



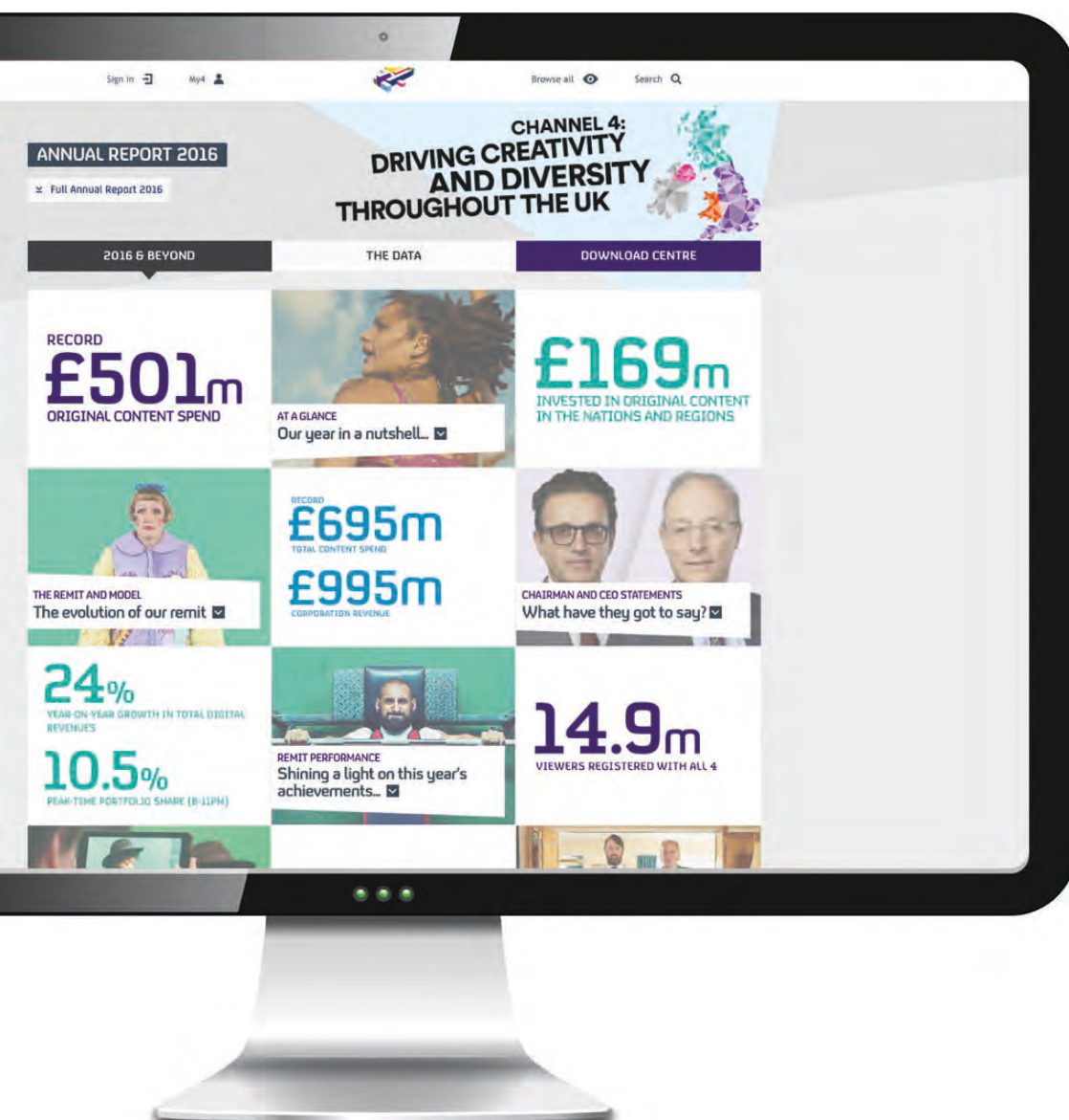
CHANNEL 4: DRIVING CREATIVITY AND DIVERSITY THROUGHOUT THE UK

**CHANNEL FOUR TELEVISION CORPORATION
REPORT AND FINANCIAL STATEMENTS 2016**

Channel Four Television Corporation Report and Financial Statements 2016

Incorporating the Statement of Media Content Policy

annualreport.channel4.com



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CHAIR'S STATEMENT



> **CHARLES GURASSA**
CHAIR

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Having now completed my first full year as Chair at Channel 4 I have seen first-hand the unique cultural, social and economic role that the organisation plays.

Channel 4 has a distinctive public service remit established by Parliament and overseen by Ofcom which requires it to innovate, challenge and inspire, to stimulate debate and open the door to opportunities for the stars of tomorrow. We are entirely self-funded through our own commercial activities and deliver public value by reinvesting our income into the best of British creative talent. In 2016 Channel 4 invested over £500 million into independent creative businesses in the UK, stimulating growth and innovation in one of the most dynamic and globally competitive sectors of our economy. On the back of good financial performance over several years we have built a strong balance sheet and reserves. Despite a challenging market outlook in 2017 we will continue to support high levels of content spend, and in particular UK originating content, by the prudent deployment of our content reserve. This will ensure the continued support and investment which is so important to the successful development of the UK's creative industries.

I am pleased to report Channel 4's remit delivery achieved record levels measured against the metrics set by Parliament and Ofcom. It is central to everything we do and manifested itself across all the different genres the Channel broadcasts. There is a new look to the Annual Report this year, structured more explicitly around the remit to illustrate more clearly how we have performed against the standards set. Of particular note in the last year was the coverage of the Paralympic Games where the extraordinary stories of the athletes were so compellingly told and where we championed and enabled record levels of disabled talent both front of camera and back of house. In drama, we commissioned the highly acclaimed, challenging and timely *National Treasure* and in a year when there has been much debate around 'fake news', we saw exponential increases in online viewing of Channel 4 News and public recognition as Daily News Programme of the Year at the RTS Journalism Awards. Much energy has gone into delivering our diversity agenda with 2016 designated Channel 4's Year of Disability and the results to date are very encouraging as detailed in the report.

2016 was a second consecutive year of record revenues. After a strong start to the year the UK advertising market went into decline in the second half post the June referendum. The Board took the decision to sustain content investment through this downturn, deploying £15 million from our £50 million content reserves to protect remit delivery and core projects such as the Paralympics. This resulted in a £15 million deficit for the year consistent with our policy

to deploy surpluses previously accumulated in response to periodic declines in the UK advertising market. Our investment in British content was at a record level topping half a billion pounds for the first time, spread over 300 production companies based across the UK and supporting an estimated 17,000 jobs.

The marketplace in which Channel 4 operates remains highly competitive and dynamic. The Board monitors Channel 4's performance, potential risks and the changing landscape carefully and reviews the strategies and investment plans to ensure continued delivery of the remit and the long terms sustainability of the business. We remain confident that the channel is well placed to navigate future challenges as they arise.

In addition to investment in content, Channel 4 continues to invest strategically to enhance its long term position and sustainability. In 2016 this saw investments in fast growing areas of the business such as All 4, our award winning catch up and on line content service and our data analytics platform, both of which are already generating attractive returns. The Board has also endorsed increased investment in the innovative Indie Growth Fund providing expertise and capital to some of the very best new production and related creative businesses in the UK, and in the Commercial Growth Fund, our air time for equity proposition for fast growing new businesses advertising on television for the first time. In the year ahead we will continue to look for further ways to combine our insight, expertise and financial resources to support the creative industries, enhance our long term sustainability and deliver our public service remit.

As required, the Board has consulted with Ofcom during the course of the preparation of this report and the Corporation has worked constructively with the regulator throughout the year to facilitate the annual comprehensive review of its performance and governance. In response to last year's report Ofcom raised specific points concerning online news and provision for older children. The Executive have put in place comprehensive plans to address these issues and the Board will continue to monitor progress and performance in these areas.

Some 18 months ago the Government announced it was reviewing options around Channel 4's future ownership. We have engaged in constructive discussions with the Government over this period to seek a conclusion to the review. In March this year we welcomed the Government's announcement that it will not privatise Channel 4, its recognition of the benefits that our unique remit and model bring to viewers and creative businesses across the UK and of the future sustainability of the business.

The Government also announced a consultation that will focus on Channel 4's contribution to the Nations and Regions. We welcome this focus on what is an important part of Channel 4's remit and one where we continue to deliver in excess of the targets set by Ofcom. We have been actively and constructively discussing with Government over the last six months ways in which we can grow our contribution to the creative industries across the Nations and Regions of the UK and we look forward to engaging with them and our stakeholders and partners to explore this further as part of the consultation process.

2016 also saw some changes to the Channel 4 Board, and I would like to thank Monica Burch, Alicja Lesniak and Richard Rivers for their work and contribution during their terms on the Board. I was very pleased that MT Rainey was appointed Deputy Chair in April 2016 and I would like to thank her for her support and counsel over the last year. My thanks to all my Board colleagues for their contribution and support over the past twelve months. I would like to welcome our new Board members Roly Keating, Lord Chris Holmes, Paul Geddes and Simon Bax, and look forward to working with them all in the years ahead. They bring considerable relevant knowledge and expertise that will be invaluable to the Board going forward.

David Abraham announced his intention to step down as Chief Executive by the end of 2017 to set up a new media enterprise in 2018. David has been an outstanding Chief Executive of Channel 4 over the last seven years. Under his leadership the Channel has delivered record revenues, record programme investment, award winning creative renewal and industry leading digital innovation. He leaves the organisation in excellent creative and financial health and with a strong and highly experienced team in place – and we wish him well. I chair a Nominations subcommittee of the Board that is overseeing the process of appointing his successor.

Finally, I would like to thank all my colleagues at Channel 4 for the excellent results delivered this year, none of which would have been possible without their hard work, commitment and creative inspiration.



Top to bottom: Roly Keating, Paul Geddes, MT Rainey, Stewart Purvis CBE, David Abraham, Dan Brooke, Lord Chris Holmes MBE, Jonathan Allen, Josie Rourke, Simon Bax, Jay Hunt, Paul Potts CBE

OVERVIEW

CHIEF EXECUTIVE'S STATEMENT



> **DAVID ABRAHAM**
CHIEF EXECUTIVE

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2016 was a landmark year for Channel 4 – with the organisation achieving record revenues, record content spend and record remit reputation scores.

Revenues increased to £995 million, the highest in the Corporation's history, despite a decline in the advertising market in the second half of 2016 following the referendum on EU membership. This success was driven by both a strong overall sales performance, with Channel 4 Sales House improving market share to 26.6% (2015: 26.4%) and another year of growth in digital revenues – which were up by 24% to £102 million, driven by innovation such as programmatic trading and data-led ad products. Digital revenues now comprise more than 10% of total Corporation revenue.

Given this strong commercial performance and a decision by the Board to prioritise remit delivery, we were able to increase our content budget to peak levels. We invested a total of £695 million, 10% higher than our previous record of £629 million in 2015, and £501 million in original content across our TV and online platforms, 10% higher than the previous record of £455 million.

This investment gave further momentum to the creative renewal we have overseen at Channel 4 in recent years. The projects we feature in this report showcase an organisation on a creative high, with a diverse schedule of acclaimed shows spanning Current Affairs to Comedy. We now have a strong spine of returning series from *First Dates* to *No Offence*, which sit alongside one-off pieces, such as the charming *We're Going on a Bear Hunt*, our most viewed show of the year. *Stand Up to Cancer* showed the tangible social impact Channel 4 can have whilst *National Treasure* demonstrated the ability of drama to go beyond the headlines. Our creative success has been further recognised by industry – winning multiple awards including *Edinburgh Channel of the Year*, *Broadcast Channel of the Year* and the *Marketing Society's Brand of the Year*.

We have also seen success in terms of our continued audience impact. Our share of viewing across the portfolio remained above 10.5%, demonstrating stability in a time of continuing audience fragmentation. In peak-time, we saw the second highest peak-time share for five years. All 4 extended the reach of our digital offering further with VoD views increasing by 21% to 620 million and net All 4 registrations recorded by December 2016 were just under 15 million. We continued to resonate with young audiences across our TV channels and online – with half of all 16–34s registered with Channel 4's database and series ranging from *The Last Leg*, *Hollyoaks*, *The Island* and *Hunted* finding ways to connect young audiences with contemporary issues.

The Rio 2016 Paralympics was an important moment for the organisation. It was the biggest live international broadcast in our history and it exceeded all expectations both in terms of ratings and public impact. Viewing share to our Rio coverage amongst young people was up 5% versus London 2012 – a remarkable achievement given the time difference and the fact that it was not a Home Games. We were very proud to see our coverage added to the GCSE and A Level Media Studies curriculum in recognition of its distinctive portrayal of disability – an example of the lasting legacy of Channel 4's output.

The Paralympics was a central element of our Year of Disability. We exceeded all of the on and off-screen commitments we made in 2016 in this area, including doubling the number of disabled people featured in twenty of our top shows. Channel 4 has established itself as a real leader in the field of diversity – as recognised both by winning the *Diverse Company Award* at the *National Diversity Awards* and becoming the only company ever to achieve the highest level of Ernst and Young's *National Equality Standard*, the most forensic independent diversity audit available in the UK.

2016 also saw significant progress in our role as a stimulus for the UK's creative economy. The number of suppliers we commission from grew by 7% year on year, including working with 70 brand new suppliers. We grew our investment outside of London – with spend in the English regions up by 11% and in the Nations up by 28%. I was also pleased to see innovations such as the *Indie Growth Fund* bear fruit, as another means of Channel 4 providing support for the creative sector. Early 2017 saw Channel 4's first exit in a company – selling our stake in one of the fund's first acquisitions, Leeds-based *True North* – demonstrating how Channel 4's backing has enabled the company to grow and secure long term investment to secure its future as a leading production company in the North of England.

In early 2017 we also reviewed our long-term advertising sales partnership with UKTV well into the next decade. Together with our contract to sell advertising on behalf of BT Sport, our sales team has been rightly recognised as *TV Sales Team of the Year* for a third year in a row, and continue to develop market leading data-enabled services which innovate our media proposition in a fast-changing market.

Despite current economic uncertainty and the potential impact this will have on the advertising market, there is much to look forward to on screen in 2017 – with new dramas like our schools series *The ABC*, Peter Kosminsky's ISIS drama *Crossing the Border* and an adaptation of Philip K Dick's *Electric Dreams* all hitting our screens as well as the first series of *The Great British Bake Off* on Channel 4. We will continue to

prioritise diversity, committing to four new frontiers of work including an emphasis on diverse directors, BAME progression at Channel 4, increasing diversity within the advertising industry and pioneering new work on social mobility. And, as the Government considers how Channel 4 can deepen its contribution to the UK's Nations and regions, we will explore new ways in which we can provide valuable support to nurture and grow the creative businesses of the UK.

After seven years as Chief Executive I have decided 2017 is the right time for me to hand over to my successor. It's been a huge privilege to lead this important public institution.

I am very proud of everything the organisation has achieved in recent years and would like to thank all of our staff and partners for their immense hard work, ideas and creativity. Channel 4's unique role and remit has never been more important and long may it continue.

OVERVIEW

2016 AT A GLANCE



CHANNEL OF THE YEAR –
BROADCAST AWARDS

CHANNEL OF THE YEAR –
EDINBURGH INTERNATIONAL
TELEVISION FESTIVAL

DIVERSE COMPANY OF THE YEAR –
NATIONAL DIVERSITY AWARDS

TV SALES TEAM OF THE YEAR –
CAMPAIGN MEDIA AWARDS

BRAND OF THE YEAR –
MARKETING SOCIETY AWARDS

Creative success

The Rio 2016 Paralympic Games – the biggest ever overseas broadcast in Channel 4 – was a huge success, while returning hits and new programmes resonated with viewers across the schedule. This resulted in record scores on Channel 4's audience reputational trackers – the majority of the trackers are at their highest or joint highest ever levels.

We invested a record £695 million in content this year, of which £501 million – another record – was spent on originations. Our supply base was broadened, with 317 companies providing our TV, film and digital media commissions, and £169 million spent on programming from the Nations and Regions.

Record

£695m

total content spend – 10% higher than our previous record

Record

£501m

spent on originated content across all services +10%

Worked with

317

suppliers

327

awards

£169m

spend on production companies outside of London

Financial stability

We reported a pre-tax deficit of £15 million in 2016, as we drew on our content reserves in order to sustain record content investment spend and prioritise projects such as the Paralympics, despite market slowdown in the latter part of the year.

At a time of continuing audience fragmentation, our portfolio audience share was down by just 0.1 percentage point, and reach fell by the smallest amount since 2011 (0.3 points).

We saw 24% growth in digital revenues this year, highlighting the continuing prominence of this revenue stream.

£995m

corporate revenue and cash reserves of £215m

10.5%

viewing share across the portfolio

24%

growth in digital revenues

620m

programme views initiated on demand +21%

Innovation and sustainable future

Our digital strategy continued to evolve in 2016, with 14.9 million people in the UK registered with All 4 by the end of the year, including more than 50% of all 16–34-year-olds.

TV viewing continued to grow on All 4, which became available on more platforms this year: 620m programme views (+21% year on year) were initiated on the platform in 2016.

14.9m

viewers registered with All 4

Over

1/2

16–34s in the UK registered with Channel 4

£14m

of £20m Growth Fund committed

OVERVIEW

THE REMIT AND MODEL

Channel 4's public service remit drives all that we do – agreed by Parliament and enshrined in legislation, it provides the framework for how we operate commercially and creatively. Our remit commands us to be an alternative voice in Broadcasting, giving us a unique and important role in the British cultural landscape.

The remit, which has evolved and been refined in legislation since 1982 combines a number of elements. It requires Channel 4 to be innovative, to inspire change, to nurture talent and to offer a platform for alternative views. It also requires us to not just provide Education content for 14–19-year-olds, but to provide content with an editorial tone that is educational in programmes from other genres, including Factual.

It applies across all genres and services, Channel 4, E4, More4, Film4, 4seven, All 4 and digital projects. Channel 4 must also meet a set of specific quantitative licence obligations, set and monitored by Ofcom, for news and current affairs, original production, regional production, subtitling and audio-description services and much else besides.

The Statement of Media Content Policy (pages 60 to 87) was introduced to enable Channel 4 to report on the fulfilment of its public service remit. The idea is to look across the full range of services Channel 4 offers and, in this report, provide a transparent and comprehensive account of our delivery of the remit.

The component parts of the remit are included against each chart and case study contained in the report as an indication of how we have delivered the remit across the year.

Some rounding differences may occur in the presentation of the metrics. A detailed breakdown of the remit, along with background to the selection of public value measures and changes to metrics, can be found in the methodology document that accompanies the report. All audited metrics in the document are identified with a remit icon, as indicated opposite.

The evolution of our remit

Launch of Channel 4

Appeal to tastes and interests not generally catered for by ITV:

- Educational
- Innovation and experiment
- Distinctive
- High general standard
- Wide range of subject matter.

Communications Act

S.265 (3) of the Communications Act 2003 sets out Channel 4's public service remit as follows:

- High-quality and diverse programming
- Innovation, experimentation and creativity in the form and content of programmes
- Distinctive character
- Appeals to tastes of a culturally diverse society
- Make programmes of an educational nature and schools programming/provide educational content for teens.

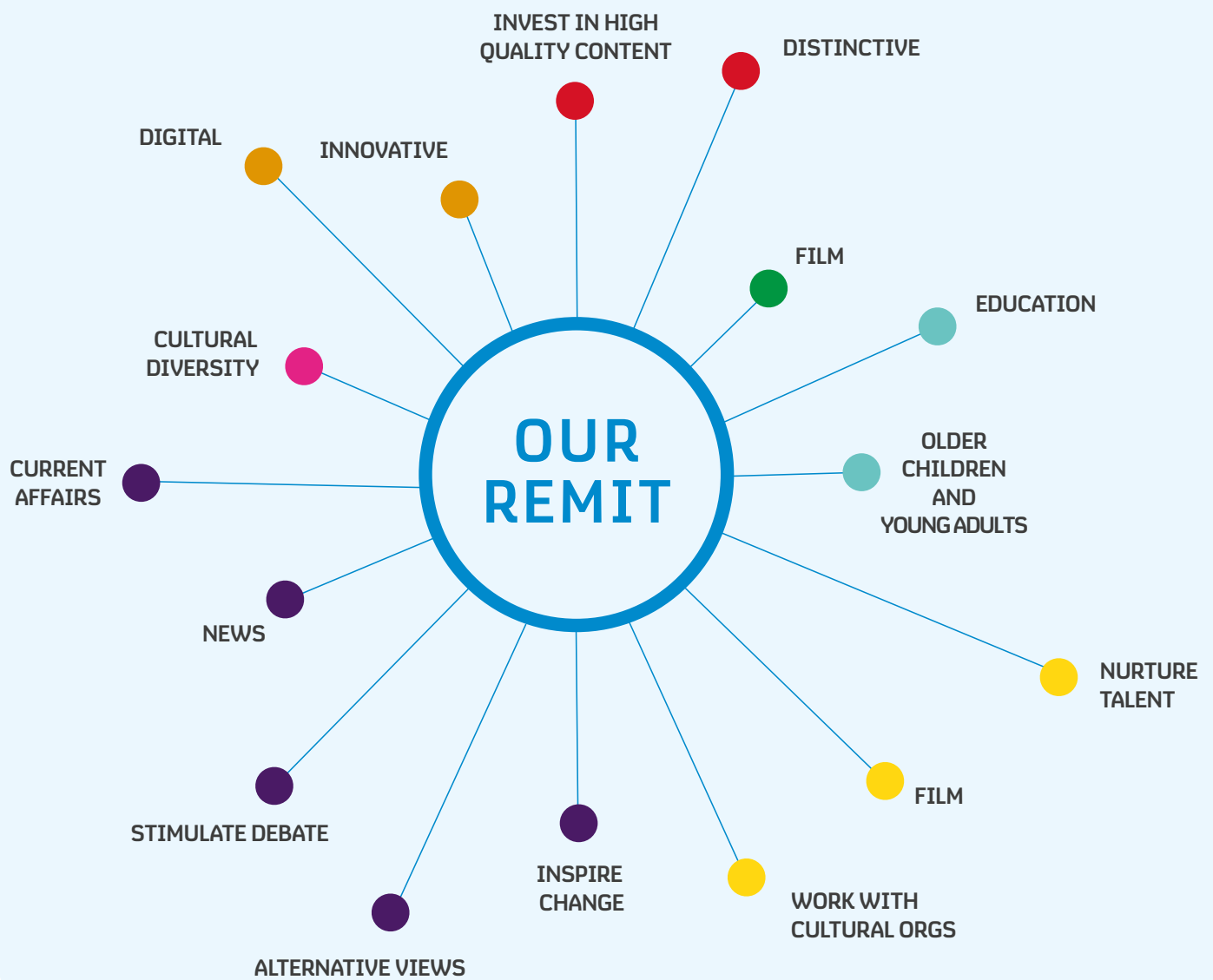
Digital Economy Act

- High-quality and diverse programming
- Innovation, experimentation and creativity in the form and content of programmes
- Distinctive character
- Appeal to the tastes and interests of a culturally diverse society
- Make programmes of an educational nature and schools programming/provide educational content for teens

In addition, the DEA 2010 introduced new media content duties as part of Channel 4's primary functions:

- Support the development of people with creative talent, in particular people in the film industry and at the start of their careers
- Support and stimulate well-informed debate
- Promote alternative views and new perspectives
- Provide access to material that inspires people to make changes in their lives
- Work with cultural organisations
- Make a broad range of relevant media content of high quality via different types of communications networks
- Appeal to the tastes and interests of older children and young adults
- Make relevant news content
- Make relevant current affairs content
- Make, distribute and broadcast high-quality film

INVESTMENT IN QUALITY	SUPPORTING CREATIVE BUSINESSES	YOUNG PEOPLE	TALENT	CATALYST FOR SOCIAL CHANGE	DIVERSITY	INNOVATION
<ul style="list-style-type: none"> – Distinctive – Invest in high-quality content – Film 	<ul style="list-style-type: none"> – Nations and Regions – Growth Funds 	<ul style="list-style-type: none"> – Education – Older Children and young adults 	<ul style="list-style-type: none"> – Nurture talent – Film – Work with cultural orgs 	<ul style="list-style-type: none"> – Inspire change – Alternative views – Stimulate debate – News – Current Affairs 	<ul style="list-style-type: none"> – Cultural diversity 	<ul style="list-style-type: none"> – Digital – Innovative
SEE PG20	SEE PG26	SEE PG30	SEE PG36	SEE PG42	SEE PG48	SEE PG54



OVERVIEW

CHANNEL 4 IS A CREATIVE GREENHOUSE

Our overall role is to champion innovation in TV, film and digital – nurturing and growing new ideas, formats, views and voices, faces, talent, audiences and production companies.

PSB CHALLENGER BRAND

We're a challenger brand in broadcasting, encouraging high standards across the industry.

Our investment in UK-originated content is rising, set against declining investments in PSB elsewhere.

Our existence is important in providing plurality in genres that deliver public good, where it is important that audiences have a choice of distinctive provision, such as News and Current Affairs.

We're at the forefront of innovation and harnessing new technologies and in the premier league of international creativity.

Being ahead of the market again and again not only has kept viewing share stable, but also keeps others on their toes.

CREATIVE GREENHOUSE

We're a greenhouse for new creative and digital ideas of significant economic importance.

Our overall contribution to the UK's creative economy is notable given our relative size in the marketplace.

We grow small businesses across the whole of the UK and our formats are successful around the world.

We have a track record of commissioning more programme ideas than any other public service broadcaster ('PSB') and spend more with independent producers than any other channel.

CATALYST FOR SOCIAL CHANGE

We inspire citizenship, especially among hard-to-reach audiences.

We have a greater impact than any other UK broadcaster in making audiences think, giving diverse viewpoints and inspiring change in people's lives.

We have a stronger relationship with young people than any other PSB in the world.

And we're a world leader in bringing diversity into the mainstream.

Grayson Perry



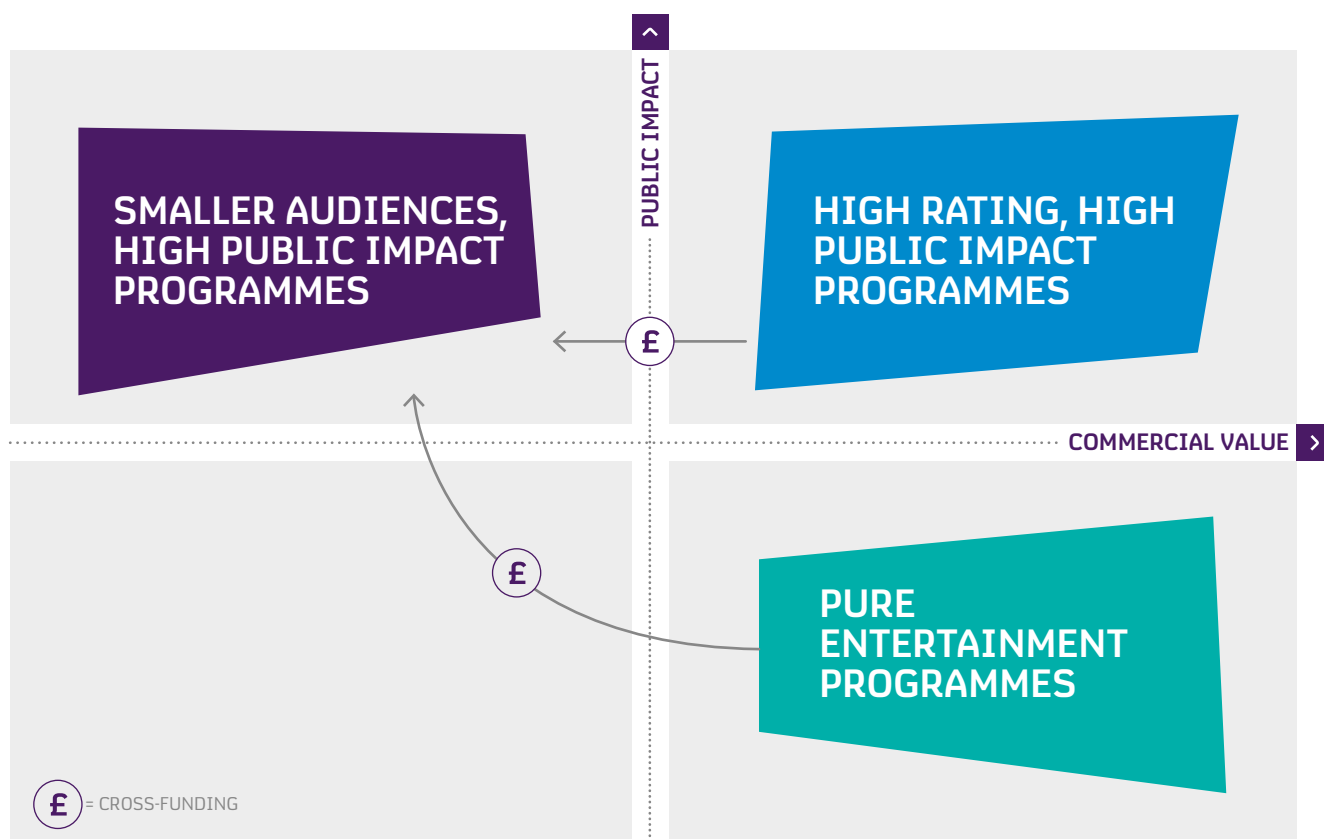
Channel 4 fulfils national social and economic priorities, including supporting SMEs, growing businesses across the UK, stimulating innovation and promoting diversity.

Our model

The UK broadcasting ecology is the result of enlightened intervention by politicians and regulators. It's a carefully balanced mix of different organisations, with different missions, business models and governance structures that has made UK broadcasting a worldwide success.

Within this ecology, Channel 4 is a government-owned, self-sustaining social enterprise, raising commercial revenues from the market and reinvesting surpluses back into British content from UK independent producers.

We do this through cross-funding commercially challenging genres such as News and Current Affairs, and Education with revenues from commercially profitable programming, like Factual Entertainment.



2016 PARALYMPICS



Channel 4's remit to stand up for diversity and inspire change in people's lives drives us to take on creative risk and challenges that others wouldn't. The Rio 2016 Paralympics exemplifies the kind of creative alchemy that our remit can trigger.



YES I CAN AWARDED:

CAMPAIGN MAGAZINE'S
CAMPAIGN OF THE YEAR

SHOTS MAGAZINE'S
GLOBAL AD OF THE YEAR





2/3

OF OUR ON-AIR PRESENTING TEAM WERE DISABLED.

48%

OF THE UK POPULATION REACHED WITH OUR PARALYMPIC COVERAGE

>40m

VIEWS ACROSS ALL SOCIAL PLATFORMS.

1.8m

APPEARING IN HALF OF THE UK'S FACEBOOK FEEDS AND WITH OVER 1.8 MILLION SHARES, 'YES I CAN' WAS THE MOST SHARED OLYMPIC/PARALYMPIC AD GLOBALLY THIS YEAR.

London 2012 was a watershed moment for Paralympic sport, and the Rio 2016 Paralympics went even further in raising the profile of disability sport and positively improving public perceptions of disability in the UK and around the world.

It also established a new international benchmark for Paralympics coverage. The UK is now considered an exemplar for its approach to the Games by the International Paralympic Committee and Channel 4 has shared this success story with broadcasters around the world since the 2012 Games.

Preparing for Rio 2016 following the success of London 2012 was no small order, however we saw it as more of an opportunity than a risk – because taking creative risks pushes boundaries in the pursuit of positive change, which is part of Channel 4's DNA.

MARKETING THE GAMES

As part of our ongoing 360° Diversity Charter, we made 2016 our Year of Disability, with the Paralympics at its centre. We decided the marketing focus for the Games would be about making this more than just a sporting event, using it as an opportunity to fundamentally change public attitudes towards disabled people.

We took an early decision to celebrate the achievements and abilities not just of elite athletes, but also everyday disabled members of the public. Taking the Paralympic spirit and celebrating ability in the widest sense.

"THEY'RE EDGY, FUNNY AND, AT TIMES, BORDERLINE OFFENSIVE, BUT THREE COMICS WHO HAVE DOMINATED CHANNEL 4'S EVENING SCHEDULE OVER THE LAST FORTNIGHT MIGHT HAVE ACHIEVED A BREAKTHROUGH FOR A SUBJECT THAT IS NOTORIOUSLY HARD TO TACKLE."

THE OBSERVER
(THE LAST LEG)

The result was a three-minute film featuring 140 disabled people with a band specifically created by Channel 4 and assembled from across the world. At its centre was a group of disabled musicians who re-recorded Sammy Davis Junior's 'Yes I Can' in a musical extravaganza.

The marketing campaign was the most accessible campaign ever produced by Channel 4. Signed and subtitled and audio described versions of the main film ran across the Channel 4 network, in cinemas and on YouTube and Facebook. We also partnered with a range of brands to offer the public the most accessible ad break in history.

- 74% felt the campaign will help people feel more comfortable to talk to those with a disability
- 76% said the campaign will help people feel more comfortable talking about disability
- 76% said the film had opened their eyes to what disabled people can be capable of

Its impact has been felt beyond the UK audience with Australia's Channel 7 using the campaign as part of their own promotion of the Paralympic Games coverage and both the US State Department and the United Nations using the campaign as part of disability initiatives. The advert has also been played in schools across the UK and the world.

OUR RIO COVERAGE

Taking on the ratings challenge of an away Games with a notable time difference, we broadcast more than 700 hours of coverage across all TV and online platforms, including the opening and closing ceremonies live in full.

- Viewing share among 25–34-year-olds was up +5% vs London 2012
- Audience share for September was up 50% on its average for the same time last year
- Coverage was watched by nearly half of the UK population
- 79% said Channel 4's coverage of the Paralympic Games improves society's perceptions of disabled people
- 58% said the Paralympics coverage made them feel more positive about Channel 4

The highly popular *The Last Leg* was broadcast live every night from Rio with regulars Alex Brooker, Josh Widdicombe and Adam Hills taking viewers through the sporting highlights of the day. The programme proved highly successful with young people, and also proved an impactful way of engaging audiences with the sports coverage. We also innovated with exclusive digital content on All 4 and more online streams of live sport than ever before. Our coverage included a brand new animated LEXI – the revolutionary on-screen graphic which explains the complex classifications of Paralympic sport – voiced by actress Julie Walters.

REMIT PERFORMANCE

2016 PARALYMPICS

CONTINUED

In addition, this was the most accessible Paralympics yet for disabled viewers, with subtitles available across all the Paralympic coverage across all of linear, and some non linear platforms, and live audio description and signing of the opening and closing ceremonies simulcast on 4seven. There were also audio described and signed editions of *The Last Leg* available each evening on 4seven soon after the live broadcast.

A PLATFORM FOR NEW TALENT

This year, we went even further in our commitments to the diversity of our on air and production teams. As part of Channel 4's Year of Disability commitments in 2016 we announced plans to increase both on and off-screen representation of disabled people across the schedule.

On screen, we assembled the largest ever team of disabled presenters on UK television: two-thirds of our presenting team had a disability. The team included, 2012 stalwarts Ade Adepitan and Arthur Williams, who was discovered through our talent search in the run up to the London games, *The Last Leg* star Alex Brooker, *Breaking Bad* actor RJ Mitte, and broadcaster Sophie Morgan and ex-commando JJ Chalmers, who were brand new presenters. 73% of viewers said they enjoyed the fact that disabled presenters were on screen.

In addition, more than 15% of the Sunset+Vine production team were people with disabilities – most of whom were brand new talent identified and nurtured through Channel 4's ground-breaking training schemes. Following its success in 2012, we brought back our Paralympics Training Scheme. The scheme gives people with disabilities an opportunity to start a career working in television and digital media, recruiting entrants via 4Talent through adverts online and on air. Of the 24 original trainees, 18 went to Rio: the majority secured future employment or continued their training contracts after the scheme finished.

SUPERHUMANS WANTED

The advertising industry faces its own challenges when it comes to representing the diversity of Britain. Our own commitment to diversity aimed to help the ad industry to combat this: we launched a £1 million Superhumans Wanted competition to encourage advertisers and brands to reflect disability in their adverts.

Winners Maltesers® launched their ad campaign that champions diversity and disability: three TV ads featuring disabled actors in the lead roles. The ads were first broadcast during the opening ceremony of the Games; one of the adverts was aired using British Sign Language. The campaign was a huge success, with Maltesers announcing that the ads pre-tested better than any campaign they had run for six years.

We also partnered with seven advertisers to deliver the most accessible ad break in history with each ad fully signed by deaf artist and actor David Ellington and broadcast during *The Last Leg: Live from Rio*.

Students taking the new Media Studies GCSE and A-level courses from exam board AQA will study the representation of particular groups and communities in the media. The exam board has named Channel 4's Paralympics coverage as one of the best examples of how the media can represent people with disabilities, and recommended it for study as part of these qualifications.



TOKYO 2020 AND BEYOND

In September, we were delighted when the IPC announced that they would be awarding the broadcast rights for Tokyo 2020 to Channel 4.

"AS SHOWN WITH ITS OUTSTANDING COVERAGE OF RIO 2016, CHANNEL 4 CONTINUES TO SET THE INTERNATIONAL BENCHMARK FOR HOW PARALYMPIC SPORT SHOULD BE COVERED BY A BROADCASTER. THEY LEAD THE WAY BOTH ON AND OFF THE SCREEN."

SIR PHILIP CRAVEN
IPC PRESIDENT



OUR WORK IN THE NATIONS AND REGIONS

Channel 4 works with many creative businesses and talent across the UK, and we provide a platform for diverse voices from across the UK through our programmes.

Our investment in the Nations and Regions spans not just TV production, but also film and digital content. We back local expertise, investing and partnering with businesses, education institutions and regional agencies to develop talent and skills and support creative SMEs to start and grow.

The Channel 4 portfolio attracts a greater share of young audiences across much of the UK, including Scotland, Northern Ireland and many English regions, in comparison to London.

The adjacent map sets out just some of the work that we do across the UK, which includes:

- **Production in the Nations and Regions** – spanning film, TV and games
- **Portrayal** – showcasing people, places, communities and perspectives from across the UK in our most popular series, right through to feature films
- **Seed-funding creative SMEs** – from Alpha Fund investment in creative development, pilots and key new staff positions to investing in regional independent production companies through our Indie Growth Fund
- **Partnerships to develop talent and skills** – from partnering with regional production companies on paid, practical training schemes to working with universities to develop specialist skills for the creative industries
- **Outreach** – from monthly commissioner briefing sessions across the Nations and Regions to our C4 Pop Ups

Extreme Makeovers: On Fleek



55%

OF THE FIRST-RUN ORIGINATED PROGRAMME HOURS (+2PTS) CAME FROM SUPPLIERS IN THE NATIONS AND REGIONS



40%

OF THE VALUE OF FIRST-RUN ORIGINATIONS (+1PT) CAME FROM SUPPLIERS IN THE NATIONS AND REGIONS



3000

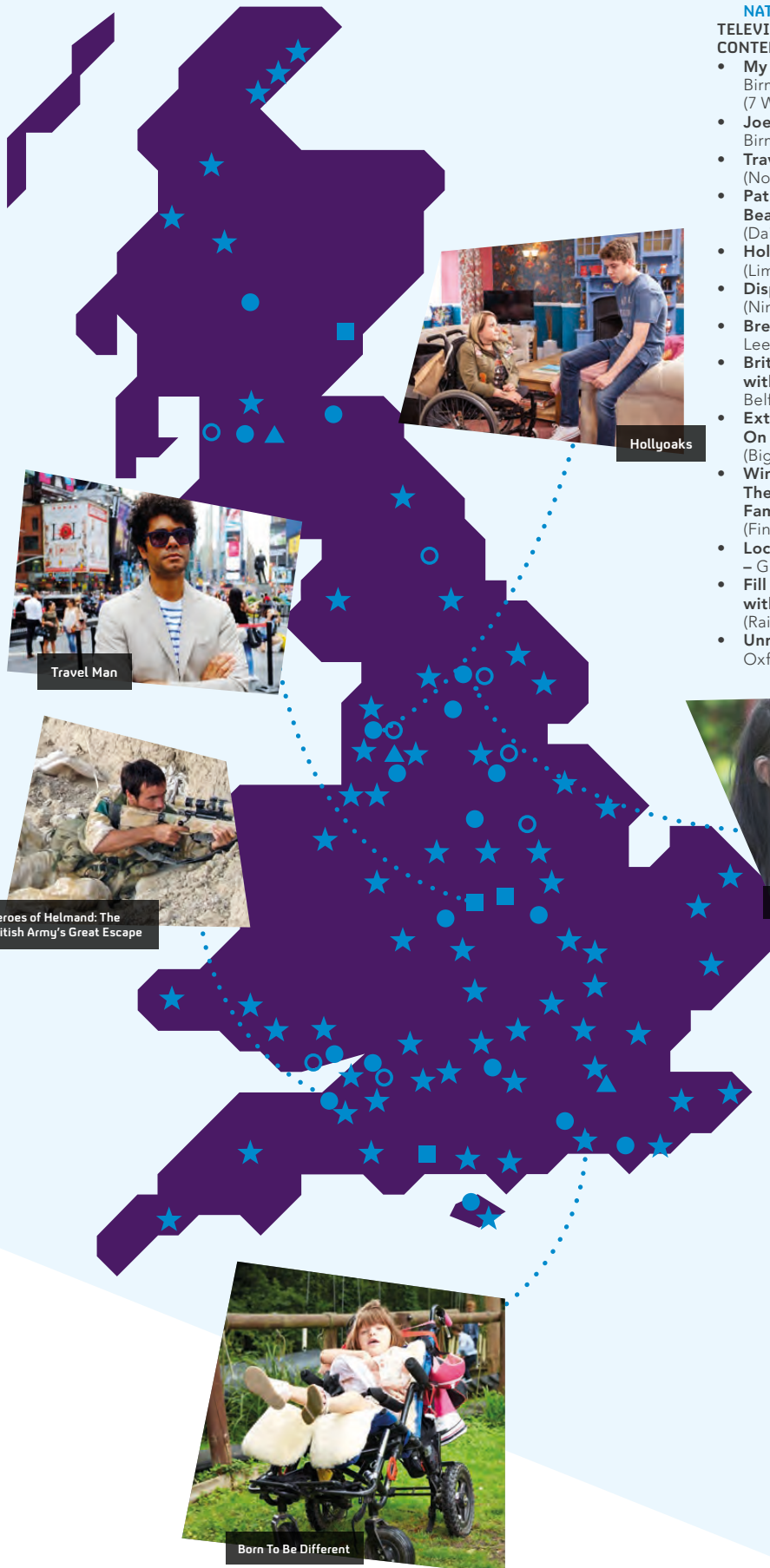
JOB'S SUPPORTED IN THE NATIONS AND REGIONS (APPROX.)



