

CHANNEL FOUR INVESTMENTS LIMITED

Directors' report and financial statements

Registered number 08950142

for the year ended 31 December 2018



CHANNEL FOUR INVESTMENTS LIMITED

Directors' Report and Financial Statements for the year ended 31 December 2018

Contents

3-4	Directors' Report
5	Statement of Directors' Responsibilities
6-8	Independent Auditor's Report
9	Statement of Comprehensive Income
10	Balance Sheet
11	Statement of Changes in Equity
12-17	Notes to the Financial Statements

Country of incorporation of parent company:	United Kingdom
Registered office and principal place of business:	124 Horseferry Road London SW1P 2TX
Legal form:	Limited Company
Registered Number:	08950142

CHANNEL FOUR INVESTMENTS LIMITED

Directors' Report
for the year ended 31 December 2018

The directors present their report and the audited financial statements of Channel Four Investments Limited (the "Company") for the year ended 31 December 2018.

Ownership

The Company is a wholly owned subsidiary of 4 Ventures Limited, and its ultimate parent is Channel Four Television Corporation (the "Corporation").

Principal activities

The Company's principal activity is acting as the holding entity for the Corporation's Indie Growth Fund investments. The Indie Growth Fund was launched in 2014 to nurture the independent television production sector by providing access to funding for small to medium sized creative companies based in the UK and to generate commercial returns for the Corporation. The directors expect this activity to continue for the foreseeable future.

Business review

The Company recorded a profit for the year of £nil (2017: £3.5 million). The company sold its stake in Arrow International Media Limited during 2018 recognising a loss on sale of £0.1 million.

The directors do not recommend the payment of a dividend (2017: £nil).

The Company has met the small company requirements of the Companies Act 2006 to obtain the exemption provided from the presentation of a strategic report. The results for the year are set out on pages 9 to 17 of these financial statements.

Directors

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

Alexandra Mahon
Jonathan Allan
Martin Baker
Glyn Isherwood (resigned 16 March 2018)

All of the directors are employees of the Corporation. There are qualifying third party indemnity provisions in place for the benefit of the directors which comply with the requirements of the Companies Act 2006.

Going concern

At the balance sheet date, the Company has net assets of £3.9 million (2017: £3.9 million). As a wholly owned subsidiary of 4 Ventures Limited, the directors believe that the company has adequate support and resources to manage its business risks successfully. After additional consideration, management do not believe any significant risks are posed to the business by Brexit. 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.

Employees

The Company has no employees (2017: none). Its activities are carried out by employees of the Corporation.

CHANNEL FOUR INVESTMENTS LIMITED

Directors' Report

for the year ended 31 December 2018 (*continued*)

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to s487 of the Companies Act 2006, Deloitte LLP were deemed to have been re-appointed as external auditor for the audit of the financial statements for the year ending 31 December 2019.

By order of the Board

A handwritten signature in black ink, appearing to be 'MA' followed by a stylized flourish.

Martin Baker

Director

24 September 2019

Statement of Directors' Responsibilities
for the year ended 31 December 2018

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 UK 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), including FRS 101 *Reduced Disclosure Framework*.

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 Directors of Channel Four Investments Limited

Opinion

In our opinion the financial statements of Channel Four Investments Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent Auditor's Report

to the Directors of Channel Four Investments Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

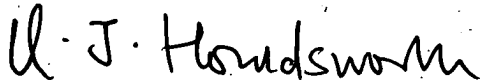
We have nothing to report in respect of these matters.

CHANNEL FOUR INVESTMENTS LIMITED

Independent Auditor's Report to the Directors of Channel Four Investments Limited

Use of our report

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 auditor's 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.



Kate J Houldsworth FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
24 September 2019

CHANNEL FOUR INVESTMENTS LIMITED**Statement of Comprehensive Income**
for the year ended 31 December 2018

	Note	2018 £m	2017 £m
Dividend income	5	0.1	0.2
Gross profit		0.1	0.2
(Loss)/profit on sale of investments	5	(0.1)	3.3
Profit before taxation		-	3.5
Tax on profit	4	-	-
Profit for the financial year		-	3.5
Other comprehensive income		-	-
Total comprehensive income for the year		-	3.5

All recognised gains and losses are included in the statement of comprehensive income.

All results relate to continuing operations.

