BOX TELEVISION LIMITED

Directors' report and financial statements

Registered number 2643552

For the year ended 31 December 2010

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Directors' Report

The directors present their report and the financial statements of Box Television Limited ("the Company") for the year ended 31 December 2010

Ownership

The Company is a joint venture owned equally by Bauer Consumer Media Limited and 4 Ventures Limited The ultimate parent company of Bauer Consumer Media Limited is Heinrich Bauer Verlag KG 4 Ventures Limited is a wholly owned subsidiary of Channel Four Television Corporation ('Channel 4')

Business review

The Company's principal activity is to produce music and commercial content and to operate seven music television channels and their ancillary services (predominantly in the United Kingdom and the Republic of Ireland), known as '4Music', 'The Box', 'Kiss TV', 'Q TV', 'Kerrang TV', 'Magic TV', and 'Smash Hits TV' All seven channels are available on Satellite and Cable platforms and 4Music is also available on Freeview

In January 2010 Channel 4 commenced advertising sales representation for the company The operation transferred from Sky to Channel 4 following the expiry of the contract previously held with Sky

Financial performance and key performance indicators

The company generated an operating profit of £11 8 million in the year (2009 £4 4 million)

Revenue is derived principally from the selling of advertising slots before and during programmes, sponsorship campaigns associated with programmes and subscription services Revenues grew year on year by £7 0 million from £28 5 million in 2009 to £35 5 million in 2010, reflecting year on year growth of 25% due in part to a combination of a one-time benefit of changing airtime sales arrangements and a recovery in the advertising market Additional revenue growth was driven by increased investment in programming and marketing and growth in programme sales

Key risks

The majority of the Company's revenue is derived from advertising The dependency upon advertising revenue means that the Company is susceptible to cyclical fluctuations as well as structural changes in the advertising market Advertising income is extremely variable and has the potential to change significantly during the course of the year as a result of changes in audience share or broader market and economic conditions A large proportion of the Company's costs are fixed within a year which means that the Company has limited ability to respond to short term downturns in advertising income In order to mitigate this risk the Company monitors the advertising market and its share of the market very closely to identify trends and to allow time to respond As far as possible, the Company maintains a flexible cost base

The Company's operations expose it to a variety of financial risks, including the effects of changes in interest rates and credit risk The management of these risks is controlled through the financial risk management policies of the Company

Results and dividends

The Company generated a profit after tax in the year of £8 5 million (2009 £3 2 million)

An interim dividend of £7 3 million was paid in the year (2009 £3 0 million) The directors do not recommend the payment of a final dividend for the year (2009 £nil)

Policy and practice on payment of creditors

The Company understands the benefits to be derived from maintaining good relationships with its suppliers and accordingly the Company ensures that, wherever possible, its payment to suppliers for goods and services are made in accordance with the suppliers' terms and conditions The company had trade creditors of £117,000 at 31 December 2010 (31 December 2009 £224,000)

Directors' Report (continued)Directors

The directors who held office during the period and to the date of this report were as follows,

Andy Barnes	(resigned 30 March 2011)
Scott Monks	
David Young	
Gidon Katz	
Sarah Rose	(resigned 11 February 2011)
Nathalie Schwarz	(resigned 27 August 2010)
Paul Keenan	
Chris Evans	
Jules Oldroyd	(resigned 31 March 2011)
Dee Ford	
Karen Stacey	(appointed 1 January 2010)
Glyn Isherwood	(appointed 27 August 2010)
Martin Baker	(appointed 11 February 2011)
George Dixon	(appointed 28 February 2011)

The directors are employees either of the Company, Channel 4, or the Bauer Group

Employment Policy

Box Television Limited is an equal opportunities employer and does not discriminate on grounds of sex, sexual orientation, marital status, race, colour, ethnic origin, disability, age or political or religious belief in its recruitment or other employment policies

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the current or prior period

Going Concern

The Company has considerable financial resources and audience growth has been maintained in 2011 to date Based on normal business planning and control procedures, the directors believe that the Company is well placed to manage its business risks The directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and therefore continue to adopt a going concern basis of accounting in preparing the annual financial statements

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

Martin Baker
Director

124 Horseferry Road
London SW1P 2TX

31 August 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

• select suitable accounting policies and then apply them consistently,
• make judgements and estimates that are reasonable and prudent,
• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOX TELEVISION LIMITED

We have audited the financial statements of Box Television Limited for the year ended 31 December 2010 set out on pages 7 to 19- The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Hugh Green (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

