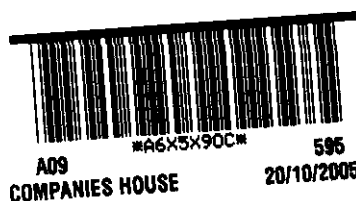


CHANNEL FOUR INTERNATIONAL LIMITED

Registered number: 2797368

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004



CHANNEL FOUR INTERNATIONAL LIMITED

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CHANNEL FOUR INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Channel Four International Limited ("the Company") for the year ended 31 December 2004.

Ownership

The Company is a wholly owned subsidiary of 4 Ventures Limited which itself is a wholly owned subsidiary of Channel Four Television Corporation ("the Corporation").

Principal activities, review of the business and future developments

The Company manages the worldwide distribution and exploitation of programme rights. These rights are acquired both by the Corporation and as a result of the Company's investment in productions.

The Company has appointed sub-agents to sell television rights in certain territories. It liaises with, and accounts to, independent producers and third parties for their share of distribution income.

The directors continue to monitor performance on an ongoing basis and the company is expected to meet its future financial targets.

Results and dividends

The Company generated turnover of £28.8 million in 2004 (2003: £27.0 million). After cost of sales and administrative expenses, the Company made a profit after tax for the financial year of £6.9 million (2003: £5.9 million).

A dividend was paid during the year of £6.9m (2003: £24.1m).

Directors and their interests

The directors of the Company who held office during the year were as follows:

Mike Morris	
David Scott	Appointed 11 April 2005
Paul Sowerbutts	Resigned 11 April 2005
Andrew Brann	Resigned 27 February 2004

None of the directors had any interests in the Company's shares. All of the directors are employees of the Corporation.

CHANNEL FOUR INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Employment policy

The Company has no employees. Its activities are carried out by employees of the Corporation who are seconded to the Company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year ended 31 December 2004 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 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.

Auditors

Following a tender process, PricewaterhouseCoopers LLP resigned as auditors of the Company in 2004 and the director appointed KPMG LLP to fill the casual vacancy arising in accordance with section 384 of the Companies Act 1985. KPMG LLP have indicated their willingness to continue in office and, in accordance with section 385 of the Companies Act 1985, special notice will be given of a resolution proposing their reappointment at the Annual General Meeting.

By order of the Board



Mike Morris
Director
18 May 2005

124 Horseferry Road
London
SW1P 2TX

CHANNEL FOUR INTERNATIONAL LIMITED

Report of the independent auditors to the directors of Channel Four International Limited

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's directors, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

18 May 2005

CHANNEL FOUR INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

Year to 31 December	Notes	2004 £m	2003 £m
Turnover	1	28.8	27.0
Cost of sales		(17.3)	(17.1)
Gross profit		11.5	9.9
Administrative expenses		(1.5)	(1.4)
Operating profit	2	10.0	8.5
Interest payable and similar charges		(0.1)	-
Profit on ordinary activities before taxation		9.9	8.5
Tax on profit on ordinary activities	4	(3.0)	(2.6)
Profit on ordinary activities after taxation	9	6.9	5.9
Dividends on equity shares	5	(6.9)	(24.1)
Retained loss for the financial year		-	(18.2)

The Company had no recognised gains or losses other than the retained profit for the year and therefore no statement of total recognised gains or losses is presented. All activities are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

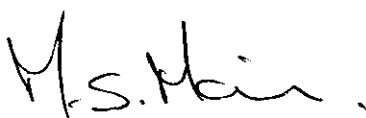
The notes on pages 7 to 12 are an integral part of these financial statements.

CHANNEL FOUR INTERNATIONAL LIMITED

BALANCE SHEET

At 31 December	Notes	2004 £m	2003 £m
Current assets			
Stocks	6	8.8	6.1
Debtors	7	9.5	8.9
		<u>18.3</u>	<u>15.0</u>
 Creditors – amounts falling due within one year	 8	 (18.3)	 (15.0)
		<u>-</u>	<u>-</u>
 Net current assets and net assets		 <u>-</u>	 <u>-</u>
 Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	9	-	-
		<u>-</u>	<u>-</u>
 Equity shareholder's funds		 <u>-</u>	 <u>-</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 18 May 2005 and were signed on its behalf by:



Mike Morris
Director

The notes on pages 7 to 12 form part of these financial statements.

CHANNEL FOUR INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES for the year ended 31 December 2004

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

The Company is a wholly owned subsidiary of 4 Ventures Limited and is included in the consolidated financial statements of the Corporation, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing related party transactions on the grounds that the relevant transactions have been disclosed in the consolidated financial statements of the Corporation.

