

Notes to the financial statements continued

8. Investments in subsidiaries

Subsidiaries

The cost of investments at 31 December was:

	Channel 4 2012 £000	Channel 4 2011 £000
4 Ventures Ltd	1	1

4 Ventures Ltd is a 100% owned subsidiary of Channel 4. On 1 January 2012 a number of activities were transferred to Channel 4 (page 110).

At the balance sheet date 4 Ventures Ltd owned more than 50% of the issued share capital of the following companies either directly or indirectly*, each of which was incorporated in Great Britain:

	Activity	Issued ordinary £1 shares	Ownership %
FilmFour Ltd	Film distribution	1,000	100
Life One Broadcasting Ltd	Non-trading	1,000	100
Life Two Broadcasting Ltd*	Non-trading	1,000	100
Life Showcase Ltd*	Non-trading	1,000	100
Channel 4 Radio Ltd	Non-trading	1	100
Channel 4 Radio Services Ltd*	Non-trading	1	100

FilmFour Ltd sells rights from its film library to Protagonist Pictures Ltd (note 10).

It is the members' intention to wind up Life One Broadcasting Ltd, Life Two Broadcasting Ltd and Life Showcase Ltd following the transfer of their broadcast licences to Channel 4 on 1 January 2012 (page 110).

As Channel 4 Radio Ltd and Channel 4 Radio Services Ltd are not trading, it is the members' intention to wind up these entities.

Notes to the financial statements continued

9. Investments accounted for using the equity method

Box Television Ltd

Box Television Ltd (Box) broadcasts a number of music television channels on free to air and pay platforms. The investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box.

Impairment tests on the investment in Box are carried out annually or if indications arise of a possible impairment.

The recoverable amounts of the goodwill and intangible assets in Box are determined based on their value in use.

An impairment review was carried out by estimating the future expected cashflows for Box until 2017 using a pre-tax discount rate of 11% (2011: 10%), reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 2.1% (2011: 2.0%), an equity risk premium of 6.9% (2011: 7.0%), and a sector premium of 2.0% (2011: nil). Cashflows were based on management's best estimate of future performance to 2016 and flat growth into perpetuity, reflecting management's cautious view of the long term potential in music viewing commercial television. The present value of the cashflows accruing to the group was compared with the carrying value of the investment 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.

The broadcast licence acquired as part of the investment in Box is amortised over the duration of the licence period (eight years). This amount is included within the carrying value of the investment.

There are no contingent liabilities and no capital commitments in respect of Box or other joint ventures to be included within the group's financial statements.

The carrying value of the group's investment in Box was as follows:

	2012 £m	2011 £m
Carrying value at 1 January	26	26
Share of post acquisition profits, net of income tax	2	3
Amortisation	(1)	(1)
Share of dividends received	(2)	(2)
Total carrying value at 31 December	25	26

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
2012						
Box Television Ltd	13	–	(6)	–	37	(33)
2011						
Box Television Ltd	18	–	(10)	–	37	(28)

Notes to the financial statements continued

9. Investments accounted for using the equity method continued

The following of the group's joint ventures are not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. The group recognises its share of the funding contributions of these organisations in the appropriate line in the income statement in the period to which they relate.

Broadcasters' Audience Research Board Ltd (BARB)

BARB is a company limited by guarantee. Channel 4 is a joint member along with the BBC, ITV Network Ltd, Channel 5 Broadcasting Ltd, BSkyB plc and the IPA.

Clearcast Ltd

Channel 4 holds one ordinary £1 share in Clearcast Ltd, representing 16.7% of the share capital. ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd, GMTV Ltd and Turner Entertainment Networks International Ltd own the remaining 83.3%. Clearcast Ltd is responsible for the pre-transmission examination and clearance of television advertisements.

Digital 3 and 4 Ltd

Channel 4 holds 1,000 A class ordinary £1 shares in Digital 3 and 4 Ltd, representing 50% of the share capital. ITV Network Ltd owns the other 50%. Digital 3 and 4 Ltd has been granted a licence by Ofcom to operate the Channel 3 and Channel 4 digital terrestrial multiplex. At 31 December 2012, Channel 4's share of the net assets of Digital 3 and 4 Ltd amounted to £1,000. The company acts as an agent for its shareholders.

DTT Multiplex Operators Ltd (DMOL)

DMOL is a company limited by guarantee. The group is a member via its share in Digital 3 & 4 Ltd. The other members are the BBC, National Grid Wireless plc and SDN Ltd.

DTV Services Ltd

Channel 4 holds 6,000 ordinary £1 shares in DTV Services Ltd, representing 20% of the share capital. The BBC, National Grid Wireless, BSkyB plc and ITV Network Ltd own the remaining 80%. DTV Services Ltd is the company responsible for marketing the Freeview digital terrestrial TV network.

Parliamentary Broadcasting Unit Ltd

Channel 4 holds one share in the Parliamentary Broadcasting Unit Ltd, representing 11.1% of the share capital. The BBC owns four shares and ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd and Park Square (Leeds) Nominees Ltd each own one share.

Thinkbox Ltd

Channel 4 holds 3,000 ordinary £1 shares representing 14% of the share capital. Channel 5 Broadcasting Ltd, GMTV Ltd, ITV plc, BSkyB plc, Turner Broadcasting and Viacom Brand Solutions Ltd hold the remainder of the shares. Thinkbox Ltd is the television marketing body for the main UK commercial broadcasters.

In addition, the group contributed towards the operating cost of the following joint venture. Service fees payable to this joint venture under the terms of the shareholder agreement are recognised in the Income Statement in the period to which they relate.

YouView TV Ltd

Channel 4 holds 600 shares, representing 14.3% of the share capital. The BBC, ITV Broadcasting Ltd, Channel 5 Broadcasting Ltd, BT plc, Talk Talk Telecom Group plc and Arqiva Ltd own the remaining 85.7%. YouView is responsible for developing, supporting and promoting a set of software standards and enabling technologies, based on a convergence of DTT and IPTV technologies, which allow for the development of competing TV platforms.

Notes to the financial statements continued

10. Equity investments

Channel 4

On 1 January 2012 the investment in Box Television Ltd was transferred to Channel Four Television Corporation from 4 Ventures Ltd, a wholly owned subsidiary, at its carrying value of £28 million (page 110).

The investment in Box Television Ltd is recorded on Channel Four Television Corporation's balance sheet at historical cost. The balance as at 31 December 2012 was £28 million.

Group

Equity investments held for the group comprise:

	2012 £m	2011 £m
At 1 January	2	2
At 31 December	2	2

Espresso Broadband Ltd

£1.5 million of the equity investments held by the group 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.

Protagonist Pictures Ltd

£0.1 million of the equity investments held by the group reflect a 15% equity holding in Protagonist Pictures Ltd.

Other

The group further holds investments in School of Everything Ltd, AudioBoo Ltd, ScraperWiki Ltd and MyBuilder Ltd. These are recorded at nil value as at 31 December 2012.