APPROX

£1.5bn

SPENT ON CONTENT IN THE NATIONS AND REGIONS IN THE LAST 10 YEARS



● PRODUCTION IN THE NATIONS AND REGIONS TELEVISION AND ONLINE CONTENT

- **My Kitchen Rules** – Birmingham (7 Wonder Productions)
- **Joe Wicks: Lean in 15** – Birmingham (Full Fat TV)
- **Travel Man** – Birmingham (North One)
- **Patricia Routledge's Beatrix Potter** – Leeds (Daisybeck Studios)
- **Hollyoaks** – Liverpool (Lime Pictures)
- **Dispatches** – Manchester (Nine Lives Media)
- **Breaking the Silence** – Leeds (True North)
- **Britain's Ancient Tracks with Tony Robinson** – Belfast (DoubleBand Films)
- **Extreme Makeovers: On Fleek** – Belfast (Big Mountain)
- **Winnie-The-Pooh: The World's Most Famous Bear** – Glasgow (Finestripe Productions)
- **Location Location Location** – Glasgow (IWC Media)
- **Fill Your House for Free with Gok** – Glasgow (Raise the Roof)
- **Unreported World** – Oxford (Quicksilver Media)

- **Born To Be Different** – Brighton (Ricochet)
- **Heroes of Helmand: The British Army's Great Escape** – Bristol (Testimony Films)
- **Posh Pawn** – Cardiff (Boomerang)
- **IPC Athletics European Championships: Grosseto 2016** – Cardiff (Boomerang)

FILM4 SHOOTING LOCATIONS

- **The Lobster** – Republic of Ireland
- **Macbeth** – Scotland
- **Free Fire** – Brighton
- **Dark River** – Yorkshire
- **Journeyman** – Sheffield, Leicester, Doncaster and surrounding areas
- **T2: Trainspotting** – Edinburgh
- **Old Boys** – Sussex
- **Beast** – Isle of Wight

ALL 4 GAMES COMMISSIONS

- **Trusted Developments** – Oxfordshire
- **BigBit** – Brighton
- **Strawdog Studios** – Derby
- **PaperSeven** – Brighton
- **Lucid Games** – Liverpool

■ HIGHER EDUCATION PARTNERSHIPS AND PTS LOCATIONS

- **Big Mountain** – Belfast
- **Waddell Media** – Belfast
- **Full Fat TV** – Birmingham
- **De Montford University** – Leicester
- **Bournemouth University** – Bournemouth
- **University of Abertay** – Dundee

▲ OFFICES

MANCHESTER, GLASGOW, LONDON (HEADQUARTERS)

○ OUTREACH ACROSS THE UK C4 POP UPS

- Cardiff
- Belfast
- Doncaster
- Corby

INDEPENDENT PRODUCTION COMPANY BRIEFINGS

- Glasgow
- Belfast
- Cardiff
- Newcastle
- Manchester
- Bristol
- Leeds

★ PORTRAYAL

- The Secret Life of the Zoo
- Ireland with Ardal O'Hanlon
- Amazing Spaces
- Come Dine With Me
- Gogglebox
- Four in a Bed
- Paul Merton's Secret Stations
- No Offence
- Grayson Perry: All Man



INVEST- MENT IN QUALITY



INVESTMENT IN QUALITY

We have a dual purpose at Channel 4: to deliver our public service remit creatively and to be commercially self-sufficient and sustainable.

We deliver this dual purpose through high-quality TV, film and digital content that spans a range of genres, from original Drama to a strong slate of returning Factual and Entertainment series, and we continue to strike a balance between the creative ideals and commercial forces that drive us.

Our commercial model has been about more than sustaining our own business. It's just as much about strengthening our sector and creating impactful, distinctive content that draws in sizeable audiences. Our trailblazing coverage of the Paralympics is exemplary of this approach: high-quality content that challenges audiences to think differently, promotes diversity, changes perceptions around disability and that has a huge commercial impact.

Our investment in content has been rising year-on-year, as further demonstrated in 2016 with our record content spend levels. Once again we have shown how our unique model allows us to cross-fund innovative content, as profits from commercially valuable programming have been invested in content that is loss-making, but which has clearly delivered remit value and made a positive impact in the UK and beyond.

REMIT PERFORMANCE

INVESTMENT
IN QUALITY
CONTINUED

**"BRILLIANT... IT'S
REAL TO THE CORE."**

**THE GUARDIAN
(NATIONAL TREASURE)**

National Treasure

The distinctive drama *National Treasure* was a timely examination of sexual misconduct in the world of fame, sex and power. Paul Finchley is a cherished household name with a career that spans several decades – a bona fide national treasure. That is, until accusations of historical sexual offences arise, tarnishing the life he once knew and resulting in his, and his family's, world being shaken to its foundations.

This four-part series starred BAFTA winner Robbie Coltrane (*Harry Potter*), BAFTA and Golden Globe winner Julie Walters (*Indian Summers*), BAFTA nominee Andrea Riseborough (*The Devil's Whore*), BAFTA

winning Director Marc Munden (*The Devil's Whore* and *Utopia*) and Channel 4 alumnus and BAFTA-winning Writer Jack Thorne (*Harry Potter and the Cursed Child*, *This is England*).

Garnering critical acclaim and rave reviews from viewers, this chilling depiction of reality sheds light on real-life recent revelations within the media industry in a brave and compassionate manner, demonstrating how drama can be used to give insights into real-life headlines. Launching with 4.3 million viewers, *National Treasure* was Channel 4's third biggest originated Drama launch for more than a decade.

Creating strong returning series

2016 was a year where our investments in creative renewal bore more fruit, further establishing a strong schedule of returning hits that deliver our remit while also attracting large audiences. These series – the result of creative experimentation and innovative use of formats – have been nurtured to become stalwarts in the schedule. Around half of Channel 4's top contributors to share in 2016 were commissioned from 2011 onwards.

We have continued to showcase Britain in all of its diversity in many of our most popular hits: *Humans*, *Gogglebox*, *First Dates*, *The Secret Life of 4, 5 and 6 Year Olds*. We made a bold comment on modern lifestyles and our reliance on technology by challenging the limits of human endurance in *The Island*, *SAS: Who Dares Wins* and *Hunted*.

While we've launched many successful new shows, we've also experienced audience erosion on some longer running titles. Commercial hits like *Come Dine with Me* and *Deal or No Deal* have seen viewing declines while some established documentaries like *One Born Every Minute* are down. We are focussed on succession planning in all genres.

These series, all pillars in our schedule, capture stories about modern Britain that our audiences keep coming back to, taking contemporary issues and placing them right in the mainstream.



SAS: Who Dares Wins

Film4 strategy

Film4 is one of the most vital supporters of film in the UK, developing and co-financing films, and with a track record of working with the most distinctive and innovative talent working in the UK.

In February 2016 we announced a change in our strategy. Our key role as a talent incubator, finding and taking risks on new voices, remains very much part of our DNA. However in order to mirror the self-sustainable model successfully employed in other areas of Channel 4, going forward we will invest more boldly in our commercial projects to maximise our profit share, so underpinning any losses on our riskier projects. To this end, we announced a major boost to Film4's funding from £15 million to £25 million, with the aim of maintaining this in future years. The first film to benefit from this model was *Three Billboards Outside Ebbing, Missouri*, financed on a 50/50 basis by Film4 and Fox Searchlight Pictures. *American Animals* and *Fighting with My Family*, which both recently completed shooting, are further examples of this new model of financing, and Film4 will look to finance more films in this way with studios or financing entities.

"(FILM4 IS)
A MOVIE
POWERHOUSE."

LOS ANGELES TIMES



Freefire

£22.4m

SPENT ON FEATURE FILM
PRODUCTION AND
DEVELOPMENT IN 2016

KEY METRICS

£695m

total content spend +10%

£684m

spend on programming across TV
portfolio +10%

10.5%

viewing share across the
TV channel portfolio -1%

74%

of the main channel peak-time schedule
devoted to first-run originations +2pts

70%

of total viewing across main
channel, E4 and More4 to
network originations +2pts

£501m

spent on originated content across
all services +10%

83.5%

of all TV viewers reached
every month across
Channel 4's TV channels
-0.3pts

9.3hrs

of first-run originations every day on
average across the C4 portfolio +12%

3,410hrs

of first-run originations across the
portfolio +13%



YOU CAN FIND MORE OF THIS
DATA (AS WELL AS COMPARATIVE
DATA) AND EXPLANATORY
NARRATIVE FROM PAGE 60

All Ofcom quotas
met or exceeded

2017 AMBITIONS

- We will seek to maintain overall spend on programming despite year of predicted uncertainty in the market.
- 2017 will see the fruits of our investment in scripted content hit screens, including Phillip K Dick's *Electric Dreams*, as well as comedy series *Loaded* and drama *Born to Kill*, which explores psychopathy and coming of age.
- Film4 will continue to invest in proven, quality filmmakers with unique vision who want to make films for international audiences. Film4 backed films launching in 2017 include Martin McDonagh's *Three Billboards Outside Ebbing, Missouri*, and Cannes Competition entries *The Killing of the Sacred Deer*, from Yorgos Lanthimos and Lynne Ramsay's *You Were Never Really Here*.

REMIT PERFORMANCE

INVESTMENT
IN QUALITY
CONTINUED

We're Going on a Bear Hunt

We're Going On A Bear Hunt

We're Going on a Bear Hunt formed the centrepiece of Channel 4's 2016 Christmas schedule. Produced by the makers of the acclaimed *The Snowman* and *The Snowdog* animations, and based on the much loved bedtime book by Michael Rosen and Helen Oxenbury, the 30 minute animation featured the voices of Olivia Colman, Pam Ferris and Mark Williams.

A rare example of hand-drawn British animation, the film took 18 months and a crew of 96 people to make, including 30 animators responsible for more than 35,000 hand-drawn and coloured frames of animation. It was a huge hit, becoming the our most-watched show of 2016, with a total of almost 6.8 million viewers.

The film particularly appealed to younger viewers – with a 28% share of 10–14-year-olds and a 60% share of all 4–9-year-olds. A quarter of the viewers to the animation were aged between 4 and 15. The film was also accompanied by an interactive game that placed children within the story; inviting them to swish through the grass, splosh through the river and tiptoe into the cave. The game reached number three in the paid iPad games chart in the week following its launch.



ALMOST

6.8m

VIEWERS

OUR MOST-WATCHED
SHOW OF 2016.

**"CHRISTMAS'S MOST MAGICAL
TV SHOW... ENCHANTINGLY
BROUGHT TO LIFE IN A
CHARMING ANIMATED FILM."**

**DAILY MAIL
(WE'RE GOING ON A BEAR HUNT)**

We're Going on a Bear Hunt

Sport

Formula 1

At the end of 2015 Channel 4 signed a three-year deal to become the terrestrial home of Formula 1, continuing our history of investing in high-profile sports content that delivers innovative coverage to viewers.

Fronted by a diverse presenting line-up including Karun Chandhok and Lee McKenzie, we aired ten live races in 2016, including Silverstone, the nail-biting season finale in Abu Dhabi and, for the first time in five years, made the legendary Monaco Grand Prix available live on free-to-air TV.

Building on our reputation for innovation, we aired our live race coverage without ad breaks, a first for a UK terrestrial commercial broadcaster. Produced by Growth Fund recipient Whisper Films, our coverage won the Association for International Broadcasting award for Sport in 2016.

Channel 4's investment in Formula 1 paid dividends, delivering ratings success with our coverage reaching 28 million viewers (nearly half the population) and our highest-viewed race, the Mexican Grand Prix, reaching 3.1 million. Channel 4's coverage also attracted upmarket audiences valued by advertisers and provided a halo effect for the rest of the schedule. It generated 4.3 million catch-up views on All 4.



Formula 1





SUPPORTING CREATIVE BUSINESSES ACROSS THE UK

SUPPORTING CREATIVE BUSINESSES ACROSS THE UK

We're proud to play a unique and influential role in the UK's creative economy. By stimulating this fast-growing and innovative sector, we are doing more than creating exceptional, internationally acclaimed programming.

Our record of supporting sustainable growth in SMEs means we're also establishing an economic and cultural legacy that will last long into the future. We support 17,000 jobs throughout the creative sector, contributing £1.1 billion GVA each year.

Our investment continues to have a huge economic impact in the UK, as we spend millions with our creative partners each year, building and nurturing a sector that is built on quality relationships with our partners.

We commission exclusively from external suppliers, which enables us to build and support the independent sector all over the UK. What's more, our Indie Growth Fund continues to nurture independent producers, with turnover across our investments more than doubling in 2016.

Supporting creative businesses and people is an intrinsic part of our business model and our purpose, as our investment helps maintain Britain's position as a global creative powerhouse.

Hollyoaks

SES

REMIT PERFORMANCE

SUPPORTING CREATIVE BUSINESSES ACROSS THE UK

CONTINUED

Investing in Creativity in the Nations and Regions

Channel 4 works with many creative businesses and talent across the UK. In 2016, we continued to grow our investment in the Nations and Regions, investing £169 million in production outside of London. We have exceeded all our Ofcom-agreed targets: On the main channel, we once again exceeded our commitment to commission from the Nations, growing our main channel spend in the Nations by nearly 25% to £34.2 million and production hours by 12% to 259 hours in 2016. Our absolute spend in the Nations and Regions has risen by 13% from 2015. Outside the main channel, as we develop our original commissions on All 4, we have also been working with a range of companies in the Nations and Regions with expertise in digital.

Stimulating the creative economy in the Nations and Regions is central to Channel 4's objective as a public service broadcaster with a role to support creative talent across the UK. Our strategy focuses on spreading our investment, not just to meet our quotas but also to support regional talent in growth, particularly SMEs, creating sustainable production companies all over UK. We support this strategy by facilitating contact between indies and commissioners, seed-funding via our Alpha Fund and investing in talent and skills development to grow centres of creative excellence across the UK. Channel 4's Glasgow-based Nations and Regions team held thirteen briefing sessions with commissioners and production companies across a number of UK cities in 2016, including Belfast, Newcastle-upon-Tyne, Manchester, Leeds, Bristol and Cardiff. Over 250 individuals from 137 creative companies based outside of London attended the sessions.

Many of Channel 4's biggest and most popular shows in 2016 were made by companies in the Nations and Regions, with nearly 70 new commissions across the English Regions alone. Productions ranged from new powerful drama, such as four-part series *National Treasure* shot by The Forge in Leeds, to innovative factual shows such as *Breaking the Silence Live*, from Leeds-based production company True North, and *Eden* – a unique social experiment which follows 23 people as they start a society from scratch in the Ardnamurchan peninsula on the west coast of Scotland.

Channel 4 also seeks to portray the length and breadth of the UK across its schedule through popular shows such as *Location, Location, Location*, *Come Dine with Me* and *Gogglebox*, which features families from towns and cities across the UK, including Merseyside, The Wirral, Clacton-on-Sea and Wiltshire. We have also seen viewing share increase in areas being portrayed on screen; filmed on location in Scotland, *Eden's* share was up 22% versus the slot average, and the highest-rating episode of *The Secret Life of the Zoo* (filmed at Chester Zoo) was up 118% on the slot average in the North West of England.

All 4 Games, Channel 4's digital games publishing arm, also continued to support and commission from new digital developers outside of London in 2016. Highlights included the critically acclaimed *Super Arc Light* from Glasgow developers NoCode, which was featured as Apple's 'Editor's Choice' app of the week and has attracted 1.48 million downloads to date. The accompanying game for *Eden*, developed by Strawdog Studios in Derby, also garnered 2.68 million downloads and was awarded 'Best Amazon App' at the 2016 TIGA Awards; while *We're Going on a Bear Hunt*, developed by Liverpool's Lucid Games, was ranked the #3 app in the paid iPad app charts.

> **+13%**

**SPEND IN THE
NATIONS AND
REGIONS**

CHANNEL 4'S NATIONS AND REGIONS STRATEGY

**GROWING CENTRES
OF CREATIVE
EXCELLENCE**

**INVESTING IN
TALENT AND SKILLS
DEVELOPMENT**

**STARTING THE
CONVERSATION**

Indie and
commissioner
engagement

**ATTRACTING
SEED-FUNDING**

Alpha Fund support
and local partnerships



Joe Wicks: The Body Coach

Indie Growth Fund and Commercial Growth Fund

In 2014 Channel 4 launched a £20 million Indie Growth Fund designed to nurture the independent sector by providing access to funding for small and medium-sized UK independent production companies to help them grow and develop their business. Two years later the Growth Fund has seen investments in 11 separate companies from across the UK, with more planned in 2017. They include companies specialising in sports, comedy, factual, youth, drama and online.

In 2016 Channel 4 invested in two new companies, Barcroft Holdings Ltd and The Rights Exchange Ltd (TRX), further diversifying our portfolio of investments and extending the Fund's business portfolio beyond traditional UK independent production support. Channel 4's investment in Barcroft is our first in a British multi-media company specialising in content creation and digital distribution, while TRX offers a new global online deal-making tool that enables TV rights buyers and sellers from around the world to connect and complete licensing deals entirely online.

Since its launch the Indie Growth Fund has successfully nurtured and grown independent production companies, with turnover across our investments more than doubled in 2016. In 2017 the Fund has announced two new investments; one in a Scottish production company, Firecrest Films and another in a virtual reality start up, Parable Ventures Limited. The Fund sold True North Productions Limited to Sky in January 2017, delivering a profit on sale. To date we have committed £14 million of the £20 million fund. Following the success of the Indie Growth Fund, Channel 4 launched a Commercial Growth Fund in 2015 offering high growth potential companies not currently advertising on television the opportunity to build their business through advertising on Channel 4 marketing platforms in return for equity stakes or striking revenue share arrangements.

Since its launch the Commercial Growth Fund has completed ten deals including 6 equity investments. In 2016 these investments included Readly, The Idle Man and Pay As You Gym amongst others. The Fund has quickly found success, with companies such as Readly, the digital magazine newsstand, more than tripling its UK subscriber base over the last year, boosted by a TV campaign on Channel 4. The Fund will look to further grow its investment portfolio in 2017.

£14m

COMMITTED VIA THE
INDIE GROWTH

KEY METRICS

£441m

investment in first-run
external commissions on the
main channel in 2016 +9%

£169m

spent on production companies
based outside of London +13%

£36m

spent on production companies
in the Nations +28%

317

companies working with
Channel 4 portfolio across TV,
film and digital media, including
160 indies +7%

40%

of the value of first-run
originations +1pt

we worked with

70

new suppliers + 32%

Investment in the Nations

9%

of first-run originated programme
hours = with last year

Investment in the Nations
and Regions

55%

of first-run originated
programme hours +2pts

8%

of the value of first-run
originations +1pt



YOU CAN FIND MORE OF THIS
DATA (AS WELL AS COMPARATIVE
DATA) AND EXPLANATORY
NARRATIVE FROM PAGE 60

2017 AMBITIONS

- We will continue to support production companies across the UK, with regionally produced programmes such as new drama *The ABC*, as well as returning factual series *The Secret Life of the Zoo* and 999: *What's Your Emergency*.
- Our content will reflect the lives of people throughout the UK, with programmes including dramas *No Offence* and *The ABC*, long-running soap *Hollyoaks*, as well as ensuring a breadth of regional diversity in our popular Features formats.
- We will continue to nurture talent throughout the UK: with indies via producer briefings and our Alpha Fund investment and with young people via our C4 Pop Ups and higher education partnerships.
- We will be working with Government to understand how we can build on our existing work in the Nations and regions, as part of a consultation in early 2017.
- 2017 investments include a female-led, factual and current affairs production company based in Scotland and a virtual reality content production company. We aim to make at least one further investment in the year. We have also completed our first exit in 2017 with the sale of True North to Sky.

A photograph of a group of young women and children on a staircase. One woman is sitting on the stairs with a baby, another is sitting on the stairs with her hands clasped, and a third is standing on the right holding a young child. A fourth child is sitting on the floor in the foreground. The staircase has a green handrail and blue steps. The floor is blue. A yellow cup is on the floor in the bottom left corner.

YOUNG PEOPLE



YOUNG PEOPLE

Channel 4 has always had a special relationship with young audiences. Our remit to be alternative and different manifests itself in content that speaks to young people about things and in a way that engages them with contemporary issues.

This approach translates into Channel 4 having a particularly strong viewing appeal amongst younger people, significantly more than other public service broadcasters. This appeal is driven by original, distinctive programming – All ten top performing shows amongst all 16–34-year-olds were original commissions and came from a range of genres – Drama, Factual Entertainment, Entertainment and Documentaries.

In addition to hit TV shows, we are continuously evolving our online service to make sure it is responding to the consumption habits of young people – adding exclusive short-form content and previews alongside catch-up viewing. More than half of all 16–34-year-olds are registered with All 4 (as many as are registered to vote) with original Comedy, Drama and Factual Entertainment proving the biggest hits amongst this audience. And our educational output seeks to inform older children (10–14-year-olds) about contemporary issues in relevant and engaging ways.

REMIT PERFORMANCE

YOUNG PEOPLE

CONTINUED

Engaging young audiences

One of the most effective ways we engage 16–34-year-olds is via our Factual Entertainment programmes. Our approach is to take serious subjects, such as sexuality, politics and disability, and contemporary themes, such as the surveillance society or gender roles, and explore them in engaging, entertaining ways that will resonate with young audiences. This has proved a highly effective way of reaching young people with factual content – six of the UK's top ten factual programmes for 16–34-year-olds were on Channel 4, including *The Island with Bear Grylls*, *The Undateables*, *Hunted* and *Eden*.

Our new dating show *Naked Attraction* divided the critics but proved to be a particular hit amongst young people – averaging 1.7 million viewers across the series and up 119% on the slot average for 16–34-year-olds. The programme was a bold take on sexuality – challenging taboos around nudity and body image, encouraging frank discussion about our sexual attraction and celebrating people who are comfortable in their own skin – regardless of their size, shape, gender, colour or physical ability. The show performed strongly online – driving registrations to All 4 and becoming one of our most talked-about shows of the year across social media. Another hit with young audiences was *The Island with Bear Grylls*, which explored the different ways in which men and women respond to survival situations, and which was one of Channel 4's best performing shows of the year for 16–34-year-olds. Other series resonating with this audience include *Gogglebox*, *Secret Life of 4 and 5 year olds* and *24 Hours in Police Custody*.

Naked Attraction



KEY METRICS

16.2%

portfolio viewing share amongst
16–34-year-olds -2%

5.0%

viewing share for E4 amongst
16–34-year-olds -1%

More than half

of all 16–34-year-olds are registered
with Channel 4



YOU CAN FIND MORE OF
THIS DATA (AS WELL AS
COMPARATIVE DATA) AND
EXPLANATORY NARRATIVE
FROM PAGE 60

2017 AMBITIONS

- We will seek to once again increase our spend on content for older children, through content such as drama *The ABC*, which follows two comprehensive schools in Yorkshire, that are merged into a new academy, shining a spotlight on racial tensions in the area.
- Our Education content will focus on factual content for teens that explores issues relevant to them, as well as content that focuses on life skills for teens.
- We will build on our successful online strategy to engage young people in News and Current Affairs via social channels.

"CHAMPION(S)
BODY DIVERSITY."

THE GUARDIAN
(NAKED ATTRACTION)

1.5m

14–19S REACHED
WITH OUR
EDUCATION
PROGRAMMING
IN 2016 – UP 7%



The Island with Bear Grylls



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David Davis answers select Committee questions



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News and Current Affairs that super-serves 16–34-year-olds

Over the last year – a particularly busy year news-wise – we set out to find new ways to engage young people with our News and Current Affairs content, both online and on-screen. In 2016 we expanded our digital-first strategy based on publishing impactful, fact-checked short form news video on social media channels – particularly Facebook and YouTube – given the popularity of these platforms amongst young audiences. These channels reflect, editorially, the linear Channel 4 News remit, by selecting stories that cover serious political, international or social topics.

This year, we also successfully launched two spin-off Facebook strands to accompany the main Channel 4 page: *Channel 4 News Democracy*, and *Channel 4 News Identity*. *Channel 4 News Democracy* focuses heavily on UK politics and allows us to post wall-to-wall political coverage without drowning out any international news on the main page. *Channel 4 News Identity* is dedicated to reporting the voices of communities from across the UK, with a particular focus on those voices not heard elsewhere.

This expansion on Facebook signals our strategy to engage young people with serious, credible, trusted journalism on the platforms where they are increasingly consuming news. Stories are focused on explaining international/political stories or stories that highlight issues affecting minorities, international or political stories, and those that explain key topics. This strategy has proved highly successful, with *Channel 4 News* now one of the UK's leading video news brands on Facebook. In 2016 videos across the Channel 4 News portfolio received almost 2 billion views, an increase of over 200% from 2015.

Commissioned research amongst 16–34s shows that Channel 4 News Facebook videos deliver strongly to our remit – 77% of respondents said they felt more informed as a result of watching them (compared to 64% for BBC News) and 61% said it made them see an issue in a different light (compared to 57% for BBC News).

We also delivered Current Affairs content to young people via other mainstream/popular formats on screen – most notably *The Last Leg*. The most powerful episodes have been those with a political spin: the US election special, held the night after the results were announced, achieved the programme's highest ever live viewing figures, eventually consolidating at 2.6 million viewers at 9pm and a 16.8% share of 16–24-year-olds; the episode where Jeremy Corbyn MP was a special guest had a 21% share of 16–24-year-olds. This series will be expanded to 40 episodes in 2017, ensuring that it can cover current events right across the year.

Additionally, in 2016 our long-running soap *Hollyoaks* teamed up with the Electoral Commission to encourage 18–24-year-olds to register to vote, ahead of the local elections in May. Channel 4 sought to address the fact that this demographic was the least likely to be registered and launched a series of adverts featuring stars from the soap in a campaign to remind viewers of the voter registration deadline and its importance.

1.6m

10–14-YEAR-OLDS
REACH WITH OUR
EDUCATION
PROGRAMMING

ALMOST
2 billion
VIEWS FOR C4 NEWS VIDEOS

REMIT PERFORMANCE

YOUNG PEOPLE
CONTINUED

Millionaire Dads and me



Stage School

Educational content for teens
(14–19-year-olds)

Our educational output for teens aims to reflect the complicated lives of young people in Britain today, as well as asking them to challenge their own preconceptions. We seek to cover life skills not covered elsewhere – with themes in 2016 including family and relationships, body image and self-confidence and the impact of social media and the online world. We increased our commitment across all platforms, not only commissioning for the main channel but also launching a new series for E4 and four series of online shorts. We have found that our strategy is most effective with a cross-platform approach – TV content in a prime-time slot, accompanied by online shorts promoted on All 4 and educational articles and video content on Education's online hub, *Am I Normal?*

Several documentaries explored teenagers growing up in unconventional families – *House of Teen Mums* tackled the growing crisis of homelessness among young Brits at the sharp end of the housing crisis, with access to one of the YMCA's hostels for young mothers. The documentary was accompanied by an online short on *Am I Normal? My Millionaire Dads and Me*

followed the teenage sons of the first gay fathers to have babies via surrogacy and explored what life has been like for them growing up. We also examined different aspects of body image and identity. *Obsessed with My Body* looked at the growth in vanity amongst teenage boys, in an era where social media has meant their bodies are constantly under peer review. Our online series *Stripped Bare* won an RTS Award for its portrayal of how different people, including a transgender person and a girl with alopecia, use make-up to empower themselves.

Other original series for All 4 included *The Dark Side of Being Young*, in which six young adults confide their darkest moments as a warning to others, including technology addiction, bullying and eating disorders. We also commissioned a new scripted comedy, *Me and My Teen Self*, written by and starring new transgender talent, Lewis Hancox, discovered as part of our 2015 Transgender Season. Based on his own experience of growing up transgender, the series also covered universal themes of growing up – how to get on with your parents, find a girlfriend and stop worrying about your looks.

**"COURAGEOUS ENOUGH
TO DO WHAT ONLINE
DISCUSSION IS OFTEN
INCAPABLE OF"**

THE GUARDIAN
(KIDS ON THE EDGE)



Older children content strategy (10–14-year-olds)

Our strategy for older children is to provide content designed to appeal to children by reflecting their lives and interests, but which also has a popular mainstream appeal. As distinct to BBC children's provision, it is largely aimed at 10–14-year-olds, effectively filling a 'gap' in the market between younger children and teens – although some of our shows, such as *We're Going on a Bear Hunt*, have a strong appeal to younger children as well. In 2016 we invested £6 million (growing from £1 million investment in 2011) in content which sought to fill this gap between dedicated children's programmes and content aimed solely at adults. This has proved successful – with Channel 4 performing better than any other PSB channel for how it indexes with 10–15-year-olds.

We particularly focused on the 8pm slot on Channel 4, where we are able to reach significant volumes of young people. After the success of the 2015 Christmas special, we launched the first series of *Gogglesprogs*. Featuring a diverse range of children aged between four and 13, the series asked them to tell us what they really thought of TV and politics in what turned out to be one of the most changeable periods in British political history. Episode 1 of *Gogglesprogs* was the biggest 8pm broadcast this year for 10–14-year-olds, and the series as a whole was 87% up on slot average for this age group. *Child Genius*, *The Supervet* and *The Secret Life of the Zoo* also all out-performed their slot average amongst this age group. Overall, our focused investment in this slot meant its share was up by 10% year-on-year for 10–14-year-olds in 2016.

In August 2016 we announced plans to further increase investment in shows appealing to this audience over a three year period, including factual drama and entertainment shows.

Audience research amongst this age group highlighted the positive impact of these programmes – with 10–14-year-olds stating they enjoy them because of the themes involved (children enjoyed *Supervet* and *The Secret Life of the Zoo* because of the animals featured) and because they are often about children of their age (viewers of *Gogglesprogs* and *Child Genius* said they could relate to the children featured). They also have an educational impact – half of young viewers to *Child Genius* said they learnt something new from watching, rising to six in ten among viewers of *The Supervet*.

E4 also showed a notable growth this year among 10–14-year-olds (up +44%), due to the success of new programmes. A particular hit was *Stage School*, a 30-episode original musical structured reality series which was stripped over six weeks at 7:30pm. *Stage School* was E4's best performing 7.30pm series this year for 10–14-year-olds and is returning in 2017.





TALENT

Investing in and developing new creative talent is an important aspect of Channel 4's public service remit, underpinning a vibrant and innovative UK television and film sector.

In 2016, Channel 4 continued to provide a platform for diverse new ideas, perspectives and voices through on-screen initiatives which give first-time commissions to breakthrough writers and directors.

We are committed to ensuring that everyone, from all walks of life and backgrounds, can pursue a career in television, and our numerous schemes and initiatives exist to bring young people into the media talent pipeline.

Our work includes travelling across the UK with our Channel 4 Pop Ups programme to inform young people about a career in the media industry, a plethora of on-screen talent initiatives that support new writing and directing talent, and a work experience and apprenticeship programme that, for 2016, focused on supporting new disabled talent.

We also support talent across the country via our own work experience and apprenticeship programmes, to broaden access into our industry – last year we used these programmes to focus on opportunities for applicants with disabilities. Our partnerships with a number of higher education institutions, including the National Film and Television School, also seek to educate and inform young people about opportunities, as well as offering a practical route in to our industry.

REMIT PERFORMANCE

TALENT

CONTINUED

**"A FRESH AND
LYRICALLY TOLD TAKE
ON ADOLESCENCE"**

THE TELEGRAPH
(ELLEN)

Ellen

Developed as part of Channel 4's *Coming Up* strand, which provides first-time TV commissions for new drama talent, thought-provoking drama *Ellen* marked the exciting debut in 2016 of breakthrough UK female talent: writer Sarah Quintrell and director Mahalia Belo.

Developed and produced by Touchpaper TV, *Ellen* is a powerful, prescient story of a tough teenager trying to take control of her chaotic life. The 90-minute film reveals a poignant and vital portrayal of 14-year-old Ellen, played by actress Jessica Barden, forced to grow up too quickly.

As well as giving a platform to a brand new writer and director, the programme saw an array of new talent behind the camera, with its director of photography, editor, production designer and casting director all female first-timers. The music was composed by Jonathan Hill, also marking his broadcast drama debut.

The Extraordinary Case of Alex Lewis

Nurturing talent on and off screen

Distinctive and thought-provoking films *The Extraordinary Case of Alex Lewis* and *The Ballroom Boys* were produced through Channel 4's First Cut strand, which offers documentary filmmakers the opportunity to make their first full hour-length productions for national television. In Drama, a number of first-time writers and directors had their debut TV commission through our *Coming Up* strand; while Channel 4 also launched a new initiative 4Stories, with the opportunity for diverse new UK writing and directing talent currently under-represented in TV drama to create a unique three-part series. We also continued to uncover bright new stars and showcase fresh ideas in Comedy through our *Comedy Blaps* slate of five-minute online short films on All 4.

In 2016, Channel 4 continued to provide meaningful, paid opportunities to gain hands-on practical experience and skills for those at entry and mid-level in the TV industry. These included our pan-UK Channel 4 Pop Ups programme, apprenticeship scheme, our one-year production training scheme, which provides on-the-job experience with independent production companies across the UK, our freelance 4Crew scheme, the Northern Writers Award, and our investigative journalism scheme which develops skills in this highly specialist and important field. Channel 4 is also developing a pipeline of talent in the wider UK creative sector, with support for emerging film and theatre talent through our work with the National Film and Television School, Channel 4 Playwright and Wellcome Trust screenwriting schemes.

In addition to work experience and apprenticeships at Channel 4's offices in London, Manchester and Glasgow, our production training scheme offers 12-month salaried placements that provide on-the-job TV production training with independent production companies across the UK – including Northern Ireland and the West Midlands. Following the Rio 2016 Paralympics, 24 disabled trainees also completed our Rio Production Training Scheme – over half of whom are now employed in the industry.



4Talent

Our 4Talent schemes seek to nurture the next generation of young talent from across the UK: from our Pop Ups that travel the UK providing information and workshops, to our apprentice and work experience schemes that ensure that Channel 4's doors are open to all, regardless of age, experience or background. With a remit not just to nurture talent but also to inspire change and champion alternative viewpoints, it is crucial for Channel 4 that we reflect the diversity of modern Britain.

In 2016, Channel 4 continued its national outreach programme of 'Pop Ups' – practical careers days which support young people to find routes into the industry, network with local creative businesses and learn more about the career opportunities open to them in the media sector. The scheme deliberately targets young people living outside of the main 'media hub' cities of the UK, with days held in areas such as Cardiff, Doncaster, Belfast and Corby. Over 650 young people attended Channel 4 Pop Ups in 2016, from an even greater proportion of diverse backgrounds than 2015: 21% came from ethnic minority backgrounds, 13% LGBT and 8% had disabilities – double the proportion from 2015.

A quarter of those on Channel 4's work experience placements this year attended a C4 Pop Up, demonstrating that the programme is successful in drawing in new young talent from across the UK to careers in television. Over half of Channel 4's work experience cohort for 2016 came from outside of London, 37% came from ethnic minority backgrounds and 45% did not have a university degree. As part of Channel 4's 2016 Year of Disability commitments, 30% of work experience placements and 50% of apprenticeships in 2016 were ring-fenced for people with disabilities. Through targeted recruitment we met or exceeded those targeted – 35% of all work experience participants had a disability, and 50% of all apprenticeships.

C4 POP UPS LOCATIONS INCLUDED CARDIFF, DONCASTER, BELFAST AND CORBY



650

people attended
C4 Pop Ups



More than

50%

of work experience cohort came
from outside of London

C4 Pop Up



REMIT PERFORMANCE

TALENT

CONTINUED

"...GRITTY BLUE-COLLAR REALISM WITH MOMENTS OF EXTRAORDINARY TENDERNESS AND LYRICISM"

**THE INDEPENDENT
(AMERICAN HONEY)**

Film4: supporting British talent

Film4 has built a strong reputation for nurturing filmmakers, working with them over the long term, supporting them as they grow and develop creatively. Danny Boyle, who has worked with Film4 from the start of his enormously successful career on films like *Shallow Grave*, *Trainspotting* and more recently *Slumdog Millionaire*, in 2016 directed the sequel *T2 Trainspotting*, which picks up with the original cast twenty years later. So far the film has amassed an impressive £17 million at the UK box office. Ben Wheatley's *High-Rise*, was released in March 2016, and his next film, *Free Fire* will be our fifth collaboration with him and his highest profile film so far. It was selected as the closing night film of the 2016 London Film Festival, and was released in March 2017.

Several other projects have been made in 2016 with returning collaborators: Andrea Arnold (*American Honey*), Clio Barnard (*Dark River*), Paddy Considine (*Journeyman*), Martin McDonagh (*Three Billboards Outside Ebbing, Missouri*), Andrew Haigh (*Lean On Pete*), Yorgos Lanthimos (*The Killing of a Sacred Deer*). And already in production in 2017 are *Maradona*, our fourth film with Asif Kapadia, who won last year's Best Documentary Oscar winner for his film *Amy*, Mike Leigh's *Peterloo* and our second film with Director Bart Layton, *American Animals*.

As part of our commitment to new voices there are a number of filmmakers making their debuts too: *Beast*, by Michael Pearce, Toby MacDonald's *Old Boys*, Rungano Nyoni's *I Am Not A Witch* and Stephen Merchant's *Fighting with My Family*, his second feature, based on a Channel 4 documentary about a wrestling family in Norway.

At a time when there is a lot of attention on the lack of female filmmakers, we also have a proud history of supporting female filmmakers: Andrea Arnold's *American Honey* won the Jury Prize at the 2016 Cannes Film Festival, as well as Best Film and three of the other main prizes at the British Independent Film Awards. We also have upcoming projects with Lynne Ramsay (*You Were Never Really Here*), Clio Barnard (*Dark River*) Tinge Krishnan (*Been So Long*) and first-time filmmaker Rungano Nyoni (*I Am Not A Witch*).

Film4 will continue to develop and co-finance an annual slate of creatively distinctive films which includes both new and established British and international talent, with potential to play not only across a variety of Channel 4 platforms but also to worldwide audiences. And we will lead the way in adopting the BFI Diversity Guidelines as the industry standard whilst ensuring that we are aligning our objectives with the 360° Charter.

Will Sharpe

Will Sharpe is the writer, director and actor in his debut six-part comedy drama series *Flowers*, the unusual noir comedy which aired to critical acclaim in 2016. This was Will's first TV writing work, following his BAFTA-nominated first feature film *Black Pond*, which he wrote and co-directed with frequent collaborator Tom Kingsley, caught the eye of the Comedy department, who worked with Will to develop the comedy series.

Flowers is an imaginative, cinematic show about an eccentric and dysfunctional family struggling to hold themselves together, starring Julian Barratt and Olivia Colman, and is Will's first TV work. It will return for a second series in 2017.

Will and Tom were also named in *Variety*'s top ten European directors to watch, and won the Evening Standard Film award for Best Newcomers. He has also recently completed a second feature film *The Darkest Universe*, co-written with Tiani Ghosh and co-directed with Tom Kingsley once again.

**"GLORIOUSLY DARK...
GENUINELY ORIGINAL"**

**THE GUARDIAN
(FLOWERS)**

Flowers



Random Acts: Arts Council collaboration

Channel 4 introduced *Random Acts* in 2011 to show films by artists and has since broadcast over 500 short films. Unlike traditional arts programming (where programmes are made about artists) the strand is unique in encouraging artists to become filmmakers; providing a new platform for artistic talent and offering viewers an opportunity to experience storytelling through new and alternative perspectives.

In 2016, *Random Acts* launched with renewed purpose: to work with more established artists and allow them to play with the form and premiere work from them, as well as to identify and develop fresh and diverse creative talent from across the UK, offering young people aged 16 to 24 the opportunity to create high-quality short films. Over three years, Arts Council England has committed to invest £3 million in five *Random Acts* Network Centres, enabling as many young people as possible from across the UK to access routes into arts and filmmaking, including in areas where access to film and TV has been limited.

Random Acts

> 500

SHORT FILMS SHOWN
SINCE RANDOM ACTS
WAS LAUNCHED
IN 2011

2017 AMBITIONS

- We will be significantly increasing the number of apprentices we have at the Channel, in line with the Government's Apprenticeship Levy, refreshing our flagship Production Training Scheme to include an apprenticeship aspect, as well as super-charging the work we do out of London to engage young people in a career in media.
- Film4 will continue to support new talent and nurture diverse voices as an essential component of both our feature and short film slate. Debut films we've backed that will launch in 2017 include Toby MacDonald's *Old Boys*, Michael Pearce's *Beast* and Rungano Nyoni's *I Am Not a Witch*.

American Honey



CATALYST FOR SOCIAL CHANGE

The Last Leg



CATALYST FOR SOCIAL CHANGE

2016 was a year of extraordinary social and political change – Channel 4 was there to cover it in a way that engaged diverse audiences, provoked debate and gave a voice to a range of viewpoints.

We continued to deliver innovative News and Current Affairs programming that pushed boundaries and took risks, from delivering long-form content in peak time to connecting with young people through digital platforms.

We brought the wider world to our audience, not least through our US election programming and our coverage of the war in Syria. But aside from reporting and reflecting the headline events of the year, our commitment to investigative journalism shone through with series such as *Unreported World*.

While momentous events loomed large over 2016, more subtle changes were happening too. We were there to reflect them through mainstream lifestyle programmes. Experience tells us that this kind of content can be a powerful catalyst for social change, as it can cover thought-provoking issues as diverse as food, health, relationships and finances.

REMIT PERFORMANCE

CATALYST FOR
SOCIAL CHANGE

CONTINUED

"STAND UP TO CANCER CERTAINLY GAVE YOU BANG FOR YOUR BUCK WITH AN ALL-STAR EVENT FEATURING APPEARANCES FROM BONA FIDE STARS."

DIGITAL SPY



> **£15.7m**

RAISED FOR CANCER
RESEARCH UK

Stand Up To Cancer

In 2016 SU2C was back: a telethon for the Stand Up To Cancer charity with 100% of the donations going to the cause. The celebrity-packed line-up included sketches and stories of those who've been affected by cancer, and Channel 4 shows that were given the SU2C treatment included *Celebrity Island* with Bear Grylls, *Celebrity Child Genius*, *The Crystal Maze* and the *Hollyoaks* love-story of Jade and Alfie – two teenagers both diagnosed with Hodgkin lymphoma.

An average of 1.6 million viewers across the entire evening, with #standuptocancer trending all night and the support of famous faces from Boy George to John Legend to Taylor Swift, and guest appearances from Bastille, Little Mix and Frances, this programme combined its unique blend of entertainment, sport and music, underpinned by a heartfelt mission to raise funds and awareness.

We raised over £15.7 million on the night – the biggest ever total raised on a commercially funded UK channel.

EU referendum coverage

As with our coverage of all major political events, we approached our coverage with a particular focus on our remit to appeal to young adults, provide alternative views and to support and stimulate well-informed debate.

