

FILM FOUR LIMITED

Registered number: 3075944

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000



FILM FOUR LIMITED

REPORT OF THE DIRECTORS

Ownership

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

Principal activities and review of business and future developments

The Company finances and distributes films within the United Kingdom and internationally.

The results for the year reflect a significant increase in turnover, although profit levels were adversely affected by the poor UK box office performance of a number of films released during the year.

The directors believe that profitability will be restored during the current year based on the film projects currently awaiting release and in development and production.

Results and dividends

The Company generated turnover of £42.7m in 2000 (1999: £32.0m). £4.3m (1999: £2.1m) was payable to independent producers and third parties as their share of net distribution income. Direct costs of sales amounted to £39.0m (1999: £27.8m). After administrative expenses, the Company made a loss after tax for the year of £2.2m (1999: profit of £0.3m).

The directors do not recommend payment of a dividend (1999: nil).

The directors expect that the Corporation will continue to support the Company.

Directors

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

Present

Michael Jackson	Chairman
David Scott	Deputy Chairman
Paul Webster	Chief Executive
Peter Buckingham	Director of UK Distribution, Deputy Chief Executive from 30 June 2000
Sue Bruce-Smith	Director of Worldwide Sales and Marketing
Andrew Hildebrand	Director of Business Affairs
Christopher Spurgeon	Director of Finance (appointed 3 February 2000)
Gail Pattinson	Company Secretary

Resigned

Kim Ballard	Director of Finance (resigned 3 February 2000)
Mark Rudolph	Deputy Chief Executive (resigned 30 June 2000)

FILM FOUR LIMITED

Directors

None of the directors had any interests in the Company's shares. All the present directors are employees of the Company except Michael Jackson and David Scott who 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.

Auditors

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

By order of the Board



Gail Pattinson
Company Secretary
22 March 2001

FILM FOUR 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 2000. 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 LIMITED

Independent Auditors' report to the members of Film Four Limited

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

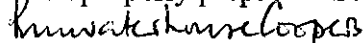
Basis of audit opinion

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 at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London
22 March 2001

FILM FOUR LIMITED

PROFIT AND LOSS ACCOUNT

Year to 31 December		2000	1999
	Notes	£000	£000
Turnover	1	42,685	31,963
Cost of sales	2	<u>(43,209)</u>	<u>(29,942)</u>
Gross (loss)/profit		(524)	2,021
Administrative expenses		<u>(2,427)</u>	<u>(1,497)</u>
(Loss)/profit on ordinary activities before taxation	3 and 4	(2,951)	524
Taxation	5	<u>759</u>	<u>(197)</u>
Retained (loss)/profit for the year	9	<u><u>(2,192)</u></u>	<u><u>327</u></u>

All the above amounts relate to continuing operations.

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 (1999: nil).

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 (1999: nil).

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

Report of the auditors - page 4.

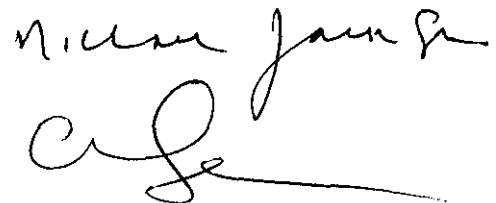
FILM FOUR LIMITED

BALANCE SHEET

At 31 December	Notes	2000 £000	1999 £000
Current assets			
Film Rights	6	50,134	44,046
Debtors	7	6,554	6,528
Cash at bank		322	222
		<u>57,010</u>	<u>50,796</u>
Current liabilities			
Creditors	8	(59,823)	(51,417)
Net current liabilities		<u>(2,813)</u>	<u>(621)</u>
Net liabilities		<u>(2,813)</u>	<u>(621)</u>
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	9	(2,814)	(622)
Equity shareholders' funds		<u>(2,813)</u>	<u>(621)</u>

Michael Jackson

Chairman



Christopher Spurgeon

Finance Director



These financial statements were approved by the Board of Directors on 22 March 2001.

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

Report of the auditors - page 4.

FILM FOUR LIMITED

PRINCIPAL ACCOUNTING POLICIES for the year ended 31 December 2000

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 from the exploitation of film rights and for the sale of UK television rights in films to the Corporation. Revenue is recognised on contracts for the sale of film rights as payments under the contracts become due. Income due from investments in other films is recognised upon notification of that income.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date or the contracted rate where the underlying exposure has been hedged, by the Corporation on behalf of the Company, using a forward exchange contract. Any resultant gain or loss on exchange is shown as part of the profit or loss for the year.

