

Box Television Limited

Report and Accounts

For the seven months ended 31 October 2007

Company Registration No. 2643552

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Box Television Limited
Index to the report and accounts
For the seven months ended 31 October 2007

Page

1	Directors, officers and auditors
2-3	Directors' Report
4	Auditors' Report
5	Profit and Loss Account
6	Balance Sheet
7 -13	Notes to the Accounts

Box Television Limited
Directors, officers and auditors

Directors

A N C Barnes	
C P Evans	(appointed 18 August 2008)
G Katz	(appointed 18 February 2008)
P A Keenan	(appointed 2 April 2008)
S A Monks	(appointed 20 December 2007)
S Rose	(appointed 18 February 2008)
N Schwarz	(appointed 18 February 2008)
D T Young	(appointed 20 December 2007)

Company secretary M C Oakes

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registered office

124 Horseferry Road
London
SW1P 2TX

Company number 2643552

Box Television Limited

Directors' Report

For the seven months ended 31 October 2007

The directors submit their report and accounts for the seven months ended 31 October 2007

Principal activities and results

The principal activity of Box Television Limited ("the Company") is to operate viewer interactive music television services in the United Kingdom and the Republic of Ireland known as, amongst others, "The Box", "Kiss TV", "Q TV", "Kerrang!TV", "Smash Hits TV", "Magic TV" and "The Hits TV"

The results for the Company show pre-tax profits for the period of £2,815,000 (year ended 31 March 2007 £7,851,000) and turnover of £13,962,000 (year ended 31 March 2007 £26,557,000). An interim dividend of £711,000 (year ended 31 March 2007 £nil) was paid in the period. The directors do not recommend the payment of a final dividend (year ended 31 March 2007 £11,685,000, which was declared and paid in the current period).

With effect from 1 August 2007, Bauer Consumer Media Limited (formerly Emap Consumer Media Limited), the Company's immediate parent company, sold 50% of its holdings in the Company's shares to 4 Ventures Limited, a subsidiary of Channel Four Television Corporation, making the Company a joint venture company from this date.

On 10 January 2008 the Company changed its accounting reference date to 31 October 2007.

Post Balance Sheet Events

On 7 December 2007, Emap plc (now known as Emap International Limited "Emap"), the ultimate parent company of Bauer Consumer Media Limited, announced the sale of its Consumer Media division, which includes the Company, to Heinrich Bauer Verlag KG. The disposal was approved by the shareholders of Emap at a General Meeting on 25 January 2008 and completed on 31 January 2008.

On 13 February 2008, the Company changed its registered office to 124 Horseferry Road, London SW1P 2TX.

On 15 August 2008, the Company rebranded The Hits TV to 4Music combining the unique heritage of Channel 4's music output and the strong performance of The Hits. Within three days of the relaunch it has established itself as the UK number one music TV channel.

Future outlook

The external commercial environment is expected to remain competitive in 2007-08 and beyond as competitive intensity remains high in the TV sector. Future growth in the business is expected principally in two areas, 1) Launching/Re-launching new channels, 2) Expansion of offerings across platforms (e.g. web, mobile, IPTV/VOD).

Principal risks and uncertainties

There are some risks and uncertainties that the Company faces in 2007-08 which are expected to be offset by the aforementioned future growth opportunities. Notable risks include, advertising outlook given recessionary fears within the ad UK market, incremental transmission costs caused by digital switch over and additional content and marketing costs remain competitive as digital TV approaches market saturation.

Key performance indicators ("KPIs")

The Company's performance on key performance indicators is favourable. Share of the music television market grew in the period April to October by 1% point to 38%. Commercial impacts have grown 24% on The Hits TV channel, in part due to its presence on the growing DTT platform. The remaining channels have declined 19% due to increased competitive pressure on the Sky and Cable platforms.

Directors

The current directors are shown on page 1. The directors who held office during the period are given below.

