

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	Indie Growth Fund £m	Total £m
Carrying value at 1 January 2015	22	4	26
Acquisitions	–	3	3
Share of post-acquisition profits, net of income tax	3	–	3
Share of dividends received	(3)	–	(3)
Total carrying value at 31 December 2015	22	7	29
Carrying value at 1 January 2016	22	7	29
Acquisitions	–	3	3
Share of post-acquisition profits, net of income tax	2	1	3
Share of dividends received	(3)	–	(3)
Total carrying value at 31 December 2016	21	11	32

The Box Plus Network Limited

The Box Plus Network Limited ('Box'), incorporated and operating in the United Kingdom, 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.

Annual impairment tests on Box's goodwill and intangible assets are based on their recoverable amounts determined from 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 10% (2015: 11%), 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 2021, 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.

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 2016, Channel 4 received a dividend of £3 million (2015: £3 million) from Box. Channel 4 also sold £7 million (2015: £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 £nil at 31 December 2016 (2015: £1 million) in respect of these services. Channel 4 had no balances outstanding to Box at 31 December 2016 (2015: £nil) as no services were rendered by Box to Channel 4 in 2016 (2015: £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
2016	12	1	(6)	–	37	7
2015	12	1	(7)	–	38	7

The Indie Growth Fund

During 2014, Channel 4 launched the Indie Growth Fund, a fund with the aim of nurturing the independent sector. The fund seeks to invest up to £20 million in a broad portfolio of television and digital companies. In 2016, Channel 4 invested £3 million (2015: £3 million) in the Indie Growth Fund and acquired minority shareholdings in a further two companies (2015: four). A further £1 million is committed for subsequent equity subscriptions in these companies at 31 December 2016. Channel 4 has committed a total of £14 million of the fund since the balance sheet date. Channel 4 sold its stake in True North Productions Limited after the balance sheet date making a profit on the sale. Since the year end, Channel 4 has invested in two further companies; Firecrest Films, a Scottish production company and Parable Ventures Limited, a virtual reality start up.

Channel 4 set out two key aims when launching the Indie 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. Therefore, the Indie Growth Fund companies are held for investment purposes and it is not Management's intention to control these entities. The Indie 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.

Annual impairment tests on the Indie Growth Fund investments are based on their recoverable amounts determined from their value in use. An impairment review was carried out by estimating the future expected cashflows for investments using a pre-tax discount rate of 11.5% (2015: 12.5%), reflecting the Group's estimated cost of capital for the Indie Growth Fund investment portfolio and comprising a risk-free rate and an equity risk premium. Cashflows were based on management's best estimate of future performance to 2021. 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 to the fund portfolio was required as a result.

Management believes that there are currently no likely changes in cashflows or discount rate which would reduce the value in use for Indie Growth Fund investments down to a level where an impairment would arise.

Of the £684 million (2015: £621 million) total of programme rights recognised as expenses in 2016 (note 12), Channel 4 commissioned £23 million (2015: £6 million) of content from Indie Growth Fund companies which includes commissions sanctioned both pre and post acquisition. Channel 4 and the Indie Growth Fund companies have no balances outstanding to each other in respect of these transactions at 31 December 2016 (2015: £nil).

The Indie Growth Fund is comprised of the following entities incorporated in the United Kingdom:

Company	Proportion of equity owned at 31 December ¹	
	2016	2015
Arrow International Media Limited	18.0%	15.0%
Barcroft Holdings Limited	7.5%	–
Dial Square 86 Limited	8.0%	–
Eleven Film Limited	20.0%	16.8%
Lightbox Media Limited	22.0%	17.0%
Popkorn Media Limited	25.0%	25.0%
Renowned Films Limited	25.0%	16.0%
Spelthorne Community Television Limited	21.1%	16.7%
True North Productions Limited	25.0%	23.0%
Voltage TV Productions Limited	15.0%	10.0%
Whisper Films Limited	25.0%	12.5%

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

Summary annual financial information of Indie Growth Fund investments

	Current assets £m	Non-current assets £m	Current liabilities £m	Long-term liabilities £m	Revenue £m	Profit from continuing operations £m
2016	23	4	(9)	(1)	73	–
2015	9	1	(6)	–	29	–

The Commercial Growth Fund

	Total £m
Carrying value at 1 January 2015 and 2016	–
Acquisitions	10
Total carrying value at 31 December 2016	10

During 2015, Channel 4 launched the Commercial Growth Fund, a fund with the aim of attracting new advertisers to TV and stimulating existing sectors where the Corporation exchanges advertising airtime in return for equity shareholdings or convertible loan instruments. During 2016, the Corporation made six investments in a broad range of companies for a combination of equity interest and convertible loan notes.

The Commercial Growth Fund investments are recorded at fair value. Management has reviewed the carrying value of the Commercial Growth Fund as at 31 December 2016 and concluded that there were no indicators of impairment at the balance sheet date.

Channel 4 sold its stake in My Builder Limited after the balance sheet date, a company held at £nil carrying value. Channel 4's equity shareholding in My Builder Limited included an element acquired in exchange for providing advertising airtime.

Other

The Group also contributes to the funding of the following organisations, each of which is incorporated in the United Kingdom. The table below presents the Group's ownership of the entities, or legal guarantee (indicated with *), and transactions with them during the year.

Name	Nature of business	Share class	Ownership interest	Services received		Funding and services provided	
				2016 £m	2015 £m	2016 £m	2015 £m
Broadcasters' Audience Research Board Limited	Research	*	–	–	–	1	2
Clearcast Limited	Regulator	Ordinary, deferred	25.0%	–	–	1	1
Digital 3 and 4 Limited	Operator	'A' Ordinary	50.0%	1	1	22	24
DTV Services Limited	Marketing	Ordinary	20.0%	8	7	6	6
Digital Production Partnership Limited	Standards	*	–	–	–	–	–
Digital UK	Marketing	*	–	–	–	1	2
Thinkbox Limited	Marketing	Ordinary	20.0%	1	1	2	2
YouView Limited	Platform	Voting, non-voting	14.3%	–	–	1	1

At 31 December 2016, Channel 4 owed £nil to Digital 3 and 4 Limited (2015: £4 million).

At 31 December 2016, Channel 4 owed £nil to DTV Services Limited (2015: £nil).

There are no trade receivable or trade payable balances with any of the other related parties listed above at 31 December 2015 and 2016. No dividends were received in 2016 (2015: £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 (2015: £nil) carrying amount in the consolidated financial statements of the Group and therefore the accounting treatment applied is not deemed material.