In order to maximise engagement, we aired a breadth of programming across the schedule. *Channel 4 News* provided comprehensive coverage throughout the entire election period which included two debates with young and diverse audiences who debated the issues relevant to them. We aired *Boris v Dave: The Battle for Europe*, a Michael Crick fronted documentary that explored the personal battle between David Cameron and Boris Johnson on the election outcome.

In Comedy, we launched *Power Monkeys*, building on the success of *Ballot Monkeys* in 2015, a weekly topical comedy show on

all things EU. And, we brought back 90s hit *Eurotrash* which showcased the best, worst and weirdest that the EU has offered the UK.

On the night before polling day, we also aired *Europe: the Final Debate*. Led by Jeremy Paxman, the programme featured a wide range of well-known guests including leading politicians, opinion formers and other high profile pro and anti-protagonists. 43% of viewers stated that the Channel 4 programme was the best TV debate they had seen on the subject, rising to over half (53%) among 18–34-year-olds.

We used innovative marketing to promote not just referendum programming, but to engage young people in the electoral process. On-air, we invested a marketing value of £3 million across EU-related programming. *The Last Leg* ran social media reminders to register to vote prior to the deadline and E4 showed a dedicated *Made*

in Chelsea promotion featuring the show's stars in a mock version of the programme talking about both sides of the argument. Online, Jon Snow voiced a short video for Facebook reminding people to register and vote, reaching 1 million views in just 24 hours, and Channel 4 News Factcheck provided a range of dedicated Facebook content on EU-related issues.

Following the outcome of the referendum, we also examined the factors that shaped the Brexit debate: *Are You Owed a Pay Rise?* considered how low wages and job insecurity affected the EU referendum result; *Racist Britain* revealed the reality of the impact of the EU referendum on xenophobia in the UK and *Brexit: Who'll Do Your Job Now?* investigated the international movement of labour.

KEY METRICS

370

long-form News and Current Affairs programmes in peak +4%

24pt^{lead*}

or being the best for documentaries that present alternative views = with last year

76%

average Buzz score for our top 10 TV shows

15%

of viewing to Channel 4 News by 16–34-year-olds audience -1pt

31pt^{lead*}

lead* for allowing people an alternative point of view +2pts

8.3m

people watched Channel 4 each month +1%

27pt^{lead*}

for challenging prejudice +2pts

27pt^{lead*}

for showing the viewpoints of minority groups in society +1pt

15pt^{lead*}

for making viewers think about things in new and different ways = with last year

16%

of viewing to Channel 4 News by BAME audience +2pts

65%

of viewers said that Channel 4's factual programmes inspired change in their lives +2pts

77%

of Channel 4 News viewers regard it as independent from gov't -4pts

36pt^{lead*}

for tackling issues other channels wouldn't = last year

29pt^{lead*}

for taking a different approach to subjects compared with other channels = with last year



YOU CAN FIND MORE OF THIS DATA (AS WELL AS COMPARATIVE DATA) AND EXPLANATORY NARRATIVE FROM PAGE 60

* lead over average for other channels

2017 AMBITIONS

- In a post-Brexit world we will continue to produce programmes that challenge viewers and stimulate debate, including *Crossing the Border*, Peter Kosminsky's drama of Brits who fight for ISIS and *The Jury*, a documentary drama that shines a light on the workings of our justice system.
- *Channel 4 News* will continue to focus on investigative journalism and holding power to account, with a focus on campaigns and providing comment from a range of diverse experts and contributors.
- We will continue our support of parasport in 2017 with coverage of the *IPC World ParaAthletics Championships*, as well as our latest addition to the sports slate, the *UEFA Women's Euros*.



Channel 4 News

REMIT PERFORMANCE

CATALYST FOR
SOCIAL CHANGE
CONTINUED

The Jihadis Next Door

Impactful British Current Affairs

In a year of record Current Affairs spend, Channel 4 aired an array of impactful Current Affairs programmes with a focus on the UK. In 2016, our long-running investigative strand *Dispatches*, took the strategic decision to focus its domestic investigations on five core issues – inequality, the changing world of work, welfare reform, housing and the pressure on public services.

We examined the lack of homes built, despite promises to increase housing in *The Great Housing Scandal* and *Britain's Homebuilding Scandal*.

The film, *Britain's Pensioner Care Scandal*, had significant national impact after revealing concerns about home care provided to older people, particularly in the London Borough of Haringey. Following this programme, Haringey Council terminated its contract with one of the care providers investigated in the film and 17 home care workers brought a case against this provider over non-payment of the minimum wage.

We also revealed failings in the Personal Independence Payment ('PIP') assessment process – a benefit that disabled people can claim, in *The Great British Benefits Row*,

where our findings were subsequently raised with the then Secretary of State for Work and Pensions and Minister for Disabled People by a number of MPs.

Our impactful Current Affairs also featured in other factual genres too, evidenced in *The Secret Life of Prisons*, as it depicted the brutal reality of life inside these British institutions. It featured numerous videos shot illegally by prisoners on smuggled-in mobile phones and revealed the prevalence of violence, drugs and anarchy.

Thought-provoking lifestyle programming

At Channel 4, we believe that our mainstream lifestyle programmes can inspire audiences to make positive change in their lives. Over the past year, our output has featured a range of thought-provoking content that educates and challenges our audiences on everyday subjects such as food, health, relationships and finances.

We reflected the drive to tackle obesity amongst children and adults in *How to Lose Weight Well* which reached 8.7 million people across the series. This message was also reiterated in *Food Unwrapped*, *Joe Wicks: The Body Coach* and *Jamie's Superfoods*, as each deconstructs where our food comes from and presents the message of healthy living in a positive way.

Whilst *Supershoppers* and *Tricks of the Restaurant Trade*, explained to audiences how they can avoid manipulation through marketing and branding, or can find the best quality food, by revealing some of the techniques that retailers and restaurants use to make customers spend more.

These informative pieces aimed to appeal to audiences by reflecting modern life back to them in a way that builds knowledge, in popular formats.

"A SHOCKING INSIGHT INTO THE BRUTAL REALITY OF LIFE BEHIND BARS."

DAILY MAIL
(THE SECRET LIFE OF PRISONS)

Reflecting the wider world to our audiences

In a year that saw significant developments at home and abroad, Channel 4's remit to provide access to views and information from around the world was more important than ever. Channel 4 brought the stories that matter from across the globe into our living rooms, providing audiences with in-depth analysis of the forces and phenomena shaping our world.

Channel 4 continued its commitment to report on the conflict in Syria and its impact, with poignant documentaries such as *Children on the Frontline: The Escape* from filmmaker Marcel Mettelsiefen which documented the journey of a family fleeing Syria and starting a new life in Europe as refugees, as well as cutting edge reports such as those from young, Syrian filmmaker Waad al-Kateab on conditions on the frontline in Aleppo – whose videos were viewed almost 200 million times on Facebook.

Channel 4 also comprehensively covered political developments in the US in the run-up, during and after the Presidential election. Channel 4 identified and explored the drivers behind the appeal of Donald Trump from early on in his presidential candidacy, with a series of prime-time documentaries from *Channel 4 News'* Matt Frei charting his campaign. During the campaign period, Channel 4 broadcast all three presidential debates in their entirety,

as well as examining some of the important social issues defining modern America through documentaries such as *The Gun Shop* and *My Trans American Road Trip*.

In 2016, the *Unreported World* team's vivid and agenda-setting reports gave a voice to those who wouldn't normally be heard, combining accessible human stories with rigorous journalism and analysis. In *Yemen: Britain's Unseen War*, Krishnan Guru-Murthy and his team became the first TV journalists to document the famine in Yemen, sparking widespread debate about Britain's role in the conflict, while Fazeelat Aslam's report from Karachi on the city's water crisis was recognised with the Foreign Press Association Environment Award. The diverse backgrounds and experiences of the *Unreported World* team helped the series cut through to many stories that might often stay hidden, including the treatment of trans people in Malaysia in *Muslim, Trans and Banned* and the experiences of young Kenyan athletes trying to battle against rampant doping in *The Betrayal of Kenya's Athletes*.

Channel 4 programmes also took audiences to lesser travelled places around the world, showcasing breathtaking scenery and diverse cultures in Levison Wood's *Walking the Himalayas* and *Flying to the Ends of the Earth* with Arthur Williams. And in *Our Guy in China*, Guy Martin explored this industrialising nation, revealing the unseen side of its innovation, technological development and manufacturing.

> +7%

INCREASE IN VIEWING
TO UNREPORTED
WORLD AMONGST
16-34S

My Trans American Roadtrip

> 77%

OF 16-34S SAID THEY
LEARN SOMETHING
NEW EVERYTIME THEY
WATCH UNREPORTED
WORLD



DIV ERS ITY



DIVERSITY

Channel 4 has always stood up for diversity – it is at the centre of our purpose and a key part of what we exist to do. Our reputation for showcasing Britain in all its diversity remains as strong as ever.

We're still adding to a 34-year-old legacy of ground-breaking TV that has helped to redefine the way society thinks and talks about issues such as disability, mental health, sexuality, race, ethnicity and gender. From *Desmond's*, the first black sitcom, to coverage of the Paralympics, Channel 4 has brought previously neglected experiences and perspectives into the mainstream. In 2016, the story continues.

The new 360° Diversity Charter has played an instrumental part in strengthening our commitment to this part of our remit. Thanks to this we are nurturing leadership in diversity at every level of our organisation. This goes beyond iconic content and boundary-pushing dramas appearing on our screens. It's about recognising the people who make this happen and ensuring everyone has access to opportunity.

REMIT PERFORMANCE

DIVERSITY
CONTINUED2016: Year
of Disability

The Year of Disability ('YoD') has been a major success with all our key goals exceeded. We have also put into place a comprehensive long-term disability employment strategy with the aim of becoming the best employer of disabled people in the country.

On screen we have doubled the number of disabled people in 21 of our top shows (vs target 20), and off-screen we have progressed the careers of 26 disabled talent within 20 of our biggest indie partners (vs target 20).

And we also saw great results from our other Year of Disability initiatives. In our own backyard, we awarded 50% of Channel 4 apprenticeships and 35% of work experience placements to disabled people, and the Year of Disability Advisory group (YODA) offered the highest level of support, commitment, advice and engagement around a range of key areas, including the disclosure campaign and our disability employment strategy. We also increased the number of staff declaring a disability from 3% to 11%.

The Glasgow pilot for the Nations and Regions PTS proved so successful that all the companies agreed to extend their trainees' contracts: the majority of the Glasgow trainees are still in work, and employed by Glasgow indies. Off the back of this success we rolled out the pilot scheme to Cardiff and Bristol.

KEY METRICS

77hrs

of first-run programmes covering international topics +26%

32%

of output on the Film4 channel came from outside the US

10.2%

portfolio viewing share amongst BAME audiences +1%

18%

were British films

22pt^{lead*}

for catering for audiences other channels don't cater for +3%

161hrs

of first-run foreign language content across the portfolio +28%

246hrs

of first-run originations covering diversity issues on the main channel +126%



YOU CAN FIND MORE OF THIS DATA (AS WELL AS COMPARATIVE DATA) AND EXPLANATORY NARRATIVE FROM PAGE 60

24pt^{lead*}

for showing different kinds of cultures and opinion = with last year

* lead over average for other channels



CHANNEL 4 WAS AWARDED 'DIVERSE COMPANY' AT THE NATIONAL DIVERSITY AWARDS.

HOLLYOAKS' ACTRESS ANNIE WALLACE WON THE 2016 CELEBRITY OF THE YEAR AWARD AT THE NDAS AND WAS BAFTA-NOMINATED.

The first transgender actress to receive such a nomination after being shortlisted in the Best Actress category at the Scottish BAFTAs.



Annie Wallace

2017 AMBITIONS

- We will continue to champion diverse talent, including a raft of new formats for fresh, emerging talent including blind adventurer Amit Latif and our key 2016 Rio Paralympic Games presenters Sophie Morgan.
- As outlined in our Two Years On Report, as part of our refocused 30 charter initiatives we will be working on Four New Frontiers in 2017: focus on BAME progression, Spotlight on diverse directors, more diversity between our programmes and developing a pioneering social mobility strategy.



Idris Elba



**CHANNEL 4 WAS AWARDED
THE EY'S NATIONAL EQUALITY
STANDARD AT THE HIGHEST LEVEL –
"INSTITUTIONALISED INCLUSION"**



360° Diversity Charter: One year on

2016 was a highly successful year for our 360° Diversity Charter, as we cemented our reputation as the leader in the broadcasting sector, and emerged as a leader across all industry. We continued to assess Charter progress with a Green/Amber/Red scoring system against its 30 initiatives: in 2016 we scored Green on 28, with two Ambers and zero Reds.

In January we launched our One Year On report in Parliament, with a keynote speech delivered by Idris Elba, news of which went around the world on the wires, and over 100 people attended, including many MPs and Peers. The inaugural D.I.V.E.R.S.E conference in January brought together talent, commissioners, indies and charities, to celebrate diversity and to tackle the issues that still need addressing. Speakers included Jessica Hynes, Sandi Toksvig, Grayson Perry and Asifa Lahore, and we also published new research: "Treating men and women equally: are we nearly there yet?"

The Commissioning Diversity Guidelines continue to influence the nature of our content, with 83% fulfilment in 2016; we were pleased to see industry monitoring system Diamond launch in August.

Project Diamond went live in 2016, launched by the Creative Diversity Network in Edinburgh. The first set of Diamond data is anticipated to be released in summer 2017.

Our Alpha and Indie Growth Fund continued to support diverse production companies. The Alpha fund has continued to invest in BAME-led companies like Zeitgeist, Acme, Greenacre Films, Ten55 and Maroon. We currently hold three Growth Fund investments in BAME led-indies (Renowned, Whisper and Voltage) out of 11 investments in total, and we continue to work with and support them.

We launched a ground-breaking internal communications campaign to encourage staff to disclose diversity data. We produced a series of films that allowed staff to tell their candid, personal stories of living and working with a disability, with companion advisory content for line managers. This campaign led to a huge rise in numbers of disabled staff, from 3% to 11%. BAME representation is up year-on-year and LGBT and Female remain broadly stable.

Diversity has increased across two leader groups, with a small decrease in LGBT. Growing our BAME leaders from 10 to 15% by 2020 is an important challenge we are committed to addressing.

As part of our Deputy Commissioning Editor commitment, three delegates completed a 12-month immersive commissioning experience plus associated training. All three candidates are now in elevated career positions in the industry as a result of the leadership programme.

REMIT PERFORMANCE

DIVERSITY CONTINUED

Standing up for diversity in film

At the London Film Festival in October, Film4 became the first UK organisation outside of the BFI themselves to adopt the BFI diversity standards.

While we had previously operated to the guidelines set out in Channel 4's diversity charter, we recognised the need for the film industry to have one set of standards for UK producers to work with and to encourage the rest of the industry to follow suit.



Freefire

The Island with Bear Grylls

Tackling mental health taboos

One in four people in the UK are affected by mental illness. As the first UK broadcaster to have signed the Time to Change pledge, Channel 4 is committed to tackling stigma and challenging perceptions around mental illness and treatment. In line with its remit to promote diversity and stimulate debate, Channel 4 has sought to deliver new ways of normalising the representation of mental health conditions on mainstream television through its programmes in 2016 in a number of genres, from documentaries to Comedy and Drama.

Described by the *Radio Times* as a "a clever, bleakly funny look at depression", Will Sharpe's original and touching comedy drama *Flowers* aired over six consecutive days in 2016. The series explored the complex personal impact and reactions to mental illness within a family in a thoughtful approach that blended humour and sadness.

Channel 4's mental health programming in 2016 also gave new insights into those on the frontline of mental health treatment. Ground-breaking documentary series *Kids on the Edge* followed the work of the Tavistock and Portman NHS Foundation Trust – a leading mental health trust – documenting the complex mental and emotional health conditions experienced by children and young people. In addition, *Life on The Psych Ward* focused on the work of the South London and Maudsley Hospital's forensic mental health services – an area of mental illness often subject to misconceptions and rarely explored in an in-depth way on television.

A number of popular Channel 4 programmes also challenged the taboo around talking about mental illness. Both *The Island with Bear Grylls* and *SAS: Who Dares Wins* gave viewers an insight into the personal experiences of Hannah and Jason in living with PTSD; while in *Grayson Perry: All Man* highlighted the often taboo issue of male suicide.

Kids on the Edge

INNOVAT

INNOVATION

Creative and commercial innovation really is at the heart of all that we do. Our commitment to innovation spans everything from the content that we commission to how we connect with audiences and the way we distribute programming to them, as well as the way we generate revenue.

Channel 4 has inspired and enabled a long line of digital and technological game changers – from the first on-demand service to the first simul-release online film. This pioneering work continues and underpins our ongoing strategy to deliver content to viewers in new ways. By staying at the forefront, our ability to connect with young people grows ever stronger.

A man in a light blue t-shirt and blue shorts is climbing a yellow ladder on a large, rusted yellow industrial structure, possibly an offshore oil rig. The structure is situated over a dark blue ocean with white-capped waves. In the background, a wind turbine is visible against a cloudy sky. A green sign on the structure reads "CAUTION MIND YOUR HEAD". The word "INNOVATION" is written in large, bold, purple letters across the middle of the image.

INNOVATION

REMIT PERFORMANCE

INNOVATION
CONTINUED

Trigger Happy TV

TRIGGER
HAPPY

All 4

Following a successful launch in 2015, All 4 continued to grow and evolve in 2016 – reaching 14.9 million registered users as we entered 2017 and delivering robust growth in viewing, up 21% across owned and operated platforms year-on-year. A successful year was topped off with All 4 winning the Broadcast Award for 'Best Digital Video Service', beating iPlayer, UKTV Play and ITV Hub to the award.

All 4 is a very different offering to its competitors. Far from just a catch-up service for last night's TV, All 4 offers originals, exclusives, box sets and live TV, as well as catch up. In 2016 we invested further in original and exclusive content for All 4, while also maximising our catch-up TV inheritance, appealing to the growing viewer appetite to binge-watch box sets and catering to those who choose to stream live TV on a tablet or PC. As a result, our breakdown of viewing is far more diverse than that of any equivalent offering.

Our investment in content for All 4, which has increased by more than a third since 2015, was a driving factor for the overall increase in viewing. 2016 successes included the return of Dom Joly's *Trigger Happy TV*, an All 4 original, the popularity of which led to a Christmas Eve special on Channel 4. All 4's exclusives also saw success, with *Search Party*, *Married at First Sight Australia*, *The Island USA With Bear Grylls* and *Seven Year Switch Australia* all performing particularly well. *Walter Presents*, our foreign language drama box-set service, is also a successful part of the All 4 offering.

This strong performance was matched by continued innovation on the platform as a simpler, more personal user interface launched across IOS, Android, Amazon and All4.com which will continue to roll out to other platforms in the new year.

In the year ahead we will look to maintain All 4's growth in viewing with increased investment in content and we will specifically target investment at the hard to reach 16–24-year-olds audience. We also plan to further build on our rich heritage of innovation, adding personalised promotions based on taste segments and personalised editorial collections using our data-driven algorithms to offer different curated collections to different users.

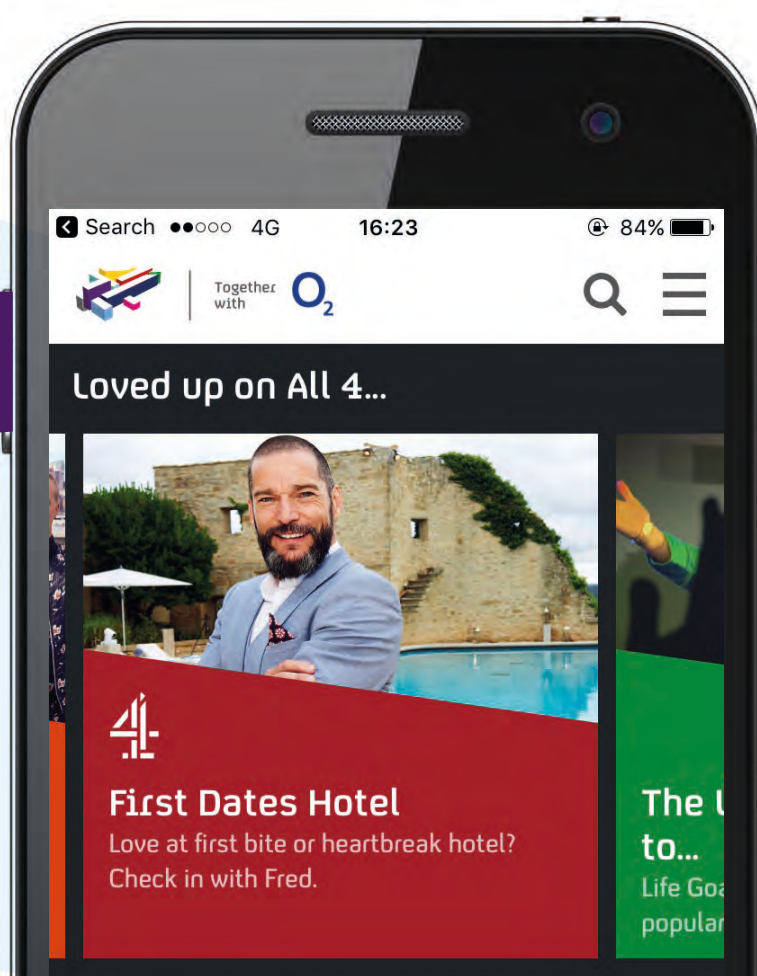
Science-based but human-centred, these developments are aimed at striking an intelligent balance between human editorial curation and data-driven algorithms and will vastly improve the experience for every viewer.

**"A BRILLIANTLY
DRAWN SEND-UP
OF NEW YORK
MILLENNIAL
HIPSTER LIFE."**

THE GUARDIAN
(SEARCH PARTY)



14.9m

ALL 4 REGISTERED
USERS

A fresh approach to arts programming

Channel 4 deliberately attempts to pioneer an alternative approach to arts programmes. Where much arts programming turns its attention inwards on the arts world, such as profiles of artists, we ask artists of all disciplines to be the author, not the subject, of our programmes and to turn their attention outwards to society at large.

By empowering our society's most creative, original and subversive thinkers from the worlds of dance, music, photography and other artistic disciplines, we are able to offer challenging new perspectives on the most important issues of our time; from masculinity to gay marriage and from climate change to 9/11, our arts programming offers the opportunity to see our world through different eyes, challenging our viewers to see the world in a different light.

In 2016 the Turner Prize-winning artist and double BAFTA award-winning Grayson Perry continued to build on his reputation for thought-provoking, unsettling and often moving programming with *Grayson Perry: All Man*, investigating contemporary masculinity in his third series for Channel 4. In a collaboration with Drama, Arts also delivered Channel 4's highest-rating programme of 2016: *We're Going on a Bear Hunt*. 2016 also saw the return of the *Random Acts* strand in new and expanded form, thanks to a £3 million, three-year partnership with Arts Council England.

The strand will continue through 2017, where other arts commissions already announced include dancer and choreographer Akram Khan embedding himself in a giant factory and producing new work based on his experience, and *Western Flag* – a year-long digital simulation by acclaimed artist John Gerrard of the Texan landscape where oil was first struck.

Random Acts

KEY METRICS

175

new and one-off programmes -17%

29pt

lead* for being experimental +1pt

38pt

lead* for taking risks with programmes that others wouldn't = with last year

620m

programme views initiated on demand +21%

522m

total visits to Channel 4's websites and apps +3%



YOU CAN FIND MORE OF THIS DATA (AS WELL AS COMPARATIVE DATA) AND EXPLANATORY NARRATIVE FROM PAGE 60

* lead over average for other channels

2017 AMBITIONS

- All 4 will continue to develop as a standalone content destination, with new thematic commissioning strands including *New Romantics*, which will explore modern love in all its forms, *Ballsy*, a home for those pushing life to the limits and *Freaks & Uniques*, a look at extraordinary people living unbelievable lives, as well as strands for leading edge music and culture, gaming and the internet, topical series and mid-form millennial drama and comedy.
- Our Arts programming will continue to explore auteur-led programming from contemporary artists, including *Western Flag*, an original artwork for Earth Day, created by John Gerrard.
- We will continue to showcase the best international drama via *Walter Presents*, which will also launch in the US in 2017.

REMIT PERFORMANCE

INNOVATION
CONTINUED

Innovation in form

Channel 4 innovates and takes risks in all aspects of what we do, including the methods we use to actually capture and produce our on screen content. The practice of innovating through form, pioneering cutting-edge production and filming techniques, has held an important role in the strategy and success of many of our broadcasts over the last 12 months.

This has been notable in many of our commissions where we have used the latest mobile and fixed camera technology, evidenced in *The Children's Hospital*, *The Job Interview*, *First Dates* and *SAS: Who Dares Wins*. Through incorporating ground-breaking 'fixed-rig' technology, it provides filmmakers with many more cameras compared to traditional observational productions and avoids the potentially intrusive presence of a crew. This allows us to provide poignant, intimate and observational insights in a range of environments previously not conducive to filming, creating a distinctive editorial feel.

We have also increasingly adopted the use of state-of-the-art drone filming in order to capture expansive landscapes and environments. *China: Between Clouds and Dreams* is a notable example of this, as the cinematography depicts a stunning, intimately beautiful series, painting a rarely-seen picture of real life in China, interweaving stories of human drama with nature.

Investing in bold new formats is not without its risk. *Eden* launched with good figures, particularly for 16–34-year-olds, but the unmediated nature of the production process has made it a difficult show to land.

Channel 4 continues to commission around themes that span specific categories, and 2016 saw a range of cross-genre collaborations, including the experimental docu-dramas *People Next Door* and *The Watchman* and the arts-drama Christmas animation *We're Going on a Bear Hunt*. These pieces are born from a new style of commissioning where our different teams engage with each other in development discussions to ensure that they continue to work together in new and exciting ways.



DEUTSCHLAND 83'S LAUNCH EPISODE WAS
the most watched

FOREIGN LANGUAGE DRAMA EPISODE
IN THE UK SINCE 2002



Deutschland 83

Walter Presents
online catalogue

In 2016, we launched *Walter Presents*, a video streaming service showcasing the world's best foreign language drama on All 4, an innovative first for any British PSB. Handpicked by *Walter Presents* curator, Walter Iuzzolino, the dramas are exclusively available free to UK viewers, with no subscription required. The service was launched through a partnership between Global Series Network ('GSN') and offers a constantly evolving and expanding slate of foreign language dramas, making it the go-to destination for fans of world drama and those curious to discover more.

Walter Presents debuted last January with the hit German drama *Deutschland 83*: the launch episode was the most watched foreign language drama episode in the UK since 2002 with 2.5m viewers. The service now includes 27 shows from 14 countries and its library features around 700 hours of curated content, including Swedish noir thriller *Blue Eyes*, French crime drama *Mafiosa* and Israeli romantic comedy *Beauty and the Baker*.

Over the next year, *Walter Presents* is set to launch in the US, marking its first moves into the international market.



The Watchman

Grayson Perry: All Man

Grayson Perry continues to provoke discussion with his documentaries on Channel 4 with two BAFTA and Grierson award-winning series, and this third series is no exception. In *Grayson Perry: All Man*, Grayson delves into the worlds of modern men in this thought-provoking documentary exploring what it means to be masculine in the modern world.

Double BAFTA-winning TV presenter Grayson Perry investigates contemporary masculinity in this three-part series. Perry immerses himself in three ultra-male worlds: the world of male cage fighters in the North East, the world of men thirsting for rank and territory within the police force and drug industry, and the world of traders and hedge-fund managers in the City of London. In this timely documentary, Perry attempts to see what their extreme masculinity can tell us about the changing lives and expectations of modern men whilst capturing what he sees through art and reflecting on his own prejudices and upbringing.

The series reached 3.2 million people across its three episodes and received positive viewer feedback, *Grayson Perry: All Man* highlights a "male point of view that many views hadn't seen on TV before" as well as being "honest" and "informative".

**"INTELLIGENT,
NOT MAWKISHLY
SENTIMENTAL
AND NO POINTLESS
BACKGROUND MUSIC:
THIS IS HOW
FACTUAL TELEVISION
SHOULD BE."**

THE TIMES
(GRAYSON PERRY:
ALL MAN)



Grayson Perry

INVESTING IN INNOVATION

Channel 4's investment in innovation touches everything that it does – spanning the range and geographical diversity of its supplier base, the diversity of voices and perspectives on screen, and technological innovation on new digital platforms.

 annualreport.channel4.com

INNOVATION THROUGH CONTENT

For the second year running, Channel 4 invested a record amount in (originated and acquired) content across its TV and digital portfolio in 2016. Its total content budget was £695 million, 10% up year-on-year – the largest annual percentage increase for more than 15 years. Spend on Channel 4's own commissions was also up by 10% this year, to £501 million, also a new record level of investment.

Along with the fruits of the new wave of creative renewal, the key highlight this year was Channel 4's *Rio 2016 Paralympics* programming, extensive coverage of which was supported by related content across the schedule.

Channel 4 broadcast 9.3 hours of first-run originations every day on average across the TV portfolio in 2016, a 12% annual increase. On the main channel, the amount of first-run originated programming was 9% up, largely due to the *Rio 2016 Paralympics* along with the broadcaster's first year of coverage of *Formula 1*. On the digital channels, the volume of new commissions rose by 43%, with a slew of major new series on E4 and More4. In peak-time (6–10.30pm), when we reach the largest audiences, 74% of hours on the main channel were made up of first-run originated programming, two percentage points up on the 2015 level and the highest figure since 2003. Including repeats, 81% of peak-time hours were taken up with originations (level with 2015).

INVEST IN INNOVATION

Across the TV portfolio, Factual and Entertainment remained the two biggest genres, in terms of investment levels. Investment in Factual rose for the fifth year running, by 15% to £209 million, supporting new series such as *Eden*, *My Kitchen Rules* and *Stage School*, along with extended runs of *The Supervet* and *First Dates*. There were 1,396 hours of first-run originated Factual programmes, up by 17% year-on-year. In Entertainment, spend fell by 7%, to £103 million, while the number of first-run originated hours fell by 13% (to 628 hours), as *Time Crashers* was not replaced and there was less Alan Carr programming in 2016.

This year, Sport was the second-biggest genre in volume terms, with 714 hours of first-run originated programming (Entertainment fell to third place). The *Rio 2016 Paralympics* and *Formula 1* coverage resulted in a 70% increase in Sports programming in 2016, equivalent to 294 additional first-run originated hours. There was a corresponding £49 million increase in spend on Sports programmes, the biggest single change in investment for any genre this year.

INNOVATION THROUGH DIVERSITY

Channel 4 provides vital support for the UK's production sector. Uniquely amongst the PSBs, all its commissioned content comes from external suppliers, and it expanded both the size of its investment in the production sector and the breadth of its supply base in 2016. Channel 4 spent £441 million on first-run external commissions on the main channel (up 9% year-on-year), and £487 million across the TV portfolio (10% up). It worked with 317 creative partners across its commissions in TV, film and digital media, 7% more than in 2015. 70 of these suppliers were new to Channel 4, 32% more than last year.

Channel 4 is committed to regional diversity, seeking to commission content from across the UK. In 2016, it sourced 55% of all hours of first-run originated programmes on its main channel from suppliers based outside London, up by two percentage points year-on-year. Channel 4 has now sourced more than 50% of its first-run commissions from outside London for four consecutive years. In expenditure terms, 40% of Channel 4's investment in first-run originated programming on the main channel was on programmes from suppliers outside London, up one percentage point year-on-year. Across the TV portfolio, Channel 4 spent £169 million on programmes from suppliers based outside London, £20 million more than in 2015 (a 13% rise). In percentage terms, there was an even bigger increase

in expenditure on content from companies based in the Nations (Northern Ireland, Scotland and Wales), which rose by 28% to £36 million.

Turning to on-screen diversity, there were substantial increases in the volumes of diversity-related programmes on Channel 4, due primarily to its coverage of the *Rio 2016 Paralympics*. Channel 4 showed 358 hours of originated diversity-related programmes on the main channel in 2016, up 78% year-on-year. 246 of these hours were first-run programmes (126% up), and 103 of the first-run hours related to programmes that were shown in peak time (a 29% increase). Separate from the *Rio 2016 Paralympics*, new diversity-related programmes this year included *What British Muslims Really Think* and *My Trans American Road Trip*.

Channel 4's international programming also contributes to the diversity of its schedules. Excluding *Channel 4 News* (which itself has a strong international focus, see page 47), there were 77 hours of first-run programmes covering international topics on the main channel and in the cross-channel *True Stories* documentary strand, the highest level since 2011 (and 26% up on 2015). 2016 also marked the launch of *Walter Presents*, Channel 4's new on-demand service curating the best foreign language TV shows, with some programmes showcased on TV. The launch episode of *Deutschland 83* on the main channel was the most-viewed foreign language drama ever shown on British television. Meanwhile, the Film4 channel continues to offer a diverse and international slate, with 32% of its output coming from outside the US, and 18% comprising British films.

G
ON

INVESTING IN INNOVATION

CONTINUED

Innovation through content

> **£695m**
SPENT ON CONTENT
ACROSS ALL SERVICES
(TV AND ONLINE)

+10% ON LAST YEAR

● INVEST IN HIGH
QUALITY CONTENT

> **£684m**
INVESTED IN ORIGINATED
AND ACQUIRED
PROGRAMMING ACROSS
THE CHANNEL 4 TV
PORTFOLIO (ALL GENRES)

+10% ON LAST YEAR

● INVEST IN HIGH
QUALITY CONTENT

INVESTMENT IN ALL CONTENT

Channel 4's content budget reached record levels in 2016. The broadcaster spent a total of £695 million on content across its services, comprising the main channel, digital TV portfolio and digital media services. This represented a 10% increase year-on-year, the largest annual percentage increase for more than 15 years; and, for the second consecutive year, Channel 4 set a new record for its total content budget. The large majority of this budget – £553 million, equivalent to 80% of the total – was spent on the main channel, which continues to attract larger audiences than any other channel or service in the portfolio. £131 million was spent on the digital TV channels, and a further £11 million was spent on digital media, which includes Channel 4's websites, cross-platform content and investment in All 4 content including *Walter Presents*.

All components of Channel 4's content budget benefited from significant increases this year. Expenditure on content on the main channel rose by £46 million, a 9% increase on the 2015 figure (£507 million). Increases in spend were even greater, in percentage terms, for the digital channels and digital media. Content spend on the digital TV channels was up by 15% on the 2015 figure of £114 million, a £17 million rise. And spend on digital media was up by 38%, boosting 2015's £8 million spend by a further £3 million.

Focusing on the TV portfolio (Channel 4's main channel and the digital channels), a total of £684 million was invested in originated and acquired programming across these channels in 2016 (up 10% on the 2015 figure of £621 million). The genres that accounted for the largest amounts of content investment this year were Factual (£209 million), Entertainment (£103 million), Film (£92 million) and Drama (£91 million). Of these, investment in Factual rose for the fifth year running, by 15%, supporting major new series such as *Eden*, *My Kitchen Rules* and *Stage School*, along with extended runs of *The Supervet* and *First Dates*. Investment in entertainment fell by 7% (equivalent to £8 million), as *Time Crashers* was not replaced this year and there was less Alan Carr programming in 2016. Highlights this year included an extended run of *The Last Leg* covering the Rio 2016 Paralympics. The Film budget was sustained, increasing by 1% year-on-year. Alongside premieres of acquired feature films such as *Paddington*, Film4 premieres this year included *12 Years A Slave* and *Amy*. The Drama budget fell by 8% (equivalent to £8 million), as *Cucumber* was not replaced. Key commissions this year included *National Treasure*.

Across the schedule, the most notable change in 2016 was the £49 million increase in spend on Sports programming, a year-on-year increase of 258%. This substantially increased budget was used to cover the Rio 2016 Paralympics and *Formula 1*. Spend on the other genres was relatively stable in absolute terms, with individual year-on-year changes of no more than ±£3 million. Spend on Comedy programming held steady, at £59 million, with new hits such as *The Windsors*; as did Channel 4's £26 million investment in its News programmes. There was a 6% rise in investment in Current Affairs programmes, to £28 million, the highest level ever, providing extensive coverage of Brexit and the US Election. While relatively small in absolute terms (around £3 million), there was a substantial 73% increase in investment in programmes which appeal to Older Children, which was spent on new series such as *The Secret Life Of...* strand and *Gogglesprogs*, along with *We're Going on a Bear Hunt*. The content budget for Education (14–19-year-olds) fell by almost £3 million, mainly due to *My Mad Fat Diary* not being recommissioned this year.

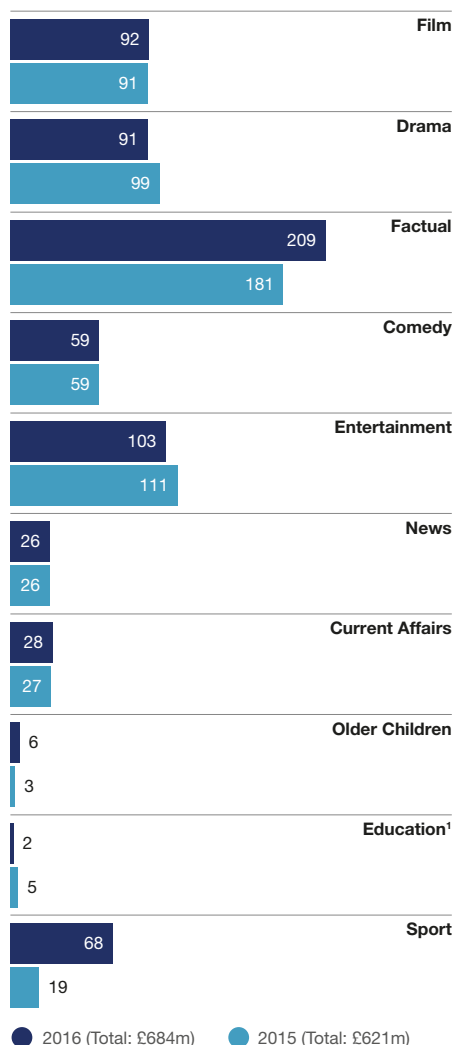
Spend across the Channel 4 network
on all content (£m)

	Total (£m)		
2016	553	131	11
2015	507	114	8

● Channel 4 (main channel) ● Digital channels
● Digital media

Source: Channel 4

Total investment in originated and acquired programming across the Channel 4 TV portfolio by genre (£m)



Source: Channel 4

¹ Education in this metric refers to specifically commissioned programmes for 14–19-year-olds, as opposed to Channel 4's broader educational remit.

Innovation through content

> **74%**

OF THE MAIN CHANNEL
PEAK-TIME SCHEDULE
DEVOTED TO FIRST-RUN
ORIGINATIONS

+2PTS ON LAST YEAR

● INVEST IN HIGH
QUALITY CONTENT

OUTPUT MIX ON CHANNEL 4

Channel 4 showcases the majority of its new original programming on the main channel during peak-time hours (defined by Ofcom as 6–10.30pm), in order to attract the largest audiences and have the greatest impact. In 2016, 74% of all peak-time hours on the main channel were made up of first-run originated programming. This is a two percentage point increase on the 2015 level, and represents the highest figure since 2003. With another 7% of peak hours comprising repeats of original programming, originations accounted for a total of 81% of peak-time hours – comfortably exceeding the Ofcom licence requirement of 70%. While Channel 4's daytime schedules include a more balanced spread of originations and acquisitions, originations still accounted for almost two-thirds (65%) of all output on the main channel across the day in 2015, again well above the Ofcom quota of 56%.

Overall, the proportion of originated programming in peak-time on Channel 4's main channel was flat year-on-year, with the three percentage point increase in first-run originations offset by a three percentage point fall in originated repeats. Across the whole day, the proportion of originated programming on the main channel also held steady year-on-year.

Percentage of output on the main channel accounted for by originations and first-run programmes

Peak-time (6–10.30pm)				
2016	74	7	7	12
2015	72	9	8	11
All day				
2016	35	30	7	28
2015	32	33	8	27

● Originations – first-run ● Originations – repeat
● Acquisitions – first-run ● Acquisitions – repeat

Source: Channel 4

> **£501m**

SPENT ON ORIGINATED
CONTENT ACROSS
ALL SERVICES

+10% ON LAST YEAR

● INVEST IN HIGH
QUALITY CONTENT

INVESTMENT IN ORIGINATED CONTENT

Channel 4 delivers its public remit primarily through its investment in original content, on TV and in digital media. Its total expenditure on originated content across its TV channels (comprising first-run transmissions and repeats) and online services was £501 million in 2016 – setting a new record, for the second consecutive year, for the largest investment in Channel 4's history.

The main channel accounted for the large majority of this expenditure: its original programme budget was £445 million, equivalent to 89% of the total spend on originations. This included expenditure of £187 million on News, Current Affairs, Education programming, Comedy, Drama series and single dramas (including Film4 productions), Arts and Religion – up 2% year-on-year. This does not include the full range of programming genres e.g. Factual or Sport, where Channel 4 also delivers important public service content.

Beyond the main channel, a further £46 million was spent on original content for the digital channels, and £10 million on digital media content (including websites and cross-platform content) in 2016.

There was a substantial year-on-year increase, of £46 million, in Channel 4's total spend on original content in 2016, equivalent to a 10% rise. The bulk of this increase, £37 million, was directed at the main channel to generate the biggest possible impact. A further £7 million was allocated to the digital channels, and another £2 million to the digital media budget.

Spend across the Channel 4 network on all originated content (£m)

Total (£m)				
2016	445	46	10	501
2015	408	39	8	455

● Channel 4 (main channel) ● Digital TV channels
● Digital media

Source: Channel 4

INVESTING IN INNOVATION

CONTINUED

Innovation through content

9.3hrs

OF FIRST-RUN ORIGINATIONS EVERY DAY ON AVERAGE ACROSS THE CHANNEL 4 PORTFOLIO

+12% ON LAST YEAR

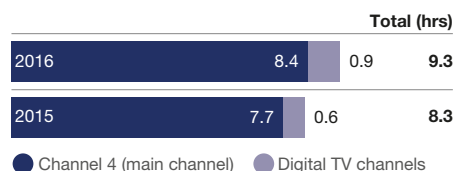
● INVEST IN HIGH QUALITY CONTENT

ORIGINATED OUTPUT ACROSS CHANNEL 4 TV PORTFOLIO

Channel 4 broadcast an average of 9.3 hours of new commissioned programmes (first-run originations) every day in 2016 across the main channel, E4, More4 and Film4. The main channel accounted for 8.4 of these daily hours, with the other 0.9 hours on the digital channels.

The volume of first-run originations across the TV portfolio rose by 12% in 2016, primarily due to Channel 4's extensive coverage of the *Rio 2016 Paralympics*, along with the first year of coverage of *Formula 1*. This resulted in a 9% increase in first-run originated programming on the main channel. The volume of new commissions on the digital channels rose by 43%; major new series included *Tattoo Fixers on Holiday*, *Celebs Go Dating*, *Stage School* and *Phil Spencer's Stately Homes*.