A N C Barnes	(appointed 31 July 2007)
R Henwood	(appointed 31 July 2007, resigned 18 February 2008)
K A Lygo	(appointed 31 July 2007, resigned 18 February 2008)
D Mistry	(appointed 6 June 2007, resigned 2 April 2008)
M Rich	(resigned 6 June 2007)
M Stanton	(resigned 18 August 2008)

Creditor payment policy

The Company understands the benefits to be derived from maintaining good relationships with its suppliers and accordingly the Company ensures that, wherever possible, its payments to suppliers for goods and services are made in accordance with the suppliers' terms and conditions. The Company had no trade creditors at 31 October 2007 (year ended 31 March 2007 creditor days were 34 days).

Box Television Limited

Directors' Report

For the seven months ended 31 October 2007

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the seven months ended 31 October 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and (2) the director has taken all the steps s/he ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985 (as amended).

Approved by the board of directors on

2

September 2008



S Rose
Director



C P Evans
Director

Box Television Limited
Independent Auditors' Report
For the seven months ended 31 October 2007

Independent auditors' report to the members of Box Television Limited

We have audited the financial statements of Box Television Limited for the seven months ended 31 October 2007 which comprise the profit and loss account, the balance sheet, and related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 whether 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

5 September 2008

Box Television Limited
Profit and Loss Account
For the seven months ended 31 October 2007

	Notes	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
Turnover	2	13,962	26,557
Cost of sales		(2,668)	(4,759)
Gross profit		11,294	21,798
Administrative expenses		(8,736)	(14 676)
Other operating income		20	-
Operating profit	3	2,578	7,122
Interest receivable	5	237	729
Profit on ordinary activities before taxation		2,815	7,851
Tax on profit on ordinary activities	6	(857)	(2 358)
Profit after taxation		1,958	5,493
Dividends	7	(12,396)	-
(Loss)/retained profit for the period	13	(10,438)	5,493

The above results relate to continuing operations

The company has no recognised gains and losses other than those stated above and therefore no separate statement of recognised gains and losses has been presented

There is no difference between the reported profits and the historical cost profits on ordinary activities before taxation for both periods being reported

The notes on pages 7 to 13 form part of these accounts

Box Television Limited
Balance Sheet
At 31 October 2007

	Notes	31 October 2007 £'000	31 March 2007 £'000
Fixed assets			
Tangible fixed assets	8	309	238
Current assets			
Debtors	9	7,301	16,606
Creditors amounts falling due within one year	10	(4,649)	(2 656)
Net current assets		2,652	13,950
Net assets		2,961	14,188
Capital and reserves			
Called up share capital	12	1	1
Share premium account	13	1,713	2,502
Profit and loss account	13	1,247	11,685
Total shareholders' funds	14	2,961	14,188

The financial statements on pages 5 to 13 were approved by the board of directors on 2 September 2008 and were signed on its behalf by



S Rose
Director



C P Evans
Director

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

1 Accounting policies

Basis of accounting

These accounts have been prepared on the going concern basis and under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The directors, in accordance with the Financial Reporting Standard 18, "Accounting Policies" ("FRS 18"), confirm that the accounting policies used by the Company are the most appropriate, consistently applied and adequately disclosed.

A summary of the more important accounting policies is set out below.

Tangible fixed assets and depreciation

The cost of tangible fixed assets less estimated residual value on disposal is written down evenly over their expected useful lives as follows:

Plant and machinery	- 3 years
Fixtures, fittings and equipment	- 3 years
Leasehold improvement	- 5 years or shorter of life of lease

Estimated useful lives and residual values are reviewed at each balance sheet date.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that a transaction or event that has occurred at the balance sheet date gives rise to an obligation to pay more tax or a right to pay less tax in the future. Deferred tax assets are only recognised to the extent that, based on available evidence, it is more likely than not suitable taxable profits will arise from which the reversal of the asset can be deducted. The Company does not discount deferred tax assets or liabilities.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability either in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, when the dividend is paid.

