

CHANNEL FOUR TELEVISION COMPANY LIMITED

Registered number - 1533774

**FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1993**



AM06035A

RECEIPT DATE: 22/07/94

CHANNEL FOUR TELEVISION COMPANY LIMITED

DIRECTORS' REPORT

Principal activities

Channel Four Television Company Limited (the Company) was set up as a wholly owned subsidiary of the Independent Broadcasting Authority (IBA) under the terms of Section 12(2) of the Broadcasting Act 1981 to obtain and assemble the necessary material and to carry out such other activities involved in providing programmes for the fourth channel television service as appeared to the IBA to be appropriate.

Ownership

The Broadcasting Act 1990 established the Independent Television Commission (ITC) which acquired the shares of the Company from the IBA on 1st January 1991. The Company was a wholly owned subsidiary of the ITC until 31st December 1992.

The Broadcasting Act 1990 established the Channel Four Television Corporation (the Corporation) on 1st January 1993. Under the terms of that Act, the shares of the Company vested in the Corporation from the ITC on that date.

Transfer of assets and liabilities

On 1st January 1993 the ITC issued a broadcasting licence under the terms of the Broadcasting Act 1990 for the Corporation to broadcast for the ten calendar years 1993 to 2002.

On 1st January 1993 the Corporation acquired the activities, assets and liabilities of its wholly owned subsidiary, the Company, except for certain leases, the costs of which are being borne by the Corporation. The assets and liabilities were transferred at book value and the consideration was left outstanding on current account due from the Corporation. The Company has not traded since 31st December 1992.

Funding

Until 31st December 1992 the Company obtained funds from the ITC, which collected the fourth channel subscription from each of the ITV companies, who sold the Company's advertising time. This funding arrangement, which operated since the Company started, ceased at the end of 1992.

From 1st January 1993 the Corporation sells its own advertising time, which is its principal revenue source.

Reserves

On 22nd March 1993 the Company reclassified the balance on its deferred income account as retained earnings and paid a dividend of £139,466,939 to the Corporation. The dividend was satisfied by a distribution in specie of that amount from the balance on the inter-corporate account. As a consequence, the Company is now dormant, with £100 of share capital and £100 owing from the Corporation.

CHANNEL FOUR TELEVISION COMPANY LIMITED

DIRECTORS' REPORT

Results

Following the transfer of the activities of the Company to the Corporation, the Company ceased trading on 31st December 1992.

Directors

The directors during the year were as follows:

Michael Grade

David Scott

Sir Michael Bishop	- resigned	28th June 1993
David Plowright	- resigned	28th June 1993
Bert Hardy	- resigned	28th June 1993
Anne Lapping	- resigned	28th June 1993
Mary McAleese	- resigned	28th June 1993
John McGrath	- resigned	28th June 1993
Sir David Nicholas	- resigned	28th June 1993
Usha Prashar	- resigned	28th June 1993
Stewart Butterfield	- resigned	28th June 1993
Colin Leventhal	- resigned	28th June 1993
Frank McGettigan	- resigned	28th June 1993
Liz Forgan	- resigned	25th January 1993
John Willis	- appointed	25th January 1993, resigned 28th June 1993

Directors' interests

None of the directors had any interest in the Company's shares.

Directors' and officers' liability insurance

The directors consider that it is appropriate with the increasing volume and complexity of legislation, that liability insurance should be available to directors and officers and a policy has been effected.

Auditors

Coopers & Lybrand have expressed their willingness to continue in office in accordance with Section 384 of the Companies Act 1985. A resolution proposing their reappointment as auditors will be put to the members at the Annual General Meeting.

By order of the Board

28 March 1994

JANET WALKER



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CHANNEL FOUR TELEVISION COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1993. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

CHANNEL FOUR TELEVISION COMPANY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
CHANNEL FOUR TELEVISION COMPANY LIMITED

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st December 1993 and of its results and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
28 March 1994

CHANNEL FOUR TELEVISION COMPANY LIMITED

INCOME AND EXPENDITURE ACCOUNT

		1993	1992
	Notes	£000	£000
Income from the ITC	1(c)	-	251,229.9
Cost of programme transmissions	1(c)	-	(200,067.3)
Transmission and distribution costs		-	(23,908.9)
		-	27,253.7
Operational and administrative expenses	2 to 4	-	(28,164.8)
			(911.1)
Transfer from deferred income	1(c), 13		911.1
Other income less expenditure	1(c), 5	-	(5,334.0)
Less taxation thereon	6	-	(1,179.7)
Deficit for the year after taxation	14	-	(6,513.7)
Dividend	15	(139,466.9)	
		<u>(139,466.9)</u>	<u>(6,513.7)</u>

The Company has not traded since 31 December 1992.

