

Discovery Networks Denmark ApS

H. C. Andersens Boulevard 1, DK-1553 København V

Annual report 1 January - 31 December 2018

CVR no. 20 05 29 02

The Annual Report was presented and adopted at the Annual General Meeting of the Company on

July 5, 2019



JOZEF M. DIJKSTRA

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Discovery Networks Denmark ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

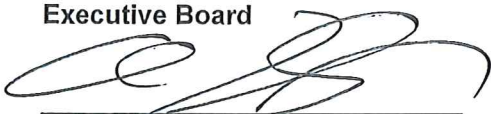
In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

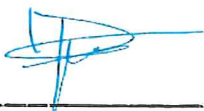
Copenhagen, July 5, 2019

Executive Board



Christian Kemp
CEO

Board of Directors



Jozef Maarten Dijkstra
Chairman



Christian Sonnefeld Jørgensen



Anders Christian Aagaard Antonsen

Independent Auditor's Report

To the Shareholder of Discovery Networks Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Discovery Networks Denmark ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's Review

Management is responsible for the Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is 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 in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Auditor's 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 auditor's 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 5/7 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Allan Kamp Jensen
State Authorised Public Accountant
mne15126

Thomas Baumkjær Andersen
State Authorised Public Accountant
mne35483

Company Information

The Company

Discovery Networks Denmark ApS
H. C. Andersens Boulevard 1
DK-1553 København V

Telephone: + 45 70 10 10 10
Website: www.discoverynetworks.dk

CVR No: 20 05 29 02
Established: 1 April 1997
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Jozef Maarten Dijkstra, Chairman
Christian Sonnefeld Jørgensen
Anders Christian Aagaard Antonsen

Executive Board

Christian Kemp

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

	2018	2017	2016	2015	2014
Key figures	TDKK	TDKK	TDKK	TDKK	TDKK
Profit/loss					
Revenue	979,180	1,206,169	1,134,938	1,060,454	967,462
Gross profit/loss	848,279	936,300	872,815	861,332	837,253
Profit/loss before financial income and expenses	(21,260)	158,726	89,367	160,046	274,978
Net financials	(6,916)	3,897	663	(17,161)	(17,725)
Net profit/loss for the year	(21,053)	126,286	69,744	110,651	194,510
Balance sheet					
Balance sheet total	1,053,936	953,954	1,077,029	1,016,664	751,322
Equity	638,121	659,174	732,888	663,144	498,653
Investments in property, plant and equipment	4,912	4,614	2,596	13,203	17,736
Number of employees	173	185	193	195	185
Ratios					
Return on assets	(2.0) %	16.6 %	8.3 %	15.7 %	36.6 %
Solvency ratio	60.5 %	69.1 %	68.0 %	65.2 %	66.4 %
Return on equity	(3.3) %	18.1 %	10.0 %	19.0 %	42.9 %

For definitions regarding ratio calculations, see under accounting policies.

Management's Review

Main activities

Discovery Networks Denmark operates linear TV channels broadcasted into Denmark under UK Ofcom licenses. Furthermore, the Company's activities consist of ad sales and sales of sponsorships.

The revenue consists of two primary elements: distribution revenue which is revenue from distributors (who sells TV packages to end-users) and sale of advertisements and sponsorships.

Moreover, the Company supports the digital streaming services provided by Discovery Entertainment Ltd. directly to end users.

The main part of costs are content costs, which can be divided into use of sports rights, foreign acquisitions and local commissioning, as well as local personnel costs.

Development in the year

The income statement of the Company for 2018 shows a loss of TDKK 21,053, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 638,121.

The past year and follow-up on development expectations from last year

The results for 2018 have been in line with management's expectations. The Company recorded a strategic impairment of TDKK 192,236 against its legacy content rights for foreign acquisitions and associated costs of discontinuation of certain life of series commitments following a restructuring. In management's opinion, the income statement and balance sheet with related notes provide all significant information to assess the Company's performance for the past year as well as the Company's financial position at year end.

Special risks - operating and financial risks

Churn

As the media industry shifts towards a more digital oriented landscape, generally a churn of linear subscribers and decline in PUT (People Using Television) levels are experienced. If this continues or worsens, it will have a negative impact on distribution revenues from linear packages and/ or advertising revenues.