Leasing

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Pensions

Emap operates a defined contribution pension plan, Flexiplan, for eligible employees of the Company. The cost of providing pensions under the defined contribution scheme is charged to the profit and loss account as it becomes payable.

2 Turnover

Revenue is recognised when the significant risks and rewards of ownership have been transferred to a third party, or for services provided, at the point when it is probable that the economic benefits will flow to the Company and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration and represents amounts receivable for services and goods provided in the normal course of business, net of discounts, custom duties and sales taxes.

TV advertising revenue is recognised on the date of broadcast and subscription revenue is recognised on monthly subscriber viewer numbers. Other revenues are recognised at the point of sale or evenly over the life of the contract.

An analysis of turnover by geographical market is given below:

	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
United Kingdom	13,767	26,186
Rest of the world	195	371
	13,962	26,557

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

3 Operating profit

(a) This is stated after charging

	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
Depreciation of owned tangible fixed assets	57	297
Operating lease rentals - plant and machinery	2,660	4,083
Fees for the audit of the Company	7	10

Fees for the audit of the Company for the 12 months ended 31 March 2007 of £10,000 were borne by other undertakings of the Emap Group and not recharged

(b) Directors' emoluments

The Directors did not receive any compensation for their services during the period (year ended 31 March 2007 £79,000)

4 Staff costs

(a) Costs (including directors' emoluments)

	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
Wages and salaries	792	1,493
Social security costs	100	197
Other pension costs	15	35
	907	1,725

(b) Pension costs defined contribution plan - (Flexiplan)

The pension charge for Flexiplan represents contributions payable by the employer. During the period it amounted to £14,683 (year ended 31 March 2007 £35,487). The pension scheme is administered by Emap.

(c) Employees

The average weekly number of UK persons (including executive directors) employed by or engaged in the business of the Company during the period was 40 (year ended 31 March 2007 41).

(d) Staff share bonus

In the year ended 31 March 2007, Emap offered free shares to the value of £840 to qualifying staff. Sharemap was part of Lifemap, Emap's flexible benefits plan, and allowed staff to save up to £1,500 a year to buy Emap shares. Emap would then match the cumulative investment in shares on a one to one basis. The shares were held in trust for staff for three years, after which time they could be sold. After five years, the shares were free of income tax on release from the trust. The Emap SAYE scheme has run in the UK for 22 consecutive years. No such staff share bonus was offered during the period ended 31 October 2007.

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

5	Interest receivable	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
	Interest receivable (see note 18)	237	729

6	Tax on profit on ordinary activities	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
	Corporation tax	814	2,353
	Corporation tax prior year adjustment	-	(4)
	Total current tax	814	2,349
	Deferred tax - current period	30	10
	Deferred tax - prior year	13	(1)
	Tax on profit on ordinary activities	857	2,358

The difference between tax as per the financial statements and tax at the UK nominal rate is explained below

	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
Profit before tax	2,815	7,851
Tax charge at 30% (2007 30%)	844	2,355
Corporation tax prior year adjustments	-	(4)
Non-tax deductible expenses	2	8
Deferred tax accelerated capital allowances	(32)	(10)
Current tax charge for the period	814	2,349

The anticipated future effective rate of tax for the Company will be around 28-29% representing a current period tax charge calculated as the future UK nominal rate of tax at 28% (31 March 2007 30%) multiplied by the accounting profit for the period plus ordinary permanently disallowed items of income and expense

The UK budget announcement of 21 March 2007 included a number of changes to the UK tax rules to be phased in over the financial years 2008/09 - 2010/11 (inclusive). The announcements that will have the most immediate impact on the Company are the reduction in the rate of UK corporation tax from 30% to 28% and the reduction in tax allowances on plant and machinery from 25% to 20% (plant) and 25% to 10% (building fixtures) for the 2008/09 financial year. As at the balance sheet date the reduced rate of corporation tax to 28% had been substantially enacted whilst the capital allowance rate changes had not. The deferred tax as at 31 October 2007 has therefore been calculated at the future expected rate of reversal of 28% (March 2007 - 30%).

