

Notes to the consolidated financial statements, continued

7. 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 2018 using a pre-tax discount rate of 10% (2012: 11%), reflecting the Group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 3.0% (2012: 2.1%), an equity risk premium of 7.0% (2012: 6.9%), and a sector premium of nil (2012: 2.0%). Cashflows were based on management's best estimate of future performance to 2018 and flat growth into perpetuity, reflecting management's cautious view of the long term potential in music viewing in 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 (8 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. During 2013, Channel 4 received a dividend of £2 million (2012: £2 million) from Box. Channel 4 also sold £8 million (2012: £8 million) of services to Box including commissions earned on advertising sales and made payments on Box's behalf for other services including transmission, programme costs, brand royalties, marketing, facilities management, information systems, finance and other administrative support and pensions. Box owed Channel 4 £1 million at 31 December 2013 (2012: £1 million) in respect of these services. Channel 4 paid £nil (2012: £1 million) to Box in 2013 and owed Box £nil at 31 December 2013 (2012: £0.1 million).

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

	2013 £m	2012 £m
Carrying value at 1 January	25	26
Share of post acquisition profits, net of income tax	1	2
Amortisation	(1)	(1)
Share of dividends received	(2)	(2)
Total carrying value at 31 December	23	25

Summary annual financial information of investment in Box

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
2013						
Box Television Ltd	13	-	(6)	-	35	(31)
2012						
Box Television Ltd	13	-	(6)	-	37	(33)

Notes to the consolidated financial statements, continued

8. Equity investments

	2013 £m	2012 £m
At 1 January	2	2
Disposals	(2)	–
At 31 December	–	2

Espresso Broadband Ltd

£1.5 million of the equity investments held by the Group at 31 December 2012 related to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007.

On 12 September 2013 the Corporation sold its investment in Espresso Broadband Ltd and received a consideration of £2.2 million. A profit on the sale of the investment was recognised of £0.7 million.

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 2013 (2012: £nil).

There is no difference between the fair value and book value of equity investments.

Notes to the consolidated financial statements, continued

8. Equity investments continued

Other investments

Channel Four Television Corporation contributes to the funding of the following not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. The group recognises its share of funding contributions of these organisations in the appropriate line in the income statement in the period to which they relate. The table below presents Channel 4's ownership of the entities, or legal guarantee (indicated with*), and transactions with them during the year.

	Ownership	Activity	Service fees received year ended 31 December	Funding & services provided year ended 31 December
			£m	£m
2013				
Broadcasters' Audience Research Board Ltd	*	Research	–	2
Clearcast Ltd	16.70%	Regulator	–	1
Digital 3 and 4 Ltd	50.00%	Operator	1	30
DTT Multiplex Operators Ltd (DMOL)*	*	Platform	–	–
DTV Services Ltd	20.00%	Marketing	3	5
Digital UK*	*	Marketing	–	1
Thinkbox Ltd	20.00%	Marketing	1	2
YouView Ltd	14.30%	Platform	4	6

	Ownership	Activity	Service fees received year ended 31 December	Funding & services provided year ended 31 December
			£m	£m
2012				
Broadcasters' Audience Research Board Ltd	*	Research	–	2
Clearcast Ltd	16.70%	Regulator	–	1
Digital 3 and 4 Ltd	50.00%	Operator	1	20
DTT Multiplex Operators Ltd (DMOL)*	*	Platform	–	–
DTV Services Ltd	20.00%	Marketing	5	7
Digital UK*	*	Marketing	–	–
Thinkbox Ltd	20.00%	Marketing	1	2
YouView Ltd	14.30%	Platform	2	7

There were no trade receivable or trade payable balances with any of the related parties listed above at 31 December 2013 or 31 December 2012. No dividends were received in 2013 (2012: £nil) from any of the related parties listed above.

2. Investments in subsidiaries and jointly controlled entities

Equity investments

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 190).

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 2013 was £28 million.

Subsidiaries

The cost of investments at 31 December was:

	2013 £000	2012 £000
4 Ventures Ltd	1	1

4 Ventures Ltd is a 100% owned subsidiary of Channel 4.

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 (Group note 8).

The members have filed to wind up Life One Broadcasting Ltd, Life Two Broadcasting Ltd, Channel 4 Radio Ltd, Channel 4 Radio Services Ltd and Life Showcase Ltd as these companies are dormant.