4 VENTURES LIMITED

Directors' report and financial statements

Registered number 4106849

For the year ended 31 December 2012

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Directors' report

The directors present their report and the financial statements of 4 Ventures Limited ("the Company") for the year ended 31 December 2012

Ownership

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

Business review

Following the Digital Economy Act 2010, which reflects the Corporation's ability to deliver public value across its portfolio of television channels and digital media, revised arrangements under Schedule 9 of the Communications Act 2003 came into force on 24 January 2012 The primary functions of the Channel Four Television group now extend beyond the main Channel 4 service, to include content delivery across the digital channels, digital media and exploitation of content rights

Following this change, Channel 4 carried out an internal business transfer to move the business and assets of those public value functions within the Company into the Corporation The assets were transferred at their book value and included

- the Ofcom licenses in respect of the digital channels controlled by the Company and Life One Broadcasting Limited, a wholly owned subsidiary of the Company,
- the Company's share in the 50 50 joint venture company Box Television Limited, which owns and operates the DTT 4Music channel and six other pay music channels, and
- the operation of the digital channels (E4, More4 and Film4, and their associated +1 and high definition (HD) channels, and Channel 4 +1 and Channel 4 HD), the operation of video on demand services and the activities of 4Rights, the secondary rights exploitation business

The Company continues to carry out activities which are incidental to the primary function of the Corporation The Company's principal activities are now creative production and production services to parties outside of the Channel 4 group

Key risks

The key risks facing the Company are

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

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

Financial performance, results and dividends

The Company generated revenue of £1 1 million in 2012 (2011 £331 2 million) relating to the provision of creative design and production and production services to clients outside of the Channel 4 group Revenue decreased from £331 2 million primarily as a result of the transfer of public value activities to the Corporation Revenue from creative design and production services decreased from £2 9m in 2011 as a result of a reduction in external creative design projects The Company fully impaired it's investment in Life One Broadcasting Limited to nil after the transfer of it's broadcasting license to the Corporation

The Company made a loss after tax for the year of £3 0 million (2011 profit £63 3 million) The directors do not recommend the payment of a dividend (2011 nil)

Directors

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

David Abraham
Martin Baker
Anne Bulford (resigned 26 February 2013)
Sarah Rose
Glyn Isherwood (appointed 26 March 2013)

All of the directors are employees of the Corporation

Employees

The Company has no employees (2011 none) Its activities are carried out by employees of the Corporation whose costs are recharged to the Company

Charitable contributions

The Company made no charitable donations during the year (2011 nil)

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

10 September 2013

Glyn Isherwood
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 2012 set out on pages 7 to 17 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 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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2012 and of its loss 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

10 September 2013

Profit and Loss Account
for the year ended 31 December 2012

	Note	2012 £m	2011 £m
Turnover	2	1 1	331 2
Cost of transmission and sales		(0 9)	(244 8)
Gross profit		0 2	86 4
Administrative expenses	3	0 2	(3 9)
Charge for doubtful debts		-	(0 8)
Impairment of investments	9	(3.6)	-
Operating profit / (loss)	2	(3 2)	81 7
Income from investments	5	0 1	2 3
Profit / (loss) on ordinary activities before interest and taxation		(3.1)	84 0
Interest receivable	6	0.2	1 3
Profit / (loss) on ordinary activities before taxation	2	(2.9)	85 3
Tax on profit on ordinary activities	7	(0.1)	(22 0)
Profit / (loss) for the financial year	14	(3.0)	63 3

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 9 to 17 are an integral part of these financial statements

Balance Sheet
as at 31 December 2012

	Note	2012 £m	2011 £m
Fixed assets			
Fixtures, fittings and equipment	8	-	1 8
Investments	9	1.6	32 8
		1 6	34 6
Current assets			
Stock and work in progress	10	-	28 8
Debtors	11	136.6	160 3
		136 6	189 1
Creditors amounts falling due within one year	12	(0 4)	(82 9)
		(0 4)	(82 9)
Net current assets		136 2	106 2
Net assets		137 8	140 8
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	137 8	140 8
Shareholders' funds		137 8	140 8