7	Dividend paid	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
	Final dividend for year ended 31 March 2007 of £12,470 per ordinary share of £1 each (31 March 2007 £nil)	11,685	-
	Interim dividend of £759 per ordinary share of £1 each (31 March 2007 £nil)	711	-
		12,396	-

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

8 Tangible fixed assets

	Plant & Equipment £'000	Fixtures & Fittings £'000	Leasehold Improvement £'000	Total £'000
Cost				
At 1 April 2007	3,489	222	2	3,713
Additions	118	10	-	128
Transfers	91	(91)	-	-
At 31 October 2007	3,698	141	2	3,841
Depreciation				
At 1 April 2007	3,258	215	2	3,475
Provided during the period	51	6	-	57
Transfers	107	(107)	-	-
At 31 October 2007	3,416	114	2	3,532
Net book value				
At 31 October 2007	282	27	-	309
At 31 March 2007	231	7	-	238

9 Debtors

	31 October 2007 £'000	31 March 2007 £'000
Trade debtors	528	816
Amounts owed by related undertakings (see note 18)	3,658	14,378
Prepayments and accrued income	2,932	1,186
Deferred tax (Note 11)	183	226
	7,301	16,606

Amounts owed by related undertakings are unsecured, bearing interest at the SONIA rate (31 March 2007 SONIA rate) and have no fixed date of repayment

10 Creditors amounts falling due within one year

	31 October 2007 £'000	31 March 2007 £'000
Trade creditors	-	445
Amounts owed to related undertakings (see note 18)	708	-
Accruals and deferred income	2,108	1,454
Other creditors including taxation and social security	265	49
Other creditors	1,069	708
Corporation tax	499	-
	4,649	2,656

Amounts owed to related undertakings are unsecured, bearing interest at the SONIA rate (31 March 2007 SONIA rate) and have no fixed date of repayment

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

11 Deferred taxation

The movement on deferred tax is

	Deferred tax £'000
At 1 April 2007	(226)
Transferred from profit and loss account	43
At 31 October 2007	- (183)

The deferred taxation asset has been recognised in the accounts as follows

	31 October 2007 £'000	31 March 2007 £'000
Depreciation in advance of capital allowances	(183)	(226)

There is no unprovided deferred taxation (31 March 2007 nil)

12 Called up share capital

	31 October 2007 £	31 March 2007 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Reclassification of ordinary shares	(1,000)	-
500 A ordinary shares of £1 each	500	-
500 B ordinary shares of £1 each	500	-
101 deferred shares of £1 each	101	-
	1,101	1,000
Allotted, called up and fully paid		
937 ordinary shares of £1 each	937	937
63 ordinary shares of £1 each issued during period	63	-
Reclassification of ordinary shares	(1,000)	-
500 A ordinary shares of £1 each	500	-
500 B ordinary shares of £1 each	500	-
	1,000	937

On 31 July 2007, 63 ordinary shares were issued at par

On 31 July 2007, the Company's authorised share capital was increased by the creation of 101 deferred shares of £1 each. These shares rank pari passu with the ordinary shares but carry no voting rights and are not entitled to any dividend payments. On 31 July 2007, 1 deferred share with a nominal value of £1 was issued at par.

On 31 July 2007, 1,000 ordinary shares were reissued as 500 A ordinary shares and 500 B ordinary shares. The A and B shares each carry the respective voting rights and right to appoint and remove directors set out in the articles, but in all other respects rank pari passu and are identical as one class of shares.

On 24 September 2007, the Company bought back the 1 deferred share issued on 31 July 2007 for total consideration of £789,000.

500 A ordinary shares of £1 each are held by Bauer Consumer Media Limited and 500 B ordinary shares of £1 each are held by 4 Ventures Limited.