Average daily hours of first-run originations across the Channel 4 TV portfolio



Source: Channel 4

3,410hrs

OF FIRST-RUN ORIGINATIONS ACROSS THE PORTFOLIO

+13% ON LAST YEAR

● INVEST IN HIGH QUALITY CONTENT

VOLUME OF FIRST-RUN ORIGINATIONS BY GENRE

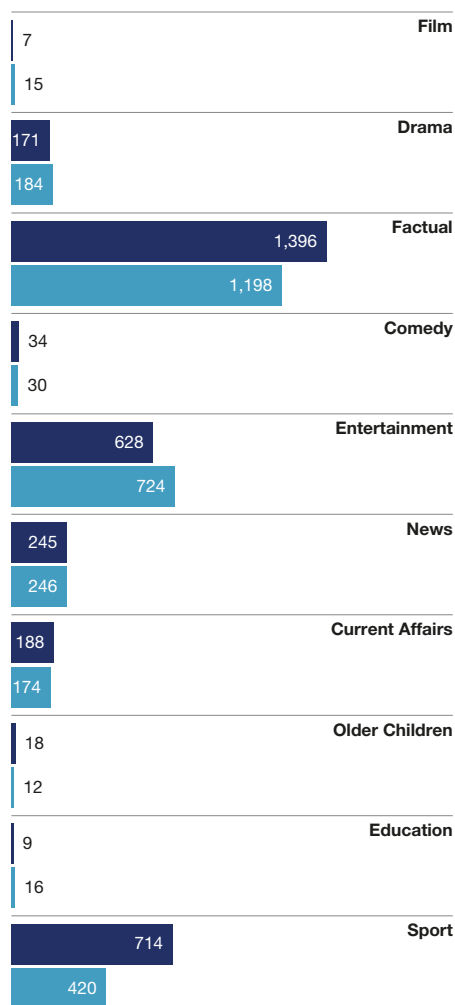
In 2016, Channel 4 broadcast 3,410 hours of first-run originated programming across its TV portfolio. The genres with the largest volumes of first-run originations this year were Factual (1,396 hours), Sport (714) and Entertainment (628 hours).

The total volume of first-run originations rose by 13% in 2016, equivalent to 391 hours. Three-quarters of this increase, or 294 hours, was accounted for by Channel 4's expanded Sports output, the volume of which rose by 70% year-on-year thanks to the coverage of the *Rio 2016 Paralympic Games* and the *Formula 1 Grands Prix*. There were two other substantial changes in the volumes of first-run originations this year: an additional 198 hours of Factual programming, equivalent to an increase of 17% (with new series such as *My Kitchen Rules*); and 96 fewer hours of Entertainment, a drop of 13% (*Time Crashers* was not replaced this year and there was less Alan Carr programming).

Year-on-year changes were relatively small in the other genres in absolute terms: all fell within the range of ± 14 hours. Of the other genres with increased hours of first-run originated programming, the most notable increase in percentage terms was for programmes for Older Children (a rise of 49%, or 6 hours), due primarily to the *Secret Life Of...* strand and *Gogglesprogs*. There were also increases in Comedy (11% up, or 4 hours), with new series *The Windsors*, and in Current Affairs (8% up, or 14 hours), with *Tricks of the Restaurant Trade* and additional specials.

The largest decline in percentage terms was for Film (51% down, or 8 hours), due to not having as many titles. This reflects variations in theatrical release patterns for Film4 titles, which determine the timings of the subsequent TV windows. In 2016, three films were premiered, including *12 Years A Slave* and *Amy*, down from seven in 2015. There was also a significant decline, of 43% (or 7 hours) in Education programmes, with *My Mad Fat Diary* not being recommissioned. In Drama, the volume of first-run originations fell by 7% (13 hours), as *Cucumber* was not recommissioned, while there was a marginal (1%, or 1 hour) fall in the volume in News programming.

Hours of first-run originations shown across the Channel 4 portfolio by genre



Source: Channel 4

Innovation through content

MEETING CHANNEL 4'S LICENCE OBLIGATIONS

Average hours per week		Compliance minimum	2016	2015
News	in peak time (6–10.30pm)	4	4	4
Current Affairs	overall	4	6	5
	in peak time (6–10.30pm)	2	3	3
Hours per year	schools	1	29	27
Percentage				
Origination production	overall	56	65	65
	in peak time (6–10.30pm)	70	81	81
Independent production		25	59	64
European independent production		10	30	34
European origin		50	70	69
Subtitling for the deaf and hard of hearing		90	100	100
Audio description		10	31	26
Signing		5	6	5
Regional production		35	40	39
Regional hours		35	55	53
Production in the Nations		3	8	7
Nations hours		3	9	9

Note: Excluded from the scope of the KPMG Assurance Report.

Innovation through diversity

£441m
INVESTMENT IN FIRST-RUN EXTERNAL COMMISSIONS ON THE MAIN CHANNEL IN 2016

+9% ON LAST YEAR
(2015: £403M)

● NURTURE TALENT

BROADCASTERS' INVESTMENT IN THE PRODUCTION SECTOR

With no in-house production base, Channel 4 sources 100% of its original programming from external suppliers. This investment is an intrinsic part of the Channel 4 model, and it provides vital support for the independent production sector. In 2016, Channel 4 spent £441 million on first-run originations for the main channel, a 9% increase on the corresponding figure for 2015. 52% of this total was spent on qualifying independent production companies. Across the whole TV portfolio, Channel 4 spent £487 million on first-run originations from external suppliers in 2016, 10% up year-on-year. This included £46 million of spend for the digital channels, up 20% year-on-year.

Data for the PSBs published by Ofcom highlights Channel 4's disproportionately important role in supporting the independent production sector. In 2015, the most recent year for which Ofcom's cross-industry data is available, Channel 4's spend on first-run external commissions on the main channel exceeded that of any of the other PSBs on their network channels – including BBC One (2015: £231 million) and BBC Two (2015: £128 million) combined. Looking across their entire TV portfolios, Channel 4's £441 million portfolio expenditure on first-run external commissions matched the BBC's total investment across all of its TV channels, and was almost £90 million more than the combined spend of ITV and Channel 5 across their portfolios.

Expenditure by public service broadcasters on first-run external commissions (£m)

		Total (£m)		
2015	359	82	441	BBC
2014	334	75	409	
2015	247		247	ITV
2014	224		224	
2015	403	39	441	Channel 4
2014	377	40	417	
2015	108		108	Channel 5
2014	97		97	

● Main channels (BBC main channels are BBC One and BBC Two)

● Digital channels

Source: Channel 4, Ofcom (other channels)
2016 data not available for other channels

INVESTING IN INNOVATION

CONTINUED

Innovation through diversity

317

COMPANIES WORKING WITH CHANNEL 4 PORTFOLIO ACROSS TV, FILM AND DIGITAL MEDIA IN 2016, OF WHICH 160 WERE INDEPENDENT TV PRODUCTION COMPANIES

+7% ON LAST YEAR

● NURTURE TALENT

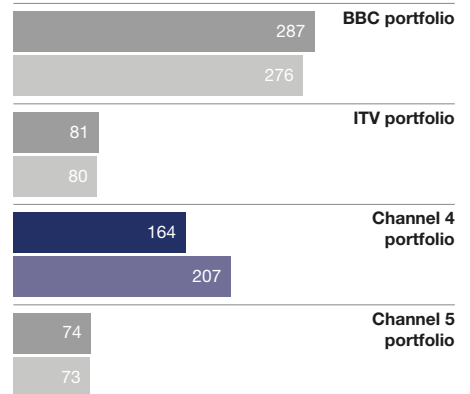
DIVERSITY OF SUPPLY BASE

Cross-industry data allows comparisons to be drawn between the public service broadcasters specifically for the number of independent TV production companies used across their TV portfolios (see chart on the right). In 2015, the most recent year that comparative TV industry data is available, Channel 4 worked with 164 independent TV production companies, behind only the BBC (287 companies), and more than the combined total of the other commercially-funded public service broadcasters, ITV and Channel 5 (155 companies between them).

In 2016, Channel 4 worked with a total of 317 companies to supply the TV, film and digital media content that it commissioned. Of this total, there were 160 independent TV production companies, and a further 30 non-independent TV production companies, giving a total of 190 suppliers of TV programmes. There were 112 online suppliers and 71 film companies, with some suppliers working across TV, film and online. Across all types of content, 70 companies were new suppliers to Channel 4.

Channel 4's supply base increased across all types of content in 2016. The number of TV suppliers rose by 4% (although the number of independent TV production companies was 2% down, reflecting ongoing consolidation in the sector). There were also increases in the number of online suppliers (3% up year-on-year) and film companies (8% up year-on-year) that Channel 4 worked with. Overall, the 317 companies that Channel 4 worked with was 7% more than the corresponding total last year (2015: 295), and the number of new suppliers was up by 32% (2015: 53).

Number of independent TV production companies supplying the PSBs



● 2015

● 2016

Source: Channel 4, Broadcast (other channels)
2016 data not available for other PSB channels.

OUTPUT FROM SUPPLIERS BASED OUTSIDE LONDON

55%

OF FIRST-RUN ORIGINATED PROGRAMME HOURS

+2PTS ON LAST YEAR

20PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

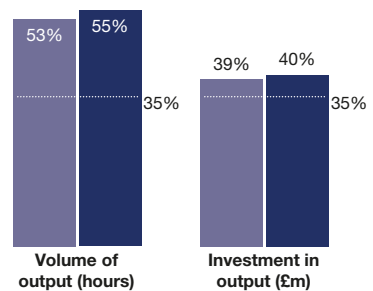
INVESTMENT IN THE NATIONS AND REGIONS (MAIN CHANNEL)

In 2016, Channel 4 sourced 55% of all hours of first-run originated programmes on its main channel from suppliers based outside London. This represents an increase of two percentage points on the 2015 figure, and means that Channel 4 has sourced more than 50% of its first-run commissions from outside London for four consecutive years (the corresponding figure was less than 50% for each of the five preceding years).

In spend terms, 40% of Channel 4's expenditure on first-run originated programming on the main channel was on programmes from suppliers outside London in 2016, up one percentage point year-on-year.

In both volume and spend terms, these figures exceed by some margin the 35% licence quotas set by Ofcom.

Proportion of first-run originated output and spend on Channel 4 which is made outside London



● 2015

● 2016

..... Quota

Source: Channel 4

40%

OF THE VALUE OF FIRST-RUN ORIGINATIONS

+1PT ON LAST YEAR

5PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

Investing through diversity

OUTPUT FROM SUPPLIERS BASED IN THE NATIONS

9%
OF FIRST-RUN ORIGINATED
PROGRAMME HOURS

= WITH LAST YEAR
6PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

8%
OF THE VALUE OF
FIRST-RUN ORIGINATIONS

+1PT ON LAST YEAR
5PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

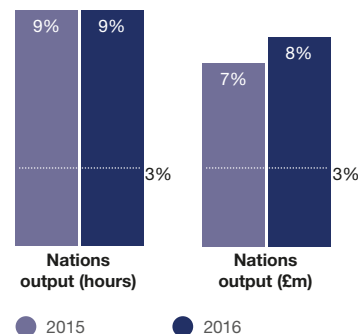
INVESTMENT IN THE NATIONS (MAIN CHANNEL)

In 2016, just over 9% of total hours of first-run originated programming on Channel 4's main channel came from commissions in the Nations: Scotland (6.3%), Wales (2.4%) and Northern Ireland (0.4%). In spend terms, the Nations accounted for over 8% of the total budget for first-run originated programmes on the main channel (5.2% Scotland, 2.8% Wales, 0.5% Northern Ireland). The Nations' share of the total volume of first-run originated programmes on Channel 4's main channel held steady year-on-year (2015: 9%) while their share of investment rose by one percentage point (2015: 7%).

A total of 259 hours of first-run programming on the main channel came from commissions in the Nations in 2016, 11% up year-on-year. There were increases across all the Nations. In Scotland, the volume of programming also rose by 11% (177 hours in 2016, up from 159 in 2015), while total investment was up by 11% to £21.0 million (2015: £18.9 million). This increase was accounted for by a mixture of returning daytime shows like *Fifteen To One* and new peak-time titles such as *Eden*. While the volume of programming commissioned from Wales rose by just 6% (69 hours in 2016, up from 65 hours in 2015), total investment was up by a substantial 47%, to £11.3 million (from £7.7 million in 2015). This was accounted for by *Inside Birmingham Children's Hospital* and *Coming Up*. The biggest annual increases in percentage terms were for commissions in Northern Ireland: the volume of programming was up by 86%, to 13 hours (2015: 7 hours), while investment rose by 67%, to £2.0 million (2015: £1.2 million). New commissions included *Britain at Low Tide* and *Britain's Ancient Tracks with Tony Robinson*.

In both volume and spend terms, these figures exceed by some margin the 3% licence quotas set by Ofcom (which will rise to 9% by 2020).

Proportion of first-run originated output and spend on Channel 4 which is made outside of England



Source: Channel 4

£169m
SPENT ON PRODUCTION
COMPANIES BASED
OUTSIDE LONDON

+13% ON LAST YEAR

● NURTURE TALENT

£36m
SPENT ON PRODUCTION
COMPANIES IN THE
NATIONS

+28% ON LAST YEAR

● NURTURE TALENT

SPEND BY REGION ACROSS THE CHANNEL 4 TV PORTFOLIO

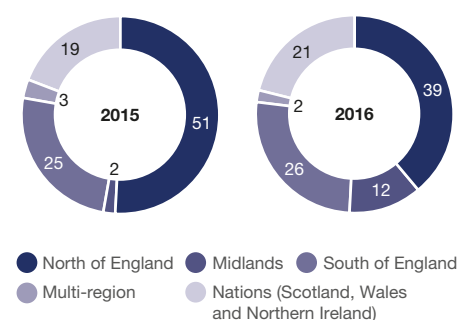
Channel 4 spent £169 million on content that was commissioned from production companies based outside London – i.e. the Nations and the English Regions – across its TV portfolio in 2016. This represents an annual increase of 13%, equivalent to £20 million (2015: £149 million).

Expenditure on content from production companies in the Nations rose by 28% in 2016, to £36 million (2015: £28 million). Channel 4's spend rose in all three of the Nations, with new programmes this year including *Eden* (from Scotland), *Inside Birmingham Children's Hospital* (Wales) and *Britain at Low Tide* (Northern Ireland). The largest component of expenditure in the Nations, £21.9 million, was spent in Scotland, 16% up year-on-year (2015: £19 million). A further £11.3 million was spent in Wales, 48% up on last year (2015: £8 million). The remaining £2.4 million was spent in Northern Ireland, double the 2015 figure (which was £1 million).

Channel 4 spent a total of £130 million in the English Regions in 2016, a 11% increase on last year (2015: £117 million). This increase was primarily due to production costs relating to the *Rio 2016 Paralympics*. Major commissions from the English Regions this year included the likes of *A Place in the Sun* (South of England), the *Rio 2016 Paralympics* (the Midlands), and *Hollyoaks* (North of England). A further £4 million was spent on multi-region content in 2016, flat on 2015.

Note that these investment figures for the Nations, which cover spend across the Channel 4 portfolio, differ slightly from those in the previous metric (see above), which relates specifically to the main channel.

Percentage of Channel 4's expenditure across the TV channel portfolio outside London by region



Source: Channel 4

INVESTING IN INNOVATION

CONTINUED

Different voices

> **77hrs**

OF FIRST-RUN PROGRAMMES COVERING INTERNATIONAL TOPICS ON CHANNEL 4 (EXCLUDING NEWS) AND TRUE STORIES ACROSS THE PORTFOLIO

+26% ON LAST YEAR

● ALTERNATIVE VIEWS

> **161hrs**

OF FIRST-RUN FOREIGN LANGUAGE CONTENT ACROSS THE PORTFOLIO

+28% ON LAST YEAR

● ALTERNATIVE VIEWS

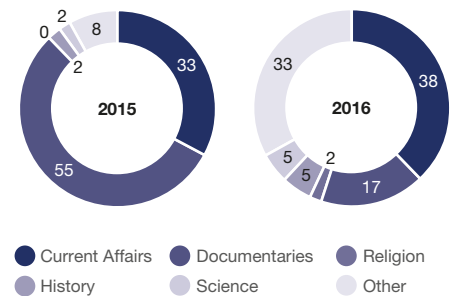
RANGE OF INTERNATIONAL PROGRAMMING

At a time when stories from around the world are capturing ever more of people's attention, Channel 4's programmes cover international topics across a wide range of genres, going far beyond its news coverage. In 2016, there were 77 hours of first-run programmes with an international theme on the main channel (excluding *Channel 4 News*) and in the dedicated international documentary strand, *True Stories*, which runs across the main channel and Film4. This represented a 26% increase year-on-year, taking Channel 4's international coverage to its highest level since 2011.

The biggest single genre in 2016 was Current Affairs, with 38% of total first-run hours of international programming (up from 33% in 2015). Alongside the long-running *Unreported World* strand, Channel 4 offered a range of programming around the US Presidential election race, including the Presidential debates and one-off films such as *The Mad World of Donald Trump*. Documentaries such as *Walking The Himalayas* and *The Gun Shop Cutting Edge*, as well as the *True Stories* films, together made up 17% of Channel 4's international programming this year. Following a surge in their volume in 2015 (when they accounted for 55% of first-run international hours), Documentaries' share of international programming fell back to a level comparable to that in previous years (between 2011 and 2014, they represented between 14% and 29% of the total). In 2016, there was a large jump in the Other category (from 8% to 33% of international hours), thanks to a varied range of programmes in genres such as Factual Entertainment (*World of Weird*), Nature (*China: Between Clouds and Dreams*) and Music (*The Great Songwriters*).

More than any of the other PSBs, Channel 4 showcases a diverse range of content from around the world through its acquired TV programmes and films. 2016 marked the launch of *Walter Presents*, Channel 4's innovative new on-demand service curating the best foreign language TV shows, with some programmes (individual episodes and whole series) showcased on Channel 4's main channel and More4. The highlight of the year was the epic German Cold War drama *Deutschland 83*, which was broadcast in its entirety on the main channel. The launch episode was watched by 2.5 million viewers, making it the most-viewed foreign language drama ever shown on British television. Taken together, the *Walter Presents*-branded foreign language dramas shown on the main channel and More4 reached 22.5% of the UK population in 2016. Overall, there were 161 hours of first-run foreign language TV shows and films across the TV portfolio, 28% more than in 2015 (126 hours). On the Film4 channel, a total of 661 hours of films (first-runs and repeats) from outside the UK and US were shown in 2016, including both English language and foreign language titles; this was 16% down year-on-year, as one of the key non-US licences came to an end (2015: 784 hours).

Genres covered by international-themed originations on Channel 4 (main channel) as a percentage of total first-run hours



Source: Channel 4

Different voices

> **246hrs**

OF FIRST-RUN
ORIGINATIONS COVERING
DIVERSITY ISSUES ON THE
MAIN CHANNEL

+126% ON LAST YEAR

● **CULTURAL DIVERSITY**

DIVERSITY OUTPUT ON THE MAIN CHANNEL

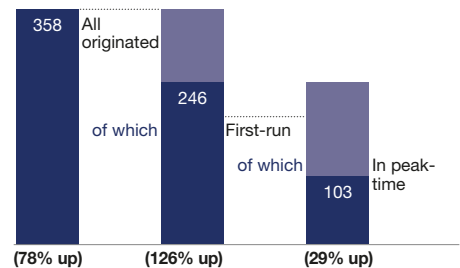
In 2016, Channel 4 showed 358 hours of originated programmes on the main channel whose subject matter covered diversity issues (i.e. religion, multiculturalism, disability or sexuality). 246 of these originated hours were first-run programmes (the others being repeats), and 103 of the first-run hours related to programmes that were shown in peak-time, including *What British Muslims Really Think* (Religion), *Keeping Up With the Khans*, *An Immigrant's Guide to Britain* and *Indian Summers* (multiculturalism), *My Millionaire Dads and Me* and *My Trans American Road Trip* (sexuality), and the return of popular series *The Last Leg* and *The Undateables* (disability).

In the year of the *Rio 2016 Paralympics*, all three of these metrics on diversity-related programming registered substantial year-on-year increases: there was a 78% rise in total originations, the volume of first-run originations was up by 126%, and first-run originations in peak-time increased by 29%. All three metrics were at their highest levels since the *2012 London Paralympics*.

Channel 4's impact on diversity includes far more than the programme commissions covered by these figures. It continues to support a range of initiatives that promote diversity on screen, off screen and as an employer. In 2016, Channel 4's Year of Disability doubled the number of disabled people on screen in 21 of our biggest shows, and supported 26 off screen disabled talent to progress in the industry. Channel 4 continues to improve access to opportunity for those from different backgrounds, via our C4 Pop Ups, production training scheme and work experience and apprenticeship programmes.

In addition, Channel 4 was one of the launch partners on Diamond, the new cross-industry diversity monitoring system being developed through the Creative Diversity Network, which went live in August 2016. Read more about our work on diversity on pages 48–53.

Total hours of programming covering diversity issues shown on the main channel (2016 with trends relative to 2015)

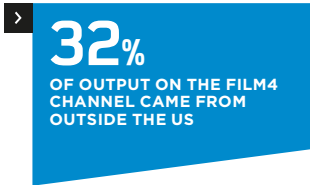


Source: Channel 4

INVESTING IN INNOVATION

CONTINUED

Film



-4PTS ON LAST YEAR

● CULTURAL DIVERSITY



-2PTS ON LAST YEAR

● CULTURAL DIVERSITY

DIVERSITY OF FILM4 CHANNEL SCHEDULE

The Film4 channel showcases a diverse and alternative range of films from the UK and around the world, setting it apart from mainstream film channels that rely mostly on Hollywood studio titles. In 2016, British films accounted for 18% of the Film4 channel's output (in terms of hours of programming), including those co-funded by Film4 Productions (2015: 20%). These British films, along with those from continental Europe and other parts of the world outside the US, together accounted for 32% of the hours of output on the channel. While this is a decrease of four percentage points on the corresponding figure for 2015, it still means that non-US films made up almost one-third of the schedules across the year. (Note that this figure includes films that were co-productions between the US and other countries; in 2016, 5% of output on the channel comprised US/non-US co-productions, compared to 6% in 2015.)

Seasons continued to be a successful part of Film4's story in 2016, with the Black Star season offering a wide-ranging celebration of contemporary black cinema to tie-in with the BFI's initiative, launching with Film4's own multi-award winning *12 Years A Slave*. The channel continued to showcase the work of the productions arm, led by the very popular premiere at 9pm of Mike Leigh's artful *Mr. Turner*. World cinema continued to be strongly represented, with the channel hosting a collection of martial arts classics from Hong Kong's legendary Shaw Brothers studio (including *One-Armed Swordsman* and *The 36th Chamber Of Shaolin*) and the premieres of Lars Von Trier's controversial two-part tale *Nymphomaniac* and Cannes award-winner *Blue is the Warmest Colour*. Documentaries played a crucial role in Film4's programming once again, with the premieres of *Hitchcock/Truffaut*, about the meeting between the two legendary filmmakers, and *The Salt Of The Earth*, director Wim Wenders' portrait of photographer Sebastião Salgado.

News and Current Affairs

370

LONG-FORM NEWS
AND CURRENT AFFAIRS
PROGRAMMES IN PEAK

+3% ON LAST YEAR

● **STIMULATE DEBATE**

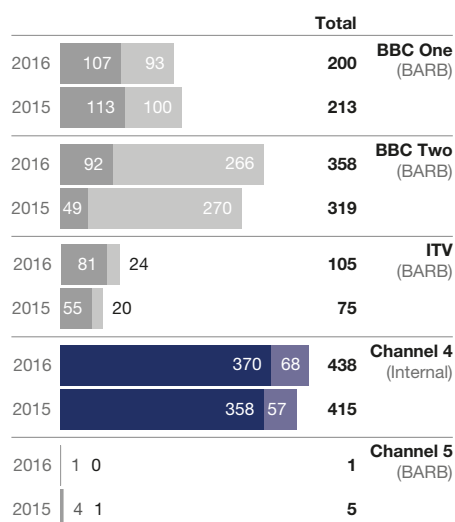
COMMITMENT TO LONG-FORM JOURNALISM

The transmission of News and Current Affairs programmes with extended running times allows topics to be covered in greater depth, enabling these programmes to offer greater levels of rigour and analysis. Channel 4 believes that this is especially valuable at a time when the trust and accuracy of news sources – both in traditional and in digital/social media – are coming under great scrutiny than ever before.

For the purpose of this metric, 'long-form' News and Current Affairs programmes are defined as those running for at least 45 minutes for News, and 15 minutes for Current Affairs. In 2016, Channel 4's main channel showed 370 'long-form' News and Current Affairs programmes in peak-time (which runs from 6–10.30pm, as per Ofcom's definition). This represents a 3% increase year-on-year, and is the largest figure in any year since 2012 (the oldest year using the current methodology). Channel 4 showed substantially more long-form News and Current Affairs programmes in peak-time than the other main PSB channels combined (which showed 281 programmes between them in 2016).

When the period running up to midnight is included, Channel 4's main channel showed 438 'long-form' News and Current Affairs programmes. This was 6% up year-on-year, with the number of post-peak-time titles up by 19%. This total (from 6pm to midnight) was greater than the corresponding figure for any of the other main PSB channels. The channel with the next highest number of titles was BBC Two, with 358 'long-form' News and Current Affairs programmes (80 fewer than Channel 4). The bulk of BBC Two's total was accounted for *Newsnight*, which runs in the post-peak-time period; only 92 of its programmes were in peak-time.

Number of long-form News programmes and single-story Current Affairs programmes with a duration of at least 45 minutes and 15 minutes respectively shown on the main channel between 6pm and midnight




● Peak-time (6–10.30pm)
● Post-peak-time (10.30pm–midnight)

Source: Channel 4, BARB (other channels)

MAKING AN IMPACT

Channel 4 continues to occupy a unique position in the broadcasting ecosystem. It is a mass-market channel that reaches large audiences every day, while also engaging with groups that other public service broadcasters ('PSBs') find it harder to connect with. Its impact is measured not only by the number of people who view its programmes across different audience groups, but also by the public value it delivers to these audiences by being alternative and diverse, taking risks, challenging preconceptions and inspiring change.

 annualreport.channel4.com

MAKING AN IMPACT

REPUTATIONAL IMPACT

Channel 4 measures its public value impact by looking at audience perceptions of 12 reputational statements linked to its public service remit and comparing its main channel's performance to that of the other main PSB channels (BBC One, BBC Two, ITV and Channel 5). Channel 4 typically leads the other channels on these metrics by a significant margin, so we look at annual variations in performance by highlighting the main channel's leads over the average for the other main PSB channels.

In 2016, audience perceptions of Channel 4's remit delivery reached new all-time highs, reflecting the success of the creative renewal strategy. In terms of their absolute scores, most of the reputational trackers were at their highest-ever levels. And averaged across the 12 statements, Channel 4's lead over the other main PSB channels rose from 26.5 percentage points in 2015 to a record 27.3 points, the highest level since Channel 4 began reporting the reputational trackers in 2008.

Channel 4's most emphatic leads over the average for the other main PSB channels were for 'taking risks that others wouldn't' (a lead of 38 percentage points), 'tackling issues other channels wouldn't' (36 points) and being the 'home for alternative voices' (31 points). Compared to 2015, the main channel either maintained or increased its lead for all 12 of the reputational tracker statements in 2016: its lead remained level for six statements and increased – by between one and three percentage points – for the other six statements.

TELEVISION

While UK television viewing continues to fragment, audiences to Channel 4's TV portfolio largely held steady in 2016, with only marginal changes. The main channel's viewing share was 5.9%, while the digital channels' combined viewing share was 4.6%, giving an overall portfolio viewing share of 10.5%. This was down year-on-year by 0.1 percentage point, with each individual channel's share either holding level or changing by less than 0.1 point.

Across the portfolio, Channel 4 was watched by 83.5% of all television viewers every month on average in 2016; only the BBC and ITV had higher levels of reach. Compared to 2015, this represented a small fall of 0.3 percentage points – Channel 4's smallest annual decline in reach since 2011, and a smaller decline than that experienced by the BBC and ITV channel portfolios (whose reach fell by 0.8 and 0.4 percentage points respectively).

Channel 4 seeks to engage with hard-to-reach audiences, including young adults and black and minority ethnic ('BAME') groups. In 2016, we remained the only PSB to attract a significantly larger share of viewing amongst 16–34-year-olds than across the overall UK population, with a 16.2% share amongst this age group across the TV portfolio (2% down on last year's 16.5% share). Amongst BAME groups, Channel 4's TV portfolio viewing share was 10.2% in 2016. This was an increase of 1% on the 2015 share, as a consequence of which BAME audiences' share of Channel 4's overall viewing was at a higher level than at any time since 2009. BAME audiences also continued to account for a larger proportion of Channel 4's audience than for the audiences of the other PSBs.

News and Current Affairs lie at the heart of Channel 4's remit. In the year of the Brexit vote and US Election, an average of 8.3 million people watched *Channel 4 News* each month in 2016, 1% up year-on-year. This was the second consecutive year in which the programme has increased its reach. As with Channel 4's overall output, its News programming has a particular appeal to young adults and BAME viewers: 16–34-year-olds accounted for 15% of *Channel 4 News* viewing in 2016, higher than their 7%–10% shares of viewing to the national news programmes on the other main PSB channels. And viewers from BAME groups represented 16% of all *Channel 4 News* viewing, the highest figure since 2009, and well ahead of the corresponding 6%–9% shares for the other PSB channels' news programmes. These figures remained stable in 2016: the proportion of *Channel 4 News* viewing accounted for by 16–34-year-olds fell by one percentage point, while the proportion of BAME viewers rose by two points.

Channel 4 seeks to differentiate its News and Current Affairs output from that of other broadcasters through its independent and distinctive approach. *Channel 4 News* scores more highly amongst its viewers when asked about its perceived independence from the government and from the influence of big business than do the other main broadcasters' news programmes amongst surveys of their viewers.

Turning to Current Affairs, Channel 4 tracks five reputational statements covering the approach and subject matter of the main PSB channels' programmes and strands in this genre. Across these statements, *Unreported World* had the highest average score across all the PSB channels – ranking first for 'showing stories about parts of the world you would rarely see on British TV', 'giving a voice to groups that aren't always heard in mainstream media' and 'making me see something in a different light' – with *Dispatches* in second place. Both strands increased their average scores year-on-year by two to three percentage points.

ONLINE

Following the launch of All 4 in 2015 – offering long-form programmes, live streaming and digital-first Originals and Exclusives – Channel 4's websites and apps attracted a total of 522 million visits in 2016, 3% more than in 2015. In keeping with a general trend for viewers to seek out the best screen available on which to watch programmes on demand, the number of visits to Channel 4's suite of mobile and TV apps rose by 18% year-on-year while visits to the web site decreased. Channel 4 also increasingly seeks to use social networks to deliver news content to audiences, especially younger ones. There were almost 2 billion video views of *Channel 4 News* content on Facebook/all platforms in 2016, 500% up on last year.

All 4, which launched in 2015, is available on a growing range of smartphones, tablets and connected TVs. Channel 4's strategy is to make All 4 available across a range of devices and platforms to ensure viewers can choose the best possible experience available to them, including watching content on mobile devices and, increasingly, on TVs and devices connected to TV screens.

The number of visits to Channel 4's apps rose by 18% year-on-year, from 274 million in 2015 to 323 million in 2016. App visits have accounted for a growing proportion of total visits to Channel 4's digital estate over the last few years, and this trend continued in 2016 with apps accounting for 62% of all visits, up from 54% in 2015 (and more than double the 30% share of visits in 2012). Visits to Channel 4's websites declined by 15% (from 24 million in 2015 to 200 million in 2016), reflecting a trend for viewers to choose the best available screen on which to enjoy their chosen programmes.

AUDIENCE FEEDBACK

Channel 4 draws on feedback from a variety of sources: its Viewer Enquiries Centre, monitoring of social media traffic, bespoke audience research, and information provided by registered online users, including the Core4 community. Alongside these, the 'Buzz' metric indicates which programmes people have talked about the most, face-to-face or on social media. The average 'Buzz' score for the 10 most talked-about programmes in 2015 was 76%, two percentage points higher than in 2015. The top 10 was dominated by a diverse range of Factual shows, from the life-affirming *The Undateables: Holiday Romance* through to the award-winning *Interview with a Murderer*.

MAKING AN IMPACT

CONTINUED

Different voices

24pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR SHOWING DIFFERENT CULTURES AND OPINIONS

= WITH LAST YEAR

● CULTURAL DIVERSITY

Key programme examples:

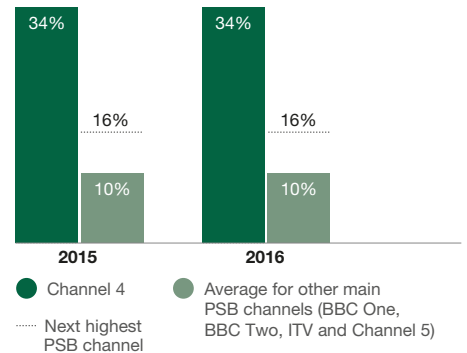
- First Contact: Lost Tribe Special
- Walking the Himalayas

CHANNEL REPUTATIONS: SHOWS DIFFERENT KINDS OF CULTURES AND OPINIONS

In 2016, Channel 4's main channel maintained its reputation as being best for showing different kinds of cultures and opinions. It was selected by 34% of all respondents, the joint highest score it has achieved since Channel 4 began reporting this metric in 2008. This represented a substantial 24 percentage point lead over the average for the other main PSB channels, and an 18 percentage point lead over the next highest-scoring channel, BBC One.

Since Channel 4's creative renewal began to impact on the schedules in 2012, the proportion of people choosing the main channel for this metric has been stable, in the range of 32% – 34% (with only small annual variations), compared to the corresponding figures of 27% – 30% for the prior four years (2008–2011). This stability continued in 2016: the proportion of respondents selecting Channel 4, its lead over the average for the other main PSB channels, and its lead over the next highest-scoring channel were all the same as in 2015.

Shows different kinds of cultures and opinions



27pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR CHALLENGING PREJUDICE

+2PTS ON LAST YEAR

● CULTURAL DIVERSITY

Key programme examples:

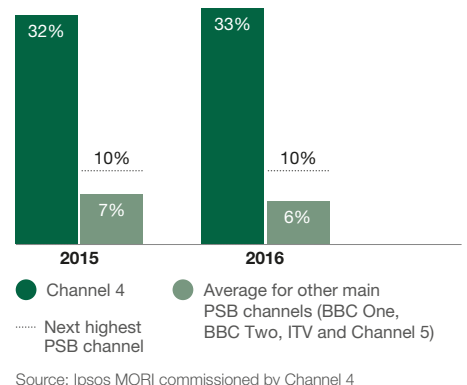
- The Paralympics
- Born To Be Different
- Grayson Perry: All Man

CHANNEL REPUTATIONS: CHALLENGES PREJUDICE

For the second consecutive year, Channel 4 achieved record scores when viewers were asked which of the main TV channels they associate most with challenging prejudice. Channel 4's main channel was selected by 33% of respondents in 2016, one percentage point higher than the 2015 figure, which was Channel 4's previous record since it began reporting this metric in 2008. Over the last five years, the proportion of people selecting Channel 4 has been in the range of 29% – 33%, compared to 25% – 28% between 2008 and 2011.

Channel 4 had a significant lead, of 27 percentage points, relative to the average score for the other main PSB channels in 2016, two percentage points up on the corresponding lead in 2015. Its lead over the next highest channel, BBC One, was 23 percentage points, one percentage point more than in 2015.

Challenges prejudice



27pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR SHOWING THE VIEWPOINTS OF DIFFERENT MINORITY GROUPS

+1PT ON LAST YEAR

● CULTURAL DIVERSITY

Key programme examples:

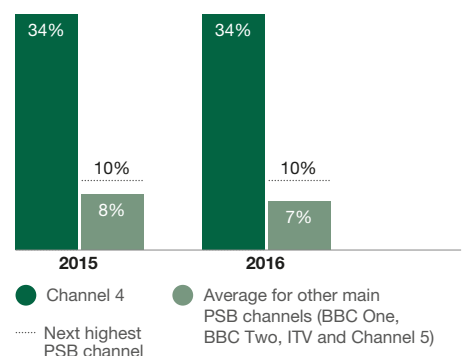
- The Last Leg
- 2016 Rio Paralympic Games
- Breaking The Silence Live

CHANNEL REPUTATIONS: SHOWS THE VIEWPOINTS OF MINORITY GROUPS IN SOCIETY

Channel 4 seeks to give a voice to diverse groups in the UK, including those that are often under-represented on TV. In 2016, it maintained its strong lead over other channels when viewers were asked which channel is best for showing the viewpoints of minority groups in society. 34% of viewers selected Channel 4's main channel over the other main PSB channels, level with the corresponding 2015 figure, giving Channel 4 its joint-highest score since this metric was first reported in 2012. Channel 4 also achieved a record 27 percentage point lead over the average for the other channels (one percentage point up on 2015), and a 24 percentage point lead over the next highest channel, BBC One (the same lead as in 2015).

Channel 4 also tracks which channel is best for showing the viewpoints of particular minority groups, and in 2016 the main channel continued to significantly outperform the other PSBs, with some marked increases in its performance, especially with respect to disability. It was selected by 31% of viewers as being best for showing the viewpoints of different ethnic groups in the UK (level with 2015), giving it a lead of 23 percentage points over the average for the other main PSB channels. 34% of viewers thought Channel 4 was best for showing the viewpoints of gays and lesbians (up three percentage points), 29 percentage points above the average of the other PSB channels. And 32% of viewers thought Channel 4 was best for showing the viewpoints of disabled people (up five percentage points), giving it a 26 percentage point lead over the average of the other PSB channels.

Shows the viewpoints of minority groups in society



Different voices

> **31pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS AS THE HOME FOR ALTERNATIVE VOICES

+2PTS ON LAST YEAR

● **ALTERNATIVE VIEWS**

Key programme examples:

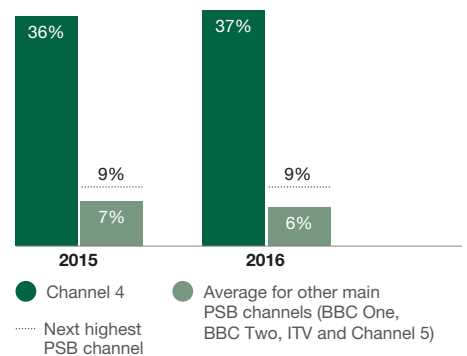
- What British Muslims Really Think
- Grayson Perry: All Man
- Kids On The Edge

CHANNEL REPUTATIONS: HOME FOR ALTERNATIVE VOICES

Channel 4 makes a vital contribution to the plurality of viewpoints and perspectives on UK television by providing a platform for alternative voices. In 2016, audience recognition of this element of its remit strengthened further. 37% of respondents selected Channel 4's main channel as being the home for alternative voices, the second consecutive year that this figure has increased. This figure is more than four times larger than the proportion selecting the next highest channel, Channel 5 (9% of people), and a massive 31 percentage points higher than the average for the other main PSB channels.

The proportion of all respondents selecting Channel 4's main channel increased by one percentage point year-on-year, as did its lead over the next highest PSB channel, while its lead over the average for the other main PSB channels was up by two percentage points.

Home for alternative voices



Source: Ipsos MORI commissioned by Channel 4

Distinctive approaches

> **15pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR MAKING VIEWERS THINK IN NEW AND DIFFERENT WAYS

= WITH LAST YEAR

● **INSPIRE CHANGE**

Key programme examples:

- Hunted
- Life Stripped Bare
- How to lose weight well
- Power Monkeys

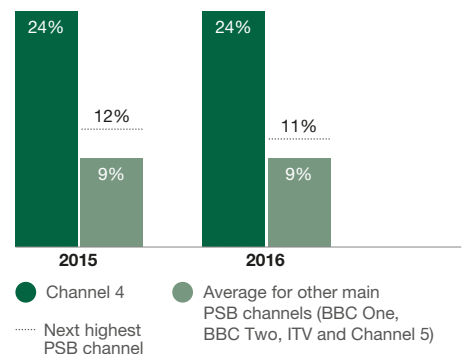
CHANNEL REPUTATIONS: MAKES ME THINK ABOUT THINGS IN NEW AND DIFFERENT WAYS

In 2016, Channel 4's main channel consolidated its lead over other channels as being best for making people think about things in new and different ways, achieving amongst the highest scores since Channel 4 began reporting this metric in 2008.

24% of respondents selected Channel 4's main channel as being best for making them think about things in new and different ways, level with the corresponding figure for 2015, and the joint-highest score achieved since 2008.

This gave Channel 4's main channel a lead over the average for the other main PSB channels of 15 percentage points – again, level with the corresponding figure for 2015 and the joint-highest score Channel 4 has achieved since 2008. Channel 4 also set a new record for its lead over the next highest channel, for the second consecutive year: its lead over BBC One was 13 percentage points, one percentage point more than its corresponding lead in 2015 (when BBC Two was the next highest channel).

Makes me think about things in new and different ways



Source: Ipsos MORI commissioned by Channel 4

> **36pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR TACKLING ISSUES OTHER CHANNELS WOULDN'T

= WITH LAST YEAR

● **DISTINCTIVE**

Key programme examples:

- Dispatches
- Humans
- Breaking The Silence Live

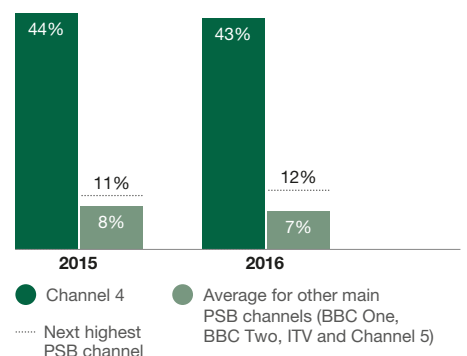
CHANNEL REPUTATIONS: TACKLES ISSUES OTHER CHANNELS WOULDN'T

Channel 4's main channel was selected by 43% of respondents as being best for tackling issues that other channels wouldn't in 2016 – one of the highest scores achieved in any of the reputational statements. The other main PSB channels were chosen by only 7% of people each on average, giving Channel 4 a huge lead of 36 percentage points, while its lead over the next highest channel, Channel 5, was 31 percentage points.

The proportion of people selecting Channel 4's main channel fell marginally year-on-year, by one percentage point. Its lead over the average for the other main PSB channels held steady, while its lead over the next highest channel fell by two percentage points.