These financial statements were approved by the Board of directors on 10 September 2013 and were signed on its behalf by

Glyn Isherwood
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

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 16

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

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

Following the implementation of the Digital Economy Act 2010 and the internal transfer of activities (page 3), the underlying activities of the Channel 4 Group have been rearranged The segmental information presented in these financial statements reflects the new arrangement of activities and the financial information presented to the Board The 2011 comparative information has been re-presented to reflect the new operating segments as required by the Statement of Standard Accounting Practice 25 As a result of the transfer of activities to Channel Four Television Corporation, 4 Ventures Limited operated one class of business (creative production and production services) in one geographgical region during the year ended 31 December 2012

	2012 Turnover £m	2011 Turnover £m
By activity		
4Broadcast	-	260 1
4Rights	-	83 3
Other	1 1	1 2
Eliminations	-	(13 4)
	1 1	331 2

	2012 Operating profit/(loss) £m	2011 Operating profit/(loss) £m
By activity		
4Broadcast	-	59 1
4Rights	-	22 6
Other	(3.3)	-
	(3 3)	81 7

	2012 Profit/(loss) before tax £m	2011 Profit/(loss) before tax £m
By activity		
4Broadcast	-	62 7
4Rights	-	22 6
Other	(3 0)	-
	(3 0)	85 3

Notes (continued)

As at 31 December 2012	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Balance sheet					
Segment assets	-	-	138 1	-	138 1
Segment liabilities	-	-	(0 4)	-	(0 4)
Net assets/(liabilities)	**-**	**-**	**137 7**	**-**	**137 7**

As at 31 December 2011	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Balance sheet					
Segment assets	218 3	115 3	28 8	(138 7)	223 7
Segment liabilities	(90 9)	(52 8)	(77 9)	138 7	(82 9)
Net assets/(liabilities)	**127.4**	**62.5**	**(49 1)**	**-**	**140 8**

3 Profit on ordinary activities before taxation`

	2012 £m	2011 £m
Operating profit is stated after charging.		
(Profit) / loss on disposal of joint venture	**(0 3)**	0 2
Broadcast development costs	**-**	1 2
Depreciation	**0.1**	0 3

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

	2012 £000	2011 £000
Auditors' remuneration:		
Audit of these financial statements	**25**	25

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

Notes (continued)

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 No amounts were paid during the year to the directors of the Company for service to the Company No retirement benefits are accruing to directors for service to the Company In 2011 the Corporation recharged amounts applicable to the directors of the Company for service to the Company

	2012 £000	2011 £000
Salary	-	364
Benefits	-	56
Total emoluments	-	420

The charge to the Company for emoluments of the highest paid director was £nil (2011 £144,000)

5 Income from investments

	2012 £m	2011 £m
Income from investments	0.1	2 3

6 Interest receivable

	2012 £m	2011 £m
Interest receivable	0.2	1 3

7 Taxation

Analysis of charge in the year

	2012 £m	2011 £m
UK corporation tax		
Current year	-	5 0
Prior year	-	-
Group relief receivable		
Current tax	0 1	17 0
Prior year	-	-
Total current tax charge	0.1	22 0

Notes (continued)

Factors affecting the tax charge for the year

The current tax charge for the year is higher (2011 lower) than the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) The differences are explained below

	2012 £m	2011 £m
Current tax reconciliation		
Profit / (loss) on ordinary activities before tax	(3.1)	85 3
Current tax at 24 5% (2011 26 5%)	(0.8)	22 6
Effects of		
Non-taxable income	-	(0 5)
Non-taxable loss	0 9	-
Adjustments in respect of prior periods	-	(0 1)
	0 9	(0 6)
Total current tax on profit on ordinary activities	0.1	22 0

