

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Investments accounted for using the equity method

The carrying value of the Group's investments accounted for using the equity method is as follows:

	Box £m	Growth Fund £m	Total £m
Carrying value at 1 January 2013	25	–	25
Share of post acquisition profits, net of income tax	1	–	1
Amortisation	(1)	–	(1)
Share of dividends received	(2)	–	(2)
Total carrying value at 31 December 2013	23	–	23
	Box £m	Growth Fund £m	Total £m
Carrying value at 1 January 2014	23	–	23
Acquisitions	–	4	4
Share of post acquisition profits, net of income tax	2	–	2
Amortisation	(1)	–	(1)
Share of dividends received	(2)	–	(2)
Total carrying value at 31 December 2014	22	4	26

The Box Plus Network Ltd

The Box Plus Network Ltd (Box) broadcasts a number of music television channels on free-to-air and pay platforms. Box is accounted for as a joint venture and 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 using a pre-tax discount rate of 9% (2013: 10%), reflecting the Group's estimated cost of capital for its commercial television segments and comprising a risk-free rate and an equity risk premium. Cashflows were based on management's best estimate of future performance to 2024, 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 (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. During 2014, Channel 4 received a dividend of £2.5 million (2013: £2 million) from Box. Channel 4 also sold £8 million (2013: £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 2014 (2013: £1 million) in respect of these services. Channel 4 paid £nil (2013: £nil) to Box in 2014 and owed Box £nil at 31 December 2014 (2013: £nil).

Summary annual financial information of investment in Box

	Current assets £m	Non-current assets £m	Current liabilities £m	Long-term liabilities £m	Revenue £m	Profit from continuing operations £m
2014	12	1	(6)	–	35	6
2013	13	–	(6)	–	35	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Investments accounted for using the equity method continued

The Growth Fund

During 2014 Channel 4 launched the Growth Fund, a fund with the aim of nurturing the independent sector. The fund will seek to invest up to £20 million over a period of three years, in a broad portfolio of television and digital companies. Channel 4 invested £4 million in acquiring minority shareholdings in five companies in 2014, with a further £1 million committed for subsequent equity subscriptions in these companies at 31 December 2014.

Channel 4 set out two key aims when launching the Growth Fund. Firstly, to provide access to funding for a broad portfolio of small and medium sized independent production companies based in the UK to help them grow and develop their business. Secondly, to put our capital to work in more remit-delivering ways and open Channel 4 up to sharing in the benefits of companies that go on to generate shareholder value in the medium term. As such, the Growth Fund Companies are held for investment purposes and it is not Management's intention to control these entities. The Growth Fund companies have been classified as associates as Channel 4 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 Channel 4's ability to influence, but not control, the financial and operating policies of these entities. Management have reviewed the carrying value of the Growth Fund as at 31 December 2014 and concluded that there are no indicators of impairment at the balance sheet date.

Programme rights and other inventories to the value of £594 million were recognised as expenses in the year across the main and digital television channels (2013: £589 million) representing programmes commissioned from both independent and non-independent production companies as well as programme and film rights acquisitions. Of this total, Channel 4 commissioned £10 million of content from Growth Fund companies in 2014 which includes commissions sanctioned both pre and post-acquisition. Channel 4 owed the Growth Fund companies £nil in respect of these transactions at 31 December 2014.

The Growth Fund is comprised of the following entities as at 31 December 2014:

Company	Place of business	Proportion of equity owned at 31 December 2014*
Arrow International Media Ltd	UK	12.0%
Eleven Film Ltd	UK	13.5%
Lightbox Media Ltd	UK	12.0%
Popkorn Media Ltd	UK	16.1%
True North Productions Ltd	UK	21.0%

* This represents the proportion of equity owned as at 31 December 2014 and does not include commitments for subsequent equity subscriptions after the balance sheet date.

Summary annual financial information of Growth Fund investments

	Current assets £m	Non-current assets £m	Current liabilities £m	Long-term liabilities £m	Revenue £m	Profit from continuing operations £m
2014	6	1	(4)	(2)	26	1

8. Other investments

Other investments held comprise:

	2014 £m	2013 £m
At 1 January	–	2
Disposals	–	(2)
At 31 December	–	–

Espresso Broadband Ltd

£1.5 million of the other investments held by the Group at 1 January 2013 related to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007. The Corporation sold its investment in Espresso Broadband Ltd in 2013 and received a consideration of £2.2 million. A profit on the sale of the investment of £0.7 million was recognised in 2013.

Protagonist Pictures Ltd

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. Other investments continued

Other

Channel Four Television Corporation contributes to the funding of the following organisations, each of which is incorporated in Great Britain. 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	Services received year ended 31 December £m	Funding & services provided year ended 31 December £m
2014				
Broadcasters' Audience Research Board Ltd	*	Research	–	2
Clearcast Ltd	16.70%	Regulator	–	1
Digital 3 and 4 Ltd	50.00%	Operator	1	25
DTV Services Ltd	20.00%	Marketing	5	5
Digital UK*	*	Marketing	–	2
Thinkbox Ltd	20.00%	Marketing	1	1
YouView Ltd	14.30%	Platform	1	2
2013				
Broadcasters' Audience Research Board Ltd	*	Research	–	2
Clearcast Ltd	16.70%	Regulator	–	1
Digital 3 and 4 Ltd	50.00%	Operator	1	30
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

Channel 4 owed DTV Services £0.5 million at 31 December 2014 (2013: £nil). There were no trade receivable or trade payable balances with any of the other related parties listed above at 31 December 2014 or 31 December 2013. No dividends were received in 2014 (2013: £nil) from any of the related parties listed above.

The investments listed have not been accounted for as joint ventures or associates as they are not-for-profit, cost-sharing organisations which will not generate returns for the Group. 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. They are held at £nil carrying amount in the consolidated financial statements of the Group and therefore the accounting treatment applied is not deemed material.