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

13 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	2,502	11,685	14,187
Profit for the period	-	1,958	1,958
Dividends (see note 7)	-	(12,396)	(12,396)
Share buy back (see note 12)	(789)	-	(789)
At 31 October 2007	1,713	1,247	2,960

14 Reconciliation of movements in shareholders' funds

	31 October 2007 £'000	31 March 2007 £'000
Profit for the period	1,958	5,493
Dividends	(12,396)	-
(Loss)/retained profit for the financial period	(10,438)	5,493
Share buy back	(789)	-
Net (decrease)/increase in equity shareholders' funds	(11,227)	5,493
Opening shareholders' funds	14,188	8,695
Closing shareholders' funds	2,961	14,188

15 Lease commitments

At 31 October 2007 the Company had annual commitments under non cancellable operating leases expiring as follows

	31 October 2007 Other £'000	31 March 2007 Other £'000
Within two to five years	-	3,200
After five years	3,431	-
	3,431	3,200

16 Information on Cash Flow

No cash flow statement has been presented as Emap administers all of the cash transactions for the Company. As a consequence the Company had no cash transactions in the period (31 March 2007 £nil) and holds no cash balances at 31 October 2007 (31 March 2007 £nil)

Reconciliation of operating profit to "net cash flow from operating activities"	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
Operating profit	2,578	7,122
Depreciation	57	297
Increase in debtors	(4,144)	(5,893)
Increase/(decrease) in creditors	1,509	(1,526)
"Net cash flow" from operating activities	-	-

Box Television Limited

Notes to the accounts

For the seven months ended 31 October 2007

17 Post Balance Sheet Events

On 7 December 2007, Emap, the ultimate parent company of Bauer Consumer Media Limited, announced the sale of its Consumer Media division, which includes the Company, to Heinrich Bauer Verlag KG. The disposal was approved by the shareholders of Emap at a General Meeting on 25 January 2008 and completed on 31 January 2008.

On 13 February 2008, the Company changed its registered office to 124 Horseferry Road, London SW1P 2TX.

On 15 August 2008, the Company rebranded The Hits TV to 4Music combining the unique heritage of Channel 4's music output and the strong performance of The Hits. Within three days of the relaunch it has established itself as the UK number one music TV channel.

18 Related party transactions

With effect from 1 August 2007, the Company became a joint venture in which shares are held equally by Bauer Consumer Media Limited (formerly Emap Consumer Media Limited) (whose ultimate holding company was Emap) and 4 Ventures Limited (whose ultimate holding company is Channel Four Television Corporation).

Copies of the ultimate parent companies' consolidated financial statements may be obtained from the Secretary at the registered offices of the companies concerned.

Ultimate parent company	Registered office address
Emap plc (now known as Emap International Limited) Channel Four Television Corporation	Greater London House, Hampstead Road, London NW1 7EJ 124 Horseferry Road, London, SW1P 2TX

Following the post balance sheet event described in note 17, the directors consider that, as at the date of issue of these financial statements, the ultimate parent company and controlling party of Bauer Consumer Media Limited had changed to Heinrich Bauer Verlag KG, a company incorporated in Germany.

During the period, the Company entered into the following related party transactions:

	7 months ended 31 October 2007 £'000	12 months ended 31 March 2007 £'000
Interest receivable from Emap	237	729
Central recharges paid to		
- Emap	832	1,779
- Emap Support Services Limited	189	384
Transponder fees paid to Bauer Digital Radio Limited (formerly Emap Digital Radio Limited)	522	-
Marketing costs payable to Channel Four Television Corporation	380	-
Balances outstanding with Related Parties at	31 October 2007 £'000	31 March 2007 £'000
Debtors		
Emap	3,370	14,378
Bauer Digital Radio Limited	261	-
Bauer Consumer Media Limited	27	-
	3,658	14,378
Creditors		
Emap	46	-
Bauer Consumer Media Limited	282	-
Channel Four Television Corporation	380	-
	708	-