 2006. For details on how the directors operate, please refer to paragraph 10.

(5) Key Strategic Decisions

5.1 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 DCEL's business relationships with suppliers, customers and other key stakeholders and the impact of DCEL's operations on communities and the environment. The directors also have regard to the need to act fairly toward the sole member of DCEL. Directors have had regard to the matters set out in S.172(1) (a) to (f) of the Companies Act 2006 when discharging S.172 duties. The details set out below at paragraphs (i) to (ix) are some of the key strategic decisions taken by the board during the year and the considerations given to stakeholder interest and impacts:

- (i) On 12 January 2021, the board of DCEL approved investment and subscription for 35.1% of the shares in BluTV, a local SVOD platform in Turkey, in return for the distribution of D+ via BluTV in the MENA region and the right to act as a BluTV distribution agent in Turkey, for all business to business to consumer deals negotiated by BluTV.
- (ii) On 12 February 2021, the board of DCEL was subject to the announcement of the CEO of DCSL who communicated the 2021 Strategic Priorities to its employees, which are set out as follows: (i) to increase the scale of D+ subscribers in the International business via the creation of strong partnerships, seeking a high retention and engagement of subscribers via great product and user experience (ii) to develop world class content for all platforms, via the commission and acquisition of 'must see' content and the prioritization of content with global appeal (iii) the maximization of TV platforms, and the making of informed data based decisions to balance the growth of D+ subscribers versus the maximization of the traditional TV business, (iv) Optimization and strengthening of operations, leveraging technology to increase speed and efficiency (v) Strengthen Our Culture- with focus on increasing consumer obsession, data driven, content and product, more global, champion diversity, equity and inclusion and to continue support and keep our employees safe.
- (iii) On 12 March 2021, the board of DCEL approved (i) the execution of a Reorganisation Agreement, entered into with Discovery International Holdings LP, Lifestyle Newco Limited and DCSL, in relation to the sale of the assets and liabilities of Lifestyle NewCo Limited to DCSL and (ii) certain novation agreements in favour of DCEL novating certain third party revenue agreements relating to Lifestyle Newco Limited and (iii) any other agreements or documents required to give effect to the acquisition by DCSL, of Lifestyle Newco Limited.
- (iv) On 17 May 2021, the board of DCEL was subject to the decision of the strategic decision of Discovery, Inc. (former name of WBD Inc.) to combine Discovery, Inc. with Warner Media, to become the premier, standalone global entertainment company. It was confirmed that the newly combined company would be named Warner Bros. Discovery, Inc. and subject to all third- party approvals, would be effective by 2H 2022.

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- (v) On 8 June 2021, the board of DCEL approved the 2020 Modern Slavery Statement for publication on its website.
- (vi) On 9 August 2021, the board of DCEL was subject to the decision of WBD Inc. which communicated the decision of David Zaslav (CEO of WBD Inc.) to encourage all staff to undergo Covid 19 vaccinations, to support the WBD Inc. desire of global management to return to working in the offices, subject to local market Covid 19 restrictions. All DCEL employees were invited to participate in an anonymous survey to enable global management to better understand WBD's global vaccination status, to support the next phase of global office re-openings, in line with local market regulations and compliance.
- (vii) On 20 September 2021, the board of DCEL approved a series of transactions relating to the reorganization and simplification of the Nordic entity corporate structure, which resulted in DCEL entering a share purchase agreement to be entered into between DCEL and DNI Finance 2 Limited (DNIF2), a wholly owned subsidiary of WBD Inc. in relation to the shares of Discovery Networks Norge Holding AS, and the approval, as sole shareholder of DNI Finance 2 Limited approving payment of a subsidiary dividend.
- (viii) On 24 September 2021, DCEL approved the financial statements for the period 1 January 2020 to 31 December 2020.
- (ix) On 21 October 2021, the board of DCEL approved (i) an investment agreement and an accession agreement between DCEL, tink, the Existing Shareholders of tink and the Founders of tink, for the issuance of 881 preferred series D1 shares in tink, and accession to the existing tink shareholders agreement and (ii) a media services agreement between DCEL and tink for the provision by DCEL of media services to tink for a total net volume of up to EUR 2,500,000.

(6) Distribution

6.1 The following key distribution deals were entered into by DCEL during 2021:

EMEA Region

- 6.1.1 LGI in Poland, Belgium and Switzerland and Iran
- 6.1.2 Vodafone in Denmark, Spain, Romania, Portugal, and Hungary
- 6.1.3 Telefonica / Movistar in Spain
- 6.1.4 Altice in France, Portugal, and Israel
- 6.1.5 Boxer (Com Hem) in Sweden
- 6.1.6 Sky Group in Italy
- 6.1.7 BT Plc in the UK
- 6.1.8 Riks TV in Norway
- 6.1.9 Amazon in Denmark and the UK
- 6.1.10 KPN in Switzerland
- 6.1.11 Deutsche Telekom in Austria, Netherlands, Hungary, and North Macedonia
- 6.1.12 Allente in the Nordics
- 6.1.13 Telekom Srbija in the Republic of Serbia, Bosnia & Herzegovina, and Montenegro
- 6.1.14 Multichoice SA in the Middle East and Africa region
- 6.1.15 Telia in Latvia, Lithuania, and Estonia
- 6.1.16 Bein Sports MENA WLL in Middle East and Africa region

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- 6.1.17 WAOO A/S in Denmark
- 6.1.18 Gulf DTH FZ LLC in Middle East and Africa region
- 6.1.19 Teleclub in Switzerland
- 6.1.20 Gulf Digital Media Model WLL in Middle East and Africa region
- 6.1.21 O2 Czech Republic a.s in Czech Republic
- 6.1.22 Toya Sp. Z.o.o. in Poland
- 6.1.23 Orange in Belgium and Slovakia
- 6.1.24 United Media in Belgium

LatAm Region

- 6.1.25 Telefonica / Movistar in Peru
- 6.1.26 Cablevision in Argentina
- 6.1.27 Liberty in CARI
- 6.1.28 Telmex in Chile and Paraguay
- 6.1.29 TCEN-Telecentro SA in Argentina

Asia Pacific Region

- 6.1.30 Sky Perfect in Japan
- 6.1.31 Tata Sky in India
- 6.1.32 Dish / Videocon in India
- 6.1.33 MEASAT Broadcast Network System SDN in Malaysia
- 6.1.34 Bharti Telemedia in India
- 6.1.35 FETCH TV Content Pty Ltd in Australia

(7) Gender Pay Gap Reporting

7.1 Gender pay reporting is carried out annually by DCSL on behalf of all WBD UK employees which provides an opportunity for the directors to reflect on DCEL's progress within the United Kingdom.

7.2 Gender pay reporting provides an opportunity for the directors to reflect on DCSL progress within the United Kingdom. In April 2021, the "health check" assessment concluded that for DCSL (the single largest UK entity within the WBD Inc. Group) the 2021 results indicated a decrease in pay gaps, reporting for the first time a median pay gap in favour of women.

7.3 For more information about the gender pay gap reporting visit:

https://corporate.discovery.com/wp-content/uploads/2022/04/Discovery_Gender_Pay_Gap_Report_UK_2021.pdf

(8) Mergers & Acquisitions

8.1 On 17 May 2021, it was announced that DCEL would be impacted by the strategic decision of Discovery, Inc. to combine Discovery, Inc. (former name of WBD Inc.) with Warner Media, to become the premier, standalone global entertainment company. It was confirmed that the newly combined company would be named Warner Bros. Discovery, Inc. and subject to all third-party approvals, would be effective by 2H 2022.

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(9) Environment, Social Governance (ESG)

9.1 Details of the DCEL approach to ESG was summarised by David Zaslav, CEO of Discovery, Inc. as follows:

9.2 “Discovery was created over 35 years ago with a mission to educate, inform, and inspire audiences about the world around us. As a purpose driven company that reaches more than 1 billion people around the world, we carry forward a deep commitment to making a difference through storytelling that gives a voice to the voiceless and the generous efforts of our ten thousand employees across the globe. This commitment is core to who we are and we know that we do well by doing good. Focusing on ESG is crucial to our success and we are a stronger company for it. WBD Inc. will continue these efforts at the same level.”

