4 VENTURES LIMITED

Directors' report and financial statements

Registered number 4106849

For the year ended 31 December 2010

Contents

Directors' report

The directors present their report and the financial statements of 4 Ventures Limited ("the Company") for the year ended 31 December 2010

Ownership

The Company is a wholly owned subsidiary of Channel Four Television Corporation ("the Corporation")

Business review

The Company carries out activities which are incidental and conducive to the operation of the Corporation The Company's principal activities include free-to-air digital entertainment and film channels, commercial activities, such as DVD sales and merchandising, interactive video on demand and online activities, and creative design and production services

In 2010, revenue growth was driven by a growing advertising market, growth in audience share on the digital channels, growth in video on demand viewing and successful DVD titles The strong revenue growth enabled the Company to increase its investment in content and content delivery, including multi-platform content

New distribution platforms for the digital channels in 2010 included the launch of high definition services E4HD and Film4 HD on Virgin Media Digital channel content, including archive programming, is also available on the 4oD service on Channel4 com, and selected content is syndicated to a number of digital platforms and devices including Virgin Media, BT Vision and YouTube During 2010 the Company also launched Film 4oD, a partnership with Film Flex showing Film4 content

During 2010 the Corporation restructured its content commissioning team and as part of this restructure, announced that 4iP, the pilot scheme for emerging digital talent, would no longer seek new submissions All new digital media proposals will be developed by the multi-platform commissioning team

The directors continue to monitor performance on an ongoing basis and expect the Company to meet its future financial obligations At 31 December 2010 the Company had net assets of £77 5 million (2009 net assets of £32 7 million)

Financial performance

4 Channels
Revenues increased to £204 6 million in 2010 (2009 £181 3 million) driven by the market recovery and underlying growth in audience share 4 Channels generated an operating profit of £54 0 million in 2010 (2009 £53 5 million)

4 Rights
Revenues increased to £46 9 million in 2010 (2009 £43 4 million) This included an increase in rights sales generated from secondary programme output deals and other third party share collections, and an increase in consumer products revenues (principally DVD sales), reflecting the success of key titles and growth in market share despite a slight decline in the overall DVD market 4Rights generated an operating profit of £7 1 million in 2010 (2009 £11 0 million) reflecting the pressure on margins and the hits driven nature of the business, which resulted in a review of the carrying value and subsequent write-down of certain development and producer advances

Future Media
Revenues increased slightly to £44 3 million in 2010 (2009 £33 2 million) The increase is mainly the result of increased inventory on 4oD and new syndication deals (e g YouTube) The operating loss was £3 8 million (2009 £2 4 million loss after restating to include cross platform and 4iP investment in digital public service media previously included in 'Other'), after greater investment into cross platform commissioning in 2010

Other
Other revenues included creative design and production and not-for-profit premium rate telephony services The loss of £0 3 million in 2010 (2009 restated £1 4 million loss) is mainly as a result of creative design services

Key risks

The key risks facing the Company have been identified by operating segment where applicable and then for the Company where they apply in general

4 Channels
4 Channels operates free to air channels on digital transmission platforms Revenue is primarily derived from the selling of advertising slots before and during programmes and from sponsorship campaigns associated with programmes Advertising and sponsorship on the channels is sold and collected by the Corporation on behalf of the Company

Approximately 65% of the Company's revenue is derived from television advertising This dependency upon one form of 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 conditions 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

4 Rights
4 Rights exploits secondary programme rights through the distribution of various consumer products acquired separately from commissioned programming by the Corporation, and through investment in source rights which may be unconnected to other Corporation activity

The main risk associated with this business model is that the Company will not recoup investment expenditure made to acquire rights To mitigate this, before an investment is made it is subject to an investment appraisal and formal approval based on forecast sales These sales forecasts and investment carrying values are then reviewed on a quarterly basis In the Company's financial statements, rights are stated at the amount advanced less provision for any excess over the value of the rights held and the revenues the title is anticipated to earn The main assumptions employed to estimate future revenues are minimum contracted revenues and sales forecasts by title