Foreign exchange risks

Given that a substantial number of the Company's programs are acquired in foreign currency, results of operations, cash flows and equity are impacted by their exchange as well as interest rate developments. No foreign currency hedging is made.

Interest rate risks

As the Company has minimal interest-bearing debt, a change in the interest rate level will be without significant direct effect on earnings.

Knowledge resources

Intellectual capital resources

It is essential to the Company's continued growth to be able to attract and retain creative and competent employees within program, sales and marketing as well as other in-house services.

Management's Review

Strategy and objectives

Outlook

Over the past few years the Danish market, alongside the rest of the Nordic region, has experienced a shift from linear viewing to digital viewing and OTT products. The Company is positioning itself for the future and looking ahead, the combination of a continuation of this viewing trend and of a rationalization of the operating expenses to invest in digital growth, could result in fluctuations in our profit levels in the following years compared to 2018.

Statement of corporate social responsibility

The Company has issued a Sustainability Report subject to the Danish Financial Statements Act section 99 a. Said report is issued as a supplementary report to the Annual Report 2018.

Statement on gender composition

The Board of Directors

The Board of Directors comprises of three individuals of the same gender. Consequently, there is no gender equality in the present board of directors. During the past year there has been no changes to the composition of the Board of Directors. The Board of Directors aims to have one female appointed as board member in 2022.

The Executive Board

The Executive Board comprises of one individual only. Presently, it is not considered extending the Executive Board with further members.

The Local Management Team

The Local Management Team consists of 10 individual heads of departments - 3 females and 7 males. The composition shows that there is a need to actively work for a more equal representation between females and males. The cause of the lack of diversity, that we are presently operating a business environment dominated by males which also is being expressed in the composition of the entire staff. Consequently, we are actively working on succession planning that includes diversity and hence going forward include more women in the leadership team.

Subsequent events

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue		979,180	1,206,169
Other external expenses		(130,901)	(269,869)
Gross profit/loss		848,279	936,300
Staff expenses	2	(116,443)	(117,762)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	(691,477)	(659,500)
Other operating expenses	4	(61,619)	(312)
Profit/loss before financial income and expenses		(21,260)	158,726
Financial income	5	1,170	7,740
Financial expenses	6	(8,086)	(3,843)
Profit/loss before tax		(28,176)	162,623
Tax on profit/loss for the year	7	7,123	(36,337)
Net profit/loss for the year		(21,053)	126,286

Balance Sheet 31 December

	Note	2018 TDKK	2017 TDKK
ASSETS			
Content Rights, prepayments		153,586	108,535
Content Rights		84,064	371,220
Goodwill		17,915	20,617
Intangible assets	8	255,565	500,372
Plant and machinery		8,887	13,450
Other fixtures and fittings, tools and equipment		348	146
Leasehold improvements		2,070	3,332
Property, plant and equipment in progress		1,795	0
Property, plant and equipment	9	13,100	16,928
Non-current assets		268,665	517,300
Trade receivables		44,814	49,112
Receivables from group enterprises		65,124	9,651
Tax receivable		59,000	0
Other receivables		9,395	12,277
Prepayments	10	43,220	5,026
Receivables		221,553	76,066
Cash at bank and in hand		563,718	360,588
Current assets		785,271	436,654
Assets		1,053,936	953,954

Balance Sheet 31 December

	Note	2018 TDKK	2017 TDKK
LIABILITIES AND EQUITY			
Share capital	11	2,000	2,000
Retained earnings		636,121	657,174
Equity		638,121	659,174
Provision for deferred tax	12	27,340	3,987
Other provisions	13	6,963	6,886
Provisions		34,303	10,873
Lease obligations		0	368
Trade payables		123,992	116,476
Payables to group enterprises		133,130	37,727
Corporation tax, joint taxation		39,446	76,608
Other payables		84,944	52,728
Short-term debt		381,512	283,907
Debt		381,512	283,907
Liabilities and equity		1,053,936	953,954
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Statement of Changes in Equity