9.3 Details of the ESG initiatives to promote sustainability are set out at the following link, which confirms the sustainability commitment to shareholders. : <https://corporate.discovery.com/environmental-social-governance/>

9.4 A Global Sustainable Committee was created which identified a CEO direct report with responsibility for overseeing sustainability efforts. A materiality assessment was also completed in 2021 to conduct a more thorough assessment of current practices and stakeholder priorities. In conjunction with a third party non-profit expert and internal and external stakeholders, the materiality assessment identified 3 overarching themes of:

(i) *Our Community*

- On 1 October 2021, all global employees were encouraged to participate in a Covid-19 compliant Impact Day, which is a global sponsored annual event, encouraging all employees to spend a day volunteering to support their local community in social/charitable projects.
- Social Good: including consumer campaigns for Reducing Inequality and Supporting Empowerment (RISE), Turn Up! Fight Hunger, Project C.A.T. partnership with WWF to support the global effort to double the number of tigers in the world by 2022.
- Civic Engagement: use of platforms to provide audiences with the tools they need to make their voices heard, OWN launched OWN Your Vote, a bi-partisan, pro-social campaign of actions and event for and with Black women, connecting them to urgent political actions, giving their concerns a powerful microphone and placing a spotlight on key community issues.
- TVN & TVN Foundation: TVN, is deeply committed to bring about positive change and supporting communities in need. The TVN Foundation has raised over \$70m in aid to improve the lives and health of Polish people.
- Employee facing initiatives include:
Employee Wallet- a virtual wallet and one stop shop for all of WBD Inc’s employee Social Good Initiatives.
- Dollars for Doers: Rewards global employees personal volunteer efforts by crediting funds in their wallet for every hour of volunteer service with a qualified organization that they can donate to the charity of their choice.
- Emergency Impact Matching Campaign: to respond to select disasters and crises, WBD Inc. launched the Emergency Impact Matching Campaign and matched global employee donations through the Employee Wallet.
- All Rise: mentorship initiated and facilitated mentorship and career development opportunities for WBD Inc. employees with underrepresented students and communities around the world. The Service Anniversary Program recognizes global employees service to WBD. For every 5 years, WBD Inc. adds funds to employees’ wallets to donate to the causes of their choice.

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(ii) *Our Value Chain*

- Business Ethics/Fair Business Practices
- Responsible Advertising & Marketing
- Privacy & Data Protection
- Supplier Diversity & Inclusion

(iii) *Our Planet- Reporting on Energy & Carbon (SECR)*

- UK Energy Use- gas, electricity, and fuel
- Associated Greenhouse Gas Emissions (GHG)
- Intensity Ratio
- Energy Efficiency Action Taken
- Disclosure of Methodology Used (e.g. GHG Reporting Protocol)
- Renewable Energy

Full details of DCEL’s report on energy consumption and greenhouse gas emissions (GHG) for 1 January 2021 to 31 December 2021 are set out in Director’s Report. The data relating to the SECR for DCEL is consolidated within the SECR report prepared on behalf of all of WBD Inc.’s UK entities which meet the relevant threshold criteria for reporting (details page 19). The WBD Inc. UK entities share the same premises/facilities. It is therefore not practical to provide individual reporting on an entity-by-entity basis.

(10) Stakeholder engagement

The table below sets out our approach to stakeholder engagement:

Stakeholders	Engagement Approach
10.1 Employees	<p>DCEL deeply values its employees and works hard to provide a strong support system and inclusive environment to help them succeed at work and home.</p> <p>In 2021, DCEL was subject to DCSL continuation of the regular townhall meetings and messages to support all employees during 2021, in response to the unprecedented challenges arising from the Covid-19 pandemic and the requirements to work from home. Measures to ensure that employees stayed connected and engaged included weekly Zoom town halls, newsletters and videos from the Global CEO and Global Head of People & Culture, Learning & Development online initiatives, social good programs, and the spotlight series. To support employees working from home with children and family, new initiatives were launched to include Discovery’s Kids Workplace Community and Parent & Caregivers Workplace Community. The Grokker fitness, cooking and financial wellbeing program was launched to include live fitness programs, wellness Wednesdays, wellness coaching. Lifeworks & Inclusion workplace groups was created, together with mental health offering and services to address isolation and wellbeing. Presentations from inspiring leaders from the world of business, sports and entertainment were organized.</p>

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Stakeholders	Engagement Approach
	<p>DCEL continued to utilise WorkPlace, town hall meetings, employee forums, global internal communications, and informal meetings, to facilitate engagement with employees on a wide range of matters, which directly impact decision making by the directors. The directors regularly attend forums with employees and employees are encouraged to participate in strategic discussions. Employees are also encouraged to participate in an annual mentoring program. Each year, the directors are required to consider the performance of DCEL overall as against the budget, when allocating bonuses to the employees, which is balanced against the profit expectations of the shareholders as well as the unbudgeted challenges which were met by employees. In 2021, the directors also carefully considered the results of the employee survey undertaken by DCSL and as a consequence, employees views were directly taken into account by the directors when forming decisions regarding corporate actions, in relation to incentives, benefits, pay, performance, development.</p> <p>DCEL also strives to ensure that employees feel included and empowered by supporting a wide range of employee resource groups including the Asian Cultural Alliance, the Black Cultural Alliance, priDe, Discovery Women’s Network, ableD, unidaD and employee interest groups including Green-D which champions environmental sustainability and awareness.</p> <p>A discounted share purchase plan is also available to employees.</p> <p>Employee engagement surveys are launched on a yearly basis to give the directors a pulse of where DCEL is. In 2021, the directors considered the results of the Employee Survey for the WBD international business on a region-by-region basis and approved the required corporate actions arising from it.</p> <p>The directors ensure that employee interests are met by a variety of People & Culture initiatives relating to:</p> <ul style="list-style-type: none"> • Talent Recruitment and Retention • Diversity, Equity, and Inclusions • Leadership Diversity & Inclusion
10.2 Consumers	<p>The directors receive regular reporting on customer outcomes and customer related strategic initiatives throughout the year, via the strategic operations of DCSL, which has the conduct of the WBD international business, which includes DCEL. 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.</p>
10.3 Suppliers	<p>On 8 June 2021, the directors approved the Modern Slavery Statement for 2020, for publication on the WBD home website, in compliance with Section 54 (1) of the Modern Slavery Act 2015. A copy of the 2020 Modern Slavery Statement can be found at:</p> <p>https://corporate.discovery.com/discoverys-modern-slavery-statement.</p> <p>The directors maintain oversight of the management of DCEL’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.</p>

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Stakeholders	Engagement Approach
	<p>ESG ISSUES - Code of Ethics</p> <p>A copy of the detailed Code of Ethics approved by the directors is set out at : https://wbd.com/code-of-ethics/</p> <p>The Code of Ethics includes details of the WBD Mission, Guiding Principles, and Purpose and Overview. The Code covers a broad range of topics upon which all WBD employees must agree to observe at all times. Regular training is offered to all employees. The Code include 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.</p>
	<p>Our Value Chain</p> <p>The directors also approved the following guidance notes setting out Company policy in relation to:</p> <p>(i) Business Ethics and Fair Practices: https://corporate.discovery.com/environmental-social-governance/our-value-chain/#ethics . The Code of Ethics is available in 14 different languages. Discovery also establishes expectations of ethical business practice with our business partners, via education, legal representations regarding bribery, corruption sanctions, ethics and a written commitment and acknowledgement via our Business Partner Statement of Ethics : https://s27.q4cdn.com/187472364/files/doc_downloads/ethics/Discovery-Business-Partner-Statement-of-Ethics-ESG.pdf</p> <p>(ii) Responsible Advertising & Marketing: https://corporate.discovery.com/environmental-social-governance/our-value-chain/#advertising which demonstrates that DCEL uses its platforms not only to entertain but to educate and inspire. We leverage our assets and reach to raise awareness about important causes.</p> <p>(iii) Privacy & Data Protection: WBD has invested in dedicated teams of experts to monitor the security of data and systems to ensure WBD handles personal data in a manner that is fair, ethical, and transparent, as well as compliant with the law. WBD's Chief information Security Officer leads best practice and industry standard frameworks including ISO 27001 and NIST.</p> <p>(iv) Supplier Diversity & Inclusion: WBD has a dedicated team to enhance supplier diversity within the global organisation, one of numerous task forces via the MOSAIC activation, dedicated to diversity, equity, and inclusion across major business touchpoints. WBD's Supplier Diversity Program focuses on identification, assessment and qualification, outreach, and development.</p>

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for the financial year ended 31 December 2021