Accounting policies

A summary of the more important accounting policies is set out below. These policies have been applied consistently.

Sale of programme rights

The Company generates revenue from the sale of international programme rights acquired through investment and the Channel Four catalogue assigned from the Corporation. Income from the sale of international programme rights is recognised on the later of the signature of the contract, the delivery of the programme or the start of the licence period. Where amounts are invoiced in advance of the delivery date, signature of the contract date or the start of the licence period, they are held on the balance sheet as deferred income.

Third party costs

Copyright, artist residual costs and amounts payable to producers are recognised in proportion to the revenue from the sale of the programme rights.

CHANNEL FOUR INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 December 2004

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have been accrued at balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

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 profit or loss for the year.

Stock and work in progress

Stocks are valued at the lower of cost or net realisable value. Investment rights are amortised in the profit and loss account in line with revenue arising in the period.

CHANNEL FOUR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

1. Turnover

Turnover, excluding value added tax, principally arises from the sale of and investment in programmes. All turnover originates from the United Kingdom.

The geographical analysis by destination of turnover is as follows:

	2004 £m	2003 £m
USA	5.9	5.6
Europe	4.4	4.1
Rest of the world	6.5	6.2
	<hr/>	<hr/>
Exports	16.8	15.9
UK sales and other income	12.0	11.1
	<hr/>	<hr/>
	28.8	27.0
	<hr/>	<hr/>

2. Operating profit

Operating profit before tax is stated after (crediting)/charging:

	2004 £000	2003 £000
Exchange (gain)/loss	(34)	192
Auditors' remuneration: audit services	12	9
	<hr/>	<hr/>

CHANNEL FOUR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2004

3. Employee information

The directors and staff of the Company are employees of, and remunerated by, the Corporation, which recharges their salaries to the Company. Amounts applicable to the directors of the Company for service to the Company, excluding pension contributions, were:

	2004 £000	2003 £000
Total emoluments	284	418
Compensation for loss of office	-	186
	<hr/>	<hr/>
	284	604
	<hr/>	<hr/>

Retirement benefits are accruing to one director (2003: two) under a defined benefit scheme (The Channel Four Television Staff Pension Plan), details of which are described in the Corporation's financial statements.

The highest paid director received emoluments of £166,460 (2003: £233,057). The accrued pension of the highest paid director under the defined benefit scheme at 31 December 2004 was £28,028 (2003: £22,167).

4. Taxation

	2004 £m	2003 £m
UK Corporation tax at 30%		
Current year	3.0	2.6
Double tax relief	(0.3)	(0.3)
Overseas taxation	0.3	0.3
	<hr/>	<hr/>
	3.0	2.6
	<hr/>	<hr/>

The tax rate for the year is in line with the standard UK 30% rate of corporation tax.

5. Dividends

	2004 £m	2003 £m
Dividends paid during the year	6.9	24.1
	<hr/>	<hr/>

CHANNEL FOUR INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004**

6. Stocks

	2004 £m	2003 £m
Programme rights	8.8	6.1

Sales generated from the exploitation of the programme rights may result in certain of the rights not being realised within one year.

7. Debtors

	2004 £m	2003 £m
Trade debtors	3.7	5.4
Other debtors	1.2	1.9
Prepayments and accrued income	4.6	1.6
	9.5	8.9

8. Creditors - amounts falling due within one year

	2004 £m	2003 £m
Amounts owed to ultimate parent undertaking	9.2	5.9
United Kingdom corporation tax	2.6	2.6
Other creditors	0.1	0.4
Accruals and deferred income	6.4	6.1
	18.3	15.0

Amounts due to the ultimate parent undertaking are unsecured and bear interest at the Bank of England base rate.

CHANNEL FOUR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

9. Reconciliation of profit and loss account and equity shareholder's funds

	Profit and loss account £m	Equity Shareholder's funds £m
At 1 January 2004	-	-
Profit for the financial year	6.9	6.9
Dividends	(6.9)	(6.9)
	<hr/>	<hr/>
At 31 December 2004	-	-
	<hr/>	<hr/>

10. Share capital

	2004 £	2003 £
Authorised, allotted and fully paid:		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

11. Commitments

At 31 December 2004, the Company had committed future expenditure for investment in programmes due for payment as follows:

	2004 £m	2003 £m
Within one year	0.6	0.1
	<hr/>	<hr/>
	0.6	0.1
	<hr/>	<hr/>

12. Ultimate parent company

The immediate parent undertaking is 4 Ventures Limited. The ultimate parent undertaking and controlling party is the Corporation which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the Corporation's financial statements may be obtained from The Corporation Secretary, Channel Four Television Corporation, 124 Horseferry Road, London SW1P 2TX.