	Note	Share Capital TDKK	Retained earnings TDKK	Proposed dividend for the year TDKK	Total TDKK
Equity at 1 January 2017		2,000	670,888	60,000	732,888
Ordinary dividend paid		0	0	(60,000)	(60,000)
Extraordinary dividend paid		0	(140,000)	0	(140,000)
Net profit/loss for the year	18	0	126,286	0	126,286
Equity at 31 December 2017		2,000	657,174	0	659,174
Equity at 1 January 2018		2,000	657,174	0	659,174
Net profit/loss for the year	18	0	(21,053)	0	(21,053)
Equity at 31 December 2018		2,000	636,121	0	638,121

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

The Company's activities and revenue consist only of one operating segment, management manages and measures the Company's revenue and financial performance based on heron. The Company generates and operates only on the Danish market.

2. Staff expenses

	2018 TDKK	2017 TDKK
Wages and salaries	108,259	109,109
Pensions	6,961	7,488
Other social security expenses	1,223	1,165
Other staff expenses	0	0
	116,443	117,762
Average number of employees	173	185

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2018 TDKK	2017 TDKK
Amortisation of Intangible assets	550,145	650,287
Depreciation of property, plant and equipment	8,740	8,368
Impairment of intangible assets	132,592	845
	691,477	659,500

4. Other operating expenses

In 2018, the Company recorded a strategic impairment of TDKK 192,236 against its legacy content rights for foreign acquisitions and associated costs of discontinuation of certain life of series commitments following a restructuring of which TDKK 61,619 are costs within other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

5. Financial income

	2018 TDKK	2017 TDKK
Exchange gains	1,170	7,740
	<u>1,170</u>	<u>7,740</u>

6. Financial expenses

	2018 TDKK	2017 TDKK
Other financial expenses	3,324	1,709
Exchange loss	4,762	2,134
	<u>8,086</u>	<u>3,843</u>

7. Tax on profit/loss for the year

	2018 TDKK	2017 TDKK
Current tax charge for the year	50,300	76,608
Deferred tax for the year	(62,434)	(24,668)
Adjustment of the income tax concerning previous years	(80,776)	(15,603)
Adjustment of deferred tax concerning previous years	85,787	0
	<u>(7,123)</u>	<u>36,337</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Intangible assets

	Content Rights, prepayments TDKK	Content Rights TDKK	Goodwill TDKK
Cost at 1 January	108,535	853,656	27,019
Additions for the year	276,437	161,493	0
Disposals for the year	0	(483,305)	0
Transfers for the year	(169,193)	169,193	0
Cost at 31 December	215,779	701,037	27,019
Impairment losses and amortisation at 1 January	0	482,436	6,402
Impairment losses for the year	62,193	70,399	0
Amortisation for the year	0	547,443	2,702
Reversal of amortisation of disposals for the year	0	(483,305)	0
Impairment losses and amortisation at 31 December	62,193	616,973	9,104
Carrying amount at 31 December	153,586	84,064	17,915

9. Property, plant and equipment

	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	45,865	2,155	9,813	0
Additions for the year	2,790	327	0	1,795
Transfers for the year	218	(218)	0	0
Disposals	(436)	0	0	0
Cost at 31 December	48,437	2,264	9,813	1,795
Impairment losses and depreciation at 1 January	32,415	2,009	6,481	0
Depreciation for the year	7,353	125	1,262	0
Disposals	(436)	0	0	0
Transfer to assets relating to discontinued operations	218	(218)	0	0
Impairment losses and depreciation at 31 December	39,550	1,916	7,743	0
Carrying amount at 31 December	8,887	348	2,070	1,795

NOTES TO THE FINANCIAL STATEMENTS

10. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

11. Share capital

	2018 TDKK	2017 TDKK
The share capital comprises:		
2 A shares of TDKK 500 nominal value each	1,000	1,000
1 B share of TDKK 600 nominal value each	600	600
1 C share of TDKK 400 nominal value each	400	400
	2,000	2,000

There have been no changes in the share capital during the last 5 years.