Stakeholders	Engagement Approach
10.4 Communities	<p data-bbox="416 477 1409 689">As a purpose-driven company, the directors are committed to making the world a better place by leveraging WBD’s market-leading global platform, and by extending the reach and influence of like-minded organisations and causes. There are also dedicated to employee volunteerism programmes and consequently, examples of such director decisions are set out below, 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 DCEL operates.</p> <p data-bbox="416 701 707 734">RISE / Save the Children</p> <p data-bbox="416 745 1409 1059">In 2021, DCEL was subject to the progressed operational activities of DCSL, following the 2020 global launch of the RISE (Reducing Inequality Spreading Empowerment) corporate social responsibility framework for implementation by the WBD international business, which evidenced WBD’s commitment to improve access to basic human needs, with a focus on advancing education and social mobility. The initiative aims to support DCSL’s mission statement of Powering People’s Passions, adopted by all WBD international entities. The program focuses on improving social mobility via access to basic human needs and education programs. Save The Children was selected as the Company’s primary non-profit partner for this initiative, to help drive scalable, sustainable, and quantitative impact across WBD Inc’s global footprint.</p> <ul data-bbox="416 1070 1409 1473" style="list-style-type: none">• WBD UK is supporting Save The Children’s Building Blocks program which provides learning packs and essential items such as cots, tables, and cookers for ~ 100 low income families each year.• Golf TV and ZoZo Championship honoured Tiger Woods with a \$100k donation to RISE and Save the Children for winning a charity challenge. The donation supported national and local advocacy work which aims to ensure all children receive equal opportunity for education and sustaining relief work for families in emergency situations.• The global Save The Children contribution by WBD assisted with the 22 neediest countries and already scale education programs to help change gender norms in 10 countries, where girls had decreased social mobility.• In December 2021, WBD Inc. gifted USD 50.00 to all Employee Wallets to donate to a cause of their choice. <p data-bbox="416 1485 528 1518">MOSAIC</p> <p data-bbox="416 1529 1409 1653">MOSAIC is WBD’s initiative to amplify our Diversity, Equity and Inclusion impact across key focus areas including Unconscious Bias Training, Content Diversity, Supplier Diversity, Social Impact, and Recruitment & Internal Career Development of Diverse Talent.</p> <p data-bbox="416 1664 1409 1845">In January 2021, the CEO of DCSL held a MOSAIC Spotlight Townhall meeting, accompanied by the International Regional Presidents, to highlight DEI across the International and Sport organizations. The ‘Hear Every Voice’ campaign was launched, seeking submissions from international employees to share their own ideas and personal experiences, with a view to understanding the actions required to improve life for all employees.</p>

Strategic Report (continued)
for the financial year ended 31 December 2021

Stakeholders	Engagement Approach
	<p>In October 2021, in celebration of Global Diversity Awareness Month, the UK's Black History Month and Mental Health Awareness Month, the US and UK Multicultural Alliance (MCA) hosted a joint conversation about mental and physical health in communities of colour. An interactive debate was also held by the UK MCA, alongside Young Diverse World Changers, to focus on strategic conformity versus differentiation to dominant culture.</p> <p>In November 2021, WBD's Foundation Mentoring Program with Creative Access was launched, to provide an opportunity for WBD mentors to meet with mentees to reflect on their early careers and to connect support and inspire the next generation. The mentee group was aged 18-24 and was considered to be under-represented in the television industry in terms of ethnicity, socio-economic background or disability.</p> <p>In November 2021, WBD created a global WBD Diversity Calendar, to help identify important cultural celebrations, religious holidays and historical commemorations around the world.</p> <p>In December 2021, Discovery PriDe hosted a special screening of Prince Charming Polska, Poland's first ever gay dating show, launched from WBD's own VOD platform, which was responsible for breaking down barriers and creating a platform for the LGBTQ+ community in Poland.</p> <p>In December 2021, AbleD invited WBD employees to participate in a session on neurodiversity in the workplace, hosted by Aiden Healy, CEO of Lexic, to help participants to understand neurodiversity, challenge negative stereotypes, share support and resources available to neurodiverse people.</p> <p>Impact Day</p> <p>On 1 October 2021, all WBD employees were encouraged to participate in a Covid-19 compliant Impact Day, which is a company sponsored annual event, encouraging all employees to spend a day volunteering to support their local community in social / charitable projects.</p>


10.5 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 WBD's commitment to curbing its own impact on the environment, confirming that the Knoxville Office is LEED Gold certified, WBD's London office has a composting facility. Details of programming aired by WBD during the past 35 years to highlight ESG is summarised on the link.

A summary of the Renewal Energy Report of WBD is also provided, which explains the expansion of WBD's commitment to offset our office energy usage.

The same link sets out WBD's actions taken in relation to Greenhouse Gas (GHG) Emissions. In 2021, three goals were set by the directors in relation to 2022 in relation to GHG emissions which were (i) to disclose carbon emissions via CDP (ii) to conduct an updated survey of our global emissions to establish baselines and to be able to set additional goals and objectives in years ahead and (iii) to conduct waste, water and energy audits in offices we own and operate to identify opportunities for reduction.

Strategic Report (continued)
for the financial year ended 31 December 2021

Approved by the board of directors on 20 September 2022 and signed on its behalf by:

DocuSigned by:

.....5D3A88459A01458.....
Hester Jane Wheeley
Director

Directors' Report *for the financial year ended 31 December 2021*

The directors present their report together with the audited financial statements for the Company for the financial year ended 31 December 2021.

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:

Hester Jane Wheeley

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 2021 and remain in force.

Principal activities

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

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives takes place at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. The involvement of employees in the Company's performance is encouraged through the Company bonus scheme which is partly linked to the group companies' performance. Communication with all employees continues through in-house briefing groups and the Discovery Communications intranet.

Stakeholder engagement

Details of employee and other stakeholder engagement are included in the Section 172(1) Statement on pages 10 - 15.

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.

Warner Bros. Discovery, Inc., ("WBD") 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.

Directors' Report (continued)
for the financial year ended 31 December 2021

Results and dividends

The results for the financial year are shown on page 26.

No dividends were declared and paid during the year (2020: £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 2-4.

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 8 April 2022, Discovery, Inc., a global company that provides content across multiple distribution platforms including linear, free-to-air and broadcast television, authenticated GO applications, digital distribution arrangements, content licensing arrangements and direct-to-consumer subscription products, completed its merger with the WarnerMedia business of AT&T, Inc. and change its name from "Discovery, Inc." to "Warner Bros. Discovery, Inc." On 11 April 2022, the Company's shares started trading on the Nasdaq Global Select Market under the trading symbol WBD.

The Merger was executed through a Reverse Morris Trust type transaction, under which the WarnerMedia Business was distributed to AT&T's shareholders via pro rata distribution, and immediately thereafter, combined with Discovery. In connection with the Merger, AT&T received \$40.5 billion (subject to working capital and other adjustments) in a combination of cash, debt, securities, and WarnerMedia's retention of certain Debt, and Discovery transferred purchase consideration of \$42.4 billion in equity to AT&T shareholders. AT&T shareholders received WBD stock in the distribution representing 71% of the combined company and the Company's previous shareholders will continue to own 29% of the combined company, in each case on a fully diluted basis.

In April 2022 Warner Bros. Discovery, Inc. (formerly known as Discovery, Inc.) executed "Cash Pool Clean-up Plan" in a few non-US entities' material overdraft balances in the cash pool by utilizing some excess cash from other non-US entities by way of contributions and distributions. One of the steps of the "Cash Pool Clean-up Plan" applied to the Company and were the following:

- DNI German Holdings I Ltd distributed to Company cash of £40,000,000, being an aggregate interim cash dividend out of the DNI German Holdings I Ltd distributable profits, declared on 20 April, 2022.

In the first quarter of the year 2022, as an implication of Russia - Ukraine conflict, Discovery exited its operations in Russia and removed all of its channels and services from the market. The management does not expect any material effect on the Company's financial statement.

On 16 August 2022, DCEL sold all its shares in All Perspectives Ltd (GB News) for cash consideration of £8,000,000. The value of the investment as of 31 December 2021 amounts to £20,000,000.

On 31 August 2022, Discovery Corporate Services Limited ("DCSL") and British Telecommunications plc ("BT") formed a 50:50 joint venture company, BT Ninety-Five Limited ("JV Co"), to create a new premium sport offering for the UK and Ireland. In order to facilitate this transaction, DCEL has entered into a number of intercompany agreements with various group companies, as well as an agreement with JV Co pursuant to which JV Co, in return for a royalty fee, licenses the rights to Eurosport product to DCEL so as to enable DCEL to continue to service various affiliate contracts which have not been transferred to JV Co.

Directors' Report (continued)
for the financial year ended 31 December 2021

Events after the reporting period (continued)

On 13 September 2022, DCEL and Seven.One Entertainment Group GmbH ("SOEG"), signed:

- Share Purchase Agreement for the transfer of all the shares in Joyn GmbH held by DCEL to SOEG, and in accordance with the applicable JVA agreement, DCEL will pay a final payment in lieu of funding to the capital reserves of Joyn.
- Termination Agreement to terminate the Joint Venture Agreement dated 13 September 2017 with all respective signed annexes in Joyn GmbH and all other respective agreements related to Joint Venture cooperation
- new Distribution and Promotion Agreement
- new Media Agreement

All above mentioned agreements will be effective upon the legal and regulatory conditions set forth in the Share Purchase Agreement being satisfied.

Streamlined Energy & Carbon Reporting for 1 January to 31 December 2021

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.