Future Media
The Future Media business generates revenue from the sale of video and display advertising on interactive platforms, and additionally provides a programme support function through websites complementing television content The online offering includes channel4 com with a free catch-up video service for selected programming Content is also syndicated onto a number of other platforms and devices

The main risk associated with Future Media is the uncertainty around how the market for on demand viewing will develop This risk is mitigated through multiple revenue streams and non-exclusive deals, allowing for the opportunity to invest in new platforms, including mobile and tablet, as they emerge Significant plans for expansion onto new platforms are subject to approval by the Board of the Corporation Costs incurred, viewing and revenue streams are closely monitored against the approved plans

Other
Strategic business plans for developing new ventures for the Company are subject to approval by the Corporation's Board, the operations of which are outlined in the consolidated financial statements of the Corporation Costs are then incurred by the Company or by the Corporation on its behalf, and performance monitored against approved business plans

Company risks
The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk and interest rate risk As a wholly owned subsidiary, the management of these risks is controlled through the financial risk management policies of the Corporation, which are outlined in the consolidated financial statements of the Corporation

Results and dividends

The Company generated turnover of £300 7 million in 2010 (2009 £263 0 million) Direct costs of transmissions and sales amounted to £235 6 million in 2010 (2009 £196 4 million) The Company made a profit after tax for the year of £44 8 million (2009 £49 0 million) The directors do not recommend the payment of a dividend (2009 nil)

Directors

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

Anne Bulford	
David Abraham	(appointed 04/05/2010)
Sarah Rose	(appointed 27/08/2010)
Martin Baker	(appointed 02/06/2011)
Nathalie Schwarz	(resigned 27/08/2010)

All of the directors are employees of the Corporation

Employees

The Company has no employees Its activities are carried out by employees of the Corporation who are seconded and whose costs are recharged to the Company

Charitable contributions

The Company made £0 3 million of charitable donations during the year (2009 £0 1 million) A charity payment was made for each vote cast relating to Big Brother with charity donations for the final series totalling £0 3 million paid to four charities (2009 £0 1 million)

Going concern

As a wholly owned subsidiary of the Channel 4 Corporation, the Company has support and resources such that the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis 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 and she ought to have taken as a director to make himself and 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

Anne Bulford
Director

124 Horseferry Road
London SW1P 2TX

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 4 Ventures Limited

We have audited the financial statements of 4 Ventures Limited for the year ended 31 December 2010 set out on pages 8 to 18 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 auditors' 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 6, 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

13 September 2011

Profit and Loss Account
for the year ended 31 December 2010

	Note	2010 £m	2009 £m
Turnover	2	**300.7**	263 0
Cost of transmission and sales		**(235 6)**	(196 4)
Gross profit		**65.1**	66 6
Administrative expenses	3	**(6.4)**	(5 7)
Charge for doubtful debts	9	**(0.7)**	-
Impairment of investments	9	**(1.0)**	(0 2)
Reversal of impairment	9	**-**	1 9
Operating profit		**57.0**	62 6
Income from investments	5	**3.8**	1 8
Profit on ordinary activities before interest and taxation		**60.8**	64 4
Interest receivable	6	**0.7**	0 2
Profit on ordinary activities before taxation	3	**61 5**	64 6
Tax on profit on ordinary activities	7	**(16 7)**	(15 6)
Profit for the financial year	15	**44 8**	49 0

The Company had 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 profit for the year stated above, and their historical cost equivalents