The Company has no recognised gains or losses other than those included in the income and expenditure account above and therefore no statement of total recognised gains or losses is presented.

There is no difference between the deficits before and after taxation, and their historical cost equivalents.

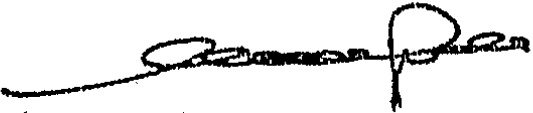
The notes on pages 7 to 17 form part of these financial statements.


Report of the auditors - page 4.

CHANNEL FOUR TELEVISION COMPANY LIMITED

BALANCE SHEET

At 31 December		1993	1993	1992	1992
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	1(d), 7				58,453.8
Current assets					
Programme and film rights	1(c), 1(f), 8	-		111,901.3	
Debtors	9	0.1		13,281.9	
Cash at bank and in hand		-		4,836.3	
		0.1		130,019.5	
Creditors					
Amounts falling due within one year	10	-		(30,006.3)	
Net current assets			0.1		100,013.2
Total assets less current liabilities			0.1		158,467.0
Creditors					
Amounts falling due after one year	11		-		(16,000.0)
Net assets			0.1		<u>139,467.0</u>
Capital and reserves					
Called up share capital	12		0.1		0.1
Deferred income	1(c), 13		-		136,746.9
Income and expenditure account	14		-		2,720.0
			0.1		<u>139,467.0</u>


Michael Grade
Director


David Scott
Director

These financial statements were approved by the Board of Directors on 28 March 1994.

The notes on pages 7 to 17 form part of these financial statements.

Report of the auditors - page 4.

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1993

1. Principal accounting policies

(a) ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(b) ACCOUNTING POLICIES

A summary of the more important accounting policies, all of which were applied consistently up to 31 December 1992, the date on which the Company ceased to trade, is set out below.

(c) INCOME AND EXPENDITURE ACCOUNT

(i) INCOME:

a) Income from the ITC is credited to the income and expenditure account when it is receivable.

b) Income from programme and film sales is recognised in the income and expenditure account when the sales are confirmed to the company.

(ii) COST OF PROGRAMME TRANSMISSIONS:

The direct cost of programme and film rights is wholly written off on first transmission.

(iii) INCOME RECEIVED IN ADVANCE OF RELATED EXPENDITURE:

As a result of the above policies, income from the ITC may be credited in advance of the costs of programme and film rights being charged in the income and expenditure account. Such income received in advance (after taking account of transmission and distribution costs, and operational and administrative expenses) is transferred to deferred income. As programmes are transmitted, there is a corresponding transfer of the relevant income back into the income and expenditure account. The income and expenditure account therefore contains a net transfer to or from deferred income comprising these two transfers.

The balance of deferred income represents the principal means of financing the net assets of the Company, and accordingly is shown within capital and reserves in the balance sheet. This represents a departure from the normal presentation prescribed by the Companies Act 1985.

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(d) FIXED ASSETS

- (i) Fixed assets are stated at cost, together with any incidental expenses of acquisition, less depreciation.
- (ii) Depreciation is calculated so as to write off the cost of the asset on a straight line basis over its estimated useful life from the date of its first utilisation. The principal annual rates used for this purpose are as follows:

Assets held by Channel 4:

Freehold land	Nil
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Leasehold properties are depreciated over the remaining period of occupancy

Technical equipment and office furniture	20%
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Motor cars	25%
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Assets held by third parties:

Freehold properties	2%
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Technical equipment	20% or 33%
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- (iii) The construction costs of the Horseterry Road property will be depreciated at the rate of 2% per annum from the date of occupation of the completed building in 1994.

- (iv) Direct computer software development costs are capitalised and depreciated at 20% per annum from the date of implementation of the software system.

(e) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date. Any resultant gain or loss on exchange is shown as part of the surplus or deficit for the year.