Carbon Reporting

Energy consumption (kWh)

	2021	2020
Electricity	11,953,346	11,525,715
Natural Gas	454,801	301,135
Transport Fuels	30,336	23,688
Other Fuels	-	-
Total	<u>12,438,483</u>	<u>11,850,538</u>

Directors' Report (continued)
for the financial year ended 31 December 2021

Streamlined Energy & Carbon Reporting for 1 January to 31 December 2021 (continued)

Carbon Reporting (continued)

Greenhouse Gas Emissions (tCO₂e)

From combustion of fuel

Natural Gas	83.30	55.37
Transport Fuel for Company Vehicles	-	-
Transport Fuel for Staff Owned & Rental Vehicles	7.03	5.86
Other Fuels	-	-
Subtotal	90.33	61.23
From Other Activities inc. Process & Fugitive	-	-
From Purchased Electricity, Steam, Heat & Cooling	2,538.05	2,687.11
Subtotal	2,538.05	2,687.11
Total gross emissions	2,628.38	2,748.34
Renewable Electricity	-	-
Carbon Offsets	-	-
Domestic Carbon Units	-	-
Total Net Emissions	2,628.38	2,748.34

Intensity ratios

Annual MWh per No. of FTE employees	10.55	10.71
Annual tCO ₂ e per No. of FTE employees	2.23	2.48

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.

Measures undertaken through 2020/21:

- (1) **LED Lighting Replacement**
DCEL is continuing to roll-out and replace like for like LED lighting throughout its sites.
- (2) **Chiller Upgrades**
DCEL have replaced chillers on site with highly efficient replacements which optimize temperature set points to decrease the amount of energy consumed.
- (3) **Compressor Upgrades**
DCEL has replaced compressors on site to improve efficiency and reduce energy consumption.

Directors' Report (continued)
for the financial year ended 31 December 2021

Streamlined Energy & Carbon Reporting for 1 January to 31 December 2021 (continued)

Energy Efficiency (continued)

Measures 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.

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.

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.

Directors' Report (continued)
for the financial year ended 31 December 2021

Statement of Directors' Responsibilities (continued)

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

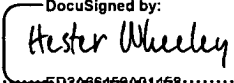
In the case of each director in office at the date the Directors' Report is approved:

- 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 20 September 2022 and signed on its behalf by:

DocuSigned by:

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Hester Jane Wheeley
Director

Independent auditors' report

to the members of Discovery Communications Europe Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; 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.

Independent auditors' report

to the members of Discovery Communications Europe Limited (continued)

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 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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.

Independent auditors' report

to the members of Discovery Communications Europe Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulations of the Office of Communications, commonly known as Ofcom, and the UK Bribery Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. 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 to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussing with management including consideration of known or suspected instances of non-compliance with laws and regulation;
- Evaluating and testing management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Confirming the financial statement disclosures to underlying supporting documentation.

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.

Independent auditors' report

to the members of Discovery Communications Europe Limited (continued)

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.



.....
Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 September 2022

Profit and Loss Account
for the financial year ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	4	1,231,375	1,133,099
Cost of sales		<u>(1,088,693)</u>	<u>(1,016,369)</u>
Gross profit		142,682	116,730
Administrative expenses		(95,558)	(81,656)
Other operating income	6	<u>8,817</u>	<u>7,879</u>
Operating profit	7	<u>55,941</u>	<u>42,953</u>
Interest receivable and similar income	8	4,796	4,463
Interest payable and similar charges	9	(4,203)	(5,602)
Net impairments of investments	17	(32,290)	(304,124)
Income from investments	10	<u>93,996</u>	<u>11,134</u>
		<u>62,299</u>	<u>(294,129)</u>
Profit/(loss) before taxation		118,240	(251,176)
Tax on profit/(loss)	13	<u>1,126</u>	<u>(2,345)</u>
Profit/(loss) for the financial year		<u>119,366</u>	<u>(253,521)</u>

All amounts are derived from continuing operations.

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

The notes on pages 31 to 70 form an integral part of these financial statements.

Statement of Comprehensive Income
for the financial year ended 31 December 2021

	2021	2020
	£ 000	£ 000
Profit/(loss) for the financial year	119,366	(253,521)
Items that may be reclassified subsequently to profit or loss:		
Profit/(loss) on cash flow hedges (net)	<u>12,344</u>	<u>(24,514)</u>
Total comprehensive income/(expense) for the year	<u><u>131,710</u></u>	<u><u>(278,035)</u></u>

The notes on pages 31 to 70 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	14	198,148	200,231
Property, plant and equipment	15	40,428	51,393
Right-of-use assets	16	103,980	101,834
Investments	17	788,583	733,393
Deferred tax assets	13	30,599	19,753
		<u>1,161,738</u>	<u>1,106,604</u>
Current assets			
Trade and other receivables	18	359,038	329,994
Derivative financial instruments	29	18,529	9,104
Cash at bank and in hand	19	1,685	475
		<u>379,252</u>	<u>339,573</u>
Creditors: Amounts falling due within one year			
Trade and other payables	20	(457,810)	(475,435)
Borrowings	22	(314,444)	(306,260)
Lease liability	23	(7,221)	(12,168)
Derivative financial liabilities	29	(3,997)	(24,416)
		<u>(783,472)</u>	<u>(818,279)</u>
Net current liabilities		<u>(404,220)</u>	<u>(478,706)</u>
Total assets less current liabilities		757,518	627,898
Creditors: Amounts falling due after more than one year			
Lease liability	23	(98,622)	(99,196)
Provisions for liabilities	24	(3,320)	(3,790)
Net assets		<u>655,576</u>	<u>524,912</u>

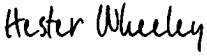
The notes on pages 31 to 70 form an integral part of these financial statements.

Balance Sheet (continued)
as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Capital and reserves			
Called-up share capital	31	1,459,591	1,459,591
Share premium account	32	249,536	249,536
Other reserves		90,481	91,527
Profit and loss account		<u>(1,144,032)</u>	<u>(1,275,742)</u>
Total shareholders' funds		<u>655,576</u>	<u>524,912</u>

The financial statements on pages 26 to 70 were approved by the board of directors and authorised for issue on 20 September 2022.

They were signed on its behalf by:

DocuSigned by:

EDZA66459A01458.....

Hester Jane Wheeley

Director

The notes on pages 31 to 70 form an integral part of these financial statements.

Statement of Changes in Equity
for the financial year ended 31 December 2021

	Called-up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	1,459,591	249,536	91,199	(997,707)	802,619
Loss for the year	-	-	-	(253,521)	(253,521)
Other comprehensive expense	-	-	-	(24,514)	(24,514)
Total comprehensive expense	-	-	-	(278,035)	(278,035)
Share-based payment transactions (note 26)	-	-	328	-	328
At 31 December 2020	1,459,591	249,536	91,527	(1,275,742)	524,912
	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	1,459,591	249,536	90,481	(1,144,032)	655,576

The notes on pages 31 to 70 form an integral part of these financial statements.

Notes to the Financial Statements
for the financial year ended 31 December 2021

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 16.

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 Warner Bros. Discovery, Inc. a company incorporated in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Discovery, Inc. was deemed to be the accounting acquirer of the WarnerMedia Business for accounting purposes under U.S. generally accepted accounting principles ("U.S. GAAP"); therefore, Discovery is considered Warner Bros. Discovery, Inc. predecessor. Discovery, Inc and Warner Bros. Discovery, Inc. consolidated financial statements can be obtained from the corporate website: <http://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 2021

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 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 IFRS 2, '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.

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 Warner Bros. Discovery, Inc. a company registered in the USA. Warner Bros. Discovery, Inc. is the Company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The financial statements of Warner Bros. Discovery, Inc. are publicly available and can be obtained from the Company website [http:// ir.wbd.com/investor-relations/](http://ir.wbd.com/investor-relations/).

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

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.

Warner Bros. Discovery, Inc., ("WBD") 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.

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

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

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

Revenue

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

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

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

Type of sale

Recognition

Content Distribution

Revenue recognised over the term of the contract based on the license fee or subscriber levels.

Advertising (sponsorship, production)

A single spot is considered a distinct performance obligation if no impression guarantee is contained in the contract otherwise a campaign of spots is considered a single distinct performance obligation. Revenue is recognised net of agency commissions as spots air or as impression levels are delivered.

Licensing agreements (programming)

Each licensing agreement is separately considered at inception, the Company considers each performance obligation within the agreement. Right to access Intellectual Property – The performance obligation is satisfied over time, and therefore revenue is recognised over time. Right to use Intellectual Property – The performance obligation is satisfied at a point in time, and therefore revenue is recognised at a point in time. Usage-based royalties associated with a license of intellectual property are recognised as revenue when the performance obligation to which the royalty has been allocated has been satisfied.

Service contracts

As and when performance obligations are satisfied using measure of progress/completion.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

Taxation

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

Deferred income tax is 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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

Taxation (continued)

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.

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 Intangibles consists 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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

- 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 intangibles 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.

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

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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
Computer equipment	3 years or useful life
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 IAS36, the impairment test is performed at a cash-generating unit level, being the "smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets". An impairment loss is recognised immediately as part of operating income.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (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.

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.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

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.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

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:

- 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 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:

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

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

Derecognition

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

Offsetting financial instruments

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

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

2 Accounting policies (continued)

Share based payments

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

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

The Company treats the award of units and stock options, and adjustments to the fair value of units and stock options, as a movement in equity as settlement of units and stock options is made by DCI, the ultimate parent company.