The notes on pages 10 to 18 are an integral part of these financial statements

Balance Sheet
as at 31 December 2010

	Note	2010 £m	2009 £m
Fixed assets			
Fixtures, fittings and equipment	8	1.3	-
Investments	9	34.3	35.3
		35.6	35.3
Current assets			
Stock and work in progress	10	19.1	19.7
Debtors	11	93.8	39.9
		112.9	59.6
Creditors amounts falling due within one year	12	(71.0)	(61.4)
Provisions for liabilities and charges	13	-	(0.8)
		(71.0)	(62.2)
Net current assets/(liabilities)		41.9	(2.6)
Net assets		77.5	32.7
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	77.5	32.7
Shareholders' funds		77.5	32.7

These financial statements were approved by the Board of directors on 13/5/11 and were signed on its behalf by

Anne Bulford
Director

Registered number 4106849

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

At 31 December 2010 the Company had net assets of £77 5 million (2009 £32 7 million)

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of the Channel Four Television Corporation, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which are wholly owned by the group The consolidated financial statements of the Corporation, within which this Company is included, can be obtained from the address given in note 18

Turnover

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

Television advertising revenue is recognised on transmission of the advertisement

Revenue from sponsorship of the Company's programmes and films is recognised on a straight line basis in accordance with the transmission schedule for each sponsorship campaign

Online advertising revenue is recognised over the period of display of the advertisement

Revenue from the sale of film and television rights is recognised on the later of signature of the contract, and the start of the licence period, provided that the film or programme rights have been made available for delivery

Consumer products revenues are recognised when DVDs are delivered to retailers, net of a provision for anticipated returns, or for 4-branded events, when the event takes place

Subscription fee and similar revenues are recognised over the period of the subscription

Revenue from the provision of premium rate telephony services is recognised in line with contestant call volumes

Other revenue, principally from the provision of creative design and production services, is recognised when the relevant service has been provided

Revenues are recognised from Barter transactions involving advertising when the services exchanged are dissimilar, and are measured with reference to the fair value of the advertising provided

Taxation

The charge for taxation is based on the profit or loss 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

Notes (continued)

1 Accounting policies (continued)

Programme rights and other stock

Stock is valued at the lower of cost or net realisable value

Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for programmes and films which are unlikely to be transmitted or sold Direct cost is defined as payments made or due to programme suppliers

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 broadcast programme and film rights after making provision for any development expenditure that is not expected to lead to a commissioned programme

The cost of broadcast programme and film rights is wholly written off on first transmission, except for certain feature films, which are written off over more than one transmission in line with expected revenue

Film rights are amortised in the profit and loss account in the proportion that the revenue bears in the year to the estimated ultimate revenue after provision for any anticipated shortfall

Other stock comprises DVDs held for sale to retailers

Fixtures, fittings and equipment

Fixtures, fittings and equipment are stated at cost less accumulated depreciation

Depreciation is calculated so as to write off the cost or valuation of the asset evenly, on a straight line basis, over its estimated useful life Useful lives are estimated taking into account the rate of technological change and the intensity of use of each asset The annual rates used for this purpose are as follows

Computer hardware	25%-50%
Office equipment and fixtures and fittings	25%
Technical equipment	20%-25%

The carrying values of fixtures, fittings and equipment are reviewed for impairment when events or other changes in circumstances indicate that the carrying value may not be recoverable Where an indicator of impairment exists, an estimate is made of the recoverable amount Where the carrying value exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount

Fixed asset investments

Fixed asset investments are stated at cost, less any provision for impairment

Impairment

An impairment loss is recognised if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount Impairment losses are recognised in the profit and loss account

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If such an indication exists, the asset's recoverable amount is estimated The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use

Value in use is determined by discounting the future net cashflows for the specific asset, or if the asset does not generate independent cashflows, the discounted future net cashflows for the cash generating units to which it belongs

Estimates are used in deriving these cash flows and the discount rate that reflects current market assessments of the risks specific to the asset and the time value of money The complexity of the estimation process, including projected performance, the discount rate and long-term growth rate applied, affects the amounts reported in the financial statements

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets

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

Notes (continued)