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(f) PROGRAMME AND FILM RIGHTS

- (i) Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for expenditure on programmes or films which are unlikely to be transmitted or sold.

Direct cost is defined as payments made or due to production companies or programme suppliers, but excludes any costs falling due after the balance sheet date.

- (ii) Development expenditure, consisting of funds spent on projects prior to a final decision being made on whether a programme will be commissioned, is included in programme and film rights but is fully provided for. Where development expenditure leads to the commissioning of a programme, such expenditure is transferred to programme cost and the provision is released. At each time as it is apparent that a development will not result in a programme, the development cost and the provision are written out of the financial statements.

(g) CASHFLOW STATEMENT

The Company is a wholly owned subsidiary of Channel Four Television Corporation which includes a consolidated cashflow statement in its annual financial statements. Consequently, the Company is exempt under the terms of the Financial Reporting Standard No 1 from publishing a cashflow statement.

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Operational and administrative expenses

	1993 £000	1992 £000
Employee and freelance staff costs		15,211.6
Establishment costs		6,076.8
Depreciation of fixed assets (note 7)		3,810.6
Press office and promotion		1,797.0
Travel and subsistence		1,071.5
Other general expenses		197.3

28,164.8

and include:

	£000	£000
Auditors' remuneration:		
audit		38.4
non audit		104.0
Directors' remuneration:		
to the non-executive directors		77.6
to the executive directors for management, (including pension contributions)		956.8
Operating lease rentals - company premises		2,926.5
Equipment hire		232.6

Auditors' remuneration of £2,500 relating to the 1993 audit of the Company was borne by the Corporation. Operating lease rentals of £291,000 in 1993, relating to leases held by the Company, were borne by the Corporation.

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Directors' remuneration

The following information is given in accordance with Schedule 5 Part V of the Companies Act 1985 and excludes pension contributions:

	1993 £000	1992 £000
Chairman's remuneration		33
Highest paid director's remuneration		314
	Number	Number
£0 - £5,000	15	6
£5,001 - £10,000		3
£10,001 - £15,000		1
£15,001 - £20,000		1
£20,001 - £25,000		1
£25,001 - £30,000		2
£30,001 - £35,000		1
£35,001 - £40,000		1
£40,001 - £45,000		1
£45,001 - £50,000		1
£50,001 - £55,000		1
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£60,001 - £65,000		1
£65,001 - £70,000		1
£70,001 - £75,000		1
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£80,001 - £85,000		1
£85,001 - £90,000		1
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£105,001 - £110,000		1
£110,001 - £115,000		1
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£130,001 - £135,000		1
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£150,001 - £155,000		1
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£170,001 - £175,000		1
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£305,001 - £310,000		1
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£330,001 - £335,000		1
£335,001 - £340,000		1
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£350,001 - £355,000		1
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£605,001 - £610,000		1
£610,001 - £615,000		1
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£655,001 - £660,000		1
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£985,001 - £990,000		1
£990,001 - £995,000		1
£995,001 - £1,000,000		1
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£1,005,001 - £1,010,000		1
£1,010,001 - £1,015,000		1
£1,015,001 - £1,020,000		1
£1,020,001 - £1,025,000		1
£1,025,001 - £1,030,000		1
£1,030,001 - £1,035,000		1
£1,035,001 - £1,040,000		1
£1,040,001 - £1,045,000		1
£1,045,001 - £1,050,000		1
£1,050,001 - £1,055,000		1
£1,055,001 - £1,060,000		1
£1,060,001 - £1,065,000		1
£1,065,001 - £1,070,000		1
£1,070,001 - £1,075,000		1
£1,075,001 - £1,080,000		1
£1,080,001 - £1,085,000		1
£1,085,001 - £1,090,000		1
£1,090,001 - £1,095,000		1
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£1,105,001 - £1,110,000		1
£1,110,001 - £1,115,000		1
£1,115,001 - £1,120,000		1
£1,120,001 - £1,125,000		1
£1,125,001 - £1,130,000		1
£1,130,001 - £1,135,000		1
£1,135,001 - £1,140,000		1
£1,140,001 - £1,145,000		1
£1,145,001 - £1,150,000		1
£1,150,001 - £1,155,000		1
£1,155,001 - £1,160,000		1
£1,160,001 - £1,165,000		1
£1,165,001 - £1,170,000		1
£1,170,001 - £1,175,000		1
£1,175,001 - £1,180,000		1
£1,180,001 - £1,185,000		1
£1,185,001 - £1,190,000		1
£1,190,001 - £1,195,000		1
£1,195,001 - £1,200,000		1
£1,200,001 - £1,205,000		1
£1,205,001 - £1,210,000		1
£1,210,001 - £1,215,000		1
£1,215,001 - £1,220,000		1
£1,220,001 - £1,225,000		1
£1,225,001 - £1,230,000		1
£1,230,001 - £1,235,000		1
£1,235,001 - £1,240,000		1
£1,240,001 - £1,245,000		1
£1,245,001 - £1,250,000		1
£1,250,001 - £1,255,000		1
£1,255,001 - £1,260,000		1
£1,260,001 - £1,265,000		1
£1,265,001 - £1,270,000		1
£1,270,001 - £1,275,000		1
£1,275,001 - £1,280,000		1
£1,280,001 - £1,285,000		1
£1,285,001 - £1,290,000		1
£1,290,001 - £1,295,000		1
£1,295,001 - £1,300,000		1
£1,300,001 - £1,305,000		1
£1,305,001 - £1,310,000		1
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£1,315,001 - £1,320,000		1
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£1,335,001 - £1,340,000		1
£1,340,001 - £1,345,000		1
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£1,355,001 - £1,360,000		1
£1,360,001 - £1,365,000		1
£1,365,001 - £1,370,000		1
£1,370,001 - £1,375,000		1
£1,375,001 - £1,380,000		1
£1,380,001 - £1,385,000		1
£1,385,001 - £1,390,000		1
£1,390,001 - £1,395,000		1
£1,395,001 - £1,400,000		1
£1,400,001 - £1,405,000		1
£1,405,001 - £1,410,000		1
£1,410,001 - £1,415,000		1
£1,415,001 - £1,420,000		1
£1,420,001 - £1,425,000		1
£1,425,001 - £1,430,000		1
£1,430,001 - £1,435,000		1
£1,435,001 - £1,440,000		1
£1,440,001 - £1,445,000		1
£1,445,001 - £1,450,000		1
£1,450,001 - £1,455,000		1
£1,455,001 - £1,460,000		1
£1,460,001 - £1,465,000		1
£1,465,001 - £1,470,000		1
£1,470,001 - £1,475,000		1
£1,475,001 - £1,480,000		1
£1,480,001 - £1,485,000		1
£1,485,001 - £1,490,000		1
£1,490,001 - £1,495,000		1
£1,495,001 - £1,500,000		1
£1,500,001 - £1,505,000		1
£1,505,001 - £1,510,000		1
£1,510,001 - £1,515,000		1
£1,515,001 - £1,520,000		1
£1,520,001 - £1,525,000		1
£1,525,001 - £1,530,000		1
£1,530,001 - £1,		

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Other income less expenditure

	1993 £000	1992 £000
PROGRAMME AND FILM SALES		
Income:		
Programme sales		3,771.4
Film sales		3,369.1
Co-finance		3,531.7
Commission		980.9
Investment income		473.2
Publishing and merchandising		316.9
		12,451.2
Less costs of sales:		
Direct costs		(2,941.3)
Share of income due to independent producers and third parties		(5,171.9)
Operational and administrative expenses		(1,574.9)
		2,143.1
OTHER INCOME & EXPENDITURE		
TV Times copyright fees		1,063.2
Sponsorship income		817.0
Foreign exchange gain		511.9
Interest receivable		119.8
Other income		689.8
Less:		
Advertising sales staff expenses		(8,625.7)
Interest and finance charges		(2,163.1)
		(7,477.1)
		<u>(5,334.0)</u>
	1993 £000	1992 £000
Exports:		
USA		2,600.0
Rest of the world		7,361.0
		9,961.0
UK sales and other income		2,490.2
		<u>12,451.2</u>

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Taxation

Taxation is not levied on the income from the ITC less related costs.