31 August 2011

Profit and Loss Account
for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Turnover	2	**35,507**	28,517
Cost of transmission and sales		**(17,081)**	(17,405)
Gross profit		**18,426**	11,112
Administrative expenses		**(6,583)**	(6,686)
Operating profit	3	**11,843**	4,426
Interest receivable	6	**17**	35
Profit on ordinary activities before taxation		**11,860**	4,461
Tax on ordinary activities	7	**(3,312)**	(1,262)
Profit for the financial year		**8,548**	3,199

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

All results relate to continuing operations

The notes on pages 10 to 19 are an integral part of these financial statements

Balance Sheet
as at 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
Fixed assets			
Tangible fixed assets	10	**539**	603
Current assets			
Stock	11	**118**	132
Debtors	12	**5,668**	6,689
Cash at bank and in hand		**7,632**	4,220
Total current assets		**13,418**	11,041
Creditors amounts falling due within one year	13	**(7,654)**	(6,639)
Net current assets		**5,764**	4,402
Net assets		**6,303**	5,005
Capital and reserves			
Called up share capital	14	**1**	1
Share premium account	15	**1,714**	1,714
Profit and loss account	15	**3,535**	2,237
Other reserves	15	**1,053**	1,053
Shareholders' funds		**6,303**	5,005

These financial statements were approved by the Board of directors on 31 August 2011 and were signed on its behalf by

Martin Baker
Director

Registered number 2643552

Cashflow Statement
for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		**11,843**	4,426
Depreciation charges and impairments	10	**273**	225
Decrease in stock	11	**14**	12
Decrease / (increase) in debtors net of tax	12	**1,024**	(1,838)
Increase in creditors, net of tax	13	**52**	1,310
Net cash inflow from operating activities		**13,206**	4,135
Cash flow statement			
Cash flow from operating activities		**13,206**	4,135
Returns on investments and servicing of finance	6	**17**	35
Tax paid		**(2,352)**	(1,276)
Capital expenditure	10	**(209)**	(137)
Dividends paid on shares classified in shareholders' funds	9	**(7,250)**	(3,000)
Increase/ (decrease) in cash in the period		**3,412**	(243)
Cash at bank and in hand at 1 January		**4,220**	4,463
Cash at bank and in hand at 31 December		**7,632**	4,220

There were no movements in net funds in the period other than the increase in cash stated above and consequently no reconciliation of net cash flow to movement in net funds has been presented

Notes (forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules The financial statements have been prepared on a going concern basis

Audience growth has been maintained in 2011 to date The directors therefore consider that, based on normal planning and control procedures, the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis in preparing the financial statements

At 31 December 2010 the Company had net assets of £6 3 million (2009 £5 0 million)

Revenue recognition

All revenues have been stated net of advertising agency commissions where these are borne and paid by advertisers, and value added tax Revenues are recognised when services are performed, persuasive evidence of an arrangement exists and when collectability is reasonably assured

Television advertising revenue is recognised on transmission of the advertisement

Revenues from sponsorship of the Company's programmes are recognised on transmission of the programme

Subscription fee revenue is recognised over the period of the subscription

Tangible fixed assets and depreciation

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

Plant and machinery	3-5 years
Fixtures, fittings and equipment	3 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Notes (continued)

1 Accounting policies (continued)

Post- retirement benefits

Employees of the Company are eligible to join the Channel 4 defined contribution pension plan The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of each accounting period

Stock

Stock is valued at the lower of cost and net realisable value Programme rights are stated at direct cost incurred up to the balance sheet date after making provision for programmes which are unlikely to be transmitted or sold Direct cost is defined as payments made or due to programme suppliers, including Channel 4

The cost of programme rights is wholly written off on first transmission of the programme

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and cash deposits repayable on demand

2. Analysis of turnover

	Year ended 31 December 2010	Year ended 31 December 2009
	£'000	£'000
By activity		
Advertising, sponsorship, promotions and commercial production	**29,664**	23,619
Other	**5,843**	4,898
	35,507	28,517
	£'000	£'000
By geographical area		
United Kingdom	**35,045**	28,188
Rest of world	**462**	329
	35,507	28,517

Notes (continued)

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Operating lease rentals	**6,585**	6,140
Depreciation and impairments	**273**	225
Research and development costs	**38**	38

Auditors' Remuneration	**£'000**	£'000
Audit of these financial statements	**15**	10