Overall, Channel 4's performance against this metric has been stable since it was first introduced in 2013: annual variations in the proportion of people selecting Channel 4, and its lead over the average for the other main PSB channels, have fallen within a ± 1 percentage point range. Although there has been a small decline over this period in its lead over the next highest channel, this remains larger than for most of the other reputational statements.

Tackles issues other channels wouldn't



Source: Ipsos MORI commissioned by Channel 4

MAKING AN IMPACT

CONTINUED

Distinctive approaches

> **29pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR TAKING A DIFFERENT APPROACH TO SUBJECTS COMPARED TO OTHER CHANNELS

= WITH LAST YEAR

● **DISTINCTIVE**

Key programme examples:

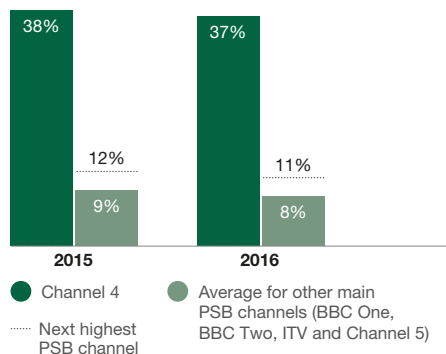
- First Dates
- The Undateables
- The Last Leg
- Gogglesprogs

CHANNEL REPUTATIONS: TAKES A DIFFERENT APPROACH TO SUBJECTS COMPARED TO OTHER CHANNELS

In 2016, 37% of people associated Channel 4's main channel with taking a different approach to subjects compared with other channels. This represented a substantial lead over the average for the other main PSB channels, of 29 percentage points – the joint-highest lead since Channel 4 began reporting this metric in 2008 – while its lead over the next highest channel, Channel 5, was 26 percentage points.

The early period of Channel 4's ongoing creative renewal overturned modest declines in performance against this metric between 2010 and 2012, and has driven significant increases since then. After a period of more significant fluctuations, performance has stabilised over the last three years, with annual variations within the range of ± 1 percentage point. In 2016, the proportion of people choosing Channel 4's main channel fell by one percentage point, though it remained six percentage points above its level in 2008–2009. Its leads over both the average for the other main PSB channels and the next highest channel were level year-on-year.

Takes a different approach to subjects compared with other channels



Source: Ipsos MORI commissioned by Channel 4

> **175**

NEW OR ONE-OFF PROGRAMMES SHOWN ON CHANNEL 4 BETWEEN 6PM AND MIDNIGHT

-17% ON LAST YEAR

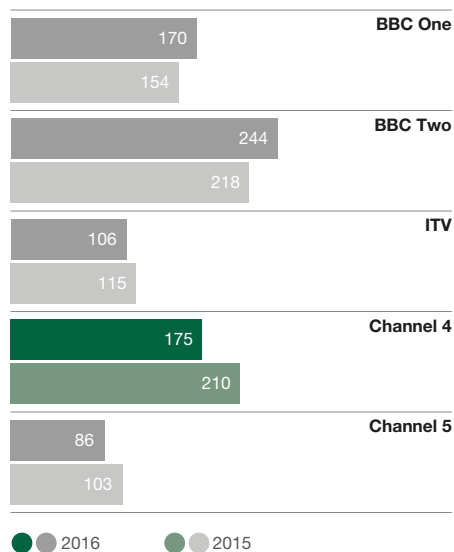
● **INNOVATE**

NEW AND ONE-OFF PROGRAMMES

As part of its commitment to experimentation, Channel 4 shows a large number of new and one-off programmes – including in its evening schedules, when audiences are at their highest levels. In 2016, there were 175 new and one-off programmes on the main channel between 6pm and midnight. This is 17% less than the corresponding figure in 2015 (which was 210), taking the total close to the figure in the previous year (2014: 181). The decline in 2016 – which in particular saw a marked reduction in the number of new and one-off Documentaries – was a consequence of the success of Channel 4's creative renewal, which has produced more returning series in the schedule.

While BBC Two showed more new and one-off programmes in the evening schedule than Channel 4 (244 titles), Channel 4 remained ahead of all the other main PSB channels, in most cases by substantial margins: it showed 5 more new and one-off titles than BBC One in its evening schedules, 69 more than ITV, and 89 more than Channel 5.

Number of new and one-off programmes shown on the main PSB channels between 6pm and midnight



Source: Attentional commissioned by Channel 4

Distinctive approaches

> **38pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR TAKING RISKS THAT OTHERS WOULDN'T

= WITH LAST YEAR

● DISTINCTIVE

Key programme examples:

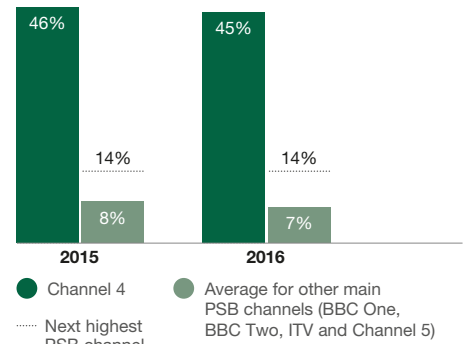
- National Treasure
- Married At First Sight
- Naked Attraction
- Sex Box

CHANNEL REPUTATIONS: TAKES RISKS WITH PROGRAMMES THAT OTHERS WOULDN'T

Channel 4's reputation for risk-taking remains one of the strongest elements of its public remit. In 2016, the main channel was selected by 45% of respondents as being the one that, more than other channels, takes risks with programmes that others wouldn't. Channel 4's lead over the average of the other main PSB channels was 38 percentage points, and it was 31 points ahead of the next highest channel, Channel 5. These are amongst the largest figures for any of the reputational statements.

While there were some marginal declines year-on-year, Channel 4's performance against this metric remains stable, and annual variations continue to be within the range of ± 1 percentage point. The proportion of people choosing Channel 4, and its lead over the next highest channel, both fell by one percentage point, while its lead over the average for the other main PSB channels held level compared to the corresponding 2015 figure.

Takes risks with programmes that others wouldn't



Source: Ipsos MORI commissioned by Channel 4

> **29pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR BEING EXPERIMENTAL

+1PT ON LAST YEAR

● INNOVATE

Key programme examples:

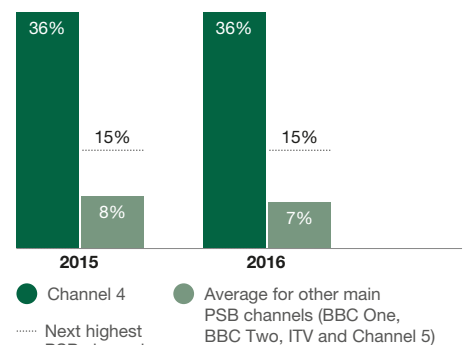
- The Secret life of 4,5,6 year olds
- Hunted
- Eden

CHANNEL REPUTATIONS: IS EXPERIMENTAL

Channel 4's commitment to trying new things underpins its role as a creative greenhouse, and it consolidated its reputation for experimenting in 2016. 36% of people associated its main channel, more than any of the other channels, with being experimental. The proportion of people choosing Channel 4 was 29 percentage points higher than the average for the other main PSB channels, and 21 percentage points higher than the next highest channel, Channel 5.

There continued to be very little year-on-year variation in this metric. The proportion of people selecting Channel 4's main channel was level with the 2015 figure. Its lead over the next highest channel also held steady year-on-year, maintaining its joint-record lead since this metric was first reported in 2008. There was a one percentage point increase in Channel 4's lead over the average for the other main PSB channels. Overall, Channel 4's performance against this metric remains stable, and annual variations continue to be within the range of ± 1 percentage point.

Is experimental



Source: Ipsos MORI commissioned by Channel 4

MAKING AN IMPACT

CONTINUED

Film

> **26pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR BEING THE BEST FOR MODERN INDEPENDENT FILM

+1PT ON LAST YEAR

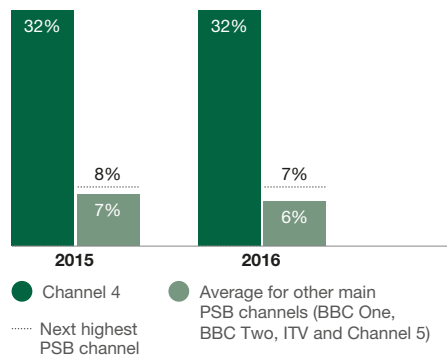
● **DISTINCTIVE**

CHANNEL REPUTATIONS: MODERN INDEPENDENT FILM

In 2016, 32% of respondents picked Channel 4's main channel as being best for modern independent film. Channel 4 had a lead of 26 percentage points over the average for the other main PSB channels, and a 25 percentage point lead over Channel 5, the next highest channel (no other PSB channel was selected by more than 7% of respondents). The top 10 films on Channel 4 this year included premieres of Film4 titles *12 Years A Slave* and *Amy*, which drew impressive audiences of 2.4 million viewers and 2.3 million viewers respectively (both of which represented audience shares of more than 10%).

The proportion of people selecting Channel 4's main channel was the same as in 2015, while there was a one percentage point increase in its lead over the average for the other main PSB channels. Its lead over the next highest channel also rose by one percentage point, to a record high since Channel 4 began reporting this metric in 2008. Overall, Channel 4's performance against this metric continued to be stable, with annual variations within the range of ± 1 percentage point.

Is best for modern independent film



Source: Ipsos MORI commissioned by Channel 4

Factual

> **24pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR BEING THE BEST FOR DOCUMENTARIES THAT PRESENT ALTERNATIVE VIEWS

= WITH LAST YEAR

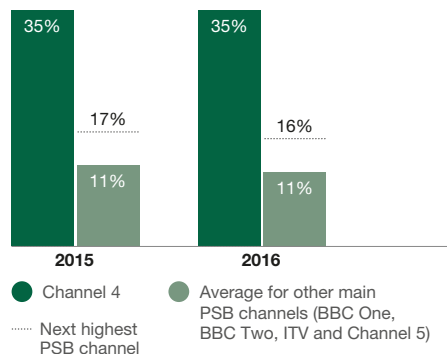
● **ALTERNATIVE VIEWS**

CHANNEL REPUTATIONS: DOCUMENTARIES THAT PRESENT ALTERNATIVE VIEWS

Channel 4 seeks to differentiate its documentary programming from that of other broadcasters through its subject matter and approach, with a particular focus on offering alternative viewpoints not often shown on television. In 2016, 35% of respondents selected Channel 4's main channel, giving it a substantial 24 percentage point lead over the average for the other main PSB channels. Both these figures were the same as the corresponding ones in 2015, and represented the joint-highest levels since this metric was first reported in 2010. Channel 4's lead over the next highest channel (BBC One) was 19 percentage points, a new record for this metric.

While there has been some volatility in Channel 4's performance against this metric in earlier years, it began to stabilise in 2016, with annual variations within the range of ± 1 percentage point.

Is best for documentaries that present alternative views



Source: Ipsos MORI commissioned by Channel 4

Key programme examples:

- President Trump: Can He Really Win?
- The Jihadis Next Door

Factual

65%

OF VIEWERS SAID THAT CHANNEL 4'S FACTUAL PROGRAMMES INSPIRED CHANGE IN THEIR LIVES

+2PTS ON LAST YEAR

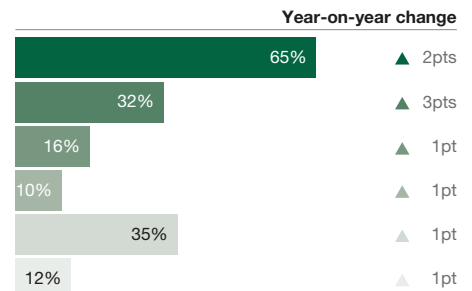
● INSPIRE CHANGE

INSPIRING CHANGE THROUGH FACTUAL PROGRAMMING

In line with its public remit, Channel 4 seeks to inspire people to make changes in their lives through its Factual programming. Programmes may encourage people to think about things in new and different ways, or think about making changes in their own lives. They may also inspire more active engagement: encouraging people to talk about the subjects of the programmes to other people, or to seek out further information. At their most engaging, programmes can lead to people actually trying something new or different. 65% of viewers said that Channel 4's Factual programmes inspired them in one or more of these ways in 2016. The programme that received the highest score this year, of 84%, was *What British Muslims Really Think*, a survey of the views of British Muslims on a range of issues. Top-scoring programmes on individual statements included *The Undateables* (the most talked-about programme) and *Jamie's Super Food* (which inspired the most people to try something new or different).

The proportion of respondents who said that Channel 4's factual programmes inspired them in some way rose by two percentage points in 2016, with year-on-year increases in all five of the 'inspiring change' statements.

Percentage of viewers who said that Channel 4's factual programmes inspired change in their lives



- Any inspiring change statement(s)
- It made me think about its subject in new and different ways
- It made me think about changing something in my own life
- I tried something new or different after watching this programme
- I talked about the programme to other people
- I looked for further information elsewhere after watching this programme

Source: Ipsos MORI commissioned by Channel 4

News and Current Affairs

77%

OF CHANNEL 4 NEWS VIEWERS REGARD IT TO BE INDEPENDENT FROM GOVERNMENT

-4PTS ON LAST YEAR

● DISTINCTIVE

INDEPENDENCE OF TV NEWS

At a time when trust and independence in news are more important than ever, *Channel 4 News* continued to be the television news programme that viewers most associated with being independent from the government and from the influence of big businesses in 2016.

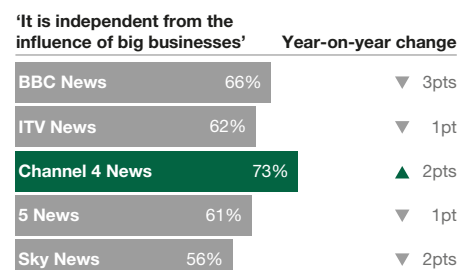
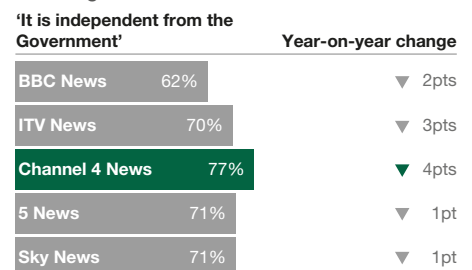
77% of regular viewers to *Channel 4 News* regarded it as being independent from the government. This was nine percentage points more than the average for the other main public service broadcasters' news programmes and Sky News, and six percentage points more than the corresponding figure for the next highest-scoring news programme (a tie between 5 News and Sky News).

73% of regular news viewers to *Channel 4 News* agreed that it is independent from the influence of big businesses, 12 percentage points more than the average for the news programmes on the other main broadcasters' channels, and seven percentage points more than the corresponding figure for *BBC News*, which was the next highest-scoring news programme.

Year-on-year variations in *Channel 4 News*' scores across the two metrics were mixed. The proportion of regular viewers who believe *Channel 4 News* to be independent from the government fell by four percentage points in 2016, while its leads over the average for the other broadcasters' news programmes and over the next highest-scoring news programme (*Sky News* in 2016, *ITV News* in 2015) were both two percentage points down. Conversely, the proportion of regular viewers who believe *Channel 4 News* to be independent from the influence of big businesses rose by two percentage points in 2016, and its leads over the average for the other broadcasters' news programmes and over the next highest-scoring news programme (*BBC News* in both years) were both up by four percentage points.

In 2016, *Channel 4 News*' viewing share increased by 3%, the third consecutive year of growth for the programme.

Percentage of regular viewers to TV news programmes in 2016 who agree with the following statements:



Source: Ipsos MORI commissioned by Channel 4

MAKING AN IMPACT

CONTINUED

News and Current Affairs

> **47%**

THE AVERAGE SCORE
ACROSS FIVE PROGRAMME
REPUTATION STATEMENTS
FOR UNREPORTED WORLD

+2PTS ON LAST YEAR

> **43%**

THE AVERAGE SCORE
ACROSS FIVE PROGRAMME
REPUTATION STATEMENTS
FOR DISPATCHES

+3PTS ON LAST YEAR

- STIMULATE DEBATE
- EDUCATION
- ALTERNATIVE VIEWS
- INSPIRE CHANGE
- ALTERNATIVE VIEWS

PROGRAMME REPUTATIONS: CURRENT AFFAIRS

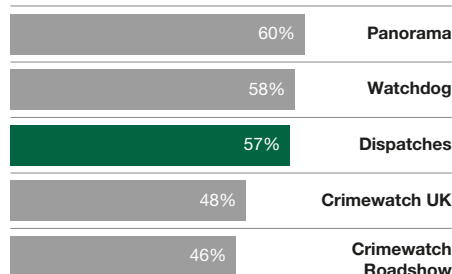
There are variations in both approach and subject matter in the PSBs' Current Affairs output. Channel 4's longstanding Current Affairs strands, *Dispatches* and *Unreported World*, place a particular emphasis on investigative journalism, on challenging viewers to see things differently, on giving a voice to those who might not otherwise be heard and, especially in *Unreported World*, on providing a window on the wider world. In addition, one-hour Current Affairs specials allow Channel 4 to deliver in-depth coverage for important stories.

Channel 4's strengths in these areas are highlighted by five audience reputational statements that assess perceptions of the Current Affairs programmes – both regular strands and one-offs – on the main PSB channels. In 2016, *Unreported World* and *Dispatches* continued to score higher on average than any of the other PSBs' Current Affairs programmes and strands (with *Panorama*, on BBC One, coming in third place). Both strands also registered increases in their performance this year.

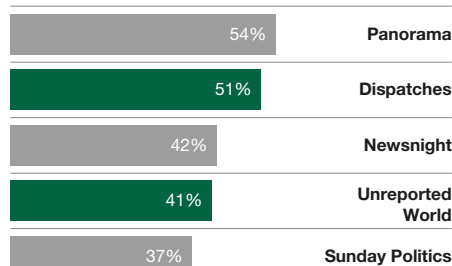
Unreported World consolidated its position as the highest-scoring Current Affairs programme or strand on any of the main PSB channels across the five reputational statements in 2016, with an average score of 47%. It scored higher than any other Current Affairs programme or strand on three of the five statements, for: 'showing stories about parts of the world you would rarely see on British TV' (selected by 58% of respondents), 'giving a voice to groups that aren't always heard in mainstream media' (48% of respondents), and 'making me see something in a different light' (45% of respondents). Its average score across the five reputational statements was two percentage points higher than in 2015.

Dispatches was rated in the top three places in all five reputational statements. Its average score across the five statements was 43%, the second highest average score of all the Current Affairs programmes and strands, behind *Unreported World*. Its average score across the five reputational statements rose by three percentage points relative to the corresponding figure in 2015.

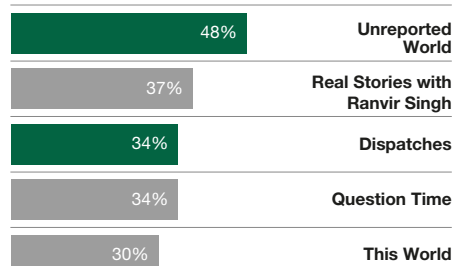
Uncovers the truth



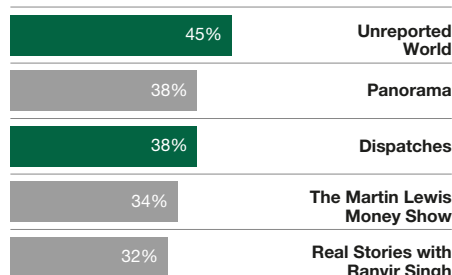
Covers things in great depth



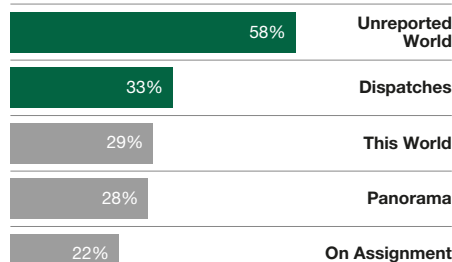
Gives a voice to groups that aren't always heard in mainstream media



Made me see something in a different light



Shows stories about parts of the world you would rarely see on British TV



● Channel 4 shows ● Other broadcasters' shows

Source: Ipsos MORI commissioned by Channel 4

Engaging the audience

83.5%

OF ALL TV VIEWERS
REACHED EVERY MONTH
ACROSS CHANNEL 4'S
TV CHANNELS

-0.3PTS ON LAST YEAR

● AUDIENCE IMPACT

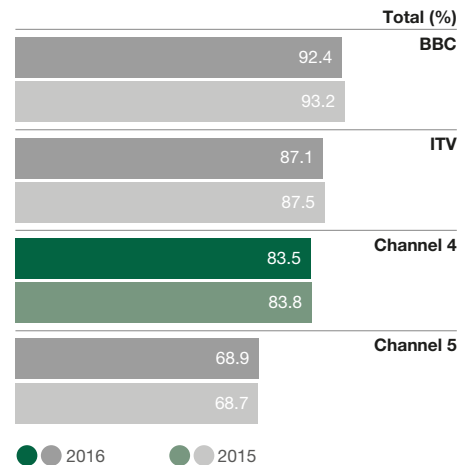
AUDIENCE REACH

Channel 4 has the third highest reach of all the UK broadcasters across its portfolio of TV channels, behind only the BBC and ITV, and well ahead of fourth-placed Channel 5. The BBC, ITV and Channel 4 are the only UK broadcasters that reach more than three-quarters of all UK viewers every month. 83.5% of all TV viewers watched Channel 4's TV channels for at least 15 consecutive minutes each month on average in 2016. Reach for the main channel alone was 75.8%, while Channel 4's digital TV channels together reached 61.5% of viewers.

In a highly competitive digital TV landscape, the public service broadcasters have all suffered declines in reach in the previous four years. In 2016, Channel 4's total TV portfolio reach continued to fall, but only by 0.3 percentage points. This was Channel 4's smallest annual decline in reach since 2011, as well as a smaller decline in 2016 than that experienced by the BBC and ITV channel portfolios (whose reach fell by 0.8 and 0.4 percentage points respectively).

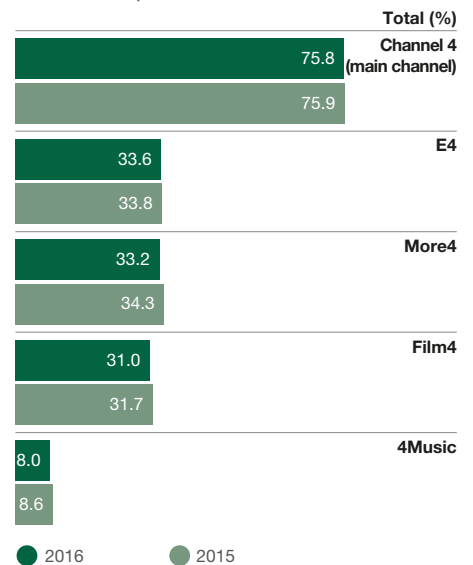
Looking at the individual channels in the Channel 4 TV portfolio, the main channel experienced a marginal year-on-year fall in reach, of just 0.1 percentage points, a much smaller decline than in any of the previous four years. E4 also saw a very small decline in reach, of 0.2 percentage points. The other digital channels saw declines of between 0.7 and 1.1 percentage points. There was a marginal (0.2 percentage point) decrease in the digital channels' collective contribution to Channel 4's overall portfolio reach in 2016.

Average monthly reach of PSBs' TV portfolios



Source: BARB, 15-minute consecutive, average monthly reach, all people

Percentage reach of individual TV channels in Channel 4 portfolio



Source: BARB, 15-minute consecutive, average monthly reach, all people. See online methodology for further details

MAKING AN IMPACT

CONTINUED

Engaging the audience

10.5%

VIEWING SHARE ACROSS
THE TV CHANNEL
PORTFOLIO

-1% ON LAST YEAR

● AUDIENCE IMPACT

TV VIEWING SHARE

Channel 4's TV channel portfolio achieved a total viewing share of 10.5% in 2016. The main channel's share was 5.9%, while the digital channels had a combined share of 4.6%. E4 was the biggest digital channel, with a 1.9% viewing share, followed by Film4 (1.4%), More4 (1.1%) and 4Music (0.2%).

While viewing in the digital TV space in which Channel 4 competes for audiences continues to fragment, the performance of its TV channels was stable this year. Across the portfolio, each individual TV channel either held its audience share or saw marginal year-on-year changes of less than 0.1 percentage point.

When reported to one decimal place, the main channel's viewing share held steady in 2016, although the unrounded figures indicate a marginal decline of 1% year-on-year (from 5.92% to 5.87% viewers).

Across the portfolio, Channel 4's total viewing share also fell marginally year-on-year, by 1%, equivalent to 0.1 percentage points. Viewing to the digital channels fell by 0.1 percentage points collectively, with E4's viewing share holding steady, marginal increases in viewing to More4 and Film4 (not shown at one decimal place) and a marginal decline in viewing to 4Music.

The main channel continued to account for 56% of total viewing to the Channel 4 TV portfolio in 2016 (level with the 2015 figure).

Channel 4 portfolio share as a percentage of total TV viewing

			Total
2016	5.9	4.6	10.5
2015	5.9	4.7	10.6
2014	5.9	5.0	10.9
2013	6.1	4.9	11.0
2012	6.6	4.9	11.5

● Channel 4 (main channel) ● Digital TV channels

Source: BARB
Channel 4 2012 data includes the Paralympics channels.
See online methodology for further details

Viewing share of digital channels as a percentage of total TV viewing

					Total
2016	1.9	1.1	1.4	0.2	4.6
2015	1.9	1.1	1.4	0.3	4.7
2014	2.0	1.2	1.5	0.3	5.0
2013	1.9	1.2	1.5	0.3	4.9
2012	1.8	1.2	1.5	0.3	4.9

● E4 ● More4
● Film4 ● 4Music/The Hits

Source: BARB
Channel 4 2012 data includes the Paralympics channels.
See online methodology for further details

620m

PROGRAMME VIEWS
INITIATED ON ALL 4

+21% ON LAST YEAR

● DIGITAL

ON-DEMAND VIEWING

2016 was the first full year in which viewers were able to access Channel 4 content through All 4, its new on-demand service (which replaced 4oD in 2015). Across the year, 620 million programme views were initiated across all All 4-branded platforms – including PCs, smartphones, tablets, games consoles and connected TVs. This represents a significant year-on-year increase, of 21%.

On existing platforms, growth in on-demand viewing via All 4 was especially strong for the iOS simulcast (63% up year-on-year), Android (50% up) and Roku (45% up). Viewing was also boosted by All 4's launch on new platforms in 2016 (most notably PlayStation 4) and in the last two months of 2015 (YouView and Amazon Fire TV).

Programme views initiated on All 4 (m)

2016	620
2015	512

Source: Channel 4

Engaging the audience

> **10.2%**

PORTFOLIO VIEWING
SHARE AMONGST BAME
AUDIENCES

+1% ON LAST YEAR

● CULTURAL DIVERSITY

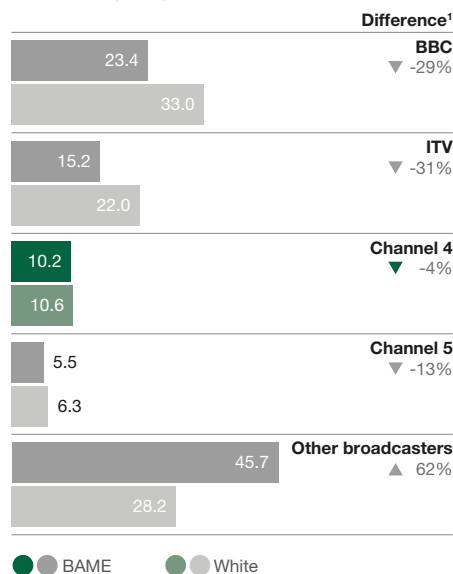
SHARE AMONGST HARD-TO-REACH AUDIENCES – BAME

Channel 4's remit requires it to make programmes that appeal to people from different cultural backgrounds, and it is especially important for the broadcaster to attract ethnic minority audiences. Achieving this is a challenge for all the PSBs, given that viewers from BAME groups watch disproportionately high levels of digital channels, as a result of which their viewing to the PSBs' channels tends to be lower on average than that of white viewers.

In 2016, Channel 4's performance in terms of attracting ethnic minority audiences was particularly strong, in comparison with the other PSBs. Its TV portfolio viewing share amongst BAME audiences rose year-on-year, from 10.1% (in 2015) to 10.2%. Relative to the viewing share amongst white audiences, which was 10.6% this year, the differential in viewing share between BAME and white audiences was just 4%. This differential is smaller than in 2015 (when it was 6%), and indeed in any previous year going back to 2009.

Channel 4 also had a smaller differential between its TV portfolio viewing shares amongst BAME and white viewers than that of any of the other PSBs. Its 4% differential is markedly less than the 13% differential in viewing share for Channel 5, and substantially less than the 29% and 31% differentials for the BBC and ITV. This means that BAME audiences represent a higher proportion of Channel 4's total audience than they do of the total audience of the other PSBs.

Public service broadcasters' portfolio viewing shares amongst white and BAME audiences as a percentage of total TV viewing by those audiences (2016)



Source: BARB

1 Viewing by BAME audiences compared to viewing by white audiences

> **16.2%**

PORTFOLIO VIEWING
SHARE AMONGST
16-34-YEAR-OLDS

-2% ON LAST YEAR

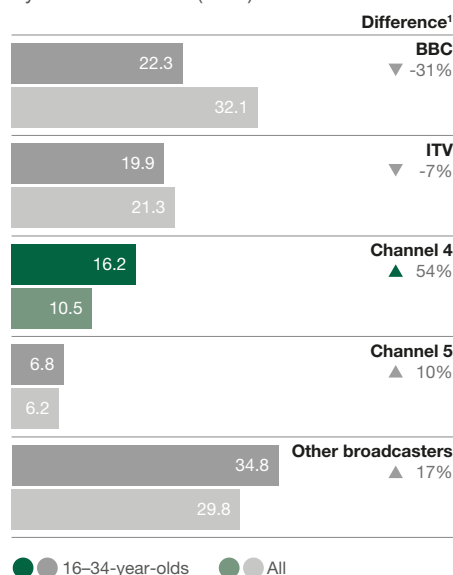
● CULTURAL DIVERSITY

SHARE AMONGST HARD-TO-REACH AUDIENCES – 16-34-YEAR-OLDS

Channel 4's TV channels consistently attract a disproportionately large share of viewing amongst hard-to-reach 16-to-34-year-olds. In 2016, Channel 4's viewing share amongst this age group was 16.2% across its TV channel portfolio. This represented a small year-on-year decline, of 2%, relative to the 2015 share (which was 16.5%).

Channel 4's viewing share amongst 16-34-year-olds was 54% higher than its corresponding all-audience share in 2016, ensuring that it remained the only PSB to attract significantly greater viewing amongst this age group than across the general population. By contrast, ITV's 16-34-year-olds share was 7% less than its all-audience portfolio share, and the BBC's was 31% less. The only other PSB that appealed more to 16-34-year-olds than to the overall population was Channel 5, but its differential was just 10%. Channel 4's relative appeal to young audiences was marginally down this year: the 54% differential between 16-34-year-olds and all audiences is two percentage points down on the 56% differential in 2015.

Public service broadcasters' portfolio viewing shares among 16-34-year-olds and all audiences as a percentage of total TV viewing by those audiences (2016)



Source: BARB

1 Viewing by 16-34-year-olds compared with all audiences

MAKING AN IMPACT

CONTINUED

Engaging the audience

5.0%

VIEWING SHARE FOR E4
AMONGST 16-34-YEAR-OLDS

-2% ON LAST YEAR

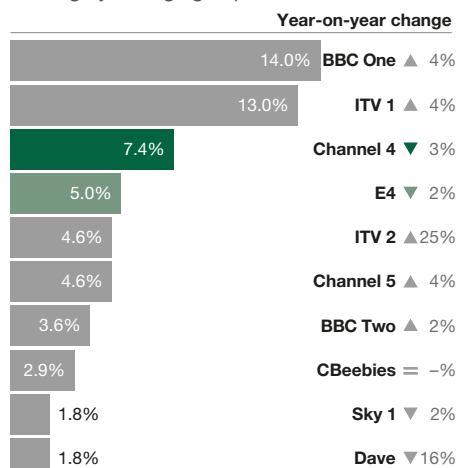
● AUDIENCE IMPACT

MOST POPULAR CHANNELS FOR YOUNG VIEWERS

In 2016, E4 maintained its position amongst 16-to-34-year-olds as the most-watched digital TV channel in the UK, and the fourth most popular TV channel overall. It had a 5.0% viewing share, putting it behind only BBC One, ITV and Channel 4, and ahead of the other two main PSB channels, BBC Two and Channel 5. After a marked decline in viewing in 2015, after some popular US acquired series had come to an end, E4's viewing share stabilised in 2016, with a marginal decline in audience share of 2% (2015 share: 5.1%).

Channel 4's main channel also performs disproportionately well amongst 16-to-34-year-olds, for whom it is the third most popular TV channel. It achieved a 7.4% share in 2015, 3% down on its 2015 level.

Viewing share for the top ten channels amongst 16-34-year-olds as a percentage of total viewing by this age group



Source: BARB

15%

OF VIEWING TO CHANNEL 4
NEWS PROGRAMMES ON
THE MAIN CHANNEL
ACCOUNTED FOR BY
VIEWERS AGED 16-34

-1PT ON LAST YEAR

● DISTINCTIVE

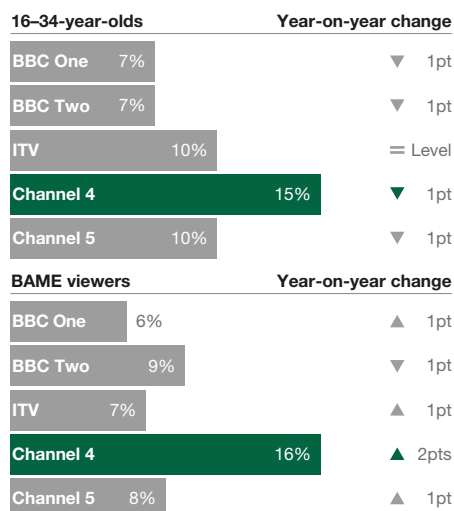
VIEWING TO NATIONAL NEWS

Channel 4's main evening news programme has a particular appeal to young and BAME audiences, in comparison to the news programmes on the other main PSB channels. Young audiences aged 16-34 accounted for 15% of viewing to *Channel 4 News* in 2016, notably higher than their corresponding 7% - 10% shares of viewing to the national news programmes on the other main PSB channels.

Channel 4's performance relative to the other main PSB channels was even more marked with respect to BAME audiences. Viewers from BAME groups represented 16% of all viewing to *Channel 4 News*. This was the highest figure since 2009, and is broadly in line with - if not ahead of - this group's representation in the UK population (estimated to be around 13% - 14%). By contrast, the other main PSB channels had disproportionately low shares of BAME viewing to their news programmes, ranging from 6% to 9%.

There continues to be little year-on-year variation in these figures. The proportion of viewing to *Channel 4 News* accounted for by 16-34-year-olds fell by one percentage point in 2016, driven by a decline in the final quarter, while the proportion of BAME viewers rose by two percentage points.

Percentage of viewing to national news programmes on the main PSB channels in 2016 accounted for by 16-34-year-olds and BAME viewers



Source: BARB

16%

OF VIEWING TO CHANNEL 4
NEWS PROGRAMMES ON
THE MAIN CHANNEL
ACCOUNTED FOR BY BAME
VIEWERS

+2PTS ON LAST YEAR

8.3m

PEOPLE WATCHED
CHANNEL 4 NEWS
EACH MONTH

+1% ON LAST YEAR

● DISTINCTIVE

REACH OF CHANNEL 4 NEWS

In 2016, *Channel 4 News* was watched (for at least 15 consecutive minutes) by an average of 8.3 million people each month. This was the second consecutive year in which the programme has increased its reach, by 1% in each of the two years, after six previous years of decline.

Channel 4 News also increased its viewing share in 2016, by 3%. This was the third successive year in which its share has increased.

Engaging the audience

> **22pt**

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR CATERING FOR AUDIENCES THAT OTHER CHANNELS DON'T CATER FOR

+3PTS ON LAST YEAR

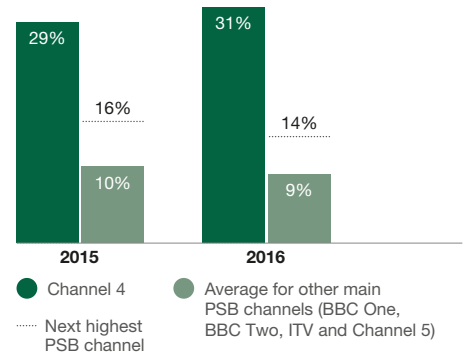
● **CULTURAL DIVERSITY**

CHANNEL REPUTATIONS – CATERING FOR AUDIENCES OTHER CHANNELS DON'T CATER FOR

In 2016, Channel 4 achieved its best ever scores when audiences were asked which channel is best for catering for audiences other channels don't cater for. 31% of respondents selected Channel 4's main channel over the other main PSB channels, giving Channel 4 its highest score since it began reporting this metric in 2008. This was 22 percentage points more than chose the average of the other main PSB channels, and 17 percentage points more than the next highest channel (Channel 5).

The proportion of people selecting Channel 4, and its leads over the other channels, all increased in 2016, in each case setting new records for this metric. The proportion of people selecting Channel 4 was up by two percentage points, its lead over the average for the other main PSB channels rose by three percentage points, and its lead over the next highest PSB channel rose by four percentage points.

Caters for audiences other channels don't cater for



Source: Ipsos MORI commissioned by Channel 4

> **522m**

TOTAL VISITS TO CHANNEL 4'S WEBSITES, MOBILE SITES AND APPS

+3% ON LAST YEAR

● **DIGITAL**

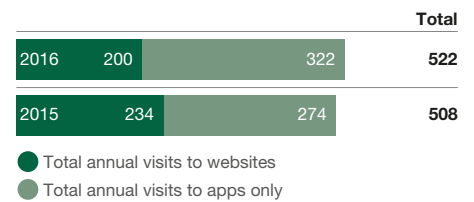
TOTAL VISITS TO CHANNEL 4'S WEBSITES AND APPS

Channel 4's websites and apps attracted a total of 522 million visits in 2016, 3% more than in 2015.

Channel 4's dedicated All 4 app, which launched in 2015, is available on a growing range of smart phones, tablets and connected TVs. Channel 4 sought to encourage app usage where possible, so viewers have the best possible experience viewing content. To promote this strategy, as well as making its All 4 app ever more attractive (e.g. with regular feature updates), Channel 4's websites point viewers towards the All 4 app when they try to watch video content on mobile platforms.

The number of visits to Channel 4's apps rose by 18% year-on-year, from 274 million in 2015 to 322 million in 2016. App visits have accounted for a growing proportion of total visits to all Channel 4's websites and apps over the last few years, and this trend continued in 2016, with apps accounting for 62% of all visits, up from 54% in 2015 (and more than double their 30% share of total visits in 2012). Visits to Channel 4's websites declined by 15% (from 234 million in 2015 to 200 million in 2016), reflecting the strategy to push viewers – directly or indirectly – to All 4 apps for video viewing.

Total visits to Channel 4's websites and apps (m)



Source: Channel 4

MAKING AN IMPACT

CONTINUED

Engaging the audience

76%

AVERAGE 'BUZZ' SCORE
FOR CHANNEL 4'S 10
MOST TALKED-ABOUT
PROGRAMMES

+2PTS ON LAST YEAR

● STIMULATE DEBATE

PRODUCING TALKED-ABOUT TV

Channel 4 aims to make an impact with its programming in part by engaging viewers, inspiring conversations and stimulating debate – both in social media and the 'real' world. 'Buzz' scores help Channel 4 to assess audience reactions to its programmes: based on a daily survey of around 1,000 respondents, they track the proportion of Channel 4 viewers who said they talked about programmes that they watched, or commented on them on social media, including Facebook and Twitter.

In 2016, the average 'Buzz' score for the 10 most talked-about programmes across Channel 4's TV portfolio was 76%. This was two percentage points higher than the corresponding figure in 2015, continuing this metric's steady rise since 2011 (when the metric was first introduced). Between 2011 and 2016, the average 'Buzz' score for Channel 4's 10 most talked-about programmes in the year has increased by 17 percentage points (from 59% in 2011).

This year, *Channel 4 Racing* was the most talked-about programme of the year, with 86% of its viewers talking about it or commenting online. As was the case in 2015, the top 10 was dominated by Factual shows covering a range of themes. In joint-second place, with 80% 'Buzz' scores, were *Great Canal Journeys*, in which Timothy West and Prunella Scales went in search of London's lost canal routes, and *The Undateables: Holiday Romance*, which saw couples who had met previously on the show being sent off on romantic holidays. Factual Entertainment, Leisure and Lifestyle programmes represented another three of the top 10 programmes, with *A Place in the Sun* (77% 'Buzz' score), *Ramsay's Kitchen Nightmares USA* (76%) and *Rescue Dog to Super Dog* (71%).

At the more hard-hitting end of the Factual spectrum, the top 10 included the award-winning *Interview with a Murderer*, a one-off documentary in which criminologist Professor David Wilson conducted a series of interviews with convicted murderer Bert Spencer, who was widely suspected of killing a paperboy in 1978 – a crime he had never been charged with and which he has always denied (72% 'Buzz' score).

In scripted genres, two US comedies broadcast on E4, *New Girl* and *Jane the Virgin*, were also in the top 10, with 'Buzz' scores of 79% and 73% respectively. The most talked-about drama of the year was the second series of *Indian Summers*, Channel 4's period drama set at the time of the British Raj (70% 'Buzz' score).

Site	2016 Buzz (%)
Channel 4 Racing	86
Great Canal Journeys	80
The Undateables: Holiday Romance	80
New Girl	79
A Place in the Sun	77
Ramsay's Kitchen Nightmares USA	76
Jane the Virgin	73
Interview with a Murderer	72
Rescue Dogs to Super Dogs	71
Indian Summers	70
Average Buzz score for 2016 top 10 programmes	76
Average Buzz score for 2015 top 10 programmes	74

Buzz measures the proportion of viewers who had talked or communicated about the programme in some way.

This metric measures Buzz for programmes transmitted from 1 January 2016 to 31 August 2016 only. Data from 1 September to 31 December is not available.

Source: Ipsos MORI commissioned by Channel 4

Engaging the audience

> **70%**
OF TOTAL VIEWING ACROSS
THE MAIN CHANNEL, E4
AND MORE4 ACCOUNTED
FOR BY NETWORK
ORIGINATIONS

**+2PTS UP ON
LAST YEAR**

VIEWING TO NETWORK ORIGINATIONS

'Network originations' – programmes commissioned by Channel 4 and transmitted on any of the channels in its TV portfolio – accounted for a growing proportion of the broadcaster's output and viewing in 2016 (the remainder being programmes that were acquired by Channel 4, primarily US content).