2 Segment reporting

4 Ventures Ltd has four business segments – 4 Channels, 4 Rights, Future Media and Other – which operate commercial activities which are incidental and conducive to the operation of the Corporation Turnover and operating results by segment are analysed as follows

	2010 Turnover £m	2009 Turnover £m
By activity		
4 Channels	**204.6**	181 3
4 Rights	**46 9**	43 4
Future Media*	**44.3**	33 2
Other*	**5 9**	6 0
Eliminations	**(1 0)**	(0 9)
	300.7	263 0

	2010 Operating profit/(loss) £m	2009 Operating profit/(loss) £m
By activity		
4 Channels	**54.0**	53 5
4 Rights	**7.1**	11 0
Future Media*	**(3 8)**	(0 5)
Other *	**0.3**	(1 4)
	57.0	62 6

	2010 Profit/(loss) before tax £m	2009 Profit/(loss) before tax £m
By activity		
4 Channels	**54.3**	53 4
4 Rights	**7 7**	11 8
Future Media*	**(3 9)**	(2 5)
Other *	**3.4**	1 9
	61 5	64 6

* The results of 4iP and cross-platform activities which exploit and enhance programme and content online were reclassified from 'Other' to 'Future Media' in 2010 The 2009 results have been restated on a consistent basis with 2010 to reflect the revised basis on which the business is managed and monitored

Notes (continued)

As at 31 December 2010	4 Channels £m	4 Rights £m	Future Media £m	Other £m	Eliminations £m	Total £m
Balance sheet						
Segment assets	75 6	72 0	9 5	77 2	(85 8)	148 5
Segment liabilities	(28 7)	(30 0)	(31 0)	(67 1)	85 8	(71 0)
Net assets/(liabilities)	**46.9**	**42 0**	**(21.5)**	**10.1**	**-**	**77.5**

As at 31 December 2009	4 Channels £m	4 Rights £m	Future Media £m	Other £m	Eliminations £m	Total £m
Balance sheet						
Segment assets	38 5	57 7	5 4	71 6	(78 3)	94 9
Segment liabilities	(30 5)	(21 2)	(25 0)	(63 9)	78 3	(62 2)
Net assets/(liabilities)	**8 1**	**36 5**	**(19 6)**	**7.6**	**-**	**32.7**

3 Profit on ordinary activities before taxation`

	2010 £000	2009 £000
Operating profit is stated after charging		
Broadcast development costs	**248**	318
Depreciation	**1,625**	2,756

	2010 £000	2009 £000
Auditors' remuneration.		
Audit of these financial statements	**25**	18

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information required has been disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, the Corporation

The depreciation charge relates to the Company's share of tangible fixed assets owned by the Corporation

4 Remuneration of directors

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

	2010 £000	2009 £000
Salary	**246**	208
Benefits	**10**	8
Total emoluments	**256**	216

The charge to the Company for emoluments of the highest paid director was £105,216 (2009 £128,286)

Notes (continued)

5 Income from investments

	2010 £m	2009 £m
Income from investments	**3.8**	1 8

Income from investments during the year comprised dividends of £3 6 million (2009 £1 5 million) from Box Television Limited and £0 2 million (2009 £0 3 million) from Taste of London Limited

6 Interest receivable

	2010 £m	2009 £m
Interest receivable	**0.7**	0 2

7 Taxation

Analysis of charge in the year

	2010 £m	2009 £m
UK corporation tax		
Current year	**(14.4)**	(2 7)
Prior year	**0.2**	1 3
Group relief receivable		
Current tax	**(2 2)**	(13 7)
Prior year	**(0.3)**	(0 5)
Total current tax charge	**(16.7)**	(15 6)
Deferred tax		
Current year	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	**(16 7)**	(15 6)