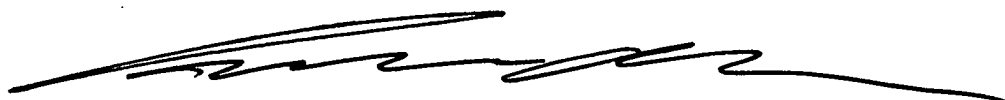
The notes on pages 12 to 17 form part of these financial statements.

CHANNEL FOUR INVESTMENTS LIMITED

Balance Sheet as at 31 December 2018

	Note	2018 £m	2017 £m
Fixed assets			
Investments	5	<u>9.1</u>	<u>8.7</u>
Current assets			
Debtors	6	<u>-</u>	<u>0.5</u>
Creditors: amounts falling due within one year	7	<u>(5.2)</u>	<u>(5.3)</u>
Net current liabilities		<u>(5.2)</u>	<u>(4.8)</u>
Net assets		<u>3.9</u>	<u>3.9</u>
Capital and reserves			
Share capital	8	<u>-</u>	<u>-</u>
Retained earnings		<u>3.9</u>	<u>3.9</u>
		<u>3.9</u>	<u>3.9</u>

These financial statements of Channel Four Investments Limited [registered number 08950142] were approved and authorised for issue by the Board of Directors on 24 September 2019 and were signed on its behalf by:



Jonathan Allan
Director

Registered number 08950142

The notes on pages 12 to 17 form part of these financial statements.

CHANNEL FOUR INVESTMENTS LIMITED

Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2017	-	0.4	0.4
Profit for the year	-	3.5	3.5
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	3.5	3.5
At 31 December 2017	-	3.9	3.9
At 1 January 2018	-	3.9	3.9
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive profit for the year	-	-	-
At 31 December 2018	-	3.9	3.9

The notes on pages 12 to 17 form part of these financial statements.

1. Significant accounting policies

Basis of preparation

Channel Four Investments Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK.

The financial statements have been prepared in accordance with Financial Reporting Standard 100 "Application of Financial Reporting Requirements" and Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) under the historical cost and going concern conventions. The policies have been consistently applied to all the years presented, unless otherwise stated.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted EU IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by the Corporation.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of the Corporation. These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

Critical accounting judgements and sources of estimation

The preparation of financial statements in accordance with IFRS requires the Group to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, the relative uncertainty means actual results may ultimately differ from those estimates.

The preparation of financial statements also requires management to make critical judgements in the application of accounting policies.

Where a significant risk of materially different outcomes exist due to management assumptions or sources of estimation uncertainty, this represents a critical accounting estimate. Estimates and underlying assumptions are reviewed on an ongoing basis and based on historical experience and other factors including expectation of future events.

1. Significant accounting policies (continued)

The directors have considered the above and do not believe that there are any estimates or assumptions which have a significant effect on the amounts recognised in the financial statements that require disclosure.

Changes in accounting policies

The following new standards became effective for the first time from 1 January 2018:

- IFRS 9 'Financial Instruments'

The adoption of this new standard has not had a material impact on the financial statements of the Company.

Investments

In line with IAS 27 *Separate Financial Statements*, the Company has elected to account for investments in associates at cost, less any provision for impairment. Following the implementation of IFRS 9 *Financial Instruments*, other investments are held at fair value, with any movements recognised through other comprehensive income.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Trade and other debtors

Trade and other debtors are reflected net of any expected credit loss. The adoption of IFRS 9 has not had a material impact on the value of the Company's trade and other debtors as this balance was nil as at the reporting date.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

CHANNEL FOUR INVESTMENTS LIMITED

Notes to the financial statements for the year ended 31 December 2018

2. Auditor's remuneration

	2018 £000	2017 £000
Audit of these financial statements	<u>5</u>	<u>5</u>

No fees are paid to the Company's auditor and its associates for services other than the statutory audit of the Company's financial statements.

3. Remuneration of directors

The directors and staff of the Company are employees of, and remunerated by, the Corporation. No amounts were paid to the directors of the Company for service to the Company (2017: £nil). No retirement benefits are accruing to directors for service to the Company.