12. Provision for deferred tax

	2018 TDKK	2017 TDKK
Provision for deferred tax at 1 January	3,987	28,655
Amounts recognised in the income statement for the year	23,353	(24,668)
Provision for deferred tax at 31 December	27,340	3,987

The deferred tax charge relates to:

Intangible assets	32,337	9,304
Property, plant and equipment	(3,465)	(3,686)
Receivables	0	(116)
Provisions	(1,532)	(1,515)
	27,340	3,987

NOTES TO THE FINANCIAL STATEMENTS

13. Other provisions

	2018 TDKK	2017 TDKK
Other provisions	6,963	6,886
	<u>6,963</u>	<u>6,886</u>

Provisions relate to costs that may be incurred to restore current premises leased by the Company. The provision is based on Management's best estimate.

14. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2018 TDKK	2017 TDKK
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5,723	10,003
Between 1 and 5 years	11,020	26,871
	<u>16,743</u>	<u>36,874</u>

Other contingent liabilities

Joint taxation

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Groups Danish Companies. The total amount of corporation tax payable is disclosed in the Annual Report of Discovery Communications Nordic Aps, which is the management company for the joint taxation purposes and is jointly and severally with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Claims

The Company is claiming damages by means of litigations. The claims may have a material financial effect on the Company but are subject to significant uncertainty as to the outcome and timing of the effect. At present, it is not possible to make and estimate in this respect.

Contractual agreements

At 31 December 2018, the Company has entered into contracts regarding future programme rights, which are not recognised in the balance sheet. The contingencies hereof amount to a total liability of TDKK 297,482, of which TDKK 149,142 falls due within 1 year and TDKK 148,339 falls due after between 2 and 5 years.

15. Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

16. Related parties

Controlling interest	Basis
Discovery Networks Denmark ApS H. C. Andersens Boulevard 1 DK-1553 København V Denmark	Shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

The Company has in the financial year 2018 carried out transactions with related parties in accordance with the Groups Transfer Pricing policies.

Consolidated Financial Statements

The Company's ultimate parent, which prepares consolidated financial statements into which the Company is consolidated as a subsidiary, is Discovery Communications Inc., 1 Discovery Pl, Silver Spring, MD 20910, USA.

Name	Place of registered office
Discovery Communication Inc.	USA

The Group Annual Report of Discovery Communications Inc. may be obtained at the following address.

Discovery Communications Inc.
1 Discovery Pl, Silver Spring
MD 20910
USA

17. Fee to auditors appointed at the general meeting

	2018 TDKK	2017 TDKK
Fee for statutory audit	542	421

NOTES TO THE FINANCIAL STATEMENTS

18. Distribution of profit

	2018 TDKK	2017 TDKK
Extraordinary dividend paid	0	140,000
Retained earnings	(21,053)	(13,714)
	(21,053)	126,286

19. Accounting policies

The Annual Report of Discovery Networks Denmark ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting Class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Discovery Communication Inc., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

NOTES TO THE FINANCIAL STATEMENTS

19. Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases. Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition. Revenue from the sale of TV commercials and transmission is recognised in the income statement when the delivery and transfer of risk has been made before year end.

Other external expenses

Other external expenses comprise costs incurred in respect of sales, advertising, administration, office premises, bad debt losses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

NOTES TO THE FINANCIAL STATEMENTS

19. Accounting policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, finance lease payments, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with its Danish group enterprises. Discovery Communications Nordic ApS acts as management company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill is amortised over a period of 10 years.

Goodwill is amortised over the expected economic useful life, measured by reference to an assessment of, among other factors as the nature of the market position of the business, the stability of the industry and earnings, the market position of the acquired entity and what is considered as normal in the media business.

Programme rights comprise acquired programme rights, programmes ordered and prepayments of programmes.

Programme rights are recognised when the license period has begun and are measured at cost less accumulated amortisation and impairment. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

NOTES TO THE FINANCIAL STATEMENTS

19. Accounting policies (continued)

Amortisations equal the consumption of programme rights and begin at the date of the first broadcast, depending on the number of broadcasts permitted or planned, respectively. Amortisations are made using a diminishing balance method based on the number of broadcasts calculated based on a standardized pattern of consumption. For programme rights intended for only one broadcast, the total value is amortised at the date of the broadcast.

Amortization periods are reassessed annually.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

NOTES TO THE FINANCIAL STATEMENTS

19. Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

NOTES TO THE FINANCIAL STATEMENTS

19. Accounting policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$