Network originations accounted for 70% of total viewing to the main channel, E4 and More4. This represented an increase of two percentage points year-on-year, the third consecutive year of growth. Network originations now represent a higher proportion of Channel 4's viewing than at any time since 2008, when this metric was first reported.

In volume terms, network originations represented 65% of all hours across the schedules of the main channel, E4 and More4 in 2016 (also up two percentage points year-on-year). Comparing these two figures indicates that network originations were responsible for a disproportionately high share of Channel 4's overall viewing – outperforming acquired programmes – as they generated a higher share of viewing (70%) than their corresponding share of the volume of programming (65%).

Overall, Channel 4's network originations accounted for 6.3% of total TV viewing in the UK in 2016. This is a small increase, of 1%, on the corresponding 2015 viewing share, and is the joint-highest viewing share since 2012.

Note that the Film4 channel is excluded from this metric as, by its nature, its output is primarily made up of acquired feature films.

THANK YOU

Thank you

This list includes all our suppliers of first-run originated television programmes that transmitted across the portfolio in 2016, and the digital companies that received project funding from us in 2016. We also provided development funding to a range of other companies. While every effort has been made to identify and name all the relevant companies for this list we apologise if there are any accidental omissions.

We would also like to thank all our advertising and commercial partners.

12 Yard Productions
360 Production
7 Wonder Productions
Alaska TV Productions
Amazing Productions
Angel Eye Media
Appeal Films
Arrow International Media
Avalon
Avanti Media
Betty TV
Big Mountain Productions
Big Talk Productions
Blakeway
Blast! Films
Blink Entertainment T/A Blink Films
Boom Cymru TV
Boomerang Plus Plc
Boundless (part of Fremantlemedia UK)
Britespark Films
Brown Bob Productions
Bwark Productions
Captive Minds Communications Group
Carm Music
CC Lab
Century Films
Clearstory
Clerkenwell Films
Cowboy Films
CPL Productions
Crook Productions
Cwmni Da
Daisybeck Productions
Double Band Films
Dragonfly Film And Television Productions
Dream Team Television
Electric Ray

Films Of Record
Finestripe Productions
Firecracker Films
Firecrest Films
Freeform Productions
Free Range Films
Fresh One Productions
Fruit Tree Media
Full Fat Television
Fulwell 73
Hardcash Productions
Hat Trick
Hay Fisher Productions
H.C.A Entertainment
Hot Sauce Television / BFQ
Hungry Bear Media
Hyphen Films
Icon Films
IMG Media
Indus Films
ITN
ITV
IWC Media
Jolygood TV
Juniper Communications
Keo Films
Knickerbocker Glory
Kudos
Lemonade Money
Liberty Bell Productions
Lime Pictures
Lion Television
Little Gem Media
Lonesome Pine Productions
Love Productions
Lupus Films
Magnum Media
Make World Media
Mallinson Sadler Productions
Maroon Productions

Mayfly Television
 Megalomedia
 Mentorn Media
 Merman Television
 Minnow Films
 Monkey Kingdom
 Nerd TV
 New Pictures
 Nine Lives Media
 Noho Film And Television
 North One Television
 Nova International (trading as Filmnova
 Production)
 NPE Media
 Objective Productions
 October Films
 Open Mike Productions
 Optomen Television
 Outline Productions
 Oxford Films
 Oxford Scientific Films
 Passion Pictures
 Phil McIntyre Entertainment
 Pioneer
 Plimsoll Productions
 Plum Pictures
 Popkorn Media
 Princess Productions
 Pulse Films
 Quicksilver Media
 Raise The Roof Productions
 Rare Day
 Raw TV
 RDF
 Red House Television
 Reef Television
 Remarkable Television
 Remedy Productions
 Renegade Films
 Renegade Pictures (UK)
 Renowned Films
 Ricochet Films
 River Films

Roast Beef Productions
 Rogan Productions
 Ronachan Films
 Rondo Media
 Rook Films
 Rumpus Media
 Shine
 Sigma Films
 Snapper TV
 Spark Media Partners
 Spirit Digital Media
 Spun Gold TV
 Studio Lambert
 STV Productions
 Sundog Pictures
 Sunset & Vine
 Swan Films
 Talkback (part of Fremantlemedia UK)
 Tern Television Productions
 Testimony Films
 The Forge Entertainment
 The Garden Productions
 Thoroughly Modern Media
 Tiger Aspect
 Timeline Films
 Tinderbox Films
 Touchpaper Television
 Transparent Television
 True North Productions
 Twenty Twenty
 Twofour Productions
 Urban Myth Films
 Various Companies
 Vaudeville Productions
 Vera Productions
 Voltage TV Productions
 Waddell Media
 Wall To Wall
 What Larks! Productions
 Whisper Films
 Windfall Films
 Yeti Media
 Zeppotron
 Zig Zag Productions

AWARDS

Awards

TELEVISION – UK

AIB Awards

My Son The Jihadi (True Vision Productions)
International Current Affairs Awards

Amnesty International Media Awards

Waalid Al Keteeb (Channel 4 News)
(Channel 4)
Gaby Rado Award

Waalid Al Keteeb (Channel 4 News)
(Channel 4)
Best New Journalist

Channel 4 News – Inside Aleppo: Three bothers at al-Quds hospital (Channel 4 News)
Television News

BAFTA Television Awards

Chewing Gum (Retort)
Female Performance in a Comedy Role

First Dates (Twenty Twenty)
Reality & Constructed Factual

Chanel Cresswell (*This is England '90*) (Warp Films)
Supporting Actress

This is England '91 (Warp Films)
Mini-Series

My Son the Jihadi (True Vision Productions)
Single Documentary

The Murder Detectives (Films of Record)
Factual Series

Paris Massacre (Channel 4 News) (Channel 4)
News Award

British Arrows Craft Awards

Channel 4 (Channel 4)
Best Crafted Commercial of the Year

Broadcast Awards 2016

Channel 4 (Channel 4)
Channel of the Year

Catastrophe (Avalon Television)
Comedy Programme Award

The Secret Life of 4 year olds (RDF Television)
Popular Factual and Features Award

Four to the Floor (Lemonade Money)
Music Award

The Paedophile Hunter (Amos Pictures)
Best Documentary Programme

Escape from ISIS (Edward Watts Films)
News and Current Affairs Award

The Romanians are Coming (Keo Films)
Documentary Series

Broadcast Digital Awards

E4 (Channel 4)
Channel of the Year

ALL4 (Channel 4)
Best Video Digital Platform

Charlie Hebdo: Three days that shook Paris (Films of Record)
Best Popular Factual Programme

Chewing Gum (Retort – FremantleMedia uk)
Best Entertainment Programme

Broadcasting Press Guild Awards

My Son The Jihadi (True Vision Productions)
Best Single Documentary

The Murder Detectives (Films of Record)
Best Documentary Series

Catastrophe (Avalon Television)
Best Comedy

Rob Delaney/Sharon Horgan (*Catastrophe*) (Avalon Television)
Best Writer

Russell T Davies (*Cucumber, Banana and Tofu creation, linking audiences*) (Red Production Company)
Innovation Award

Edinburgh Television Festival Awards

Channel 4 (Channel 4)
Channel of the Year

Grierson Awards

Secret Life of 4, 5 and 6 Year Olds (RDF Television)
Best Entertaining Documentary

The Murder Detectives (Films of Record)
Best Documentary Series

Amy (On The Corner Films, in association with Film4)
Best Arts Documentary

International Emmys

Deutschland '83 (UFA Fiction)
Best Drama

Mind Mental Health Media Awards

My Mad Fat Diary (Tiger Aspect Productions)
Drama

National Television Awards

The Big Bang Theory (Chuck Lorre Productions)
Best International Show

Gogglebox (Studio Lambert)
Best Factual Entertainment Show

One World Media Awards

The Tribe
Popular Features Award

Outbreak (The Truth about Ebola)
Television Documentary Award

Rory Peck Awards

Children on the Frontline: The Escape (ITN Productions)
Sony Impact Award for Current Affairs

RTS Craft and Design Awards

Superhuman Trailer (4Creative)
Judges Award

Charlie Hebdo: Three days that shook Paris (Films of Record)
Winner Sound Entertainment & Non-Drama

Flowers (Seeso)
Winner Original Score

Flowers (Seeso)
Winner Editing Entertainment & Comedy

RTS Midland

Travel Man (North One Television)
Best Factual Programme Award

RTS SOUTH AWARDS

Sex in Class (Ricochet)
Best Single Documentary Award

RTS TELEVISION JOURNALISM AWARDS

Dispatches – Kids in Crisis (Erica Starling Productions)
Current Affairs – Home Award

Dispatches – Escape from ISIS (Blakeway Productions)
Current Affairs – International

Tracking Down Macedonia's Migrant Kidnap Gang (Ramita Navai Productions)
The Independent Award

RTS Programme Awards

Michaela Coel (*Chewing Gum*) (Retort)
Breakthrough Award

Michaela Coel (*Chewing Gum*) (Retort)
Comedy Performance Award

The Romanians are Coming (Keo Films)
Documentary Series Award

No Offence (Abbott Vision)
Drama Series Award

Holocaust: Night Will Fall (Angel TV; Final Cut for Real; RatPac Entertainment; Spring Films)
History Award

Catastrophe (Avalon Television, Merman)
Scripted Comedy Award

Rob Delaney and Sharon Horgan (*Catastrophe*) (Avalon Television, Merman)
Writer – Comedy

Coalition (Cuba Pictures)
Single Drama Award

Sandford St Martin Awards

My Son The Jihadi (True Vision Productions)
Winner Television Category

Shots Awards

Winner – Gold

Superhuman Trailer (4Creative)
Best Use of Music in a Commercial

Winner – Gold

Superhuman Trailer (4Creative)
Best Use of Sound Design in a Commercial

Winner – Gold

Superhuman Trailer (4Creative)
Commercial of the Year – TV, Over 60 seconds

South Bank Awards

Catastrophe (Avalon Television, Merman)
Winner Comedy Award

Televisual Bulldog Awards

Humans (Kudos)
Drama Series

Rob Delaney/Sharon Horgan (*Catastrophe*) (Avalon Television, Merman)
Writer Comedy Award

Gogglebox (Studio Lambert)
Factual Entertainment

Stranger on the Bridge (Postcard Productions)
Documentary Single

24 Hours in Police Custody (The Garden Productions)
Documentary Series

TRIC Awards

Grand Designs (Boundless)
Factual Programme Award

TV Choice Awards

Gogglebox (Studio Lambert)
Best Lifestyle Show

Sunday Brunch (Princess Productions)
Best Food Show

TELEVISION – INTERNATIONAL

Foreign Press Association Awards

Children on the Frontline: The Escape (ITN Productions)
TV Documentary/Feature Story of the year

International Emmys for News & Current Affairs

Dispatches: Escape from ISIS (Blakeway Productions)
News & Current Affairs

Prix Italia

Cyberbully (Raw TV)
Drama

Rose D'Or

Raised by Wolves (Big Talk Productions)
Comedy

Sportel Awards

Superhuman Trailer (4Creative)
Grand Prize

FILM – UK

36th London Critics' Circle Film Awards

Tom Courtenay (*45 Years*) (The Bureau Film Company)
Actor of the Year

Charlotte Rampling (*45 Years*) (The Bureau Film Company)
Actress of the Year

John Maclean (writer-director) (*Slow West*) (DMC Film, See-Saw Films, Rachel Gardner Films)
Breakthrough British Filmmaker of the Year

45 Years (The Bureau Film Company)
British Film of the Year

Amy (On the Corner Films)
Documentary of the Year

Edward Lachman (cinematography) (*Carol*) (Number 9 Films, Killer Films)
Technical Achievement of the Year

BAFTA

Brie Larson (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary

BIFA

Sasha Lane (*American Honey*) (Parts & Labor, Pulse Films)
Best Actress

American Honey (Parts & Labor, Pulse Films)
Best British Independent Film

Andrea Arnold (*American Honey*) (Parts & Labor, Pulse Films)
Best Director

Robbie Ryan (Cinematography) (*American Honey*) (Parts & Labor, Pulse Films)
Outstanding Achievement in Craft

Evening Standard Awards

Amy (On the Corner Films)
Best Documentary

GLAAD Media Award

Carol (Number 9 Films, Killer Films)
Outstanding Film – Wide Release

Jameson Empire Awards

Amy (On the Corner Films)
Best Documentary

South Bank Sky Arts Awards

45 Years (The Bureau Film Company)
Best Film

FILM – INTERNATIONAL

21st Annual Critics' Choice Movie Awards

Brie Larson (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary Feature

Ex Machina (DNA Films)
Best Sci-Fi/Horror Movie

Jacob Tremblay (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Young Actor/Actress

AWARDS

CONTINUED

Awards

88th Academy Awards (Oscars)

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary

Ex Machina (DNA Films)
Visual Effects

ACE Eddie Awards

Chris King (Amy) (On the Corner Films)
Best Edited Documentary Feature

Alliance of Women Film Journalists (2016)

Sasha Lane (American Honey) (Parts & Labor, Pulse Films)
Best Breakthrough Performance

Alliance of Women Film Journalists (2016)

Andrea Arnold (American Honey) (Parts & Labor, Pulse Films)
Best Woman Director

Andrea Arnold (American Honey) (Parts & Labor, Pulse Films)
Best Woman Screenwriter

Sasha Lane (American Honey) (Parts & Labor, Pulse Films)
Bravest Performance

Alliance of Women Film Journalists EDA Awards

Charlotte Rampling (45 Years) (The Bureau Film Company)
Best Actress

Ed Lachman (Carol) (Number 9 Films, Killer Films)
Best Cinematography

Amy (On the Corner Films)
Best Documentary

Phyllis Nagy (Carol) (Number 9 Films, Killer Films)
Best Screenplay Adapted

Alicia Vikander (Ex Machina) (DNA Films)
EDA Female Focus – Best Breakthrough Performance

Emma Donoghue (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
EDA Female Focus – Best Woman Screenwriter

Charlotte Rampling (45 Years) (The Bureau Film Company)
EDA Special Mention Awards – Actress defying ageism

Carol (Number 9 Films, Killer Films)
EDA Special Mention Awards – Best depiction of Nudity, Sexuality or Seduction

Atlanta Film Critics Society Awards

American Honey (Parts & Labor, Pulse Films)
Best Ensemble

Australian Academy of Cinema and Television Arts Awards (AACTA)

Cate Blanchett (Carol) (Number 9 Films, Killer Films)
AACTA International Award for Best Lead Actress

Rooney Mara (Carol) (Number 9 Films, Killer Films)
AACTA International Award for Best Supporting Actress

BAFTA/LA Britannia Awards (2016)

Ang Lee (Billy Lynn's Long Halftime Walk) (The Ink Factory, Marc Platt Productions)
John Schlesinger Britannia Award for Excellence in Directing

Baja International Film Awards (2016)

Andrea Arnold (American Honey) (Parts & Labor, Pulse Films)
Premio Cinemex

Canadian Screen Awards

Jacob Tremblay (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actor

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Emma Donoghue (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Adapted Screenplay

Ethan Tobman & Mary Kirkland (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Art Direction/Production Design

Lenny Abrahamson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Director

Nathan Nugent (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Editing

Sid Armour (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Make-Up

Room (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Motion Picture

Joan Allen (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Supporting Actress

Cannes Film Festival

American Honey (Parts & Labor, Pulse Films)
Jury Prize

Capri Hollywood International Film Festival

Phyllis Nagy (Carol) (Number 9 Films, Killer Films)
Best Adapted Screenplay

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Leading Actress

Judy Becker (Carol) (Number 9 Films, Killer Films)
Best Production Design

Youth (Indigo Film)
European Film of the Year

Casting Society of America Artios Award

Fiona Weir, Robin D. Cook, Kathleen Chopin (Location Casting), Jonathan Oliveira (Associate) (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Studio or Independent Drama

Central Ohio film critics awards

Alicia Vikander (Ex Machina) (DNA Films)
Best Supporting Actress

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Costume Designers Guild Awards

Cate Blanchett (Carol) (Number 9 Films, Killer Films)
Spotlight Award

Denver Film Critics Society Awards

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Alicia Vikander (Ex Machina) (DNA Films)
Best Supporting Actress

Directors Guild Awards

Alex Garland (Ex Machina) (DNA Films)
Outstanding Directorial Achievement of a First-Time Feature Film Director

European Film Awards

Alice Normington (Suffragette) (Ruby Films)
Best European Production Design

Florida Film Critics (2016)

American Honey (Parts & Labor, Pulse Films)
Best Ensemble – cast

The Lobster (Element Pictures, Scarlet Films, Limp)
Best Picture

Gay and Lesbian Entertainment Critics Association (GALECA)

Alicia Vikander (Ex Machina) (DNA Films)
We're Wilde About You!
Rising Star Award

Todd Haynes (Carol) (Number 9 Films, Killer Films)
Director of the Year

Amy (On the Corner Films)
Documentary of the Year

Carol (Number 9 Films, Killer Films)
Film of the Year

Carol (Number 9 Films, Killer Films)
LGBTQ performance of the year

Cate Blanchett (Carol) (Number 9 Films, Killer Films)
Performance of the Year

Phyllis Nagy (Carol) (Number 9 Films, Killer Films)
Screenplay of the Year

Todd Haynes (Carol) (Number 9 Films, Killer Films)
Wilde Artist of the Year

Georgia Film Critics Society

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary

Alicia Vikander (Ex Machina) (DNA Films)
Best Supporting Actress

Golden Globes

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress in a Drama

Hellenic Film Academy Awards (2016)

The Lobster (Element Pictures, Scarlet Films, Limp)
Best Foreign Film

Houston Film Critics Society Awards

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary

Rooney Mara (Carol) (Number 9 Films, Killer Films)
Supporting Actress

IFTA

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Lenny Abrahamson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Director

Nathan Nugent (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Editing

Room (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Film

Stephen Rennicks (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Original Music

Emma Donoghue (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Script

Room (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Sound

Independent Spirit Awards

Ed Lachman (Carol) (Number 9 Films, Killer Films)
Best Cinematography

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Female Lead

Emma Donoghue (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best First Screenplay

Indiana Film Journalists Association (2016)

The Lobster (Element Pictures, Scarlet Films, Limp)
Original Vision Award

International Cinephile Society Awards (2016)

The Lobster (Element Pictures, Scarlet Films, Limp)
Best picture not released in 2015

International Press Academy Satellite™ Awards

Tie
Amy (On the Corner Films)
Best Motion Picture, Documentary (tied with the Look of Silence)

Jacob Tremblay (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Breakthrough Performance

Iowa Film Critics Association Awards

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary

45 Years (The Bureau Film Company)
Best Film yet to open in Iowa

Los Angeles Film Critics Association

Efthymis Filippou and Yorgos Lanthimos (The Lobster) (Element Pictures, Scarlet Films, Limp)
Best Screenplay

AWARDS

CONTINUED

Awards

Los Cabos Festival Awards

American Honey (Parts & Labor, Pulse Films)
Premio Cinemex

Macau Film Festival

Lyndsey Marshal (*Trespass Against Us*) (Potboiler Productions)
Best Actress

Amy Jump and Ben Wheatley (*Free Fire*) (Rook Films)
Best Screenplay

Trespass Against Us (Potboiler Productions)
Jury Prize

Miami Film Festival (2016)

Yorgos Lanthimos (*The Lobster*) (Element Pictures, Scarlet Films, Limp)
Grand Jury Prize – Best Director

Yorgos Lanthimos (*The Lobster*) (Element Pictures, Scarlet Films, Limp)
Knight Competition Grand Jury Prize

Motion Picture Sound Editors Guild Golden Reel Award

Room (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Feature Film — Dialogue & ADR

MTV Movie Awards

Amy (On the Corner Films)
Best Documentary

National Society of Film Critics

Charlotte Rampling (*45 Years*) (The Bureau Film Company)
Best Actress

Ed Lachman (*Carol*) (Number 9 Films, Killer Films)
Best Cinematography

Todd Haynes (*Carol*) (Number 9 Films, Killer Films)
Best Director

Amy (On the Corner Films)
Best Non-Fiction Film

North Carolina Film Critics Association

Amy (On the Corner Films)
Best Documentary Film

Alicia Vikander (*Ex Machina*) (DNA Films)
Best Supporting Actress

North Texas Film Critics Association Awards

Brie Larson (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress

Amy (On the Corner Films)
Best Documentary

Oklahoma Film Critics Circle Awards

Amy (On the Corner Films)
Best Documentary

Brie Larson (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Lead Actress

Alicia Vikander (*Ex Machina*) (DNA Films)
Supporting Actress

Phoenix Film Critics Circle (2016)

Yorgos Lanthimos, *Efthymis Filippou* (*The Lobster*) (Element Pictures, Scarlet Films, Limp)
Best Original Screenplay

Producers Guild of America Award

Amy (On the Corner Films)
The Award for Outstanding Producer of Documentary Theatrical Motion Pictures

Rotten Tomatoes Golden Tomato Awards

Amy (On the Corner Films)
Best Documentary

Room (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Limited Release

Carol (Number 9 Films, Killer Films)
Best Romance

Santa Barbara International Film Festival

Alicia Vikander (*Ex Machina*) (DNA Films)
2016 Virtuosos Award for performance (and THE DANISH GIRL)

Jacob Tremblay (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
2016 Virtuosos Award

Brie Larson tied with actress *Saoirse Ronan* (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
2016 Outstanding Performer Of The Year

Rooney Mara (*Carol*) (Number 9 Films, Killer Films)
Cinema Vanguard Award

Santa Barbara International Film Festival

Rooney Mara (*Carol*) (Number 9 Films, Killer Films)
Cinema Vanguard Award

Screen Actors Guild Awards

Brie Larson (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Outstanding Performance by a Female Actor in a Leading Role

The Palm Springs International Film Festival

Brie Larson (*Room*) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Breakthrough Performance Award

Cate Blanchett (*Carol*) (Number 9 Films, Killer Films)
Desert Palm Achievement Award, Actress – (and Mary Mapes in “Truth”)

Alicia Vikander (*Ex Machina*) (DNA Films)
Rising Star Award (and Artist Gerda Wegener in “The Danish Girl”)

Rooney Mara (*Carol*) (Number 9 Films, Killer Films)
Spotlight Award

Toronto International Film Festival (2016)

Free Fire (Rook Films)
People's Choice Award

Vancouver Film Critics Circle Awards – Canadian Categories

Jacob Tremblay (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actor in a Canadian Film

Brie Larson (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Actress in a Canadian Film

Room (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Canadian Film

Emma Donoghue (Room) (Element Pictures, No Trace Camping, in association with Leonard Abrahamson Films)
Best Screenplay for a Canadian Film

CRAFT

BAFTA Television Craft Awards 2016

Michaela Coel (Chewing Gum) (Channel 4)
Breakthrough Award

Dave Nath (The Murder Detectives) (Channel 4)
Director – Factual

Ben Brown (The Murder Detectives) (Channel 4)
Editing – Factual

BAFTA Television Craft Awards 2017

Russell T Davies (Cucumber) (Channel 4)
Writer Drama Award

BAFTA Television Craft Awards 2016

Shane Meadows (This is England '90) (Channel 4)
Director of Fiction Award

MARKETING

Bafta Television Craft

Winner – Gold

Humans (Channel 4)
Digital Creativity

Brand Republic Digital Awards

Winner

Humans (Channel 4)
Media, Entertainment & Communications

British Arrows

Winner – Bronze

Humans (Channel 4)
Best Integrated

British Arrows Craft

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Director

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Best Crafted Commercial

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Achievement in Production

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Casting

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Re-Record

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Writing

Winner – Silver

Paralympics 'We're The Superhumans' (Channel 4)
Editing

Campaign Magazine

Winner

Yes I can Paralympic Campaign (Channel 4/4Creative)
Campaign of the Year

Winner

Yes I can Paralympic Ad (Channel 4/4Creative)
TV Ad of the Year

Cannes Lions

Winner – Silver

Humans (Channel 4)
Media – Media and Publications

Winner – Silver

Humans (Channel 4)
Media – Use of Integrated Media

Winner – Bronze

Hunted (Channel 4)
Media – Use of Ambient Media

Winner – Silver

Rebrand (Channel 4)
Film Craft – Production Design/Art Direction

Ciclope Festival

Winner

Paralympics – We're the Superhumans (Dougal Wilson – Director/Channel 4/4Creative)
Grand Prix

Winner

Paralympics – We're the Superhumans (Dougal Wilson – Director/Channel 4/4Creative)
Adapted Music

Creative Circle

Winner – Gold

Channel 4 Rebrand (Channel 4)
Best Idents

Winner – Silver

4NewsWall (Channel 4)
Best Site/Microsite

Winner – Bronze

Humans (Channel 4)
Best Integrated

Creative Review Annual

In Book

4NewsWall (Channel 4)
Websites

In Book

E4 Shutdown (E4)
Branded Content

In Book

Humans (Channel 4)
Digital Advertising

D&AD

Wood Pencil

Humans (Channel 4)
PR: Best Integrated Campaign

Wood Pencil

Rebrand (Channel 4)
Branding: Brand Expression in Moving Image

Graphite Pencil

Channel 4 Rebrand (Channel 4)
Branding: Channel Branding & Identity

Yellow Pencil

Humans (Channel 4)
Graphic Design: Integrated Graphics

Graphite Pencil

Channel 4 Idents (Channel 4/4 Creative)
Film & Advertising Crafts: Cinematography for Film Advertising

Graphite Pencil

Channel 4 Idents (Channel 4/4 Creative)
Film & Advertising Crafts: Direction for Film Advertising

Drum Marketing Awards

Highly Commended

Humans (Channel 4/OMD)
Integrated Strategy of the Year

AWARDS

CONTINUED

Awards

Highly Commended

Humans (Channel 4/OMD)
Advertising Strategy of the Year

Euro Best Awards

Winner – Silver

Hunted (Channel 4/OMD)
Media and Publications

Euro Best Awards

Winner – Silver

Hunted (Channel 4/OMD)
Best Use of Integrated Media

IAB Creative Showcase Awards

Winner

The Aliens (Channel 4/OMD)
Best Integrated Campaign

Marketing New Thinking Awards

Winner

Humans for Persona Synthetics (Channel 4 /4Creative/Fuse/OMD and AOL)
Grand Prix

Winner

Humans for Persona Synthetics (Channel 4 /4Creative/Fuse/OMD and AOL)
Best Brand Experience Live

Winner

Humans for Persona Synthetics (Channel 4 /4Creative/Fuse/OMD and AOL)
Best Use of Technology

Marketing Society Brand of the Year

Winner

Channel 4 (Channel 4)
Brand of the Year

Marketing Week Awards

Winner – Gold

Hunted (Channel 4/OMD)
Media Idea – Medium (£250K – £1M)

Winner – Silver

The Aliens (Channel 4/OMD)
Media Idea – Medium (£250K – £1M)

Newsworks Planning Awards

Winner

Eden (Channel 4/OMD)
Best Topical Campaign

Promax UK

Winner – Gold

Hollyoaks: One Killer Week (Channel 4/4Creative)
Best Drama Promo (Originated)

Winner – Gold

The Jump (Channel 4/4Creative)
Best Reality Promo (Originated)

Winner – Gold

Paralympics: Yes I Can (Channel 4/4Creative)
Best Sports Promo (Originated)

Winner – Silver

AP McCoy (Channel 4/4Creative)
Best Sports Promo (Originated)

Winner – Gold

Dispatches: Are you Owed a Payrise? (Channel 4/4Creative)
Best News & Current Affairs Promo

Winner – Bronze

My Son the Jehadi (Channel 4/4Creative)
Best News & Current Affairs Promo

Winner – Gold

Paralympics: Yes I Can (Channel 4/4Creative)
Best Content or Long Form

Winner – Silver

Paralympics: Yes I Can signed version (Channel 4/4Creative)
Best Content or Long Form

Winner – Bronze

McVities Premier Break (Channel 4/4Creative)
Best Sponsorship Package

Winner – Gold

Channel 4 Rebrand (Channel 4/4Creative)
Best On-Air Idents (Out of House)

Winner – Gold

Paralympics: Yes I Can (Channel 4/4Creative)
Best Launch

Winner – Gold

Paralympics (Channel 4/4Creative)
Best Print Based Ad or Poster

Winner – Silver

Paralympics (Channel 4/4Creative)
Best Digital Out of Home

Winner – Bronze

Eden (Channel 4/4Creative)
Best Digital Out of Home

Winner – Gold

Paralympic Games (Channel 4/4Creative)
Best Digital On-Air Media Planning

Winner – Gold

Paralympics (Channel 4/4Creative)
Best Social Media Campaign

Winner – Silver

The Aliens (Channel 4/4Creative)
Best Social Media Campaign

Winner – Gold

Paralympics (Channel 4/4Creative)
Best Integrated Campaign

Winner – Bronze

Eden (Channel 4/4Creative)
Best Integrated Campaign

Winner – Silver

The Aliens (Channel 4/4Creative)
Best Use of PR

Winner – Gold

Paralympics: Yes I Can (Channel 4/4Creative)
Best Use of Music

Winner – Bronze

True Colour TV (Channel 4/4Creative)
Best Use of Music

Winner – Gold

Paralympics: Yes I Can (Channel 4/4Creative)
Best Use of Direction

Winner – Silver

The Supervillains (Channel 4/4Creative)
Best Use of Direction

Winner – Bronze

Underdog (Channel 4/4Creative)
Best Use of Humour

Winner – Gold

Channel 4 Rebrand (Channel 4/4Creative)
Best TV Channel Identity

Bronze

Muslim Drag Queens (Channel 4/4 Creative)
Best Reality Promo (Originated)

Winner – Bronze

True Colour TV (Channel 4/4Creative)
General Channel Image Spot

Winner – Gold

Channel 4 (Channel 4/4Creative)
Creative Channel of the Year

Royal Television Society Yorkshire Awards

Winner – Gold

E-Stings (E4)
Second Screen

RTS Craft & Design

Winner

We're the Superhumans
(Channel 4/4Creative)
Judges Award

Shots Awards

Winner – Gold

Paralympics 'We're The Superhumans'
(Channel 4)
Best Use of Music in a Commercial

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Best Use of Sound Design in a Commercial

Shots Awards

Winner – Gold

Paralympics 'We're The Superhumans' (Channel 4)
Commercial of the Year – TV

Sportel Awards

Golden Podium Laureates

Grand Prize from the International Olympic Committee

Winner (*Dougal Wilson – Director*
/Channel 4/4Creative) (October)
Paralympics – Yes I Can

The Thinkboxes Awards for TV ad creativity

Winner

We're the Superhumans
(Channel 4/4Creative)
The Thinkboxes Awards for TV Ad Creativity

SALES

Campaign Media Awards 2016

Winner

Channel 4 (Channel 4)
TV Sales Team of the Year

Agency Entered: Won

(Crabbies)
Product Sector – Alcoholic Drinks

Agency Entered: Won

(Shell)
Product Sector: Transport

Agency Entered: Won

(Churchill Lollipoppers)
Best Total Communications Programme

Agency Entered: Won

(Scope What Not to Do)
Best Use of Branded Content

Won

(Ronseal)
Product Sector – IT & Consumer Durables

Connected Consumer Awards 2016

Joint Entry: Won

(All4 & YoSpace)
Connected Content Service of the Year

Won

(Ad 4 You)
Grand Prix

Won

(Ad 4 You)
Best Use of Connected Data

Won

(Scope What Not to Do)
Special Award – Best Team Effort

Corporate Engagement Awards 2016

Won – Gold

(Scope What Not to Do)
Best Execution

Won – Silver

(Scope What Not to Do)
Best Educational Programme

Won – Silver

(Scope What Not to Do)
Best Collaborative Approach

Won – Gold

(Scope What Not to Do)
Best Charity, NGO or NFP Programme

Media Week Awards 2016

Agency Entered: Won – Bronze

(Aviva)
Media Idea Launch (Media Agency)

Agency Entered: Won – Bronze

(Churchill Lollipoppers)
Media Idea Large (Media Agency)

Agency Entered: Won – Silver

(Age UK)
Media Idea Large (Media Agency)

Agency Entered: Won – Silver

Scope What Not to Do)
(Scope What Not to Do)
Best Use of Content

Agency Entered: Won – Silver

(Churchill Lollipoppers)
Large Collaboration

Won – Bronze

(Lotto Gogglebox)
Media Idea Launch (Media Owner)

Won – Gold

(Ronseal)
Media Creativity

Won – Silver

(Years & Years)
Media Idea Launch (Media Owner)

Won – Silver

(Taylors)
Media Idea Large (Media Owner)

MPA Inspiration Awards 2016

Agency Entered: Won

(Ronseal)
Innovation Award

Won

(Crabbies TFI Friday)
Best Sales Team Campaign

Prolific North Awards 2016

Won

(Channel 4)
Media Sales Team

Sponsorship Awards 2016

Won

(Dominos & Hollyoaks)
Best TV Sponsorship (Large Budget)

Thinkbox TV Planning Awards 2016

Agency Entered: Won

(Gogglebox Age UK)
Best Use of TV/Grand Prix

Agency Entered: Won

(Years & Years)
Best Use of Low Budget

OTHER

Mediatel The Connected Consumer Awards 2016

Winner

Channel 4 'Ad 4 You (Channel 4)
Windder Grand Prix

Corp Comms Awards

Winner

Channel 4
Best Annual Report – Not-for-profit and public sector organisations

National Diversity Awards

Winner

Channel 4
Diverse Company

FORWARD LOOK

- Deliver our remit with an emphasis on protecting original content spend
- Maintain a balanced schedule of returning shows and new and one-off programmes
- Commission content that is particularly relevant to young people across all genres and platforms
- Experiment with innovative cross-platform scheduling patterns
- Increase original investment in All 4, as well as launching new products that further curate content for users
- Continue commercial innovation in order to sustain growth in digital revenues, whilst also exploring representation of third party VoD sales through PVX, our programmatic trading platform
- Commission from production companies from across the UK and reinforce relationships and developing companies in the devolved Nations
- Continue to support growing creative and digital SMEs with the Indie Growth Fund and Commercial Growth Fund
- Implement 360° Diversity Charter, focusing on our Four New Frontiers
- Sustain increased investment in Film4, delivering on the cross-funding model

Our 2017 budget is designed to further build on our creative successes and continue to invest in our next cycle of programme innovation. As always, it's our main objective to deliver our public service remit, under-pinned by a strategy to maximise viewing and to be commercially sustainable. Despite a year of predicted decline in the TV advertising market, we will continue to support high levels of content spend, particularly on UK commissions.

CORPORATE AMBITIONS

We now have a broad range of programmes contributing to our success, with Channel 4 now less reliant on a small collection of shows. Peak-time viewing is contributing more to overall viewing share, which means that key titles that really deliver public service value are driving our strong performance with audiences, and we want to build on that success in 2017.

The core channel will continue to appeal to a broad range of audiences, attracting young viewers through a slate of distinctive and original programmes. We will maintain our spending and investment in Drama co-productions, such as *Electric Dreams* with Sony, while funding many returning hit shows in Factual, Entertainment and Documentaries.

Our unique relationship with young people remains a core priority and we will ensure that E4 continues to appeal to the 16–34-year-old audience and retain its position as the number one digital channel as we continue to develop new home-grown hits. On the core channel our delivery of Current Affairs will continue to grow,

FORWARD LOOK

building on the successes of *Unreported World* and *Dispatches* in 2016, particularly in reaching young audiences. For our 10–14-year-old audiences, we will back our existing strategy of investing in the 8pm slot, and also retaining this audience through key E4 titles. We will increase our spend on this audience, exceeding our ring-fenced budget of £5 million annually, on titles including schools drama *The ABC*.

Across all our channels, it's our goal to develop successor brands in Factual and maintain spend in scripted content (including an enhanced co-production slate in Drama and Comedy). We have moved away from our long-running franchises and, as we have broadened our supply of producers, we welcome a tranche of new returning hit series to bring familiarity to the schedule. These returning series are significantly younger than those of our competitors – and it is this strategy of creative renewal that is now largely contributing to viewing shares. In 2016, around half of Channel 4's top contributors to viewing share had been commissioned from 2011 onwards, and we hope to continue in this direction in 2017.

On More4, we will continue to invest in engaging adult audiences and providing programming for daytimes and Saturdays on Channel 4. Importantly, More4 will continue to develop as a destination for foreign drama through the successful *Walter Presents* strand.

Our digital strategy will see investment in more content on All 4 with the goal to transform the platform from catch-up TV into a must-watch service. And we will be supercharging the online delivery of News and Current Affairs and increasing our spend on content for social channels, beyond Facebook and YouTube. We will also launch Smart Curation, which will personalise the main carousel for each user, meaning that they will get shows promoted to them that they are more likely to want to watch.

Interactive advertising remains the next frontier for engaging ads, and we will continue to explore how we can use interactive features on-screen. And we will continue to stand up for diversity in ad breaks, as we build on the success of 2016's *Superhumans Wanted* competition with another airtime giveaway to stimulate creativity that celebrates diversity in advertising.

The 360° Diversity Charter: Two Years On report details our four new frontiers in diversity and inclusion for 2017: BAME progression, spotlight on diverse directors, boosting diversity in ad breaks, and launching a pioneering social mobility strategy. We will also maintain the legacy of our highly successful Year of Disability work, working with on and off-screen talent to support disabled talent in our industry.

We will continue our important role in supporting and nurturing the independent production sector, working with SMEs across the UK. Our Indie Growth Fund will look to further grow its investment portfolio in 2017, with a focus on indies in the Nations and Regions, including our first Scottish-based investment in Glasgow company Firecrest films.

In the Nations and Regions, we will continue to increase spend and make progress against targets in the Nations, and we are forecast to deliver our current Out of London and Out of England quotas in 2017. Channel 4's strategy will focus on targeted investment to increase the number of commissions from around the UK, building a critical mass of higher volume suppliers in each Nation. We will see the return of popular series brands including *Travel Man*, *Supershoppers* and *Posh Pawn*, and we will increase our focus on reflecting the diversity of voices from English Regions, from shows such as new Northern Irish comedy *Derry Girls*, as well as two major regional drama series, *No Offence* and *The ABC*. Our Sports production, including *Formula 1*, will also contribute to considerable regional spend.

Back



D

FORWARD LOOK

CONTINUED



CREATIVE OVERVIEW – JAY HUNT

2017 will be a year of exceptionally varied programming across all genres, with a strong spine of returning series alongside innovative new shows which experiment with form. Reflecting our commitment to investing in high-quality content, this year will see a real emphasis on delivering even more big, distinctive and commercially competitive programming.

We will seek to engage young people in contemporary issues, such as modern multiculturalism and post-Brexit Britain, climate change and mental health and wellbeing, through engaging shows, both scripted and factual, across all genres and platforms. We will continue to support creativity, innovation and risk taking in ways that other broadcasters cannot.

With a commitment to maintaining spend in scripted at record levels, we aim to remain the home of the UK's most talked-about drama. Channel defining hits like Paul Abbott's award-winning *No Offence* will return and we'll be welcoming back the synths in *Humans*.

We'll also continue to deliver big opinion-forming drama that reflects contemporary themes, such as Peter Kosminsky's *Crossing the Border*, which tells the story of British Muslims signing up to fight for Islamic State. Elsewhere our scripted slate will super serve 16–34-year-olds with series like new comedy drama *Loaded* that follows four life-long friends who become multi-millionaires overnight, and *Born to Kill*, starring Romola Garai, which looks at psychopathy and coming of age.

In addition to home-grown shows, we will continue to work with the best producers globally with an expanding co-production slate. In 2017 this will include sci fi anthology *Electric Dreams* reimagines Philip K Dick's iconic stories. In a first for Channel 4, *Electric Dreams*, which stars Breaking Bad's Bryan Cranston, will be made out of LA by Sony Pictures Television. 2017 will also see Channel 4 continue to showcase the best of the rest of the world with *Walter Presents*. In a scheduling innovation, we will air one episode a month of the new series, directing audiences to watch the full series on All 4.

In Comedy, we will back new and diverse talent, both on screen and behind the camera. We will also continue to be a place where established talent can experiment

with risky material other broadcasters might balk at airing, such as *The Windsors*, and *Damned*. In 2017 we can also look forward to *Back*, an acerbic new show written by Emmy-winning Simon Blackwell and starring Channel 4 icons David Mitchell and Robert Webb. And there will be a welcome return for the critically acclaimed and multi-award winning *Catastrophe*.

Our Education programming will focus on entertaining issue-led factual programmes for older teens on the main channel, and on content that explores life skills for older teens. We will continue to interrogate the impact of the internet on society, and we intend to deliver online short-form content that experiments with form, nurtures new talent and offers a platform to diverse voices.

In 2016 we announced that we will increase our spend on content that appeals to Older Children. We will therefore commission programmes across genres, including Factual, Drama and Entertainment, that appeal to that audience, such as *The ABC* and *Guy's Big Build*.

In Entertainment, we will capture the continuing appetite for popular and political satire by doubling the number of episodes of the critically acclaimed *The Last*

No Offence

Leg. We will turbo charge Entertainment development, scouting new ideas for big Friday and Saturday shows, and we will develop and grow the Entertainment content offering on All 4.

Building on our success in Factual formats, we will continue to commission shows that provide insight into contemporary Britain, from *The Diary of a Junior Doctor* which explores the funding challenges of the NHS on the front line, to *A Very British Hotel* which raises interesting questions about how the hospitality industry will manage post Brexit. Similarly, *The Jury*, a documentary drama which will be stripped across a week, will aim to give a perspective on potential prejudice at the heart of the criminal justice system. Alongside the new, there will be a welcome return for our biggest factual entertainment hits from, *SAS: Who Dares Wins* to *The Island With Bear Grylls* plus new experiments with form in adventure hybrid shows *Escape* and *Mutiny*.

We will also tackle pressing social issues with entertaining takes on big themes. In a new two-part series, *Old People's Home For 4 Year Olds*, a team of scientists and gerontologists will bring together elderly care home residents and pre-schoolers in an attempt to tackle the problem of social isolation and explore the care implications of an ageing demographic. With *The White House*, cutting-edge prosthetics will be used to understand how it feels to be part of multicultural Britain, in the most literal sense.

At 8pm we will continue to explore new ways of addressing everything from health to dating. We have a series of TV firsts with new

presenters fronting original formats. Blind adventurer Amir Latif will present *How to Get Fit Fast* and one of our freshest presenters from the Paralympics, Sophie Morgan, will work across the slate on consumer journalism shows. As ever, our strong contemporary slate will not only feature long-running successes like *Location, Location Location*, but also new hits like *Food Unwrapped*. And, of course, we're excited for the phenomenon that is *The Great British Bake-Off*. This hugely successful show will come to Channel 4 in the autumn, with Paul Hollywood accompanied by a new line-up of presenters.