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013

8 Fixtures, fittings and equipment

	£m
Cost	
At 1 January 2012	10 8
Disposals	(10 8)
At 31 December 2012	-
Depreciation	
At 1 January 2012	9 0
Charge for the year	-
Disposals	(9 0)
At 31 December 2012	-
Net book value	
At 1 January 2012	1.8
At 31 December 2012	-

Notes (continued)

9 Fixed asset investments

	Subsidiary undertakings £m	Joint ventures £m	Equity investments £m	Total £m
Cost and Net Book Value				
At 1 January 2012	3 6	27 6	1 6	**32.8**
Disposals	-	(27 6)	-	**(27.6)**
Impairment losses	(3 6)	-	-	**(3.6)**
At 31 December 2012	-	-	1 6	**1.6**

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*	Ceased operations in 2012	100%
Life Two Broadcasting Limited	Dormant	100%
Life Showcase Limited	Dormant	100%
Channel 4 Radio Limited*	Ceased operations in 2008	100%
Channel 4 Radio Services Limited	Dormant	100%
Joint ventures & associates		
You View TV Limited	TV VOD platform	14 3%
Equity investments		
Protagonist Pictures Limited	International film sales agency	15 0%
Espresso Broadband Limited	Online education	10 0%
School of Everything Limited	Online education	12 0%
MyBuilder Limited	Online marketplace	15 5%
AudioBoo Limited	Online audio social media platform	5 4%
ScraperWiki	Public data gathering platform	5 6%

Subsidiary undertakings

On 1 January 2013 the broadcast licence held by Life One Broadcasting was acquired by the Corporation as part of an internal reorganisation of activities (page 3) As a result of this transfer it is the Company's intention to wind up this entity in the medium term It is also the intention of the Company to wind up all of the dormant companies As a result these investments in subsidiaries have been impaired down to their expected recoverable values

Joint ventures & associates

Box Television Limited

On 1 January 2012 the the Corporation acquired the Company's 50% holding in Box Television Limited for £27,600,000 as part of an internal reorganisation of activities (page 3)

Equity investments

Espresso Group Limited

£1 5 million of the equity investments held by the Company at 31 December 2012 relate to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007

As at the time of signing the accounts 4 Ventures is in negotiations relating to the disposal of their holding in Espresso Group Limited

Protagonist Pictures Limited

£0 1 million of the equity investments held reflect a 15% equity holding in Protagonist Pictures Ltd

Mobile IQ Limited

On 30 March 2012 4 Ventures sold it's investment in Mobile IQ Limited for cash consideration of $578,000 (£364,000)

Notes (continued)

Other

The Company holds equity investments in School of Everything Ltd, My Builder Ltd, AudioBoo Ltd and ScraperWiki Ltd These are recorded at nil value as at 31 December 2012

10 Stocks and work in progress

	2012 £m	2011 £m
Programme and film rights	-	28 8

11 Debtors

	2012 £m	2011 £m
Trade debtors	0.4	61 7
Prepayments and accrued income	-	7 1
Corporation tax receivable	3 1	-
Amounts due from group undertakings	133.1	91 5
	136 6	160 3

12 Creditors: amounts falling due within one year

	2012 £m	2011 £m
Corporation tax	-	2 2
Taxation and social security	-	10 7
Accruals and deferred income	0.4	70 0
	0 4	82 9

13 Called up share capital

	2012 £	2011 £
Authorised, allotted and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

14 Reconciliation of profit and loss account and shareholders' funds

	Profit and loss account £m	Shareholder funds £m
At 1 January 2012	140 8	140 8
Loss for the financial year	(3 0)	(3 0)
At 31 December 2012	137 8	137.8

Notes (continued)

15 Commitments

At 31 December 2012, committed future expenditure for programmes and films were due for payment as follows

	2012 **£m**	2011 £m
Within one year	-	33 6
After one year	-	37 0
	-	70 6

16 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 board secretary, Channel Four Television Corporation, 124 Horseferry Road, London SW1P 2TX