The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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 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 2021

2 Accounting policies (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.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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) Incremental Borrowing Rate

The rate implicit in the lease, unless provided by the lessor or explicitly stated in the lease agreement, is not readily determinable for the majority of the Company's lease population. When the rate implicit in the lease is not readily determinable, the incremental borrowing rate (IBR) of the Company will be calculated based on the lease term and contract currency.

(ii) Impairment of Investments in subsidiaries

Determining whether Discovery Communications Europe Limited's investments in subsidiaries have been impaired requires estimations of the investments values in use.

Significant judgements underpinning management's determination of recoverable amount include the period of cashflows 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:

Subsidiary	Discount Rate (%)		Growth Rate (%)	
	2021	2020	2021	2020
Discovery Networks Norway AS	7.5%	7.5%	2.0%	2.0%
Discovery Networks Sweden AB	9.0%	7.5%	2.0%	2.0%
Discovery Networks Finland Oy	8.0%	8.5%	0.0%	2.0%
Discovery Communications Nordics Aps	7.5%	7.5%	0.5%	2.0%
SporTV Medya Hizmetland	12.0%	15.0%	0.0%	2.0%
Enformasyon Reklamcilik	12.0%	14,5%	0.0%	2.0%

The directors' decision to use forecasts beyond the typical 5-years is driven by the investments being made in digital along with the industry dynamics shift from linear to digital. A 5-years forecast with a single perpetuity growth model will not capture the investment value being made in digital.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

The discount rate changes are 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 give the increase in cash flows. From a valuation perspective, the increase is considering the higher risk in the more aggressive forecast in digital relative to the previous year.

The Company performed sensitivity analysis for certain entities, where a change in the discount rate or long-term growth rate could reasonably impact the conclusions reached; specifically, those entities where impairment was recovered up to the fair value. In 2021 investments in: Discovery Network Sweden AB, Discovery Networks Finland Oy and Discovery Medya Hizmetleri Limited Sirketi were recovered up to the fair value. Investment in Medya Hizmetleri Limited Sirketi, was driven by the business of its subsidiaries: SporTV Medya Hizmetland and Enformasyon Reklamcilik. Any change in the discount rate or long-term growth rate would result in a change in the recoverable amount. However, the results of the Company are not materially sensitive to any single assumption.

The carrying amount of investments in subsidiaries at the balance sheet was £788,583,000 (2020: £733,393,000) as a result of the additions of £177,608,000 (2020: £84,563,000), disposals of £90,128,000 (2020: nil) and the net impairment of £32,290,000 (2020: £304,124,000) recognised during the year.

(iii) Impairment of intangible assets-goodwill

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

Significant judgements underpinning management's determination of recoverable amount include the period of cashflows in management's forecasts used. In 2021, a 9 year (2020: 10 years) forecast was used. The directors decision to use forecasts beyond the typical 5-years is driven by the investments being made in digital along with the industry dynamics shift from linear to digital. A 5-year forecast with a single stage perpetuity growth model will not capture the investment value being made in digital. Management utilizes its Financial Planning and Analysis function to develop the 9-year forecasts underlying the recoverable amount. This function is considered to have the requisite knowledge and expertise to develop accurate long-term forecasts. The significant assumptions used to assess the investments value in use includes the amount and timing of expected future cash flows was the discount rate of 8% (2020: 8.5%). The increasing of the discount rate by 3.5% would trigger an impairment.

The primary driver for the decrease 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 gives the decrease in cash flows.

4 Turnover

	2021 £ 000	2020 £ 000
UK	276,531	225,534
Rest of Europe	858,321	791,803
Rest of World	96,523	115,762
	<u>1,231,375</u>	<u>1,133,099</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

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:

	2021 £ 000	2020 £ 000
Trade receivables and amounts owed by group undertaking (refer to note 18)	254,290	236,251
Contract assets (refer to note 18)	87,005	85,183
Contract liabilities (refer to note 20)	<u>21,275</u>	<u>18,799</u>

Contract assets

	2021 £ 000	2020 £ 000
At 1 January	85,183	99,630
Plus: Accrued income recognised in the period	87,005	85,183
Less: Progress billings	(85,183)	(99,630)
At 31 December	<u>87,005</u>	<u>85,183</u>

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

	2021 £ 000	2020 £ 000
At 1 January	18,799	13,960
Plus: Deferred Income recognised in the period	21,275	18,799
Less: Revenue recognised in the period	<u>(18,799)</u>	<u>(13,960)</u>
At 31 December	<u>21,275</u>	<u>18,799</u>

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 2021

6 Other operating income

	2021 £ 000	2020 £ 000
Foreign exchange gains	6,666	7,879
Other income	2,151	-
	<u>8,817</u>	<u>7,879</u>

Other income generated in 2021 in the amount of £2,151,000 (2020:£nil) results from:

- written off over payments in trade receivables from prior years in the amount £1,647,000.
- corporate tax return 2018-2019 cash refunds on research & development section in the amount £411,000.
- interest on tax refund on prior years 2016-2017 in the amount £93,000.

7 Operating profit

Arrived at after charging:

	2021 £ 000	2020 £ 000
Depreciation expense	27,874	26,805
Amortisation expense	6,512	3,540
Restructuring costs	434	1,088
	<u>434</u>	<u>1,088</u>

8 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest income on debt financing	-	170
Interest income on derivative instruments	2,873	2,465
Interest from amounts owed by group undertakings	1,923	1,828
	<u>4,796</u>	<u>4,463</u>

9 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	595	1,864
Interest on obligations under finance leases and hire purchase contracts	3,323	3,444
Other finance costs	285	294
	<u>4,203</u>	<u>5,602</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

10 Income from investments

	2021	2020
	£ 000	£ 000
Other Income		
Joyn GmbH	6,523	11,134
Dividends received		
DNI Finance 2 Ltd	1,891	-
DNE Music Publishing Ltd (EUR 3,564,639)	3,013	-
Discovery Networks Sweden (SEK 1,000,000,000)	82,374	-
Discovery Communications Ukraine TOB	195	-
	<u>93,996</u>	<u>11,134</u>

On 20 September, the board of DCEL approved non-cash dividend from DNI Finance 2. DNI Finance 2 declared a dividend in specie of the benefit of the receivable arising from the sale of Discovery Networks Norge Holding AS in amount of £92,019,194 (NOK 1,081,685,502) and approved liquidation of the entity, due to the above DCEL recognized return of capital in amount £1,891,384.

11 Auditor's remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's financial statements were £352,960 (2020: £332,000). This is borne by Discovery Corporate Services Limited in the current and prior year.

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

12 Directors' remuneration and staff cost

(a) Staff costs

	2021	2020
	£ 000	£ 000
Wages and salaries	14,494	10,520
Social security costs	1,985	1,463
Other pension costs	844	810
Share-based compensation plan (refer to note 26)	944	328
	<u>18,267</u>	<u>13,121</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

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:

	2021 No.	2020 No.
Administration	8	3
Broadcast and operations	48	43
Media and operations	34	34
Office and management	49	54
Sales and marketing	32	28
	<u>171</u>	<u>162</u>

(b) Directors' remuneration

	2021 £ 000	2020 £ 000
Aggregate remuneration and benefits under long-term incentive schemes	434	346
Company contributions to money purchase pension schemes	36	38
	<u>470</u>	<u>384</u>

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

	2021 No.	2020 No.
Receiving shares in respect of qualifying services	1	1
Exercised share options	1	1

Retirement benefits are accruing to one director (2020: one) director under the company's money purchase pension scheme.

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Aggregate remuneration and benefits under long-term incentive schemes	434	346
Company contributions to money purchase pension schemes	36	38

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

The remuneration of any director who is employed by a different entity is paid by their employing entity. It is not WBD's policy to recharge specific director-related expenses from the fellow subsidiary as it is not practicable to apportion their time for each entity. Accordingly, the above details include no remuneration in respect of these directors. Where relevant, their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of their employing entity that they are a director of.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

13 Tax on profit/(loss)

(a) Tax (credited)/charged in the profit and loss account

	2021	2020
	£ 000	£ 000
Current taxation:		
Foreign tax	10,595	8,893
Adjustment in respect of prior years	(875)	-
Total current income tax	<u>9,720</u>	<u>8,893</u>
Deferred taxation:		
Arising from origination and reversal of temporary differences	(1,746)	(3,515)
Arising from changes in tax rates and laws	(7,344)	(1,709)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1,756)	(1,324)
Total deferred taxation	<u>(10,846)</u>	<u>(6,548)</u>
Tax (credit)/expense in the profit and loss account	<u>(1,126)</u>	<u>2,345</u>

(b) Reconciliation of the total tax (credit)/charge

The tax (credit)/expense in the profit and loss account for the financial year is lower (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021	2020
	£ 000	£ 000
Profit/(loss) before tax	<u>118,240</u>	<u>(251,176)</u>
Corporation tax at the standard rate of 19% (2020: 19%)	22,466	(47,723)
Adjustment to tax charge in respect of previous periods	(2,631)	(1,323)
Effect of expenses not deductible	23,454	58,227
Income not taxable	(37,394)	(3,913)
Tax rate changes	(7,344)	(1,709)
Group relief claimed	(6,725)	(12,428)
Increase arising from overseas tax suffered	10,596	8,893
(Non-Taxable)/non-deductible hedging exchange movement	(3,268)	2,517
Unrecognised deferred tax on losses utilised	(280)	(196)
Total tax (credit)/charge	<u>(1,126)</u>	<u>2,345</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

13 Tax on profit/(loss) (continued)

(c) Factors affecting tax (credit)/charge for the financial year

The standard rate of corporation tax in the UK at the balance sheet date is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2020: 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 (enacted on 10 June 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.