We will maintain and build our three core News and Current Affairs brands: *Channel Four News*, *Dispatches* and *Unreported World*, while upholding the ambition and quality of the journalism. We will build on our successful efforts to establish ourselves as a recognised global leader in digital mobile news video while rapidly developing news content across various digital platforms. *Channel 4 News* will reflect the dramatic changes in Britain and the world through major investigative and intellectually exciting revelatory journalism with a campaigning edge. And we will seek to build *Unreported World* towards becoming a global brand in international reportage across all platforms.

We will continue our mission to establish All 4 as a destination of choice for younger audiences, distinct from other catch-up TV services, through increased investment in commissioning and acquiring original and exclusive programmes for our online platform. We will commission and acquire content into eight new thematic strands,

aimed predominantly at the tastes of younger audiences, clustered around key TV brands, such as *First Dates* and *Made in Chelsea*. As 16–34-year-old viewing behaviour changes, we're investing more in our digital portfolio with shows such as *Lee and Dean*, the first All 4 original comedy. We will acquire English-language remakes of shows that have already rated well on All 4 (*The Island USA* and *Married at First Sight Australia*) and those destined for linear (*Seven Year Switch*).

2017 brings our very own summer of Sport, with coverage of the *IPC World ParaAthletics Championships* and exclusive free-to-air UK television rights for all England and Scotland football matches at the *UEFA Women's Euro Championship*. There'll also be *Formula 1*, *Crufts* and, for the first time, *BDO Darts*. We will continue to create innovative coverage and associated programming opportunities around our Sports coverage to engage new audiences.

Film4 will continue to finance a slate of creatively distinctive films, which includes both new and established British and international talent, with potential to play theatrically, internationally and across a variety of Channel 4 platforms. And they will continue to use the BFI Diversity Guidelines to ensure that we are aligning our objectives with the 360° Diversity Charter.

ASSURANCE REPORT

Independent limited assurance report of KPMG LLP to Channel Four Television Corporation ('Channel 4')

We were engaged by Channel 4 to report on the key measures in the charts in the Statement of Media Content Policy disclosures ('the key measures') on pages 60 to 87 of Channel 4's Annual Report for the year ended 31 December 2016 ('the 2016 Annual Report') in the form of a limited assurance conclusion about the proper preparation of the key measures, in all material respects, in accordance with Channel 4's own Methodology for reporting ('the Methodology').

This independent assurance report is made solely to Channel 4 in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Channel 4 those matters that we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Channel 4 for our work, for this independent assurance report, or for the conclusions we have reached.

Responsibilities of the Channel 4 Members

The members of Channel 4 are responsible for the fair presentation of the Statement of Media Content Policy disclosures within the 2016 Annual Report, and the information and statements contained therein, including the proper preparation of the key measures, in accordance with the Methodology.

The members are responsible for developing the Methodology. The members have summarised the Methodology on Channel 4's website at channel4.com/annualreport. That summary provides further information on: specific definitions; how data has been selected; and the calculation methodology.

It is the members' responsibility to develop, operate and maintain internal systems and processes relevant to the proper preparation of key measures that are free from material misstatement, whether due to fraud or error.

Responsibilities of KPMG LLP

Our responsibility is to independently express a limited assurance conclusion to Channel 4, based on the procedures performed and evidence obtained, as to the proper preparation of the key measures, in all material respects, in accordance with the Methodology.

We conducted our work in accordance with International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion. We comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and we apply International Standard on Quality Control (UK and Ireland) 1 *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Scope of work

A limited assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to give a meaningful level of assurance over the key measures as a basis for our limited assurance conclusion. The procedures selected depend on our judgement, on our understanding of the key measures and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The primary focus of our work was on the key measures for the year ended 31 December 2016 and the comparisons with the immediate prior year.

For the key measures that are based on information derived within Channel 4 (identified as Source: Channel 4), the procedures performed included:

- conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the systems and controls used to generate, aggregate and report the key measures;
- examining and testing of the systems and processes in place to generate, aggregate and report the key measures, and assessing compliance with the Methodology;
- assessing the completeness and accuracy of the key measures by:
 - testing the operating effectiveness of systems and controls;
 - assessing relevant supporting documentation used to aggregate and report the key measures;
 - assessing the significant assumptions and judgements made by the managers of Channel 4 in the preparation of the key measures;
 - testing the documentation which supports the measurement, calculation and estimation of the key measures; and
 - assessing and testing the source information used to generate the key measures; and
- examining the presentation of key measures and the calculation of year-on-year trends in Channel 4's Annual Report in light of our findings.

For the key measures calculated based on information from outside of Channel 4 (identified as Source: BARB, Ipsos MORI, Attentional, Ofcom and Broadcast), the procedures performed included:

- conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the external information used and the level of information available to support the measures;
- assessing the accuracy of extraction from external information sources and the compilation of trends for the medium-term viewing measure, and assessing compliance with the Methodology; and
- examining the presentation of key measures and the calculation of year-on-year trends in Channel 4's Annual Report in light of our findings.

For the following key measures based on information from Channel 4's third party online data service providers:

- Total visits to Channel 4 websites, mobile sites and apps on page 85; and
- Full length Channel 4 programme views initiated on page 82.

The procedures performed included:

- assessing the accuracy of the calculation performed within Channel 4, and assessing compliance with the Methodology; and
- examining the presentation of key measures and the calculation of year-on-year trends in Channel 4's Annual Report in light of our findings.

For all key measures, the following procedures have been performed in relation to the Methodology:

- examining the Methodology and understanding the key assumptions and inherent limitations therein, and any changes to prior year Methodology; and
- for any key measures with a change in Methodology since the prior year, considering the appropriateness of the change in Methodology and checking that the prior year key measure was properly restated in accordance with the revised Methodology.

We have not examined, and we do not express a conclusion on, the key measures for years prior to the year ended 31 December 2015 other than in the following cases:

- For the key measures for which the source of the data is Ofcom or Broadcast (on pages 65 to 66) the 2016 data was not yet available, we therefore performed the procedures above on the data for the years ended 31 December 2015 and 2014; and
- We agreed the TV viewing share from BARB from 2012 to 2016 found on page 82 to original source data.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Key assumptions and inherent limitations

For the key measures calculated based on information from outside of Channel 4 (identified as Source: BARB, Ipsos MORI, Attentional, Ofcom and Broadcast) we have relied upon the information supplied to Channel 4 by these sources, as applicable, and have not carried out any independent verification procedures on the information so provided to Channel 4.

We have not carried out any independent verification procedures on the information provided to Channel 4 by its third party online data service providers for the two key measures identified in the Scope of work above.

Conclusion

Based on the procedures performed and evidence obtained, and subject to the key assumptions and inherent limitations set out above, nothing has come to our attention that causes us to believe that the key measures on pages 60 to 87 of the 2016 Annual Report Data are not properly prepared, in all material respects, in accordance with the Methodology.

Karen Wightman

For and on behalf of KPMG LLP
Chartered Accountants
London
24 April 2017

FINANCIAL REPORT AND STATEMENTS

FOR THE
YEAR ENDED
31 DECEMBER 2016

2016 FINANCIAL REVIEW AND HIGHLIGHTS

RECORD FINANCIAL RESULTS DESPITE AD MARKET VOLATILITY

- Revenue increased to £995 million, the highest in the Corporation's history, despite ad market decline in the second half of 2016, driven by strong sales performance and digital revenue growth
- Record content investment with spend increasing to £695 million, +10% higher than our previous record of £629 million in 2015
- Our commitment to sustain content investment and protect remit delivery despite ad market decline in the second half of 2016 required a draw down from our Content Reserve of £50 million of surpluses generated in previous years. This resulted in a pre-tax deficit of £15 million.

CHANNEL 4 SALES HOUSE INCREASES REACH AGAIN

- The Channel 4 Sales House, including advertising sales generated for our partners, achieved £1.2 billion in sales and improved market share to 26.6% (2015: 26.4%)

ANOTHER YEAR OF CREATIVE SUCCESS AND ACHIEVEMENT

- Originated content spend reached a record level for the second consecutive year at £501 million
- Portfolio share declined slightly to 10.5% but was a stable result as audience migration to on-demand platforms including All 4 continued
- Multiple awards with key wins including Broadcast Awards Channel of the Year and Diverse Company Award at the National Diversity Awards

EXPANSION OF THE GROWTH FUNDS

- Growth Fund investments help to underpin long-term sustainability
- Two further investments took the total Indie Growth Fund portfolio to 11 companies with a total investment commitment to date of £14 million
- The Commercial Growth Fund built momentum following its 2015 launch with £10 million of investments in 2016

STRONG DIGITAL GROWTH

- Digital revenues increased by 24% to £102 million
- Digital revenues now comprise more than 10% of total Corporation revenue
- Our digital platform, All 4, extended the reach of our digital offering further with VoD views increasing by 21% to 620 million and net All 4 registrations recorded by December 2016 were just under 15 million

DEPLOY BALANCE SHEET TO INVEST IN SUSTAINABILITY

- Total cash and funds on deposit decreased by £37 million to £215 million reflecting content and remit investment, Growth Fund investment and pension deficit recovery funding
- Strong financial platform maintained for future growth and commercial self-sufficiency

Financial highlights

> **£995M**

RECORD CORPORATION
REVENUE

> **£102M**

RECORD DIGITAL REVENUES
24% YEAR-ON-YEAR GROWTH

> **£695M**

RECORD CONTENT
INVESTMENT

> **£15M**

PRE-TAX DEFICIT FUNDED
FROM THE CONTENT
RESERVE IN ORDER TO
SUSTAIN CONTENT
INVESTMENT

Revenue and cost highlights

£m	2016	2015
Sales house ¹	1,203	1,171
Corporation revenues	995	979
Advertising and sponsorship revenues ²	938	925
Digital revenues ³	102	82
Content spend	695	629
Originated content spend	501	455

1 Sales house includes the gross revenues of our partners UKTV, Box and BT Sport. As Channel 4 is an agent in these relationships we only recognise our commission on these sales within Corporation revenue.

2 Advertising and sponsorship revenues include digital advertising revenues.

3 Digital revenues include digital advertising revenues and platform licence fee income.

Financial position

We maintain a robust financial position, reflected by a strong balance sheet and significant cash and funds on deposit of £215 million. These will provide funds for future growth plans as well as contingency against future advertising market volatility.

The balance sheet on page 136 shows that the net assets of the Group at 31 December 2016 were £477 million (2015: £495 million). The year-on-year decrease reflects our deficit after tax of £18 million.

Cashflow

Total cash and funds on deposit decreased by £37 million in the year to £215 million. The decrease was driven predominantly by the 2016 deficit, Growth Fund investment and contributions to the defined benefit pension scheme.

Group cash and cash equivalents were £132 million at 31 December 2016 (2015: £165 million) with a further £73 million held in variable net asset value funds (2015: £87 million) and £10 million held on deposit for three months or longer (2015: £nil).

Regulatory environment

Under the regulatory model, Channel 4 receives access to the digital spectrum and prominence on the digital terrestrial television platform. In return Channel 4 must fulfil its public service remit obligations as set out in the 1990 and 1996 Broadcasting Acts and as amended by the Communications Act 2003, the Digital Economy Act 2010 and the ten-year licence issued by Ofcom, which came into effect in January 2015. We are prohibited by legislation from owning our own production capability and there is a statutory limit of £200 million on the amount of debt we can raise.

Our remit and business model

Channel 4 is a unique organisation: a public service publisher-broadcaster with a distinctive creative remit, funded solely from commercial revenues, existing to provide a range of distinctive, challenging and provocative content. In order to fulfil our public service remit (which is set out on pages 10 and 11 and throughout the Statement of Media Content Policy) we seek to optimise returns from our commercial activities and minimise our overheads in order to maximise our spend on-screen.

As a not-for-profit public service broadcaster, our aim is to maintain an overall financial break-even position in the long term. A key element of our long-term break-even target is the way we cross-fund commercially challenging genres with profitable programming. We believe surpluses and cash reserves should be invested back into original content and digital innovation to evolve our commercial business model and to maintain the relevance and reach of our remit.

To support and demonstrate this principle, we established a content reserve in 2014. Subject to Board approval, a portion of surpluses generated will be allocated to the content reserve, and a portion of deficits resulting from creative investment may be funded by drawing down from the content reserve.

The delivery of Channel 4's unique remit has always relied on a challenging funding model which requires an agile, pioneering and well-executed commercial strategy. The Members' view is that this is one of the organisation's strengths, forcing Channel 4 to remain at the sharp end of innovation. Under this regime Channel 4 has achieved the successful implementation of a multichannel strategy, the launch of pioneering digital services and sustained innovation in advertising sales – and a stable overall portfolio share.

Over the past few years the Executive team has focused on creating long-term sustainability through commercial innovation and creative success, by ensuring output is as distinctive and diverse as it can be. Key corporate and financial priorities have included:

- Sustaining creative excellence, maintaining and increasing current levels of public service impact and content spend and stabilising share decline
- Stabilising our share of commercial viewing, maximising our share of the core TV market and identifying and driving incremental revenue growth
- Developing our ad sales partnerships. The combination of Channel 4 alongside UKTV, BT Sport and Box means we continue to maintain scale and manage a demographically efficient base
- Bolstering and differentiating our VoD proposition to drive digital revenue and the ability to deliver targeted VoD advertising through our award-winning data strategy and the launch of All 4 in 2015
- Diversifying our investment portfolio with the launch and expansion of the Indie Growth Fund and Commercial Growth Fund
- Reviewing our resource allocation to ensure incremental spend is investment and remit-focused. We will continue to target operational efficiencies to offset inflationary pressures.

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Key Performance Indicators

The Board uses a range of quantitative financial and non-financial indicators to monitor the Group's performance against its key objectives including the Statement of Media Content Policy ('SMCP') metrics set out on pages 60 to 87 of this report and the performance metrics set out on pages 170 to 172.

Four key indicators are described here.

ADVERTISING AND SPONSORSHIP REVENUE

Definition

Advertising and sponsorship includes all broadcast airtime, digital advertising and sponsorship revenues recognised in the Group consolidated income statement. Channel 4 is funded solely from commercial activities without direct public subsidy. Our commercial performance is therefore dependent on delivering valuable airtime to advertisers, which in turn enables the delivery of our remit.

2016 performance

In 2016, advertising and sponsorship revenue accounted for 94% (2015: 94%) of total revenue. Total advertising and sponsorship revenue increased in the year to its highest ever level of £938 million (2015: £925 million).

> **£938M**
RECORD ADVERTISING AND
SPONSORSHIP REVENUE

Total advertising and sponsorship revenue (£m)

2012	844
2013	846
2014	869
2015	925
2016	938

ORIGINATED CONTENT SPEND

Definition

Originated content spend primarily reflects our investment across the portfolio of channels in original, UK-developed content. It is a key metric showing how we are delivering the remit.

2016 performance

In 2016, Channel 4 continued to invest in commissions from UK independent production companies and originated content spend was at a record level of £501 million (page 63) demonstrating Channel 4's continuing commitment to the UK independent production sector.

> **£501M**
RECORD ORIGINATED
CONTENT SPEND

Investment in originated content (£m)

2012	434
2013	429
2014	430
2015	455
2016	501

OFCOM REQUIREMENTS

Definition

As a public service broadcaster, the Channel 4 main service is set various licence obligations by Ofcom. Targets are set for a range of production and transmission measures. Our delivery against these targets is set out on pages 63, 65 to 67 and 169.

2016 performance

In 2016 and 2015, we met or exceeded all of our licence requirements.

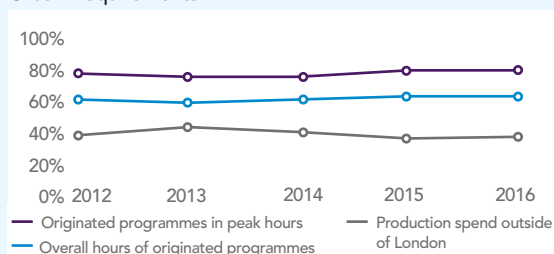
Key quotas achieved are shown below. During 2016, the main channel achieved 65% of overall hours of originated programmes (target: 56%) and 81% in peak hours (target: 70%).

As shown on page 66, we also exceeded our target of 35% of programme production spend outside London, with 40% (2015: 39%) of the main channel's originated programming, excluding Channel 4 News, being supplied by production companies located outside the M25, and our target of 3% of programme production spend outside England with 8% achieved (2015: 7%).

EXCEEDED

OFCOM REQUIREMENTS

Ofcom requirements



10.5%

PORTFOLIO AUDIENCE SHARE

PORTFOLIO AUDIENCE SHARE

Definition

Portfolio audience share data is the average proportion of the total UK television audience that has viewed our portfolio of channels in the year, and is obtained from BARB (see pages 82 and 170). Portfolio audience share is a broad measure and an easily understood indicator of performance. It shows our viewer impact and also helps explain our success in attracting advertising to our portfolio of channels.

Financial sustainability is underpinned by our success in attracting key demographics, 16–34-year-olds and ABC1s, which are valuable to advertisers, and these are important sub-measures within the top level portfolio share.

2016 performance

In 2016, portfolio audience share was 10.5% (2015: 10.6%). The main channel held share at 5.9%, while digital channel viewing share declined to 4.6% (2015: 4.7%) due to marginal year-on-year declines on 4Music.

Our ABC1 demographic declined from 11.0% to 10.8% in part due to declines at 9pm and 10pm, despite showing growth in the early evening and early afternoon. Our share of the 16–34-year-olds demographic declined from 16.5% to 16.2% in 2016 due partly to Euro 2016 and declines at 9pm and 10pm while growth in daytime, early evening and late night helped to offset the loss somewhat. Further information on audience share is provided on pages 82 to 84 and 170.

Overall, TV viewing share performance was relatively stable despite continued viewer migration to digital platforms.

Against the backdrop of TV viewing share, our VoD platform, All 4, expanded our digital reach with VoD views increasing by 21% to 620 million views in 2016 (2015: 512 million views).

Portfolio audience share



FINANCIAL REPORT AND STATEMENTS CONTINUED

Business segments

Our business comprises three operating segments.

4BROADCAST

4Broadcast comprises the broadcast and supporting activities of the Corporation. These activities include five free-to-air television channels, available on terrestrial, satellite and cable platforms, which help to maintain the Corporation's scale and creative impact in the multichannel world.



CHANNEL 4

Core focus on the values of innovation, creativity and diversity through original UK commissioned programming. Channel 4 is available in standard and high definition on the main broadcast platforms and also encompasses our delayed transmission service Channel 4+1 and 4seven, which provides another opportunity to watch Channel 4 programmes from the past week that have generated public, media and social media attention.



E4

Focuses on Comedy, Drama and Entertainment, including original commissions and US acquisitions. E4 is the leading digital channel for 16–34-year-olds and the third most popular digital channel in the UK.



MORE4

Offers lifestyle-based content to help viewers to get the most out of their everyday lives. More4 focuses on popular factual and features programming including homes, property, food, health and fashion.



FILM4

The UK's leading dedicated film channel and the fourth most popular digital channel, Film4 offers a mix of the best British, European, US and international cinema.



ALL 4

All 4, our VoD proposition, and other interactive platforms have helped to extend the depth and impact of programming output. All 4 enables us to package together a much wider variety of content: live TV, catch-up, box sets and an increasing volume of online original content. Our vision for All 4 is to move perceptions beyond that of a catch-up TV service, to a standalone video destination with a clear editorial tone of voice. We are also maintaining investment in technology to ensure a reliable user experience which keeps pace with heightened competition and consumer expectations. The reach of All 4 has become increasingly important as linear audiences fall.

GROWTH FUNDS

The 4Broadcast segment also includes our Indie and Commercial Growth Funds.

The Indie Growth Fund is an investment fund to nurture the independent production sector by providing access to funding for a broad portfolio of small and medium-sized companies based in the UK to help them grow and develop their business.

The Commercial Growth Fund is a fund created to attract new advertisers to TV and stimulate existing sectors. The fund uses advertising airtime to acquire minority stakeholdings in companies.

E4, More4 and Film4 are available on all the main broadcast platforms and offer delayed transmission and high definition services.

4RIGHTS

4Rights includes our UK secondary rights business, generating income through the distribution of programmes, syndicated video on demand through third-party digital platforms, and other associated products. Third-party VoD platforms making Channel 4 content available to viewers include Virgin Media, Sky, BT Vision, Amazon Prime, PlayStation, Xbox, iOS, Android, Samsung, Windows, Freesat, Freeview and Chromecast.

OTHER

Other includes the provision of creative design and production services outside of the Corporation.

Income statement highlights by segment:

2016 £m	Advertising and sponsorship revenue	Other revenue	Total revenue	Operating surplus/ (deficit)
4Broadcast	890	22	912	(60)
4Rights	48	34	82	42
Other	–	1	1	–
Total	938	57	995	(18)

2015 £m	Advertising and sponsorship revenue	Other revenue	Total revenue	Operating surplus/ (deficit)
4Broadcast	889	17	906	(4)
4Rights	36	36	72	28
Other	–	1	1	–
Total	925	54	979	24

Segment financial review

4Broadcast revenue

£912M

Revenue increased by £6 million in 2016, mainly due to growth in digital revenues on Channel 4-owned platforms and other commercial revenues.

2015 revenue	£906m
Digital revenue	£7m
Other commercial revenues	£5m
Sponsorship	£2m
TV ad sales	(£8m)
2016 revenue	£912m

4Broadcast operating deficit

(£60M)

The operating deficit increased by £56 million in 2016, mainly due to record investment in programme content, including the Rio 2016 Paralympics, offset by revenue growth and other cost savings.

2015 deficit	(£4m)
Revenue growth	£6m
Other costs	£4m
Content spend	(£66m)
2016 deficit	(£60m)

4Rights revenue

£82M

Revenue increased by £10 million in 2016, reflecting strong growth in digital revenues on third-party platforms offset by one-off box office and DVD revenue contributed by *The Inbetweeners 2* movie ('IB2') in 2015.

2015 revenue	£72m
Digital revenues	£13m
DVD and other	(£3m)
2016 revenue	£82m

4Rights operating surplus

£42M

The £14 million increase in the operating surplus in the year mainly reflects digital growth.

2015 surplus	£28m
Digital	£12m
Other costs	£2m
2016 surplus	£42m

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Strategic Report

Staff and corporate responsibility

People

During Channel 4's Year of Disability our principal focus was on increasing understanding of disability by raising awareness and providing support to our employees and line managers.

Our aim is to foster an organisation-wide confidence in disability, to create a stigma-free environment where disability is understood and disabled colleagues can thrive. We want to equip staff with the knowledge and skills to recruit, develop and retain disabled people, and disabled colleagues to develop and progress their careers.

To support our aim, we appointed a Disability Workplace Specialist, who has been fundamental in shaping our disability employment strategy and in improving policies, processes and day-to-day practices, with the aim of becoming the best employer of disabled people by 2020.

A key element of our awareness activity was our internal campaign 'This is me' which was the start of demystifying and clarifying understanding of different types of disabilities. Through a series of bespoke films, six of our employees and their line managers shared their stories about living, working and supporting colleagues with disabilities. The campaign has been fundamental in building staff and line manager confidence prior to our request to staff to update their diversity and personal information. Its success was demonstrated by a significant increase in staff prepared to share their diversity data, and an increase in employees declaring a disability (from 3% previously to 11% after the campaign).

We also worked with Mencap, who ran a workshop to help our Human Resources team understand how to best support people with learning difficulties within the workplace. Mencap also helped us offer a successful work experience placement for one of their clients at Channel 4.

On mental health, we supported World Mental Health Day (#Timetotalk) in October, encouraging employees to take time and to chat to colleagues. We also ran a number of sessions to educate staff on how to become 'Mental Health First Aiders'. Almost 100 employees attended initial half-day sessions and 37 employees attended more in-depth two-day training sessions. The feedback from staff and managers about these sessions has been invaluable and we are continuing to offer these sessions in 2017.

Diversity profile

At the end of 2016 our employees identified with the following key diversity groups. The movement demonstrates Channel 4's shift towards an increasingly inclusive culture, and was endorsed by Channel 4 being awarded the Ernst & Young National Equality Standard at the highest level.

	December 2016	December 2015	2020 Target (staff)
Disabled	11%	3%	6%
BAME	18%	18%	20%
LGBT	6%	6%	6%
Female	58%	58%	50% equal split

Employee breakdown and gender balance

The average number of employees for the year, on a Full Time Equivalent basis, was 814 in 2016 (2015: 819). The average number of people employed by the Corporation for each group of employees was as follows:

2016	Male No.	Female No.
Executive Members	7	2
Senior managers	21	13
Employees	334	437
Total employees	362	452
Non-Executive Members	4	4
Total including Non-Executive Members	366	456

Attracting talent

A fundamental aspiration of our Diversity Charter is that Channel 4 attracts a workforce which reflects the diversity of the UK population. All vacancies on our Channel 4 jobs portal now display our diversity statement.

In 2016 Channel 4 partnered with Evenbreak and Myplus to help encourage individuals with a disability to apply for roles at Channel 4. We have proactively made adjustments to help disabled individuals apply for roles at Channel 4, which include a named contact to discuss adjustments required, to take applications verbally, and to prepare them for the assessments and selection process.

Under the Department for Work and Pensions programme Channel 4 also operates as a Disability Confident Employer, level 2. We hope to achieve Disability Leader status in 2017.

As a result of our targeted approach to encouraging diverse applications to opportunities within Channel 4, during 2016 we received the following applications for employment, with significant conversion of diverse applicants to successful joiners.

Applying for roles

In 2016, Channel 4 received 10,249 applications for employment.

- 57.0% of all applicants were female
- 29.1% declared themselves as BAME
- 8.7% of applicants declared themselves as LGBT
- 3.4% of applicants declared a disability

Of the 189 new employees who joined Channel 4 during 2016:

- 59.3% were female
- 20.6% declared themselves as BAME
- 9% declared a disability
- 5.3% declared themselves as LGBT

Investing in our people

In 2016 we continued to deliver development opportunities for all Channel 4 staff through bespoke workshops including skills training programmes, leadership & management development, spot & maternity coaching and tailored support to our 4Women and 4Pride affinity networks. Our internal mentoring programme successfully matched 22 mentors and mentees at all levels within the organisation.

We also continued our ongoing programme of compliance training. A mandatory e-learning module which provided a refresher of our 'Code of Conduct' training was launched in December, together with an e-learning module to educate staff about our responsibilities under the Modern Slavery Act.

Strategic Report continued

Accountability

Our Board and Executive team have committed to promoting the highest standard of responsible corporate behaviour and are ultimately accountable for this. Channel 4 has a Corporate Code of Conduct and procedures providing a framework for accountability.

Corporate and social responsibility

We are committed to playing a responsible role in our communities. The aim of our corporate responsibility strategy is to fulfil our public service remit in a responsible manner through inspiring and challenging the behaviour of our people and audience to promote social, environmental and personal change.

Environmental sustainability

We want to ensure that the way we conduct our day-to-day activities reflects our commitment to reducing any negative impact we may have on the environment. To support this, we have had an environment policy in place since 2004.

Environmental and charitable campaigns continued to run internally through 2016 with the aim of raising awareness and promoting good practice.

Following on from a large reduction in electrical and gas consumption across the portfolio in 2015, we set ourselves a further target reduction of 5% in 2016 through the installation of new, more efficient boilers at Horseferry Road in addition to other energy-reducing projects.

Variable weather conditions throughout 2016 led to higher than normal energy consumption. Despite this, we still managed to reduce our energy consumption by more than 1% over the course of the year, and further reduce gas consumption by over 5%, providing an overall reduction in carbon emissions of 2% on 2015.

In 2016 we carried out a full plant and equipment review of our Horseferry Road site, and as part of a wider refurbishment of the site commencing in 2017, we will be planning a 5+ year strategy to upgrade and replace existing plant and equipment with more efficient equipment.

Carbon footprint

We continue to report on our Carbon Reduction Commitment ('CRC') and registered for the Environmental Savings Opportunity Scheme in 2015.

Our greenhouse gas emissions for 2016 are set out in the table below.

	2016	2015
Total carbon footprint (tonnes of CO ₂)	4,988	5,078
Total carbon footprint per £m revenue	5.0	5.2

Waste

We produced a total of 158 tonnes of waste in 2016, which is an increase from 145 tonnes in 2015. Overall we achieved a recycling rate of 79%, and of the 34 tonnes of waste that could not be recycled 100% was sent to produce energy from waste. This means that in 2016 no waste from Channel 4 went to landfill. The total amount of waste sent to produce energy in 2016 was 21.27% – down from 23.05% in 2015. In 2017 we are targeting a further 5% reduction.

Water

We continue to monitor our consumption in our fully occupied building, Horseferry Road. We have reduced water usage by a further 8% in 2016 (2015: 3%). The reduction of water usage is primarily due to the use of more efficient water operated plant and equipment, as well as sensor technology for our water outlets.

FINANCIAL REPORT AND STATEMENTS

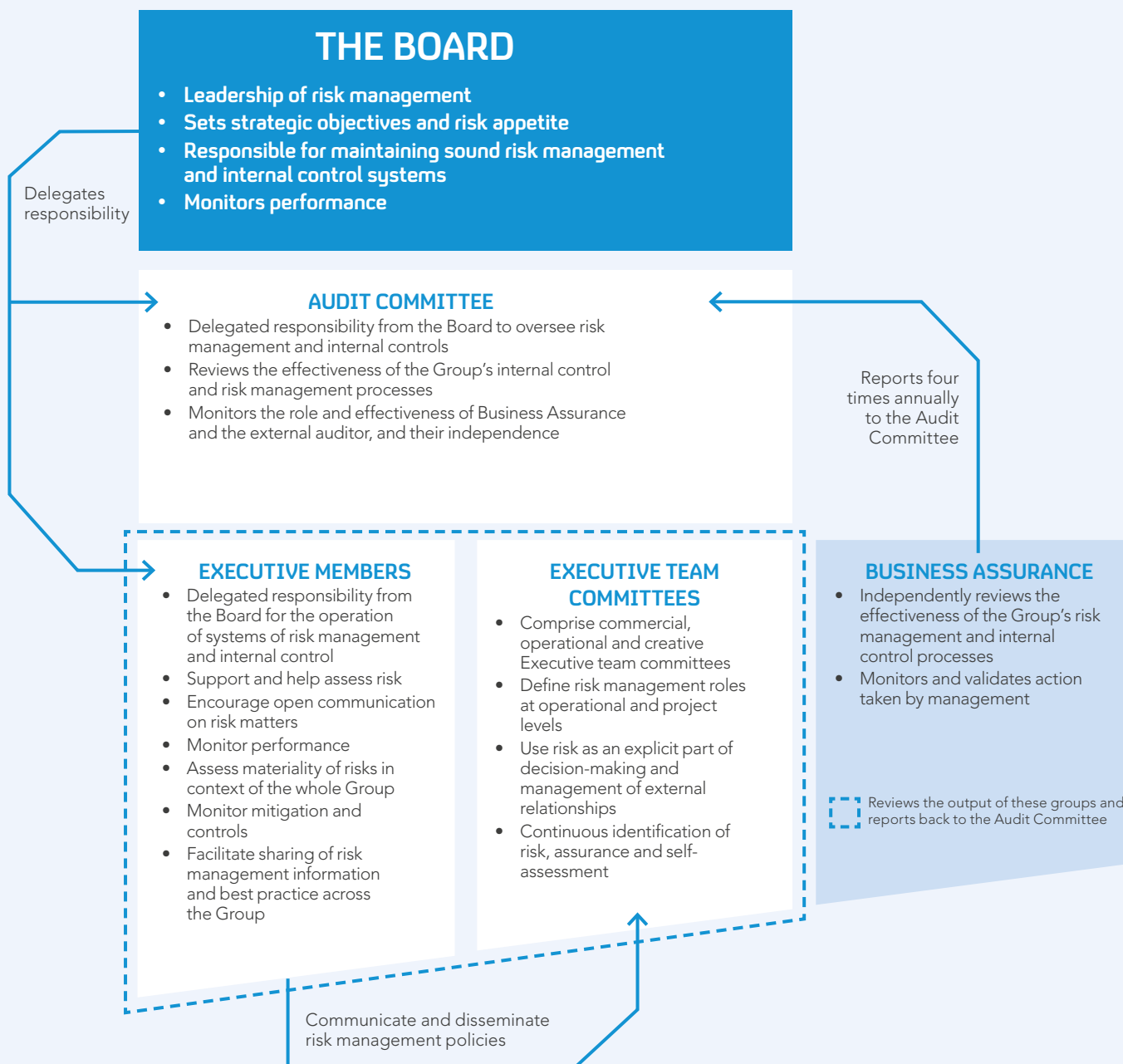
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Managing risks

How we manage risk

The Board has a clear responsibility for the identification of risks facing the Corporation and for putting procedures in place to monitor and mitigate these risks. In order to deliver on our remit, Channel 4 has a high appetite for creative risk taking, giving rise to potentially litigious content. However, Channel 4 has a low appetite for operational risks. The Board and Executive team operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. This framework has been developed in accordance with good practice on internal controls and risk management.

A summary of the key risks that the Group faces, together with the key steps in how those risks are mitigated, is presented on the following pages.



Risks and uncertainties

RISK	POTENTIAL IMPACT	MITIGATING ACTIONS
<p>Failure to respond to changes in the advertising industry given the Corporation's dependence on advertising revenue</p> <p>A significant reduction in share commitment from a major advertising agency</p>	<p>In 2016, 94% of Channel 4's revenue (2015: 94%) derived from advertising and sponsorship.</p> <p>Channel 4 is subject to cyclical fluctuations and structural changes in the advertising market, including those arising from changes in regulation, and in the competitive landscape.</p> <p>Advertising and sponsorship income are variable and can change significantly during the course of the year as a result of variations in audience share or broader market or economic conditions. Additionally, the outcome of the 2016 EU Referendum has increased political and economic uncertainty generally in the UK.</p>	<p>Channel 4 actively seeks to diversify sources of revenue. The growth of digital revenues has been a direct response to the risk of failing to diversify revenues.</p> <p>Channel 4 monitors the advertising market and its share of the market closely to identify trends.</p> <p>As far as possible, Channel 4 phases commitments and maintains a flexible cost base.</p> <p>Channel 4 holds cash reserves to protect against the impact of a decline in the television advertising market.</p>
Failure to identify and develop sufficiently compelling content	<p>Channel 4 is tasked with selecting, retaining and scheduling compelling, innovative and risk-taking content from a diverse supply base using multiplatform delivery systems, while maintaining effective relationships with independent production companies.</p> <p>The impacts arising from failing to successfully meet this challenge include a material decline in audience share and reputational damage.</p>	<p>Channel 4 has pursued a strategy of investment in creative diversification in recent years.</p> <p>Channel 4's business terms with independent producers and the scale of commissioning opportunity remain highly competitive.</p> <p>Channel 4 maintains quarterly meetings with the TV production industry body, PACT.</p>
Physical and cyber security	<p>As a high profile broadcaster, Channel 4 is a target for external security threats.</p> <p>Cyber threats include a sustained distributed denial of service attack or data breaches. Physical threats include the loss of access to our building leading to staff being unable to fulfil their responsibilities. Such security events could lead to unavailability of key services, reputational damage, loss of viewer trust and a loss of confidence in the integrity of data-driven commercial metrics.</p>	<p>Channel 4 has an established physical and information security function, supported by specialist resources.</p> <p>Data is stored by specialist third parties.</p> <p>Channel 4 has published a Viewer Promise regarding our principles concerning viewers' data.</p>
Challenge in recognising and investing in new, relevant technologies to deliver content and engage with audiences	<p>A challenge for all broadcasters is maintaining legacy linear distribution systems and investing in new platforms.</p> <p>The market is increasingly competitive with emerging global content providers.</p>	<p>Channel 4 has invested in a viewer data platform to build direct consumer relations and improve decision-making.</p> <p>Channel 4 maintains a strategic plan to ensure that it stays responsive to innovation in the technology sector.</p>
Breach of Ofcom licence and regulatory obligations, and legal compliance	<p>Our licence quotas are published on pages 63, 65 to 67 and 169 of this report.</p> <p>Failure to fulfil the statutory responsibilities governing delivery of our remit presents a significant risk to Channel 4.</p> <p>Transmission of content presents legal, regulatory and reputational risks to Channel 4.</p>	<p>The Board is responsible for ensuring that Channel 4 meets all of its public service obligations.</p> <p>The Board reviews current programming output and Channel 4's performance against Ofcom quotas on a regular basis.</p> <p>Channel 4 has a number of detailed legal and compliance procedures and protocols to ensure that the risks of legal and regulatory breach are identified and appropriately managed.</p>
Uncertainty over outcome of government consultation of Channel 4 in relation to our contribution to the Nations and Regions	Potential destabilising impact on Channel 4's third-party relationships, and on our employees.	<p>Continuing commitment to communicating Channel 4's long-term financial stability, commercial sustainability, and ongoing remit delivery.</p> <p>Engaging with the government to ensure they understand the potential consequences of alternative scenarios in delivering our regional impact.</p>
Failure to address the defined benefit pension deficit	The defined benefit pension scheme, while closed to new entrants, is a material liability on the balance sheet (2016: £52 million). The overall liability may worsen over time, due to broader economic and demographic conditions, and the risk exists that Channel 4 may need to divert funding activity away from spend on-screen in order to fund an increased liability.	<p>The Corporation and Trustees of the scheme meet regularly to review the pension liability. The scheme was closed to future accrual with effect from 31 December 2015.</p> <p>The Corporation makes deficit funding payments and the latest recovery plan is set out on page 160.</p>
Failure to attract and retain high quality people and talent	Potential adverse impact on Channel 4's ability to deliver the remit.	Channel 4 has a culture which encourages our people to fulfil their potential. Channel 4 offers competitive pay, and has a talent development plan in place.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Managing risks continued

Strategic and financial outlook for 2017

To sustain strong remit delivery, we will continue to support high levels of content investment in 2017, despite economic and revenue challenges. Despite a highly competitive environment, we also have an ambition to hold both portfolio audience and commercial share viewing at 2016 levels.

To achieve this, our plans are to maximise advertising revenues from our core business and drive digital and incremental revenue growth. Overhead and administrative costs will be held constant or reduce as a proportion of total spend to maintain our operational efficiency.

The economic outlook for 2017 is uncertain following last year's Referendum vote to leave the EU, with third parties' forecasts for the ad market ranging between -4% and +1%. We have set a challenging budget in order to maximise our remit investment, and market trends to date indicate that the outlook continues to be challenging, but we retain flexible contingency plans to respond to market movements.

We hold strong reserves, including a designated Content Reserve of £35 million which can be deployed to strengthen our remit delivery in 2017 and beyond or in the event of an unforeseen downturn.

Our financial strategy is focused on balancing the requirements of Channel 4's unique public service remit against the need to remain commercially sustainable into the foreseeable future, and the need for financial resilience to withstand a significant economic downturn or a combination of significant risks materialising. Our balance sheet supports our long-term viability and ability to manage against future shocks. Given this strong starting point, our strategy between 2017 and 2019 will utilise a proportion of our reserves to invest further and strengthen our remit delivery and underlying sustainability.

Looking forward, the Members remain confident that Channel 4 can continue to deliver against current levels of public service impact on a self-sustaining basis.

Our corporate ambitions and 2017 content strategy are detailed further on pages 98 to 101.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code (the 'Code'), the Members have assessed the prospects of the Group over the three-year period to December 2019. This period was selected as this is the normal planning horizon in our strategic planning process. The Members also noted that in January 2015 Ofcom awarded a new ten-year licence to the Corporation and that Ofcom had concluded that its financial plan was credible and would enable it to meet its licence obligations over this period.

The Members review the three-year strategy and financial plan annually, taking account of the Board's agreed risk appetite, the Corporation strategy, and the remit as mandated by legislation and the Ofcom broadcast licence. The plan makes certain assumptions, including TV advertising market growth and our share of that market, and is stress-tested annually for adverse market impacts and other principal risks to assess their impact on long-term revenues, profitability and cashflows. These principal risks currently include the failure to develop sufficiently compelling content or to develop and maintain suitable technology platforms, a significant reduction in share commitment from a major advertising agency, security threats, the failure to attract and retain high quality people and talent and the risks associated with the ongoing government consultation on Channel 4's regional impact. In addition, the outcome of the EU Referendum vote has increased uncertainty in the broader UK economy.

In its overall assessment of the viability of the Group, the Members have:

- considered revenue, cost and cashflow forecasts for the next three years as well as its current financial position and cash resources, and reviewed the Group's strategic objectives and other key performance metrics;
- considered each of the principal risks and uncertainties above and how they are managed;
- through the Audit Committee, assessed the Group's risk management framework and considered reports summarising Business Assurance work during the year;
- discussed the sensitivity of the Group's three-year plan and business model to a combination of severe but plausible risks materialising;
- reviewed performance updates in the normal course of business that underpin the long-term strategy;
- discussed the purpose of the Content Reserve, which exists to protect investment into content and sustain delivery of the remit in the event of a downturn; and
- considered a number of internal and independent external reports that endorsed the sustainability of the Corporation and its business model.

Although this assessment does not consider all of the risks the Group may face, the Members confirm that their assessment of the principal risks facing the Group was robust. Based on the results of their activities around principal risks and viability, the Members have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities, as they fall due, over the three-year period of their assessment.

By Order of the Board

CHARLES GURASSA

Chair
24 April 2017

Report of the Members

Introduction

The Members present their report and the audited financial statements for the year ended 31 December 2016.

The Chair and Chief Executive present their statements on pages 4 to 5 and 6 to 7 respectively. A review of the Group, outlining its business model, development and performance during the financial year, together with its position at 31 December 2016 and financial outlook is provided in the Strategic Report on pages 104 to 114. The Strategic Report also outlines the principal risks and uncertainties facing Channel 4.

The Group's financial statements are set out on pages 134 to 161 and Channel 4's financial statements are set out on pages 162 to 166.

Legal form

Channel Four Television Corporation ('Channel 4') is a statutory corporation, without shareholders, established under the terms of the Broadcasting Act 1990.

Disclosure of information to the auditor

Each of the persons who is a Member at the date of approval of this Annual Report confirms that:

- so far as the Member is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

KPMG LLP has been appointed as auditor to Channel 4 with the approval of the Secretary of State for Culture, Media and Sport, and has expressed its willingness to continue in office.

The Audit Committee have agreed to carry out an audit tender process in 2017.

Going concern

The Group's business activities, the factors likely to affect its future development and performance, the financial position of the Group, its cashflows and Viability Statement are set out in the Strategic Report. In addition, note 14 to the financial statements includes the Group's approach to financial risk management, including its financial instruments and hedging activities and its exposures to liquidity and credit risks.

Channel 4's current ten-year licence with Ofcom came into effect in January 2015.