No other services were provided to the Company by the auditors in the year

4 Remuneration of directors

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Directors' emoluments	**538**	527

The aggregate emoluments of the highest paid director were £241,000 (2009 £238,000) The costs of a number of the directors were borne by Channel 4 and Bauer Consumer Media Limited

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows

	Year ended 31 December 2010	Year ended 31 December 2009
Programming, Production and Operations	**46**	46
Sales, Marketing and Administration	**14**	12
	60	58

The average number of persons employed by the Company does not include temporary members of staff

Notes (continued)

5. Staff numbers and costs (continued)

Aggregate payroll costs of these persons were as follows

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Wages and salaries	**2,798**	2,531
Social security costs	**245**	272
Other pension costs	**82**	73
	3,125	2,876

6. Interest receivable and similar income

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Bank interest receivable	**17**	35

7 Taxation

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
UK corporation tax		
Current tax	**3,330**	1,253
Adjustment for prior year	**(15)**	-
Total current tax charge	**3,315**	1,253
Deferred tax		
Current year	**(7)**	9
Adjustment for prior year	**4**	-
Total deferred tax	**(3)**	9
Tax on profit on ordinary activities	**3,312**	1,262

Notes (continued)

7. Taxation (continued)

Factors affecting the tax charge for the period

The current average tax charge for the year is in line with (2009 in line) the average standard rate of corporation tax in the UK during the year 28% (2009 28%) The key factors affecting the charge are explained below

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Current tax reconciliation		
Profit on ordinary activities	**11,860**	4,461
Current tax at 28% (2009 28%)	**3,321**	1,249
Effects of		
Adjustment for prior year	(11)	
Non-deductible expenditure	9	13
Capital allowances in excess of depreciation	(7)	(9)
Total current charge (see above)	3,312	1,253

8. Deferred Tax

Deferred tax assets and liabilities are recognised at 27% (2009 28%) The change in rate reflects the change in the corporation tax rate to 27% with effect from 1 April 2011

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date During the year, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 1010) Therefore, at 31 December 2010, deferred tax assets and liabilities have been calculated based on a rate of 27%, where the temporary difference is expected to reverse after1 April 2011

The effect of the re-measurement has had no material impact on the profit for the year No account has been taken of the further 3% reduction in tax rates until substantive enactment of these changes, however it is estimated that this will not have a material impact on the company

Subsequent to the year end, the UK Government announced a further 1% reduction in the main UK corporation tax rate effective from 1 April 2011 No account has been taken of this change as the reduction was not substantially enacted by the end of the reporting period

The movement on deferred tax is

	31 December 2010 £'000	31 December 2009 £'000
At 1 January	**119**	128
Transferred from profit and loss account	**3**	(9)
At 31 December	**122**	119

Notes (continued)

8. Deferred Tax (continued)

The elements of recognised deferred taxation assets are as follows

	31 December 2010 £'000	31 December 2009 £'000
Depreciation in advance of capital allowances	**122**	119

There is no unrecognised deferred taxation (31 December 2009 £nil)

9 Dividends

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Interim dividends paid in respect of the current year	**7,250**	3,000
Total dividends paid in the financial year	**7,250**	3,000

10. Tangible fixed assets

	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2010	4,392	144	4,536
Additions	209	-	209
Disposals	(2)	-	(2)
At 31 December 2010	**4,599**	**144**	**4,743**
Depreciation			
At 1 January 2010	3,803	130	3,933
Charge for year	233	7	240
Disposals	(2)	-	(2)
Impairments	33	-	33
At 31 December 2010	**4,067**	**137**	**4,204**
Net Book Value			
At 1 January 2010	**589**	**14**	**603**
At 31 December 2010	**532**	**7**	**539**

Notes (continued)

11 Stock

Programme rights represent costs incurred for programmes which had not been transmitted at the balance sheet date Costs are usually incurred between one and three months before transmission

	31 December 2010 £'000	31 December 2009 £'000
Programme rights	**118**	132

12. Debtors

	31 December 2010 £'000	31 December 2009 £'000
Trade debtors	**818**	1,029
Amounts receivable from parent undertakings (see note 18)	**4,003**	4,577
Prepayments and accrued income	**725**	964
Deferred tax (see note 8)	**122**	119
	5,668	6,689