UK corporation tax is payable on other income less expenditure as follows:

	1993 £000	1992 £000
UK corporation tax based on: other income less expenditure for the year @ 33.0% (1992:33.0%)	-	1,179.7
Double tax relief	-	(200.0)
	-	979.7
Overseas taxation	-	200.0
	-	<u>1,179.7</u>

7. Fixed assets

Tangible assets

	Freehold properties £000	Leasehold properties £000	Furniture & equipment £000	Motor vehicles £000	Total £000
COST					
At 1 January 1993	40,530.8	8,627.6	30,252.7	881.7	80,292.8
Disposals	(40,530.8)	(8,627.6)	(30,252.7)	(881.7)	(80,292.8)
At 31 December 1993					
DEPRECIATION					
At 1 January 1993	(75.0)	(5,797.7)	(15,715.9)	(250.4)	(21,839.0)
Disposals	75.0	5,797.7	15,715.9	250.4	21,839.0
At 31 December 1993					
NET BOOK VALUE					
At 31 December 1992	<u>40,455.8</u>	<u>2,829.9</u>	<u>14,536.8</u>	<u>631.3</u>	<u>58,453.8</u>
At 31 December 1993					

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Programme and film rights

	1993 £000	1992 £000
Programmes and films completed but not transmitted		31,765.7
Programmes and films in the course of production		47,459.0
Purchased programme and film rights		32,676.6
		<u>111,901.3</u>

9. Debtors

	1993 £000	1992 £000
Prepayments and accrued other income		7,138.0
Subscription income due from the ITC		3,115.9
Value added tax		
Other debtors	0.1	3,028.0
	<u>0.1</u>	<u>13,281.9</u>

The other debtors of £100 at 31 December 1993 comprise an amount due from Channel Four Television Corporation.

10. Creditors

	1993 £000	1992 £000
Trade creditors		6,565.0
Accruals		21,374.0
Other creditors including taxation and social security:		
United Kingdom corporation tax		456.1
Social security		496.0
Value added tax		311.0
Other creditors		874.2
		<u>30,006.3</u>

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Creditors: amounts falling due after one year

At 31 December 1992 these represented amounts drawn down under the Company's medium term loan facility, and were due for repayment between March 1995 and March 1998.

12. Share capital

The authorised and allotted share capital consists of 100 ordinary shares of £1 each, fully paid.

13. Deferred income

	1993 £000	1992 £000
At 1 January	136,746.9	137,658.0
Net transfer for the year		(911.1)
Transfer to income and expenditure account (note 15)	(136,746.9)	
At 31 December		<u>136,746.9</u>

14. Income and expenditure account

	1993 £000	1992 £000
At 1 January	2,720.0	9,233.7
Deficit for the year		(6,513.7)
Transfer from deferred income (note 15)	136,746.9	
Dividend (note 15)	(139,466.9)	
At 31 December		<u>2,720.0</u>

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Company status

Until 31 December 1992 the Company was a wholly owned subsidiary of the Independent Television Commission.

On 1 January 1993 all of the shares of the Company were transferred from the ITC to Channel Four Television Corporation under the terms of the Broadcasting Act 1990. Consequently, Channel Four Television Company Limited is a wholly owned subsidiary of Channel Four Television Corporation.

Consequent upon the Broadcasting Act 1990 Channel Four Television Corporation acquired all of the activities, assets and liabilities of the Company at 1 January 1993 for book value, the balance on the Company's deferred income account was transferred to its income and expenditure account, and a dividend of £139.5 million being the balance on the Company's income and expenditure account, was paid to the Corporation.

Copies of the parent's financial statements may be obtained from the Secretary, Channel Four Television Corporation, 60 Charlotte Street, London W1P 2W.

16. Programme and film commitments

At 31 December, the Company had committed future expenditure for programmes and films due for payment as follows:

	1993 £000	1992 £000
In one year	-	158,600.0
After one year	-	36,100.0
		<u>194,700.0</u>

17. Other commitments

(a) CAPITAL EXPENDITURE:

	1993 £000	1992 £000
Amounts contracted but not provided for in the financial statements	-	25,800.0
Amounts authorised for expenditure but not contracted at 31 December	-	<u>9,900.0</u>

(b) FORWARD FOREIGN EXCHANGE CONTRACTS:

At 31 December 1992, Channel 4 had entered into commitments to purchase foreign currencies amounting to £5.5 million (31 December 1993: Nil), maturing between February and July 1993, which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments. These commitments were transferred to Channel Four Television Corporation on 1st January 1993.

CHANNEL FOUR TELEVISION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. Reconciliation of shareholder's funds

	1993 £000
At 1 January	139,467.0
Profit for the financial year	-
Dividend	(139,466.9)
At 31 December	<u>0.1</u>