(d) Deferred tax

	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>
	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	12,679	4,383	17,062
Other items	526	2,165	2,691
Net tax assets	<u>13,205</u>	<u>6,548</u>	<u>19,753</u>

There are unrecognised deferred tax assets of £23,977,900 (2020: £18,835,989), made up of tax losses carried forward. This balance remains unrecognised as there is no present 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 2021

14 Intangible assets

	Goodwill	Other Intangibles assets	Computer Software & Software License Fees	Assets under construction	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Cost or Valuation					
At 1 January 2021	732,423	9,855	17,294	2	759,574
Reclassification	-	-	804	-	804
Additions	-	-	3,747	-	3,747
Disposals	-	-	(3,370)	-	(3,370)
At 31 December 2021	<u>732,423</u>	<u>9,855</u>	<u>18,475</u>	<u>2</u>	<u>760,755</u>
Accumulated amortisation/ Impairment loss					
At 1 January 2021	541,273	9,515	8,555	-	559,343
Reclassification	-	-	120	-	120
Amortisation charge	-	158	6,354	-	6,512
Disposals	-	-	(3,368)	-	(3,368)
At 31 December 2021	<u>541,273</u>	<u>9,673</u>	<u>11,661</u>	<u>-</u>	<u>562,607</u>
Carrying amount					
At 31 December 2021	<u><u>191,150</u></u>	<u><u>182</u></u>	<u><u>6,814</u></u>	<u><u>2</u></u>	<u><u>198,148</u></u>
At 31 December 2020	<u><u>191,150</u></u>	<u><u>340</u></u>	<u><u>8,739</u></u>	<u><u>2</u></u>	<u><u>200,231</u></u>

The average remaining amortisation period for each group of intangible assets as of 31/12/2021 is:

- * goodwill - non-amortized
- * other intangibles - 1 year
- * computer software & software license fee - 2 years
- * assets under construction - non-amortized

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

15 Property, plant and equipment

	Leasehold improvements and office equipment	Computer equipment	Film and edit equipment	Asset under construction	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Cost or Valuation					
At 1 January 2021	15,708	20,310	114,885	1,697	152,600
Additions	382	86	2,632	1,900	5,000
Transfers	584	1,419	(1,229)	(1,578)	(804)
Disposals	(3,165)	(7,764)	(16,161)	-	(27,090)
At 31 December 2021	<u>13,509</u>	<u>14,049</u>	<u>100,127</u>	<u>2,019</u>	<u>129,704</u>
Accumulated depreciation					
At 1 January 2021	15,077	17,463	68,667	-	101,207
Charge for the year	200	6,508	8,387	-	15,095
Transfers	-	(4,098)	3,978	-	(120)
Eliminated on disposal	(3,150)	(7,658)	(16,098)	-	(26,906)
At 31 December 2021	<u>12,127</u>	<u>12,215</u>	<u>64,934</u>	<u>-</u>	<u>89,276</u>
Carrying amount					
At 31 December 2021	<u>1,382</u>	<u>1,834</u>	<u>35,193</u>	<u>2,019</u>	<u>40,428</u>
At 31 December 2020	<u>631</u>	<u>2,847</u>	<u>46,218</u>	<u>1,697</u>	<u>51,393</u>

The gross carrying amount of fully depreciated items of property, plant and equipment still in use as of 31/12/2021 is amounted to: £75,503,784 (2020: £75,303,750).

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

16 Right-of-use assets

	2021	2020
	£ 000	£ 000
Office Buildings	60,787	64,070
Transponders	37,330	34,921
IT Equipment	5,863	2,843
	<u>103,980</u>	<u>101,834</u>

	Office buildings	Transponders	Computer equipment	Total
	£ 000	£ 000	£ 000	£ 000
Cost or Valuation				
At 1 January 2021	72,170	47,643	3,625	123,348
Additions	767	9,209	4,949	14,925
Lease modification	(730)	(1,686)	-	(2,416)
At 31 December 2021	<u>72,207</u>	<u>55,166</u>	<u>8,574</u>	<u>135,947</u>
Accumulated depreciation				
At 1 January 2021	8,100	12,722	782	21,604
Charge for the year	4,050	6,800	1,929	12,779
Lease modification	(730)	(1,686)	-	(2,416)
At 31 December 2021	<u>11,420</u>	<u>17,836</u>	<u>2,711</u>	<u>31,967</u>
Carrying amount				
At 31 December 2021	<u>60,787</u>	<u>37,330</u>	<u>5,863</u>	<u>103,980</u>
At 31 December 2020	<u>64,070</u>	<u>34,921</u>	<u>2,843</u>	<u>101,834</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

17 Investments

	2021	2020
	£ 000	£ 000
Subsidiaries		
Cost		
At 1 January	1,736,751	1,652,188
Additions	177,608	84,563
Disposals	<u>(90,128)</u>	<u>-</u>
At 31 December	<u>1,824,231</u>	<u>1,736,751</u>
Provision for impairments		
At 1 January	(1,003,358)	(699,234)
Net impairment of investments	<u>(32,290)</u>	<u>(304,124)</u>
At 31 December	<u>(1,035,648)</u>	<u>(1,003,358)</u>
Carrying amount		
At 31 December	<u>788,583</u>	<u>733,393</u>

The directors believe that the book value of the investments is not more than the value of the underlying net assets. The carrying value of investments is assessed on the estimated investments' value in use. The value in use calculations 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 funding to its existing investments and invested in new investments as follows:

Existing investments

- Joyn GmbH - £40,668,328

The company made call contributions to Joyn GmbH JV investment according to JV agreement.

New investments

- BluTV - £15,507,971 (USD 20,000,000)
- GB News - £ 20,000,000
- Discovery Networks Norge Holdings AS - £ 92,019,194 (NOK 1,081,685,502)
- Reshet - £ 7,298,271 (USD 10,000,000)
- tink GmbH - £ 2,114,700 (EUR 2,500,881)

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

17 Investments (continued)

On 12 January 2021, the board of DCEL approved investment and initial subscription for shares in the capital of BluTV in the amount of £15,507,971 (USD 20,000,000) which resulted in 35.1% of the issued share capital of BluTV, a local SVOD platform in Turkey, in return for the distribution of D+ via BluTV in the MENA region and the right to act as a BluTV distribution agent in Turkey, for all business to business to consumer deals negotiated by BluTV.

On 6 April 2021, Discovery Communications Europe Limited acquired 24.73% of All Perspectives Limited which has GB News Limited as a subsidiary (together known as "GB News") for cash consideration of £20,000,000. GB News is a British television news channel which launched in 2021.

On 10 August 2021, Discovery Communications Europe Limited acquired a minority stake 21% in the Israel FTA network Reshet 13. The transaction consideration includes DCEL issuing a £7,298,271 (USD 10,000,000) shareholder loan plus a nominal amount of USD 10,000 in exchange for the shares.

On 20 September 2021, the board of DCEL approved a series of transactions relating to the reorganization and simplification of the Norway entities corporate structure, below steps were implemented in DCEL:

- DNI Finance 2 sold Discovery Networks Norge Holdings AS to Discovery Communications Europe Limited for cash consideration of £92,019,194 (NOK 1,081,685,502) left outstanding on intercompany account as a debt owing by the Company to DNI Finance 2 Ltd.
- DNI Finance 2 declared a dividend in specie of the benefit of the receivable arising from the above sale in amount of £92,019,194 (NOK 1,081,685,502) to Discovery Communications Europe Limited from its profits. Thus the debt owing by Discovery Communications Europe Limited to DNI Finance 2 Ltd became extinguished by operation of law.

On 6 October 2021, the first part of merger in Norway entities corporate structure was implemented: The Voice TV Norge AS entity was merged into Discovery Networks Norge Holding AS.

On 7 October 2021, the second part of merger in Norway entities corporate structure was implemented: Discovery Network Norge Holding AS (new investment in DCEL in 2021) and Discovery Norway Opco (the wholly owned subsidiary of Discovery Network Norge Holding AS) were merged, the surviving entity is Discovery Norway Opco in which DCEL became a sole shareholder.