No interest is charged on amounts receivable from parent undertakings

13 Creditors amounts falling due within one year

	31 December 2010 £'000	31 December 2009 £'000
Trade creditors	**117**	224
Corporation tax payable	**1,610**	647
Amounts owed to parent undertakings (see note 18)	**921**	3,278
Taxation and social security	**1,422**	213
Other creditors	**114**	79
Accruals and deferred income	**3,470**	2,198
	7,654	6,639

The number of days taken to pay suppliers of services other than programmes, Digital Switchover costs and related parties in the year, as calculated using year end creditor balances, was 33 (year ended 31 December 2009 26)

No interest is charged on these balances, including amounts owed to parent undertakings

Notes (continued)

14. Called-up share capital

	31 December 2010	31 December 2009
Allotted, called up and fully paid	**£**	£
500 A shares of £1 each	**500**	500
500 B shares of £1 each	**500**	500
	1,000	1,000

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

15. Reconciliation of profit and loss account

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Other reserves £'000	Shareholders funds £'000
At 1 January 2010	1	1,714	2,237	1,053	**5,005**
Profit for the financial year	-	-	8,548	-	**8,548**
Dividends paid	-	-	(7,250)	-	**(7,250)**
At 31 December 2010	**1**	**1,714**	**3,535**	1,053	**6,303**
At 1 January 2009	1	1,714	2,038	1,053	**4,806**
Profit for the financial year	-	-	3,199	-	**3,199**
Dividends paid	-	-	(3,000)	-	**(3,000)**
At 31 December 2009	**1**	**1,714**	**2,237**	1,053	**5,005**

Other reserves relates to a distributable cash contribution received from Bauer Consumer Media Limited, in order for the Company to achieve the target working capital value at the date the joint venture was formed

16. Commitments

a) Operating Lease Commitments

The Company had annual commitments under non-cancellable operating leases expiring as follows

	31 December 2010 £'000	31 December 2009 £'000
Within one year	**1,557**	1,540
Within two to five years	**5,610**	4,544
	7,167	6,084

The Company had no significant capital commitments at the Balance Sheet date

Notes (continued)

16. Commitments (continued)

b) Programme Commitments

At 31 December 2010, the company had committed future expenditure for programmes due for payment, as follows

	31 December 2010 £'000	31 December 2009 £'000
Within one year	**431**	284
Within two to five years	**115**	-
	546	284

17. Pension scheme

Channel 4 operates a defined contribution pension scheme on behalf of the Company The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £82,000 (2009 £73,000) The Company owed Channel 4 £28,000 at 31 December 2010 (2009 £99,000) in respect of these contributions which were settled by Channel 4 on behalf of the Company during the year

18 Related party transactions

During the year, transactions with related parties comprised the following

	31 December 2010 £'000	31 December 2009 £'000
Sales to parent undertakings	7,898	16,066
Purchases from parent undertakings	(10,822)	(4,008)
Dividends paid to parent undertakings	(7,250)	(3,000)
Total (paid to)/ received from parent undertakings	**(10,174)**	9,058

Purchases from parent undertakings mainly related to commissions earned on the sales of television advertising, as well as payments for costs settled on the company's behalf for other services including transmission, programme costs, brand royalties, marketing, facilities management, information systems, finance and other administrative support and pensions

In 2009, the company received advertising revenues from Bauer received on its' behalf From 1 January 2010, Channel 4 took on the contract to represent the Company

18. Related Party Transactions (continued)

At the year end, the following balances were receivable from / (payable to) related parties

	31 December 2010 £'000	31 December 2009 £'000
Amounts receivable from parent undertakings (see note 12)	**4,003**	4,577
Amounts owed to parent undertakings (see note 13)	**(921)**	(3,278)

All sales and purchases with parent undertakings arose on an arm's length basis None of the balances are secured and all outstanding balances are settled in cash

19. Ultimate Controlling Parties

Channel Four Television Corporation is the immediate and ultimate parent company and controlling party of 4 Ventures Limited Copies of Channel Four Television Corporation consolidated financial statements may be obtained from the secretary at the registered office at 124 Horseferry Road, London, SW1P 2TX

Heinrich Bauer Verlag KG, established in Germany, is regarded by the directors as the ultimate controlling party of Bauer Consumer Media Limited as it is the controlling party of Heinrich Bauer Verlag Beteiligungs GmbH The only parent undertaking within the Bauer Group for which Group accounts are drawn up is Heinrich Bauer Verlag Beteiligungs GmbH, a company registered in Germany Copies of Heinrich Bauer Verlag Beteiligungs GmbH accounts are publicly available