Factors affecting the tax charge for the year

The current tax charge for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £m	2009 £m
Current tax reconciliation		
Profit on ordinary activities before tax	**61.4**	64 6
Current tax at 28% (2009 28%)	**(17 2)**	(18 1)
Effects of		
Non-taxable income	**0 6**	0 9
Group relief not paid for	-	0 8
Adjustments in respect of prior periods	**(0.1)**	0 8
	0.5	2 5
Total current tax on profit on ordinary activities	**(16 7)**	(15 6)

Notes (continued)

8 Fixtures, fittings and equipment

	£m
Cost	
At 1 January 2010	-
Transfer of assets	16.4
Additions	0.8
Disposals	(7.2)
At 31 December 2010	10 0
Depreciation	
At 1 January 2010	-
Transfer of asset	15.1
Charge for the year	0.6
Impairment	0.2
Disposal	(7.2)
At 31 December 2010	8.7
Net book value	
At 1 January 2010	-
At 31 December 2010	1.3

The transfer of assets reflects fixtures, fittings and equipment transferred from the Corporation during the year at net book value

9 Fixed asset investments

	Subsidiary undertakings £m	Joint ventures £m	Equity investments £m	Total £m
Cost and Net Book Value				
At 1 January 2010	3 6	29 2	2 5	35.3
Transfers	-	(0 1)	0 1	-
Impairment losses	-	-	(1 0)	(1.0)
At 31 December 2010	3.6	29.1	1.6	34.3

The Company owns, directly* or indirectly, the issued share capital of the following companies, each of which is incorporated in Great Britain

	Principal activity	Percentage of shares held
Subsidiary undertakings		
Film Four Limited*	Film sales	100%
Life One Broadcasting Limited*	Digital television channel	100%
Life Two Broadcasting Limited	Digital television channel	100%
Life Showcase Limited	Digital television channel	100%
Channel 4 Radio Limited*	Ceased operations in 2008	100%
Channel 4 Radio Services Limited	Ceased operations in 2008	100%
Joint ventures & associates		
Box Television Limited	Music television channels	50%
UK VOD LLP	Video on Demand	33 3%
Taste of London Limited	Food events	50%
Big Freeze Limited	Snow sport and music events	25%
Popworld Limited	Pop music brand	29%
You View TV Limited	TV VOD platform	14 3%
Equity investments		
Protagonist Pictures Limited	International film sales agency	15%
Espresso Broadband Limited	Online education	10%
School of Everything Limited	Online education	12%
MyBuilder Limited	Website marketplace	12%
Mobile IQ Limited	Mobile platform	10%
AudioBoo Limited	Online audio social media platform	9 4%

Notes (continued)

9 Fixed asset investments (continued)

Subsidiary undertakings

Life One Broadcasting Limited holds a national broadcast licence and an agreement to broadcast on the Sky platform Life Two Broadcasting Limited and Life Showcase Limited each hold a broadcast licence

Joint ventures & associates

<u>Box Television Limited</u>

The investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box Television Ltd (Box) The other shareholder is Bauer Consumer Media Ltd

An impairment review was carried out by estimating the future expected cash flows for Box until 2015, using a pre-tax discount rate of 10 % (2009 11%) reflecting the company's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 3 5% (2009 4 2%), an equity risk premium of 6 5% (2009 7 0%) and a beta of 1 (2009 1), and a growth rate of 0 3% (2009 2 5%) after five years to perpetuity, reflecting management's cautious view of the long term potential in music viewing on commercial television The present value of the cash flows accruing to the company was then compared to the carrying value of goodwill and other intangible assets held on the balance sheet No impairment was required as a result

Management has approved the forecast on which the cashflow analysis has been based and believes that there are currently no likely changes in revenues or discount rate which would reduce the value in use for Box down to a level where an impairment would arise

<u>UK VOD LLP</u>

Kangaroo, the online video on demand service jointly developed by BBC Worldwide, ITV plc and Channel 4, was prohibited by the Competition Commission in 2008 During 2009 UK VOD LLP, the joint venture developing the technology platform for Kangaroo, sold its assets to Arqiva Ltd The limited liability partnership was dissolved on 11 January 2011

