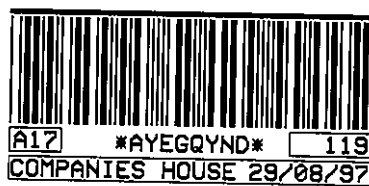


FILM FOUR DISTRIBUTORS LIMITED

Registered number: 3075944

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996



FILM FOUR DISTRIBUTORS LIMITED

REPORT OF THE DIRECTORS

Ownership

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

Principal activities

The Company distributes films theatrically and on video within the United Kingdom.

Results and dividends

The directors consider the results for the year to be satisfactory for the first full trading year.

The Company generated turnover of £1,742,000 in 1996. £75,000 was payable to Channel Four International Limited as its share of net distribution income and £29,000 was payable to other parties. Direct costs of sales amounted to £2,759,000. After other sales and administrative costs, the Company made a loss after tax for the period of £832,000.

The directors do not recommend payment of a dividend.

The directors expect that the group will maintain profitability in 1997 and that the Corporation will continue to support the Company.

Directors

The present directors of the Company are:

Colin Leventhal	Chairman
Michael Southworth	Managing Director
David Scott	
David Aukin	
Bill Stephens	

None of the directors had any interests in the Company's shares. All the directors, with the exception of Michael Southworth, are employees of the Corporation.

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.

FILM FOUR DISTRIBUTORS LIMITED

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

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed to the members at the Annual General Meeting.



By order of the Board
Richard Hurst
Company Secretary
20 March 1997

FILM FOUR DISTRIBUTORS 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 1996. 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.

FILM FOUR DISTRIBUTORS LIMITED

**REPORT OF THE AUDITORS TO THE MEMBERS OF
FILM FOUR DISTRIBUTORS LIMITED**

We have audited the financial statements on pages 5 to 10.

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.

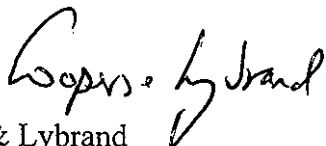
Basis of opinion

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 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
20 March 1997

FILM FOUR DISTRIBUTORS LIMITED

PROFIT AND LOSS ACCOUNT

		Year to 31 December 1996 £000	Period 1 August to 31 December 1995 £000
	Notes		
Turnover	1	1,742	404
Cost of sales	2	<u>(2,863)</u>	<u>(498)</u>
Gross loss		(1,121)	(94)
Administrative expenses		<u>(121)</u>	<u>(118)</u>
Loss on ordinary activities before taxation	3 and 4	(1,242)	(212)
Taxation	5	<u>410</u>	<u>70</u>
Retained loss for the period	9	<u><u>(832)</u></u>	<u><u>(142)</u></u>

All activities are continuing.

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

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

The notes on pages 7 to 10 form part of these financial statements.

Report of the auditors - page 4.

FILM FOUR DISTRIBUTORS LIMITED

BALANCE SHEET

At 31 December	Notes	1996 £000	1995 £000
Fixed assets	6	-	7
Current assets			
Debtors	7	870	426
Cash at bank		38	27
		908	453
Current liabilities			
Creditors	8	(1,881)	(601)
Net current liabilities		(973)	(148)
Net liabilities		(973)	(141)
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	9	(974)	(142)
Equity shareholders' funds		(973)	(141)


Colin Leventhal

Chairman

David Scott 

Director

These financial statements were approved by the Board of Directors on 24 March 1997.

The notes on pages 7 to 10 form part of these financial statements.

Report of the auditors - page 4.

FILM FOUR DISTRIBUTORS LIMITED

PRINCIPAL ACCOUNTING POLICIES for the year ended 31 December 1996

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.

Turnover

Turnover represents income receivable for film and video distribution, on which the company earns commission. Net income after commission and expenses incurred by the company is payable to the parties granting distribution rights to the company. Marketing and distribution costs are charged in the profit and loss account as incurred.

Fixed assets

Fixed assets are stated at cost, together with any incidental expenses of acquisition, less depreciation. Depreciation is calculated so as to write off the cost of the asset on a straight line basis over its estimated useful life from the date of its first utilisation. The annual rates used for this purpose are as follows:-

Technical equipment and office furniture	20%
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Cashflow statement

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

Comparative figures

The Company was incorporated on 29 June 1995 and started trading on 1 August 1995. The comparative figures are for the five month trading period in 1995.

FILM FOUR DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1996

1. Turnover

Turnover, excluding value added tax, from theatric and video distribution of films is derived wholly from within the United Kingdom.

2. Cost of sales

	1996 £000	1995 £000
Direct costs	2,759	274
Share of net income due to Channel Four International Limited	75	224
Share of net income due to other parties	29	-
	<u>2,863</u>	<u>498</u>

3. Remuneration of the directors and employees

All except one of the directors of the Company are employees of, and are remunerated by, the Corporation, which bears the costs for their services. Amounts applicable to the directors of the Company for service to the Company, including pension contributions, were:

	1996 £000	1995 £000
Chairman	Nil	Nil
Highest paid director	52	21

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

	Number	Number
£0 to £5,000	4	4
£20,001 to £25,000	-	1
£50,001 to £55,000	1	-
	<u>5</u>	<u>5</u>

Employee information

The average weekly number of persons (including executive directors) employed by the Company during the period was five (1995: four).

	1996 £000	1995 £000
Staff costs		
Wages and salaries	171	65
Social security costs	17	7
	<u>188</u>	<u>72</u>

FILM FOUR DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Fees in respect of services provided by the auditors were:

	1996	1995
	£000	£000
Statutory audit	<u>5</u>	<u>2</u>

5. Taxation

UK corporation tax @ 33%:		
Tax credit in respect of		
surrender of losses for group relief	<u>410</u>	<u>70</u>

6. Fixed assets

	Equipment & furniture
	1996
	£000
Cost	
At 1 January 1996	9
Additions	5
Disposals	<u>(14)</u>
At 31 December 1996	<u>-</u>
Depreciation	
At 1 January 1996	(2)
Charge for the year	(3)
Disposals	<u>5</u>
At 31 December 1996	<u>-</u>
Net Book Value	
At 31 December 1995	<u>7</u>
At 31 December 1996	<u>-</u>

All fixed assets were transferred to the Corporation in the year at net book value.

FILM FOUR DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Debtors

	1996	1995
	£000	£000
Trade debtors	435	-
Other debtors	66	20
Prepayments and accrued income	369	406
	<u>870</u>	<u>426</u>

8. Creditors - amounts payable within one year

	1996	1995
	£000	£000
Trade creditors	465	56
Accruals	370	121
Other taxation and social security	9	5
Amounts owed to fellow subsidiary undertaking	909	418
Amounts owed to parent undertaking	118	-
Other creditors	10	1
	<u>1,881</u>	<u>601</u>

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

	Profit and loss account	Shareholders' funds
	£000	£000
At 1 January 1996	(142)	(141)
Loss for the year	(832)	(832)
At 31 December 1996	<u>(974)</u>	<u>(973)</u>

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

11. Share capital

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