On 1 December 2021, merger on Denmark entities was implemented: Discovery Communications Nordics Aps (Denmark) (the wholly owned subsidiary of DCEL) and Discovery Networks Denmark Aps (Denmark) (wholly owned subsidiary of Discovery Communications Nordics Aps(Denmark)) were merged and the surviving entity is Discovery Networks Denmark Aps (Denmark) in which DCEL became a sole shareholder.

On 8 December 2021, Discovery Communications Europe Limited signed the Investment Agreement and Accession Agreement. DCEL subscribed the new preferred shares series D1 of tink GmbH, 881 shares per EUR 1 amounted to £745 in consideration for providing a media volume of £2,113,955 (EUR 2,500,000) to tink GmbH.

Disposals:

The disposal line relates to liquidation of the DNI Finance 2 Limited.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

17 Investments (continued)

The carrying amount of investments in subsidiaries at the balance sheet was £788,583,000 (2020: £733,393,000) as a result of the additions of £177,608,000 (2020: £84,563,000), disposals of £90,128,000 (2020: nil) and the net impairment of £32,290,000 (2020: £304,124,000) recognised during the year.

Subsidiary	(Impairment) / Impairment Recovery Amount (£)
Discovery Networks Denmark Aps	(65,185,431)
Discovery Communications Ukraine TOB	(220,361)
Joyn GmbH	(40,668,328)
Blu TV	(7,495,507)
Discovery Networks Sweden	51,974,864
Discovery Networks Finland Oy	14,636,777
Discovery Medya Hizmetleri Limited Sirketi	14,667,698
Total net impairment	(32,290,288)

Following an impairment assesment, it emerged that recoverable amount of the investments in: Discovery Networks Denmark Aps, Discovery Communications Ukraine TOB, Joyn GmbH, Blu TV were lower than the carrying amount, and management therefore, recorded a combined impairment in the amount of £113,569,627. The recoverable amount of the investments in: Discovery Network Sweden AB, Discovery Networks Finland Oy and Discovery Medya Hizmetleri Limited were higher than the carrying amount and previous impairments were reversed by the amount of £81,279,339.

The impairment of entities listed above is related to the revision of forecasts primarily for the impact of the changes in the expected growth. The impairment of Joyn GmbH JV and BluTV investments is due to losses incurred by these entities and no current expectation to return to profitability in the near term. The impairment of the Discovery Networks Denmark Aps is related to revision of its significantly shifted down forecasts on the Danish market regarding linear business. The impairment of the DNI Finance 2 Limited is related to the liquidation of this entity in 2021.

The recoverable amounts of Discovery Network Sweden and Discovery Networks Finland Oy were driven by the improvements in the forecasts and changes in functional model of the entities. During 2021 the content and IP were transferred to the US entities and the entities do not longer incurring a significant portion of the DTC losses, instead the entity recognised a higher share of the local entity's costs are now reimbursed with an 8% mark-up. Additionally, all new content agreements were signed in UK entities, content amortization and content balance will be decreasing.

The recoverable amount of Discovery Medya Hizmetleri Limited Sirketi Turkish Holding Company was driven by better future performance perspective reflected in the forecasts of its two subsidiaries SporTV Medya Himetl and Enformasyon Reklamcilik.

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

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

18 Trade and other receivables

	2021	2020
	£ 000	£ 000
Trade debtors	127,125	112,337
Amounts owed by group undertakings	127,165	123,914
Accrued income	87,005	85,183
Prepayments	16,868	8,560
Corporation tax	875	-
	<u>359,038</u>	<u>329,994</u>

Trade receivables are stated after provisions for impairment, within 2021 Company released provisions of £3,367,000 (impairment in 2020: £13,184,000). The fair value of the above trade and other receivables classified as financial instruments approximate to their carrying value. On March 15, 2021 due to the reorganization under the project SNI, Lifestyle NewCo Limited transferred its third-party revenue contracts to Discovery Communications Europe Limited for nil consideration. In November 2021 the Intercompany Loan of £43,933,505 (2020: £38,015,596) presented in line "Amounts owed by group undertakings" was paid together with accrued interest of 5% per annum amounting to £7,984,614 (2020: £6,568,231). Remaining "Amounts owed by group undertakings" are unsecured in nature, bear no interest, and are payable on demand.

19 Cash and cash equivalents

	2021	2020
	£ 000	£ 000
Cash at bank	<u>1,685</u>	<u>475</u>

20 Trade and other payables

	2021	2020
	£ 000	£ 000
Trade payables	16,800	17,061
Amounts due to group undertakings	241,350	292,534
Deferred income	21,275	18,799
Accrued expenses	17,991	12,753
Social security and other taxes	159,991	131,435
Other payables	403	2,853
	<u>457,810</u>	<u>475,435</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

20 Trade and other payables (continued)

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.

21 Subsidiary undertakings, associates and joint ventures

Company's directly owned subsidiaries

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

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
Travel Channel India Private Limited	India	Service Company	Ordinary	90%
Discovery Bulgaria EOOD	Bulgaria	Service Company	Ordinary	100%
Discovery Communications Ukraine TOV	Ukraine	Service Company	Ordinary	100%
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%
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%

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

21 Subsidiary undertakings, associates and joint ventures (continued)

Discovery Networks Denmark Aps	Denmark	TV Broadcaster	Ordinary	100%
Discovery Networks Norway AS	Norway	TV Broadcaster	Ordinary	100%

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 2021

21 Subsidiary undertakings, associates and joint ventures (continued)

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%
Wayfarer, LLC	Russia	TV Broadcaster	Ordinary	20%

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	
ALL Perspectives Limited	UK**	Television broadcasting	Ordinary	25.9%

Company's indirectly owned joint ventures

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

Name	Country of registration	Nature of business	Class and proportion of nominal value of issued shares held	
Joyn GmbH	Germany	Streaming Service	Ordinary	50%
Airtime Sales AB	Sweden	Service company	Ordinary	50%
Joyn Limited	UK***	Streaming Service	Ordinary	50%

The registered office for Joyn GmbH is Landsberger Strasse 110, D-80339, Munich, Germany.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

21 Subsidiary undertakings, associates and joint ventures (continued)

On 13 September 2017, the Company entered into a joint venture agreement with the joint venture partner ProSiebenSat.1 Digital GmbH acquiring 50% of the share capital of the joint venture company, Joyn GmbH. The business of the joint venture is primarily that of a streaming service bringing together the Company's free-to-air German channels and several of the joint venture partners' channels within their mobile offering, with the intention to expand Germany's mobile video and over-the-top marketplace. The enhanced streaming service was initially be delivered to consumers under the 7TV brand using its app and underlying technology platform, and then further technology enhancements are planned by the partners to ensure the most robust viewing experience. During the year 2021 the Company provided funding to joint venture in the amount of £40,668,328 and in so doing increased its investment to £179,573,950. As significant losses during the year exceeded the current investment value, DCEL recognized impairment in amount £40,668,328 and reduced the carrying amount of the JV investment to zero as of December 2021.

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

Country	Registered office
India	11th Floor, Tower - A, DLF Towers Jasola, Jasola District Centre, New Delhi, 110025
UK*	Discovery House, Chiswick Park Building 2, London, W4 5YB
UK**	Riverbank House, 2 Swan Lane, London, United Kingdom, EC4R 3TT
UK***	1 St Katharine's Way, St Katharine's & Wapping, London, United Kingdom, E1W 1UN
Denmark	H.C. Andersens Boulevard 1, 1553, Copenhagen V
Ukraine	5th floor, 19-21 (Letter "A") Bohdan Khmelnytskyi Street, Kyiv, Ukraine, 01030
Germany	Sternstr. 5, 2. OG, Munich, 80538
Czech Republic	Na Pankraci 1724/129, Prague 4, 140-00
Turkey*	Buyukdere Caddesi, No: 127 Astoria, B Kule 1401, Kat 14 Esentepe 34394 Sisli/Istanbul
Turkey**	Adnan Saygun Cad. Akmekez AVM, B3, Kule Kat 11, Istanbul, Turkey
Sweden	Radmansgatan 42, 113 57, Stockholm
Norway	Nydalen alle 37A, Oslo, 0484
Finland	Tallberginkatu 1C, Helsinki, 00180
Russia	Fabrika Stanislavskogo Business Center, 3th floor, 21 buld.1 Stanislavskogo str., 109004
Italy	via Uberto Visconti di Modrone 11 Milano, 20122
Spain	Paseo de la Castellana 202 - Planta 4ª, 28046, Madrid
Egypt	11 Sizostrees Street, Al Korba, Heliopolis, Cairo
Bulgaria	128 Georgi Rakovsk Str, 4th Floor, Office 2, Sofia 1000

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

22 Loans and borrowings

	2021	2020
	£ 000	£ 000
Current borrowings		
Bank overdrafts	<u>314,444</u>	<u>306,260</u>

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 2021:

	2021	2020
	£ 000	£ 000
Current	7,221	12,168
Non-current	<u>98,622</u>	<u>99,196</u>
	<u>105,843</u>	<u>111,364</u>

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

	2021	2020
	£ 000	£ 000
Depreciation charge of right-of-use assets		
Office buildings	4,050	3,861
Computer equipment	1,929	773
Transponders	<u>6,800</u>	<u>5,661</u>
	12,779	10,295
Interest expense (included in Interest payable and similar charges)	<u>3,323</u>	<u>3,444</u>
Total expenses related to leases	<u>16,102</u>	<u>13,739</u>

(iii) Cash outflow for leases

	2021	2020
	£ 000	£ 000
Principal	11,613	12,518
Interest	<u>3,323</u>	<u>3,444</u>
Total Cash Outflows	<u>14,936</u>	<u>15,962</u>

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

23 Lease liabilities (continued)

(iv) Maturity Analysis - Total Gross Lease Payments

	2021	2020
	£ 000	£ 000
Within one year	10,077	14,383
Between two to five years	55,247	48,016
More than five years	<u>58,648</u>	<u>68,107</u>
Total gross payments	123,972	130,506
Interest charges included above	<u>(18,129)</u>	<u>(19,142)</u>
	<u><u>105,843</u></u>	<u><u>111,364</u></u>

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.