<u>Taste of London Limited</u>

The investment reflects 27,250 ordinary shares of £1 representing 50% of the share capital of Taste of London Limited The other shareholder is Brand Events Limited

<u>Protagonist Pictures Limited</u>

The company's investment in Protagonist Pictures Limited was reclassified to Equity Investments following the partial buyback of shares and redemption of loan notes by Protagonist during the year

<u>Big Freeze Limited</u>

The investment reflects 25 ordinary shares of £1, representing 25% of the share capital of Big Freeze Limited, a venture formed to develop, produce and exploit snow sport and music events The other shareholders are Sports Vision (International) Limited, which holds 50% of the shares, and Boomerang Plus Plc, which holds 25% of the shares

Equity investments

<u>Espresso Broadband Limited</u>

£2 1 million of the equity investments held by the Company at 31 December 2009 related to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007

During 2010, certain institutional shareholders sold their stake in Espresso to other shareholders at a price below the carrying value As a result, the Company's equity investment in Espresso was considered to be impaired by £0 6 million to £1 5 million, which is considered to represent fair value

9 Fixed asset investments (continued)

Protagonist Pictures Limited
£0 1 million of the equity investments held reflect 59,064 ordinary shares of £1, representing 15% of the share capital of Protagonist Pictures Ltd This investment was previously held in Joint Ventures and Associates until the partial buyback of shares and redemption of loan notes by Protagonist during the year

Other

The Company holds equity investments in School of Everything Ltd, My Builder Ltd, AudioBoo Ltd and Mobile IQ Ltd Certain equity investments held by the Company were made by 4iP, the digital innovation fund, which was closed to new submissions during the year Following the closure of the fund, the investments held have been written down in full, giving rise to a £0 4 million impairment charge

10 Stocks and work in progress

	2010 £m	2009 £m
Programme and film rights	**19.1**	19 7

Certain programme and film rights may not be utilised within one year

11 Debtors

	2010 £m	2009 £m
Trade debtors	**38.9**	33 1
Prepayments and accrued income	**1.8**	6 8
Amounts due from group undertakings	**53.6**	-
	94.3	39 9

12 Creditors amounts falling due within one year

	2010 £m	2009 £m
Corporation tax	**5 5**	1 4
Amounts owed to group undertakings	**-**	5 7
Taxation and social security	**6 4**	4 2
Accruals and deferred income	**59.1**	50 1
	71.0	61 4

13 Provisions for liabilities and charges

	2010 £m
At 1 January 2010	0 8
Utilised during the year	(0 8)
At 31 December 2010	-

The provision relates to commitments for certain content agreements

14 Called up share capital

	2010 £	2009 £
Authorised, allotted and fully paid		
1,000 Ordinary shares of £1 each	**1,000**	1,000

Notes (continued)

15 Reconciliation of profit and loss account and shareholders' funds

	Profit and loss account £m	Shareholders' funds £m
At 1 January 2010	32 7	32 7
Profit for the financial year	44 8	44 8
At 31 December 2010	**77.5**	**77.5**

16 Commitments

At 31 December 2010, committed future expenditure for programmes and films were due for payment as follows

	2010 £m	2009 £m
Within one year	**42.5**	46 8
After one year	**29.1**	31 4
	71.6	78 2

17 Post balance sheet events

Subsequent to the year end, on 20 June 2011 the Company reached an agreement to dispose of its 50% holding in Taste of London Limited to Brand Events Ltd The consideration on sale of shares was £1 3m and no material gain or loss arose on disposal

18 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of the Corporation which is the ultimate parent company and controlling party The largest and smallest group in which the results of the Company are consolidated is that headed by the Corporation The consolidated financial statements of the Corporation are available to the public and may be obtained from The Corporation Secretary, Channel Four Television Corporation, 124 Horseferry Road, London SW1P 2TX