

CHANNEL FOUR INTERNATIONAL LIMITED

Registered number: 2797368

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997



CHANNEL FOUR INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Ownership

Channel Four International Limited (the Company) is a wholly owned subsidiary of Channel Four Television Corporation (the Corporation).

Principal activities

The Company manages the worldwide distribution and exploitation of film and programme rights acquired by the Corporation.

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

The Company pays fees to the Corporation for the rights which are licensed by the Corporation to the Company.

Results and dividends

The directors consider the results for the year to be satisfactory.

The Company generated turnover of £31,339,000 in 1997. £6,630,000 was payable to independent producers and third parties as their share of the distribution income. Direct costs of sales amounted to £5,226,000. £13,862,000 was payable to the Corporation for the rights which the Company manages. After other sales and administrative costs, the Company retained a profit after tax for the period of £2,120,000 which has been transferred to reserves.

The directors do not recommend payment of a dividend.

CHANNEL FOUR INTERNATIONAL LIMITED

Directors

The directors of the Company during the period were as follows:

Present

Michael Jackson	Chairman	(appointed 1 July 1997)
Bill Stephens	Director of Sales	
Richard Hurst	Director of Business Affairs	
David Scott		
Andrew Brann		
Andy Barnes		

Past

Michael Grade	Chairman	(resigned 20 May 1997)
Colin Leventhal	Managing Director	(resigned 18 December 1997)
John Willis		(resigned 29 August 1997)

Each of the directors is an employee of the Corporation. None of the directors had any interests 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.

Employment policy

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

Employment policies and procedures for employee involvement and consultation are set out in the annual report and financial statements of the Corporation.

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
Richard Hurst
Company Secretary
19 March 1998



CHANNEL FOUR INTERNATIONAL 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 year.

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 1997. 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 safeguarding the assets of the Company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

CHANNEL FOUR INTERNATIONAL LIMITED

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CHANNEL FOUR INTERNATIONAL LIMITED**

We have audited the financial statements on pages 5 to 11.

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.

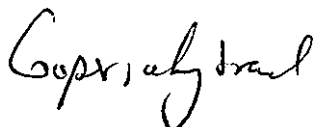
Basis of opinion

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 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 mis-statement, 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 31 December 1997 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
19 March 1998

CHANNEL FOUR INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

Year to 31 December		1997	1996
	Notes	£000	£000
Turnover	1	31,339	22,389
Cost of sales	2	(25,718)	(18,276)
Gross profit		<u>5,621</u>	<u>4,113</u>
Administrative expenses		(2,408)	(2,155)
Profit on ordinary activities before taxation	3 and 4	<u>3,213</u>	<u>1,958</u>
Taxation	5	(1,093)	(664)
Retained profit for the year	8	<u><u>2,120</u></u>	<u><u>1,294</u></u>

All activities are continuing.

The Company has no recognised gains or losses other than the profit for the year and therefore no statement of total recognised gains or losses is presented.

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 11 form part of these financial statements.

Report of the auditors - page 4.

CHANNEL FOUR INTERNATIONAL LIMITED

BALANCE SHEET

At 31 December		1997	1996
	Notes	£000	£000
Current assets			
Debtors	6	9,439	5,798
Current liabilities			
Creditors	7	(5,079)	(3,558)
Net current assets		<u>4,360</u>	<u>2,240</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	8	4,359	2,239
Equity shareholders' funds		<u>4,360</u>	<u>2,240</u>

Richard Hurst



Director

David Scott



Director

These financial statements were approved by the Board of Directors on 19 March 1998.

The notes on pages 7 to 11 form part of these financial statements.

Report of the auditors - page 4.

CHANNEL FOUR INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES **for the year ended 31 December 1997**

Basis of accounting

The financial statements have been prepared under the historical cost convention. The financial statements meet the requirements of the Companies Act 1985 and are in accordance with applicable UK accounting standards.

Accounting policies

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

Sale of programme and film rights

Profit is recognised on contracts for the sale of rights of completed films and programmes as payments under the contracts become due.

Investment income

Income due from investments in other programmes and films is recognised upon notification of that income.

Foreign currencies

Monetary 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 period.

Cashflow statement

The cashflow of the Company is included in the consolidated cashflow statement of the Corporation. Consequently the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cashflow statement.

Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 from disclosing related party transactions on the grounds that the relevant transactions have been disclosed in the consolidated accounts of the Corporation.

CHANNEL FOUR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

1. Turnover

Turnover, excluding value added tax, principally arises from the sale of and investment in programmes and films.

The geographical analysis of turnover is as follows:

	1997	1996
	£000	£000
USA	4,551	4,560
Rest of the world	17,101	11,295
Exports	21,652	15,855
UK sales and other income	9,687	6,534
	<u>31,339</u>	<u>22,389</u>

2. Cost of sales

	1997	1996
	£000	£000
Direct costs	5,226	4,441
Share of income due to independent producers and third parties	6,630	4,295
Rights payments due to the Corporation	13,862	9,540
	<u>25,718</u>	<u>18,276</u>

CHANNEL FOUR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

3. Remuneration of the directors and employees

The directors and staff of the Company are employees of, and are remunerated by, the Corporation, which renders a management charge to the Company for their services. Amounts applicable to the directors of the Company for service to the Company, including pension contributions, were:

	1997 £000	1996 £000
Chairman	Nil	Nil
Highest paid director	112	122

Directors' aggregate emoluments (excluding pension contributions) for services to the Company were:

	Number	Number
£0 to £5,000	6	5
£75,001 to £80,000	1	1
£90,001 to £95,000	1	1
£95,001 to £100,000	1	-
£105,001 to £110,000	-	1
	<u>9</u>	<u>8</u>

4. Auditors' remuneration:

	1997 £000	1996 £000
Statutory audit	<u>8</u>	<u>7</u>

CHANNEL FOUR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

5. Taxation

	1997	1996
	£000	£000
UK corporation tax @ 31.5% (1996: 33%):		
Current year	1,075	648
Prior year	18	16
Double tax relief	(538)	(428)
	<hr/>	<hr/>
	555	236
Overseas taxation	538	428
	<hr/>	<hr/>
	1,093	664
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6. Debtors

	1997	1996
	£000	£000
Trade debtors	5,441	4,063
Prepayments and accrued income	738	159
Amounts owed by fellow subsidiary	1,565	909
Amounts owed by parent undertaking	1,695	667
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	9,439	5,798
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7. Creditors - amounts payable within one year

	1997	1996
	£000	£000
VAT	204	179
Accruals	4,338	3,152
United Kingdom corporation tax	537	227
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	5,079	3,558
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CHANNEL FOUR INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997**

8. Reconciliation of profit and loss account and shareholders' funds

	Profit and loss account £000	Shareholders' funds £000
At 1 January 1997	2,239	2,240
Profit for the year	2,120	2,120
At 31 December 1997	<u>4,359</u>	<u>4,360</u>

9. Ultimate parent company

The Company is a wholly owned subsidiary of the Corporation which is a body incorporated under the terms of the Broadcasting Act 1990.

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

10. Share capital

The authorised and allotted share capital consists of 1,000 ordinary shares of £1 each. All shares are fully paid.