4. Taxation

Analysis of charge in the year

	2018 £m	2017 £m
Group relief	<u>-</u>	<u>-</u>
Total tax	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are as follows:

	2018 £m	2017 £m
<i>Current tax reconciliation</i>		
Profit before tax	<u>-</u>	<u>3.5</u>
Current tax at 19% (2017: 19.25%)	-	0.7
<i>Effects of:</i>		
Non-taxable income	-	(0.7)
	<u>-</u>	<u>-</u>
Total tax on profit	<u>-</u>	<u>-</u>

CHANNEL FOUR INVESTMENTS LIMITED

Notes to the financial statements for the year ended 31 December 2018

5. Investments

	Total £m
Cost	
At 1 January 2017	9.8
Additions	1.1
Disposals	(1.8)
	<hr/>
At 31 December 2017	9.1
At 1 January 2018	9.1
Additions	1.2
Transfers	0.5
Disposals	(1.7)
	<hr/>
At 31 December 2018	9.1
Provisions for impairment	
At 1 January 2017	0.4
At 31 December 2017	0.4
	<hr/>
At 1 January 2018	0.4
Disposals	(0.4)
	<hr/>
At 31 December 2018	-
NBV	
At 1 January 2018	9.1
At 31 December 2018	9.1
At 1 January 2017	9.4
At 31 December 2017	8.7

In 2018, Channel 4 invested £1.2 million (2017: £1.1 million) in the Indie Growth Fund acquiring additional shareholdings in existing investments. There were no further commitments for subsequent equity subscriptions (2017: £1.3 million) across the investment portfolio at 31 December 2018. £0.5m of debt instruments were also allocated to investments during the year. The Company received dividend income of £0.1 million from the Indie Growth Fund companies in 2018 (2017: £0.2 million).

The Company sold its stake in Arrow International Media Limited during 2018 recognising a loss on sale of £0.1 million. During 2017, the Company sold its stake in both True North Productions Limited and Renowned Films Limited, recognising a total gain on sale of £3.3 million.

CHANNEL FOUR INVESTMENTS LIMITED

Notes to the financial statements for the year ended 31 December 2018

5. Investments (continued)

At 31 December 2018, the Company had direct shareholdings in the following companies, each of which is incorporated in the United Kingdom. The Indie Growth Fund companies (with the exception of Dial Square 86 Limited) have been classified as associates as the Company generally has commitments to purchase more than 20% of the equity and voting rights in these entities. Where this is not the case, management is satisfied that significant influence exists over these entities due to the Channel 4 Group's ability to influence, but not control, the financial and operating policies of these entities. The Company's interests stated below do not include commitments for subsequent equity subscriptions after the balance sheet date.

Company	Registered Address	Nature of business	Ownership interest
Associates			
Eleven Film Limited	25-26 Poland Street, London, W1F 8QN	TV programme production activities	20%
Lightbox Media Limited	Regina House, 124 Finchley Road, London, NW3 5JS	TV programme production activities	22%
Spelthorne Community Television Limited	2nd Floor 63-64 Margaret Street, London, W1W 8SW	TV programme production activities	25%
Whisper Films Limited	Unit B South Avenue Studios, 7 South Avenue, Richmond, Surrey, England, TW9 3EL	Motion picture production activities	25%
Barcroft Holdings Limited	Regina House, 124 Finchley Road, London, NW3 5JS	TV programme production activities	15%
Firecrest Films Limited	Fairfield, 1048 Govan Road, Glasgow, G51 4XS	TV programme production activities	25%
Voltage TV Productions Limited	5 Elstree Gate, Elstree Way, Borehamwood, WD6 1JD	TV programme production activities	15%
Parable Ventures Limited	64 New Cavendish Street, London, W1G 8TB	TV and immersive content production activities	18%
Other			
Dial Square 86 Limited	Somerset House, Strand, London, WC2R 1LA	TV programme distribution activities	4.7%

CHANNEL FOUR INVESTMENTS LIMITED

Notes to the financial statements for the year ended 31 December 2018

6. Debtors

	2018 £m	2017 £m
Other debtors	-	0.5

7. Creditors: amounts falling due within one year

	2018 £m	2017 £m
Amounts due to group undertakings	5.2	5.3

8. Share capital

	2018 £	2017 £
<i>Authorised</i>		
1 Ordinary share of £1 each	1	1
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	1	1

9. Ultimate parent company and group undertaking

Channel Four Television Corporation, a statutory corporation domiciled in the United Kingdom, is the ultimate parent 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 (the registered address of the the Corporation).

4 Ventures Limited is the Company's immediate parent undertaking.