	2021	2020
	£ 000	£ 000
At 1 January	3,790	3,796
Provisions used	(470)	(6)
At 31 December	<u>3,320</u>	<u>3,790</u>

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 £843,609 (2020: £810,000).

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

26 Share-based payments (continued)

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

	2021 £ 000	2020 £ 000
Stock options	24	221
Restricted stock units	920	635
Share-based payment transactions	<u>944</u>	<u>856</u>
Recharge of share-based payments	<u>(1,990)</u>	<u>(528)</u>

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 30,465 (2020: 68,611) outstanding options, 26,915 (2020: 55,002) were exercisable. Options exercised in 2021 resulted in 36,422 (2020: 2,552) shares being issued at a weighted average price of £20.86 (2020: £22.16).

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

	Units	Weighted Average Grant Price
Outstanding at 1 January 2021	68,611	£22.08
Units granted	-	-
Units exercised	(36,422)	£23.24
Units cancelled/forfeited	(1,724)	£19.24
Units transfer in	-	-
Units transfer out	-	-
Outstanding at 31 December 2021	<u>30,465</u>	<u>£20.86</u>

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

26 Share-based payments (continued)

There were 86,974 (2020:108,130) outstanding RSUs. RSUs exercised in 2021 resulted in 39,191 (2020: 25,692) shares being issued at a weighted average price £28.23 (2020: £20.64).

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

	Units	Weighted Average Grant Price
Outstanding at 1 January 2020	108,130	£20.56
Transfer in	-	-
Transfer out	(795)	£21.21
Units granted	27,096	£45.41
Units exercised	(39,191)	£20.58
Units cancelled	(8,266)	£21.27
Outstanding at 31 December 2020	<u>86,974</u>	<u>£28.23</u>

27 Other Commitments

At 31 December 2021, the Company had other contractual commitments as follows:

	2021 £ 000	2020 £ 000
Transmission services - SDN	81,762	85,239
Transmission services - Arqiva	5,048	9,789
	<u>86,810</u>	<u>95,028</u>

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

28 Contingent liabilities

The Company entered into an arrangement with Bank Mendes Gans N.V. (the "Bank") whereby the cash position of Discovery, 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 £312,759,305 (2020: £306,259,948) with the "Bank" at 31 December 2021. The net balance for the Subsidiaries at 31 December 2021 under this arrangement was as positive balance of £253,060,588 (2020: £254,397,529). The combined bank balances of all subsidiaries are not permitted to be less than £nil.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

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.

	2021 £ 000	2020 £ 000
Current derivative assets and liabilities		
Derivative assets used for hedging	18,529	9,104
Derivative financial liabilities	<u>(3,997)</u>	<u>(24,416)</u>
	<u>14,532</u>	<u>(15,312)</u>

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

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

The movement in cash flow hedging reserve is as follows:

	2021 £ 000	2020 £ 000
Balance at the beginning of the year	(2,149)	(17,764)
(Gain)/loss on hedging instrument (foreign currency forward contracts) designated in a cash flow hedging relationship recognised in hedging reserve recognised	(12,344)	24,514
Cumulative gain arising on changes in fair value of hedging instruments (foreign currency forward contracts) reclassified to profit and loss account	<u>(7,739)</u>	<u>(8,899)</u>
Balance at the end of the year	<u><u>(22,232)</u></u>	<u><u>(2,149)</u></u>

31 Called up share capital

Allotted, called up and fully paid

	2021 £ 000	2020 £ 000
1,459,591,000 (2020: 1,459,591,000) Authorised Ordinary shares of £1 each at 1 January	<u>1,459,591</u>	<u>1,459,591</u>
1,459,591,000 (2020: 1,459,591,000) Authorised 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.

32 Share premium account

	2021 £ 000	2020 £ 000
Balance at 1 January	<u>249,536</u>	<u>249,536</u>
Balance at 31 December	<u><u>249,536</u></u>	<u><u>249,536</u></u>

33 Events after the reporting period

On 8 April 2022, Discovery, Inc., a global company that provides content across multiple distribution platforms including linear, free-to-air and broadcast television, authenticated GO applications, digital distribution arrangements, content licensing arrangements and direct-to-consumer subscription products, completed its merger with the WarnerMedia business of AT&T, Inc. and change its name from "Discovery, Inc." to "Warner Bros. Discovery, Inc." On 11 April 2022, the Company's shares started trading on the Nasdaq Global Select Market under the trading symbol WBD.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

33 Events after the reporting period (continued)

The Merger was executed through a Reverse Morris Trust type transaction, under which the WarnerMedia Business was distributed to AT&T's shareholders via pro rata distribution, and immediately thereafter, combined with Discovery. In connection with the Merger, AT&T received \$40.5 billion (subject to working capital and other adjustments) in a combination of cash, debt, securities, and WarnerMedia's retention of certain Debt, and Discovery transferred purchase consideration of \$42.4 billion in equity to AT&T shareholders. AT&T shareholders received WBD stock in the distribution representing 71% of the combined company and the Company's previous shareholders will continue to own 29% of the combined company, in each case on a fully diluted basis.

In April 2022 Warner Bros. Discovery, Inc. (formerly known as Discovery, Inc.) executed "Cash Pool Clean-up Plan" in a few non-US entities' material overdraft balances in the cash pool by utilizing some excess cash from other non-US entities by way of contributions and distributions. One of the steps of the "Cash Pool Clean-up Plan" applied to the Company and were the following:

- DNI German Holdings I Ltd distributed to Company cash of £40,000,000, being an aggregate interim cash dividend out of the DNI German Holdings I Ltd distributable profits, declared on 20 April, 2022.

In the first quarter of the year 2022, as an implication of Russia - Ukraine conflict, Discovery exited its operations in Russia and removed all of its channels and services from the market. The management does not expect any material effect on the Company's financial statement.

On 16 August 2022, DCEL sold all its shares in All Perspectives Ltd (GB News) for cash consideration of £8,000,000. The value of the investment as of 31 December 2021 amounts to £20,000,000.

On 31 August 2022, Discovery Corporate Services Limited ("DCSL") and British Telecommunications plc ("BT") formed a 50:50 joint venture company, BT Ninety-Five Limited ("JV Co"), to create a new premium sport offering for the UK and Ireland. In order to facilitate this transaction, DCEL has entered into a number of intercompany agreements with various group companies, as well as an agreement with JV Co pursuant to which JV Co, in return for a royalty fee, licenses the rights to Eurosport product to DCEL so as to enable DCEL to continue to service various affiliate contracts which have not been transferred to JV Co.

On 13 September 2022, DCEL and Seven.One Entertainment Group GmbH ("SOEG"), signed:

- Share Purchase Agreement for the transfer of all the shares in Joyn GmbH held by DCEL to SOEG, and in accordance with the applicable JVA agreement, DCEL will pay a final payment in lieu of funding to the capital reserves of Joyn.
- Termination Agreement to terminate the Joint Venture Agreement dated 13 September 2017 with all respective signed annexes in Joyn GmbH and all other respective agreements related to Joint Venture cooperation
- new Distribution and Promotion Agreement
- new Media Agreement

All above mentioned agreements will be effective upon the legal and regulatory conditions set forth in the Share Purchase Agreement being satisfied.

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.

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2021

35 Parent and ultimate parent undertaking

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

The ultimate parent undertaking and controlling party is Warner Bros. Discovery, Inc. ("WBD"), a company incorporated in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Discovery, Inc. was deemed to be the accounting acquirer of the WarnerMedia Business for accounting purposes under U.S. generally accepted accounting principles; therefore, Discovery, Inc. is considered WBD predecessor. Discovery, Inc. and WBD consolidated financial statements can be obtained from the corporate website: <https://ir.wbd.com/investor-relations/>.