Cashflow statement

The Company is a wholly owned subsidiary of the Corporation 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).

Related party transactions

With the exception of the disclosure in note 12, 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.

Film rights

Film rights are stated at the lower of direct cost incurred up to the balance sheet date and estimated net realisable value.

Film rights are amortised in the profit and loss account in line with revenue arising in the period, after making provision for any anticipated shortfall.

FILM FOUR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000

1. Turnover

Turnover, excluding value added tax, arises principally from the sale of film rights.

All turnover originates from the United Kingdom.

The geographic analysis by destination of turnover is as follows:

	2000	1999
	£000	£000
USA / Canada	1,605	2,197
Europe	6,843	4,699
Rest of the world	4,616	1,189
UK sales and other income	29,621	23,878
	<u>42,685</u>	<u>31,963</u>

2. Cost of sales

	2000	1999
	£000	£000
Direct costs	38,956	27,831
Share of net income due to third parties	4,253	2,111
	<u>43,209</u>	<u>29,942</u>

FILM FOUR LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

3. Remuneration of the directors and employees

Amounts applicable to the directors of the Company for service to the Company, excluding pension contributions, were:

	2000 £000	1999 £000
Total emoluments	847	759
	<u>847</u>	<u>759</u>

Retirement benefits are accruing to five directors (1999: six) 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 £281,000 (1999: £262,000). The accrued pension of the highest paid director under the defined benefit scheme at 31 December 2000 was £8,883 (1999: £5,788).

Employee information

The monthly average number of persons (including executive directors) employed by the Company were as follows:

	2000	1999
Selling and distribution	22	23
Creative and production	13	10
Administration	20	17
	<u>55</u>	<u>50</u>

Staff costs were as follows:

	2000 £000	1999 £000
Wages and salaries	3,201	2,436
Social security costs	223	217
Pension costs	283	265
	<u>3,707</u>	<u>2,918</u>

FILM FOUR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000**

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

	2000	1999
	£000	£000
Statutory audit	<u>9</u>	<u>9</u>

5. Taxation

	2000	1999
	£000	£000
UK Corporation tax @ 30% (1999: 30.25%):		
Current year	-	195
Prior year	7	2
Double tax relief	-	(191)
Group relief receivable	(766)	-
	<u>(759)</u>	<u>6</u>
Overseas taxation	-	191
	<u>(759)</u>	<u>197</u>

6. Film rights

	2000	1999
	£000	£000
Film rights	<u>50,134</u>	<u>44,046</u>

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

FILM FOUR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000**

7. Debtors

	2000	1999
	£000	£000
Trade debtors	4,986	3,688
Amounts owed by fellow subsidiary undertaking	1	375
Other debtors	195	-
United Kingdom corporation tax	-	56
Group relief receivable	766	-
Other taxes and social security	-	197
Prepayments and accrued income	606	2,212
	<u>6,554</u>	<u>6,528</u>

8. Creditors - amounts payable within one year

	2000	1999
	£000	£000
Trade creditors	301	1,522
Amounts owed to parent undertaking	56,712	46,972
Other tax and social security	131	80
Other creditors	1,941	1,883
Accruals	738	960
	<u>59,823</u>	<u>51,417</u>

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

	Profit and loss account	Shareholders' funds
	£000	£000
At 1 January 2000	(622)	(621)
Loss for the year	(2,192)	(2,192)
At 31 December 2000	<u>(2,814)</u>	<u>(2,813)</u>

FILM FOUR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000**

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.

12. Related party transactions

In 2000, the Company acquired certain rights in the film The Yards for £686,646. Paul Webster is the individual producer of The Yards. Under his contract with the film, Paul Webster is entitled to a profit participation in the film.

13. Film commitments

At 31 December, the Company had committed future expenditure for films due for payment as follows:

	2000 £000	1999 £000
Within one year	13,108	11,877
After one year	150	175
	<u>13,258</u>	<u>12,052</u>

14. Post balance sheet event

On 1st January 2001, the entire shareholding of 1,000 £1 ordinary shares was transferred from the Corporation to 4 Ventures Limited (a wholly owned subsidiary of the Corporation).