The Group has sufficient financial resources and, based on normal business planning and control procedures, the Members believe that the Group is well placed to manage its business risks. The Members have a reasonable expectation that the Group will continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all Members' interests. During 2016, Members, in addition to their salaries, benefits and/or fees as disclosed on page 129, were interested in the following transactions negotiated at arm's length on normal commercial terms with the Group:

David Abraham is a Non-Executive Director and MT Rainey is Vice Chair of Creative Skillset. Channel 4 paid £612,000 to Creative Skillset, the sector skills council for the creative industries, to fund industry-wide training during 2016.

Dan Brooke is a Director of Creative Diversity Network Limited. Channel 4 paid £97,800 to Creative Diversity Network Limited in 2016.

Mark Price was the Managing Director of Waitrose and Deputy Chairman of the John Lewis Partnership until 3 April 2016. Waitrose and John Lewis advertise their services on Channel 4. Channel 4 also paid £101,860 to the John Lewis Partnership in 2016.

MT Rainey is a Non-Executive Director of Hays plc and was until December 2016 a Non-Executive Director of Pinewood Studios Group. Channel 4 paid £4,500 to Hays plc and £5,100 to Pinewood Studios Group in 2016.

Richard Rivers is a Member of the Advisory Board of WPP plc. Channel 4 sells advertising through a number of subsidiaries of WPP plc.

Lord Christopher Holmes is Deputy Chancellor of BPP University. In 2016 Channel 4 paid £6,137 to BPP University for staff training courses.

Where the Members have an interest in an advertising or sponsorship client of the Group, the amounts paid or payable are not disclosed as they are negotiated and transacted via media buying agencies. All such transactions are negotiated and transacted on an arm's length basis.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Report of the Members continued

Responsibility statement of the Members in respect of the annual financial statements

The Members are responsible for preparing the Annual Report and the Group's and the Corporation's financial statements in accordance with applicable law and regulations. The Corporation is required by its governing legislation (the Broadcasting Act 1990) to keep proper accounts and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year. Under that law, the Members have elected to prepare the financial statements of the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and the requirements of Chapter 4 of Part 15 of the Companies Act 2006, and elected to prepare the financial statements of the Corporation in accordance with the Financial Reporting Standard 101 *Reduced Disclosure Framework*.

The Members accept responsibility for approving the financial statements only after they are satisfied that, when taken as a whole, they are fair, balanced and understandable, and provide the information necessary to assess the Corporation's performance, business model and strategy. In preparing each of the Group and the Corporation financial statements, the Members:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Corporation will continue in business.

The Members have accepted responsibility for keeping proper accounting records that are sufficient to show and explain the Group's and the Corporation's transactions and to disclose with reasonable accuracy at any time the financial position of the Group and the Corporation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Members have voluntarily decided to prepare a Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, made under the Companies Act 2006, as if those requirements were to apply to the Group and the Corporation.

The Members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003, as set out on page 122. Following the Digital Economy Act 2010, revised arrangements, approved by Ofcom, were implemented from 15 September 2016.

The Members are responsible for the maintenance and integrity of the corporate and financial information included on the Corporation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the Group and the Corporation and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, and the Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Corporation's performance, business model and strategy in accordance with the UK Corporate Governance Code (September 2014).

By Order of the Board

CHARLES GURASSA

Chair
24 April 2017

Independent auditor's report

to the Members of Channel Four Television Corporation (the 'Corporation') only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of the Corporation for the year ended 31 December 2016 set out on pages 134 to 166. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Corporation's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Corporation's financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as if that Act applied to the Corporation.

2 Our assessment of risks of material misstatement

We summarise below the risks of material misstatement (unchanged from 2015) that had the greatest effect on our audit (in decreasing order of significance), our key audit procedures to address those risks and our findings from those procedures in order that the Corporation's Members as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and consequently are incidental to that opinion, and we do not express discrete opinions on separate elements of the financial statements.

Programme and film rights £279 million (2015: £254 million)

Risk vs 2015: ▲

Refer to page 127 (Audit Committee Report), page 140 (accounting policy) and page 153 (financial disclosures).

The risk – Programme and film rights are written down to their value to the Group when indicators of a reduction in the value of individual assets are identified, for example when:

- the quality of the programme means it may no longer be broadcast in the originally intended transmission slot; or
- forecast future theatrical revenues no longer support the carrying value of developed film rights.

Following the Corporation's change in strategy with larger individual film investments, there is an increased risk in respect of the valuation of individual assets.

The majority of the costs of programme and film rights are written off on first transmission. There is, however, an increased level of judgement involved in assessing the value to the Group of rights in relation to certain types of programming including feature films, sports rights, acquired series and developed film rights which may be written off over more than one transmission. Judgements made include assessing viewing performance which drives expected future advertising, sponsorship or other related revenue.

Our response – Our audit procedures included:

- with regard to developed film rights exploited through distribution, critically assessing forecast film rights income through independent enquiry of the Film4 commissioning team to understand revenue expectations; reference to third party theatrical release data and sales of distribution rights to date; and historical experience of theatrical and distribution revenues generated from film releases; and
- for other programme and film rights, we focused on those programme and film rights that are the oldest or have the highest carrying amounts, and those near rights expiry. We evaluated the Group's assessment of the expected future transmissions through enquiry of the programme scheduling team who operate independently from finance; inspection of the programme schedule for the three-month period following the year end date, and longer-term sporting event schedules. We also compared a sample of programmes scheduled at the year end to third party TV listings for that period; and
- critically assessing the assumptions underlying the calculation of transmission cost write-off profiles for evidence of change since the

detailed review in the prior year with reference to films that were not fully expensed on first transmission.

Our findings – We found:

- the estimates in respect of future film rights income on developed film rights exploited through distribution to be balanced (2015: balanced);
- the judgements made in relation to the effects of expected future scheduling and in assessing the carrying value of programme and film rights to be balanced (2015: balanced); and
- the assumptions regarding the viewing profile used to calculate the transmission cost write-off profiles to be balanced (2015: balanced).

Revenue recognition £995 million (2015: £979 million) Risk vs 2015: ◀▶
Refer to page 127 (Audit Committee Report), page 139 (accounting policy) and page 142 (financial disclosures).

The risk – In terms of audit risk, the Group's revenue can be divided into two categories:

- TV advertising revenues (£804 million (2015: £812 million)): While the majority of advertising revenue contracts are straightforward, there are a small number of individually significant one-off contracts in respect of barter arrangements, where Channel 4 exchange advertising revenue for programmes or equity investments, and contracts where Channel 4 acts as a sales agent for other broadcasters' advertising. These contracts can contain unique contract terms including complex commission calculations, and judgement is required to determine the appropriate revenue recognition treatment; and
- sponsorship and other revenues (£191 million (2015: £167 million)): This includes many agreements with differing individual terms in respect of the following revenues: sponsorship, digital advertising subscription income from other platforms, box office and DVD sales. The volume and variety of different contracts gives rise to a risk of incorrect revenue recognition between accounting periods, in particular in relation to the allocation of revenues where contracts span the year end.

Our response – Our audit procedures included:

- testing the controls over the standard advertising revenue arrangements;
- reviewing the terms of barter, sales agent and equity investment contracts, and agreeing the accounting treatment in terms of:
 - applying the relevant accounting standards to the contract terms and comparing with the actual treatment adopted;
 - obtaining evidence of performance of contractual obligations including the delivery of airtime;
 - considering the valuation basis applied for the programmes received in barter deals with reference to third party production costs which are seen to reflect fair value;
 - considering the valuation basis applied for the equity investments received in barter deals with reference to discounted cash flow projections and funding round investments;
- testing the revenue recognition approach on a sample of higher value items of sponsorship and other revenue with reference to our own analysis of the application of relevant accounting standards to non-standard contract terms and transmission schedules in respect of sponsorship campaigns, to assess whether revenue has been recognised in the appropriate accounting period; and
- considering the adequacy of the Group's accounting policy disclosures in their description of the method applied to recognising revenue for these arrangements.

Our findings – We found:

- our testing did not identify weaknesses in the controls that would have required us to expand the extent of our planned detailed testing (2015: no weaknesses identified);
- the judgements regarding measurement of airtime delivery to reflect the fulfilment of performance obligations on barter and sales agent contracts to be balanced (2015: balanced);
- for barter and sales agency contracts the judgements applied in determining the fair value of programme rights received, used for the recognition of revenue, to be balanced (2015: balanced);
- the judgements applied in arriving at the revenue recognition

FINANCIAL REPORT AND STATEMENTS CONTINUED

Independent auditor's report continued

- treatments to be balanced (2015: balanced); and
- the Group's accounting policy disclosures to be proportionate (2015: proportionate).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £7.0 million (2015: £7.0 million), determined with reference to a benchmark of Group revenue (of which it represents 0.7% (2015: 0.7%)). We consider revenue, rather than profit, to be the appropriate benchmark as the Corporation's aim is to achieve a long-term break-even position.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.3 million (2015: £0.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group's operations are all accounted for at the Group's office in London. The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total Group revenue, Group profit before tax, and total Group assets.

4 Our opinion on other matters prescribed under the terms of our engagement is unmodified

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Members' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion, the part of the Members' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the corporation.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Members' viability statement on page 114, concerning the principal risks, their management, and, based on that, the Members' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
- the disclosures in the Group accounting policies concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Members' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the terms of our engagement we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the Corporation's individual financial statements and the part of the Members' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration are not made; or
- we have not received all the information and explanations we require for our audit.

In addition to our audit of the financial statements, the Members have engaged us to review the Corporate Governance Statement as if the Corporation were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under the terms of our engagement we are required to review:

- the Members' statements, set out on pages 114 and 115, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 119 to 121 relating to the Corporation's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Respective responsibilities of Members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 116, the Members are responsible for the preparation of financial statements which are intended by them to give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother2014. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The purpose of our audit work and to whom we owe responsibilities

This report is made solely to the Corporation's Members as a body, in accordance with the Broadcasting Act 1990 and the terms of our engagement, and, in respect of the separate opinion in relation to the Members' Remuneration Report, reporting on corporate governance, and, in order that the Corporation's Members as a body may better understand the process by which we arrived at our audit opinion, the inclusion of findings in respect of the identified risks of material misstatement, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Members those matters that we have agreed to state to them in our 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 Corporation and the Members, as a body, for our audit work, for this report, or for the opinions we have formed.

KAREN WIGHTMAN
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL
24 April 2017

Corporate governance

The Board is committed to high standards of corporate governance. The Members voluntarily prepare a Corporate Governance Statement to demonstrate compliance with the main principles, where relevant, of the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in 2014, and the disclosure and transparency provisions of the Listing Rules of the Financial Conduct Authority.

The Board considers that, throughout the year, it was compliant with the relevant provisions of the UK Corporate Governance Code.

Channel 4's status as a statutory corporation without shareholders means those provisions concerning shareholders' interests are not directly applicable.

The Board

Channel Four Television Corporation is controlled through its Board of Members. The Board's main role is to discharge Channel 4's statutory functions and ensure the fulfilment of the public service remit in accordance with all applicable laws and regulations.

The Board meets at least nine times a year and has a schedule of matters reserved for its approval as noted in the table below. In addition, as part of its overall responsibility to ensure the fulfilment of Channel 4's statutory duties and functions, the Board continues to focus on ensuring the successful delivery of Channel 4's remit and other public service responsibilities. Content output and plans for future investment of the content budget are regularly discussed as part of the overall Board agenda, as are regular updates on audience reactions to Channel 4's content. The Board also approves Channel 4's proposed Statement of Media Content Policy (incorporating the Statement of Programme Policy and Review) prior to publication.

Board sub-committees

The Board has an established Audit Committee, Remuneration Committee and Ethics Committee to assist with the discharge of its functions and has delegated each certain responsibilities, as set out below. Instead of a nominations committee, there are formal nominations procedures which are described below.

Board nominations

Given its constitution and specific statutory provisions regarding the appointment of Members, Channel 4 does not have a formal nominations committee. In 2017, the Chairman has set up a Nominations sub-committee of the Board that is overseeing the process of appointing the Chief Executive following David Abraham's decision to step down. The following formal nomination procedures are in place:

- Non-Executive Members are appointed for fixed terms by Ofcom following consultation with Channel 4's Chair and the approval of the Secretary of State for Culture, Media and Sport
- The Chair is appointed by Ofcom for a fixed term with the approval of the Secretary of State for Culture, Media and Sport
- The Chief Executive is appointed by the Board
- Other Executive Members are appointed to the Board after nomination by the Chief Executive and the Chair acting jointly

The division of responsibilities between the Chair of the Board and the Chief Executive is clearly defined as described on the following page.

THE BOARD

The following matters must be referred to the full Board:

- Channel 4's annual budget (content and non-content)
- The appointment and reappointment of the Chief Executive
- Confirmation of the appointment and reappointment of the other Executive Members nominated by the Chief Executive and the Chair acting jointly
- Banking arrangements and loan facilities
- Any significant proposal outside the ordinary course of Channel 4's business
- The appointment and reappointment of the statutory auditor

- The audited accounts of Channel 4 presented by the Audit Committee
- The establishment, purchase or acquisition of any qualifying company and the approval or variation of terms of reference for any subsidiary
- Approval of any significant new business investment
- Significant proposed changes to Channel 4's headcount
- Such other matters as the Board may from time to time resolve to review or decide upon

The Board has delegated certain responsibilities to the sub-committees below.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the integrity of the Corporation's financial statements, reviewing the Corporation's internal control and risk management systems and making recommendations to the Board in respect of the external auditor. The Audit Committee Report is set out on pages 126 to 127.

REMUNERATION COMMITTEE

The Remuneration Committee oversees all aspects of pay for the Executive Members and staff of Channel 4, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff, including the Executive Members. The Remuneration Committee Report is set out on pages 128 to 133.

ETHICS COMMITTEE

The Ethics Committee reviews any conflicts of interest that may arise for Channel 4's Board and matters relating to the Code of Conduct as may be referred to it by the Chairman or otherwise.

FINANCIAL REPORT AND STATEMENTS

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Corporate governance continued

The role of the Chair

The Chair is responsible for, among other things:

- Leading the Board in setting the values and standards of Channel 4
- Maintaining a relationship of trust with and between the Executive and Non-Executive Members
- Leadership of the Board, ensuring its effectiveness on all aspects of its role, including the setting of the agenda
- Ensuring that all Members receive accurate, timely and clear information
- Ensuring that all Members continually update their skills and the knowledge and familiarity with Channel 4 required to fulfil their role both on the Board and on committees
- Facilitating the effective contribution of Non-Executive Members and ensuring constructive relations between Executive and Non-Executive Members
- Undertaking an annual evaluation of Board and committee performance

Lord Burns retired as Chairman on 27 January 2016 and Charles Gurassa was appointed Chair for an initial three-year term from 28 January 2016.

The role of the Chief Executive

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board, to implement the policies and strategy agreed by the Board, and to communicate with Ofcom and other key stakeholders.

In 2016, David Abraham continued as Chief Executive.

Senior Independent Member

Mark Price continued as Deputy Chairman and Senior Independent Member until he resigned on 1 April 2016. MT Rainey was appointed Deputy Chair and Senior Independent Member from 15 April 2016.

Members and Members' independence

The names of the 2016 Board Members, together with their brief biographies, are set out on pages 123 to 125.

The Non-Executive Members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Non-Executive Members are of sufficient calibre and number that their views carry significant weight in the Board's decision-making. The Members are given access to independent professional advice at the Group's expense when the Members deem it is necessary in order for them to carry out their responsibilities. Details of the current Chair's professional commitments are included in his biography. These do not adversely affect his role with Channel 4.

The Board considers all its Non-Executive Members to be independent in character and judgement. At the time of this report, no Non-Executive Member:

- Has been an employee of the Group within the past five years
- Has, or has had within the past three years, a material business relationship with the Group (although attention is drawn to the related party transactions on page 115)
- Receives remuneration other than their Member's fee
- Has close family ties with any of the Group's advisers, Members or senior employees
- Holds cross-directorships or has significant links with other Members through involvement in other companies or bodies
- Has served on the Board for more than six years from the date of their first election

Professional development

On appointment, the Members take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Executive Committees and the

powers delegated to those committees, the Group's corporate governance practices and procedures including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. This is supplemented by meetings with members of the senior management team. On appointment, all members are advised that they have access to advice and the services of the Board Secretary. Throughout their period in office the Members are continually updated on the Group's business and environment and other changes affecting the Group and the industry it operates in as a whole, by written briefings and meetings with senior executives.

A formal Board evaluation process that uses a detailed questionnaire to allow Board Members to express both qualitative and quantitative views on Board performance is undertaken annually. The process is managed by the Board Secretary, with results anonymised in order to enable an impartial discussion of results. Results are fully discussed at a Board meeting and proposals tabled and agreed to address any actions arising. We plan to engage a third party to conduct the Board evaluation process in 2017.

Board information

Regular reports and papers are circulated to the Members before Board and committee meetings. These papers are supplemented by information specifically requested by the Members from time to time. A monthly performance pack is prepared covering all key areas of the business and providing a month-by-month report on progress against the main performance indicators set by the Board.

The Board Secretary's responsibilities include ensuring an effective flow of information within the Board and its committees, and between senior management and Non-Executive Members, induction of new Members and assisting with professional development as required.

The Head of Legal, Governance, Regulatory and Trading is responsible for advising the Board through the Chair on all governance matters.

Both posts are available to provide advice and services to all Members, as relevant, to ensure compliance with Board procedures.

Board meetings

The number of full Board meetings and committee meetings attended by each Member during the year is shown in the table below:

Name	Board meetings attended (invited)	Audit Committee meetings attended (invited)	Remuneration Committee meetings attended (invited)	Ethics Committee meetings attended (invited)
Lord Burns	1 (1)	–	1 (1) ¹	–
Charles Gurassa	8 (8)	3 (4) ¹	2 (3) ¹	1 (1)
Richard Rivers	7 (7)	–	4 (4)	–
Alicja Lesniak	6 (7)	4 (4)	–	–
Monica Burch	5 (7)	4 (4)	–	–
Mark Price	2 (2)	–	2 (2)	–
Paul Potts	9 (9)	3 (4)	–	–
MT Rainey	9 (9)	4 (4)	–	1 (1)
Josie Rourke	8 (9)	–	–	–
Stewart Purvis	9 (9)	–	5 (5)	–
Paul Geddes	0 (1)	–	–	–
Roly Keating	0 (1)	–	–	–
Lord Chris Holmes	1 (1)	–	–	–
Simon Bax	1 (1)	–	–	–
David Abraham	9 (9)	4 (4) ¹	5 (5) ¹	1 (1)
Jonathan Allan	9 (9)	–	–	–
Jay Hunt	9 (9)	–	–	–
Dan Brooke	9 (9)	–	–	0 (1)

1 Lord Burns, Charles Gurassa and David Abraham attended Audit Committee and Remuneration Committee meetings but were not members of those committees.

Corporate governance continued

Board diversity

As shown on page 48, diversity is at the heart of Channel 4 and this is equally important at entry level as at the most senior levels of the organisation. In December 2016, the Channel 4 Board comprised four Executive Members and nine Non-Executive Members. As stated on page 119, Non-Executive Members are appointed by Ofcom, and Executive Members by the Chief Executive and the Chair.

At 31 December 2016, one of the four Executive Members was a woman (2015: one of four). At 31 December 2016, the Board comprised three women and ten men, with the three women making up 23% of the Board membership (2015: 38%).

Internal control

In accordance with good corporate governance practice, the Board:

- Is responsible for maintaining sound risk management and internal control systems, ensuring they are effective in identifying key risks and reporting on the adequacy of actions to respond to and manage those risks
- Seeks regular assurance and receives regular reports that enable it to satisfy itself that the system is functioning effectively
- Is responsible for the Group's process for the preparation of the consolidated accounts

The Board is not responsible for the internal control environment or corporate governance for any of the Group's joint ventures or associates.

Control environment

Clear management responsibilities are established for the Executive Members. The Corporation has a Code of Conduct and a suite of policies and procedures which encompass ethical behaviour, conduct and internal controls.

Risk management

In addition to its requirements under Schedule 9 of the Communications Act 2003 set out below, the Board and management have a clear responsibility for the identification of risks facing the Group and for putting in place procedures to monitor and mitigate such risks. Channel 4 has a high appetite for creative risk-taking, giving rise to potentially litigious content. The Group has a low appetite for operational risks. The Board and Executive team operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. Material controls, including financial, operational and compliance controls, are monitored and reviewed by senior management, Business Assurance and the Audit Committee. Remedial plans are put in place where internal reviews identify control weaknesses or opportunities for improvement. Serious control weakness (if any) are reported to the Board and appropriate actions taken. This framework has been developed in accordance with relevant good practice guidance on internal controls and risk management. A summary of the key risks that the Group faces, together with how those risks are mitigated, is presented in the Strategic Report on pages 112 to 113.

Editorial and compliance

Channel 4 has a long-established compliance culture, which is fully integrated into its commissioning process and provides clear editorial reference-up to senior executives and appropriate Board oversight. Its importance is widely recognised and understood by independent production companies we work with and they share equal responsibility for ensuring that programmes and online content conform to the compliance culture we work within. The Commissioning team works in close collaboration with the Legal and Compliance department on all significant commissions. There are strong editorial, legal and compliance systems and controls in place over the content commissioned by Channel 4.

These include specific guidance and protocols contained within the Channel 4 Producers' Handbook, which encompasses the Ofcom Broadcasting Code, other relevant regulations, media law and best practice guidelines. This is supported by extensive training for both staff and independent producers. At the heart of Channel 4's creative risk-taking and compliance is the editorial 'reference-up' procedure. The Members are satisfied that Channel 4 has in place suitable procedures to fulfil the requirements of paragraph 3b of the Ofcom licence (page 105), which exists to ensure that difficult or fine-cut decisions on editorial and compliance issues are properly considered by the most appropriately experienced and senior editorial executives and programme lawyers within Channel 4.

Reporting to the Board

Information is provided to the Members in advance of each Board or Committee meeting. The information provided over the course of the year includes strategic plans, detailed annual budgets, re-forecasts and key projects and initiatives as well as monthly performance packs. Amongst other things, the monthly performance packs monitor progress against the agreed objectives for the year, and compare actual performance metrics, income and expenditure to date with budget and prior year. Explanations are provided for significant variances to facilitate discussion and review at the Board meetings.

The Members also receive information in between Board meetings as appropriate, including weekly risk and viewing updates. The Board Secretary is responsible for the provision of information to the Members.

Control procedures

All expenditure is authorised in line with a delegated authorities framework. An electronic invoice authorisation system is used to further enhance the control environment. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate. Financial controls are monitored by management review and Business Assurance reports provided to the Audit Committee.

Pension plan

There were five Trustees of the Channel Four Television Staff Pension Plan at 31 December 2016. The Trustees, who meet several times each year, also met the Plan's investment managers: Legal & General Assurance (Pensions Management) Limited, Veritas Asset Management LLP, BMO Global Asset Management and GMO UK Limited during the year.

During the year the Trustees were as follows:

Alicja Lesniak (resigned ¹)	Non-Executive Member
Channel 4 Executives	
Glyn Isherwood	Group Finance Director
Martin Baker	Director of Commercial Affairs
Member-nominated Trustees	
Neil Pepin	Deputy Head of Legal & Compliance
Julie Kortens (resigned ²)	Head of Corporate Services
Rebecca O'Connor (appointed ²)	Senior Production Finance Manager
Independent Trustee Services	Independent Corporate Trustee

1 As Trustee on 30 September 2016.

2 As Trustee on 10 February 2016.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Corporate governance continued

Requirements of Schedule 9 of the Communications Act 2003 (the 'Act')

The Act requires Channel 4 to submit proposals to Ofcom detailing the arrangements under which it proposes to secure, so far as reasonably practicable, that all significant risks to the primary function are identified, evaluated and properly managed. These proposals are referred to as the Arrangements.

In addition, the Arrangements must include proposals which Channel 4 considers appropriate for securing the transparency objectives as set out in the Act, namely:

- an appropriate financial and organisational separation between the activities of Channel 4 that relate to the carrying out of their primary functions and their other activities; and
- an appropriate degree of transparency in financial and other reporting where resources are shared between separated activities or where there is some other financial or practical connection between otherwise separated activities.

The Act sets out the matters to which the submitted Arrangements may relate. These include the procedures and other practices to be followed by Channel 4 in the case of the initiation and management of new ventures, the exercise of particular powers, the assessment of risks, the imposition of charges and the keeping of records.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance, with the Arrangements to be checked regularly by a person (other than Channel 4's auditor) appointed in accordance with that provision. Revised Arrangements came into force on 15 September 2016 following the extension of the public service remit following the Digital Economy Act 2010.

Channel 4 appointed Deloitte LLP to review compliance with the Arrangements. Copies of the Arrangements are available from the Board Secretary and at channel4.com.

Independent assurance report to Channel Four Television Corporation (the 'Corporation') and the Office of Communications ('Ofcom')

We have performed a review of the Corporation's compliance during the year ended 31 December 2016 with the arrangements approved by Ofcom in January 2012 under section 2 of Schedule 9 of the Act.

This report is made solely to Channel Four Television Corporation and Ofcom in accordance with our letter of engagement dated 5 January 2017 and in order to (a) allow the Corporation to meet its obligations under the Licence and Schedule 9 of the Communications Act 2003 to procure such reports and (b) to facilitate the carrying out by Ofcom of its regulatory functions. Our work has been undertaken so that we might state to the Corporation and Ofcom those matters we are required to state to them in a reporting accountant'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 Corporation and Ofcom (in accordance with our contract with Ofcom dated 11 January 2017, for our work, for this report, or for the opinions we have formed).

Respective responsibilities of Channel Four Television Corporation and reporting accountants

The Corporation has agreed arrangements with Ofcom to secure the following objectives (the 'Objectives') as set out in Schedule 9 of the Communications Act 2003:

- So far as reasonably practicable, secure that all significant risks that their other activities will have an adverse effect on the carrying out, during the relevant licence period, of their primary functions are:
 - a) identified;
 - b) evaluated; and
 - c) properly managed.

- The transparency objectives of securing:
 - a) an appropriate financial and organisational separation between the activities of the Corporation that relate to the carrying out of their primary functions and their other activities; and
 - b) an appropriate degree of transparency in financial and other reporting where resources are shared between separate activities or where there is some other financial or practical connection between otherwise separated activities.

The arrangements agreed between the Corporation and Ofcom are available from https://www.ofcom.org.uk/__data/assets/pdf_file/0031/88519/Channel-4-Schedule-9-Arrangements.pdf. The responsibility of the Corporation in terms of Schedule 9 of the Communications Act 2003 is to act in accordance with these arrangements throughout the review period.

Our responsibility is to check whether the Corporation has complied with these arrangements during the year ended 31 December 2016 and report to you our independent conclusion as to whether they have done so.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

Basis of opinion

We carried out our work in accordance with International Standard on Assurance Engagements 3000 (revised) Assurance Engagements.

Our work consisted of:

- confirming our understanding of the Corporation and the internal procedures and controls in place made to comply with the arrangements made under Schedule 9 of the Communications Act 2003 through enquiry of senior management and other appropriate personnel;
- review of the relevant internal procedures and controls and examining of the financial records relating to the above; and
- review of which of the Corporation's activities fall under the definition of the primary functions and which fall under other activities.

Our work was carried out based on the internal procedures and controls in place to comply with the arrangements during the year ended 31 December 2016. We are not responsible for concluding whether the arrangements are sufficient and appropriate to achieve the objectives set out above. Any system of internal control can only give reasonable, not absolute assurance, that the objectives will be met.

Opinion

In our opinion, the Corporation has complied with the arrangements under Schedule 9 of the Communications Act 2003, in all material respects, for the year ended 31 December 2016.

DELOITTE LLP

Chartered Accountants

London
24 April 2017

Members

Non-Executive Members

Charles Gurassa

Chair (appointed 28 January 2016)

Charles Gurassa was elected Chair of Channel 4 for an initial three-year term from 28 January 2016. He is also Deputy Chairman at EasyJet plc, Senior Independent Director of Merlin Entertainments plc, and a Trustee of English Heritage and the Migration Museum.

He is a former Chairman of Genesis Housing Association, Virgin Mobile, LOVEFiLM, Phones4U, MACH, Tragus, Parthenon Entertainments and Alamo/National Rent a Car and former Deputy Chairman of the National Trust.

His executive career included roles as Chief Executive of Thomson Travel Group plc, Executive Chairman TUI Northern Europe, Director TUI AG and as Director, Passenger & Cargo business at British Airways. He is a former Non-Executive Director at Whitbread plc, Trustee of the children's charity Whizz-Kidz and a Member of the Development Board of the University of York.

Lord Burns GCB

Chairman (retired 27 January 2016)

Appointed as Chairman on 28 January 2010, Lord Burns' initial appointment ran until January 2013 and was subsequently extended to January 2016. Lord Burns is a Senior Adviser to Grupo Santander and a Non-Executive Member of the Office for Budget Responsibility.

Lord Burns completed his second term as Chairman on 27 January 2016.

MT Rainey OBE

Deputy Chair (appointed 15 April 2016)

MT (Mary Teresa) Rainey joined the Board on 1 January 2012. Her initial appointment ran until December 2014 and has been extended until December 2017. MT was Founder and CEO of top UK advertising agency Rainey Kelly Campbell Roalfe/Y&R. From 2008 to 2015 she served as Non-Executive Chairman of the fast-growing digital strategy agency Th_nk. She is also a Non-Executive Director of Hays plc, a Director of Charlotte St Partners and was until December 2016 a Non-Executive Director of Pinewood Studios Group. In 2015 she was honoured with an OBE for services to advertising.

In a voluntary capacity, MT is Vice Chair of Creative Skillset, the sector skills council for the creative industries, and is the Founder of horsmouth.co.uk, a social enterprise for informal online mentoring. She is a former Chairman of Marketing Group of Great Britain and recent President of The Thirty Club.

Paul Potts CBE

Paul Potts joined the Board on 1 January 2012. His initial appointment ran until December 2014 and has been extended until December 2017. He began his career as a reporter on the Sheffield Star in 1968 and worked for numerous newspapers, including the Daily Telegraph and Daily Express, where he was Deputy Editor. He joined the Press Association in 1995 as Editor-in-Chief. Paul was appointed Group Chief Executive in 2000 and Executive Chairman in 2008. He retired from PA Group in 2010.

Paul was awarded a CBE in 2009 for services to journalism. He has an honorary degree of Doctor of Letters from the University of Sheffield and in 2010 he was appointed Visiting Professor of Journalism. He is also a media consultant and former media adviser to the Joint Parliamentary Committee on Privacy and Injunctions. He is also a member of the Advisory Board on WW1 Centenary Commemoration and a Trustee of the Imperial War Museum.

Josie Rourke

Josie is the Artistic Director of the Donmar Warehouse, London, where her productions include *Saint Joan*, *Coriolanus* and *Les Liaisons Dangereuses* (broadcast to cinemas around the world in partnership with National Theatre Live); Nick Payne's new play *Elegy*; *The Vote* and *Privacy*, new plays by James Graham; *The Weir* (which transferred to Wyndham's Theatre) and the musical, *City Of Angels*, for which she won the Olivier Award for Best Musical Revival.

Her work in New York includes *Les Liaisons Dangereuses* at the Booth Theatre, a new version of *Privacy* at The Public Theatre and *The Machine*, a new play by Matt Charman which played at Park Avenue Armory, New York.

In 2015, Josie collaborated again with James Graham on *The Vote*: a new play for theatre and television, broadcast live onto More4 on the night of the General Election and watched by over 650,000 viewers. *The Vote* received a BAFTA Television Award nomination for Best Live Event.

Josie was born in Salford, Greater Manchester. She read English at Cambridge University and trained at the Donmar, under Sam Mendes, through the theatre's annual Resident Assistant Director Scheme, was Trainee Associate Director at the Royal Court Theatre, Associate Director at Sheffield Theatres and Artistic Director of the Bush Theatre which she moved into its new home in 2011, for which she won 'Theatre of the Year'.

Josie is a Fellow of the Royal Society of Arts.

Stewart Purvis CBE

Stewart Purvis joined Channel 4 as a Non-Executive Member in September 2013. His initial appointment ran until August 2016 and has been extended until August 2019.

He joined the BBC as a News Trainee in 1969, then moved to ITN in 1972 where he became Editor of *Channel 4 News*, Editor-in-Chief of ITN and then Chief Executive. He won two BAFTA awards, a Royal Television Society ('RTS') gold medal for an outstanding contribution to television and was awarded a CBE in 2000 for services to journalism. After retiring from ITN in 2003 he became a Visiting Professor of Broadcast Media at Oxford University and Professor of Television Journalism at City University London.

From 2007 to 2010 he was Ofcom's Partner for Content and Standards. He has advised the House of Lords Select Committee on Communications on the governance of the BBC and was a member of the Committee advising the DCMS Secretary of State on the BBC Charter renewal. He is a Vice-President of the RTS and Chairman of its Television Journalism Awards. He is the co-author of *When Reporters Cross the Line* and *Guy Burgess – The Spy Who Knew Everyone*.

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Members continued

Simon Bax

(appointed 5 December 2016)

Simon is a chartered accountant and Chair of Archant, one of the UK's largest independently owned regional media companies. He is also Chair of WiSpire, a joint venture between the Diocese of Norwich and Archant, bringing broadband to rural communities, and he is a Non-Executive Director of Inmarsat plc, the industry leader and pioneer of mobile satellite communications, SVG Capital plc, a leading international private equity investor, and the British Bobsleigh & Skeleton Association.

Born and educated in England, Simon graduated in 1980 from Gonville and Caius College, Cambridge with an honours degree in History. From there he joined the financial investigations department of the London accounting firm Stoy Hayward & Company, and in 1986 he was made a Partner.

He has extensive financial and operating experience primarily in the media and entertainment industry both in the US and the UK, having been EVP and CFO of Pixar Animation and, before that, CFO of Fox Filmed Entertainment and the advertising agency, Chiat/Day Inc. Most recently he was Chief Executive Officer of Encompass Digital Media Inc: a company he co-founded in early 2008 that he sold in 2012.

Lord Chris Holmes

(appointed 5 December 2016)

Chris is Britain's most successful Paralympic swimmer, winning nine gold medals including an unrivalled six at a single Games. He was also LOCOG's Director of Paralympic Integration, responsible for leading the team that planned and delivered the London 2012 Paralympic Games.

In 2013 Chris entered the House of Lords. His areas of interest include diversity and inclusion, the digital opportunity, culture, media and sport. He has been a member of the Select Committees on Digital Skills, Social Mobility and currently Financial Exclusion. He is also deputy chair of the all-party group on Fintech and member of the group focusing on the 4th industrial revolution.

Chris is a director of a niche change, insights and innovation consultancy. He is also Diversity Adviser to the Civil Service, Deputy Chancellor of BPP University and was, until January 2017, Non-Executive Director at the Equality and Human Rights Commission.

Chris was Non-Executive Director at UK Sport, where he helped to develop the Mission 2012 strategy which led to Great Britain's Olympic and Paralympic success at London 2012 and Rio 2016. At UK Sport he also chaired the audit committee for 5 years. He was also a lawyer at a leading City firm where he specialized in pensions and employment law.

Paul Geddes

(appointed 5 December 2016)

Paul is Chief Executive Officer of Direct Line Group ('DLG'), having led through an IPO as part of the divestment from RBS in 2012, and into the FTSE 100 in September 2014. DLG is a leading insurer of cars, homes and small businesses in the UK through its own brands (Direct Line, Churchill, Privilege, Green Flag and NIG) and through partnerships. He is Deputy Chairman of the Association of British Insurers. Prior to Direct Line Group, Paul was CEO of RBS Group's mainland UK retail banking business including NatWest, following a successful career in multichannel retailing and marketing at leading companies such as Kingfisher, GUS and Procter & Gamble. He read PPE at Oxford.

Roly Keating

(appointed 5 December 2016)

Roly has been Chief Executive of the British Library since September 2012. In his tenure so far he has overseen a series of major projects, including the Library's successful and popular 800th anniversary commemorations of the Magna Carta; the launch of the Knowledge Quarter, an innovative partnership of over 70 knowledge-based organisations near the Library's London HQ; the creation of a national network of Business and IP Centres in major regional libraries; and the launch in 2015 of Living Knowledge, which sets out an ambitious vision and strategy for the Library's growth and development towards its 50th anniversary in 2023.

Roly joined the Library after a long and successful career as a programme-maker and broadcasting executive at the BBC, where he played key roles in the launch of UKTV, as its first Head of Programming, and BBC Four, as its launch Controller in 2002, before moving on to become Controller of BBC Two and Director of Archive Content, with editorial oversight of the BBC's online services including BBC iPlayer.

Roly is a member of the Barbican Centre Board and a Trustee of Turner Contemporary in Margate. He chairs the Knowledge Quarter Board and the Conference of European National Librarians. Roly holds Honorary Doctorates from the Universities of Warwick, York and Lincoln.

Mark Price

(resigned 1 April 2016)

Mark Price was appointed to the Board on 1 October 2010 and his initial appointment ran until September 2013. In 2013, his term was extended and he was appointed Deputy Chairman and Senior Independent Member until September 2016.

Mark stepped down as a Non-Executive Member of Channel 4 on 1 April 2016, and from his positions on the Board of Waitrose and his Non-Executive Director positions with the Cabinet Office and Chairman of The Prince's Countryside Fund in March 2016, to become Minister of State for Trade and Investment.

Monica Burch

(term concluded 30 September 2016)

Monica Burch joined the Board on 1 October 2010. Her initial appointment ran until September 2013 and was extended until September 2016. Monica was Senior Partner of law firm Addleshaw Goddard LLP until 30 April 2016 and since then she has been a consultant.

Monica also chairs The Mentoring Foundation, a not-for-profit foundation which helps women reach the very top of large organisations, and was a Board Member of charitable organisation PRIME, which promotes fair and equal access to quality work experience in the legal profession, from 2012 to 2015.

Monica was appointed a Civil Recorder in 2010 (a part-time judicial appointment), is a CEDR-qualified mediator and was named by The Lawyer magazine as one of the 'Hot 100 Lawyers' in 2007 and 2011. She was named in the Timewise Power Part-Time List in 2013. Monica graduated from Oxford University with a degree in Jurisprudence in 1987, and gained a distinction in her Masters Degree in Commercial Intellectual Property from Nottingham Trent University in 2007. Monica has worked in the US and UK, and has advised a variety of businesses, mainly in the consumer sector, across the globe.

Members continued

Alicja Lesniak

(term concluded 30 September 2016)

Alicja Lesniak joined the Board on 1 October 2010. Her initial appointment ran until September 2013 and was extended until September 2016. Alicja is also Senior Independent Director and Chair of the Audit Committee of Next 15, an AIM-listed worldwide digital communications group. She is also a Director of the British Standards Institution and the Chair of its Social Responsibility Committee.

Until 2009, Alicja was Chief Financial Officer of Aegis plc. Prior to this, she was Chief Financial Officer of BBDO EMEA, Chief Financial Officer of Ogilvy & Mather Worldwide, and Managing Director of J Walter Thompson. Alicja Lesniak is a Fellow of the Institute of Chartered Accountants in England and Wales.

Richard Rivers

(term concluded 30 September 2016)

Richard Rivers joined the Board on 1 October 2010. His initial appointment ran until September 2013 and was extended until September 2016. Richard is a former Chief of Staff and Head of Corporate Development at Unilever. He is a Non-Executive Director of Mothercare plc and Lumene Oy, and a Member of the Advisory Board of WPP plc.

Executive Members

David Abraham

David Abraham became Channel 4's sixth Chief Executive in 2010. His focus has been on innovation, independence, creative renewal and preparing Channel 4 for the growth of connected television. Since the launch of the data strategy, almost 15 million viewers have registered to access online content, and in partnership with UKTV and BT Sport, Channel 4 Sales House has sustained £1 billion of sales since 2011.

David joined Channel 4 from UKTV where he was Chief Executive. Prior to this, he led The Learning Channel US following a period as General Manager of Discovery Networks UK. David gave the MacTaggart lecture in 2014 on the importance of public service broadcasting to British creativity.

During the early part of his career David was a Co-Founder of advertising agency St Luke's. He has been a Board Member of Creative Skillset since 2009.

David has announced he will be stepping down from his role as Chief Executive in 2017.

Jay Hunt

Jay Hunt became Chief Creative Officer of Channel 4 in January 2011 from her position as Controller at BBC One. Jay's commissions during this time include critically acclaimed shows such as *Sherlock*, *Luther* and *Mrs Brown's Boys*. Jay started her career in news, running both the *One O'clock News* and *Six O'clock News* before becoming the Controller of Daytime at BBC and the Director of Programmes at Channel 5.

Under her leadership, Channel 4 was named the Broadcast Awards Channel of the Year in 2016 and 2015, the Guardian Edinburgh International Television Festival Channel of the Year in 2014, and won more awards than at any other time in the channel's history. Her award-winning commissions include *Humans*, *Indian Summers*, *Catastrophe*, *Gogglebox*, *The Island*, *The Undateables*, *Hunted*, *Benefits Street* and *First Dates*.

Jonathan Allan

Jonathan Allan became Sales Director of Channel 4 in July 2011 having been appointed to the Board from media agency network OMD UK.

After completing an economics degree at Newcastle University, Jonathan joined OMD as a TV buyer in 1995. After a number of years running client businesses, Jonathan was promoted to Deputy Managing Director in 2005. In 2007, aged 32, he was promoted to Managing Director of OMD. In this role, he defined the agency's future direction and broadened its offer, expanding digital capability as well as launching marketing services, data planning and creative functions.

Under Jonathan's stewardship, Channel 4 is now an industry leader in delivering commercial innovation by working with brands and agencies to adapt and to evolve in the face of unprecedented technological advances. In 2016, this approach saw Jonathan's sales team take the coveted title of Campaign TV Sales Team of the Year for the third year in succession.

Dan Brooke

Dan Brooke heads up Marketing, Press and Publicity, 4Creative and Corporate Relations at Channel 4. He is also the Corporation's Diversity Champion. He joined from documentary producer Rare Day where he was Managing Director. He was also Managing Director of Discovery Networks UK, leading Discovery's portfolio of channels through a period of change and innovation with the launches of seven new channels and several digital media services. He is also a Board Member of the Mass Extinction Monitoring Observatory.

Dan also worked at Channel 4 from 1998 to 2005, joining as the Head of Marketing and Development for Film4, rising to be Managing Director of Digital Channels. He was responsible for the development and award-winning launches of E4, Film4 and More4 and, in 2001, was elected Young Marketer of the Year by the Marketing Society for his role in the birth of E4.

Under Dan's direction, Channel 4's 4Creative and Marketing teams were awarded Marketing Society's Brand of the Year in 2016 and Campaign Advertiser of the Year, Promax Channel of the Year and Marketing Week's Diversity Brand of the Year in 2015.

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Audit Committee Report

Composition of the Audit Committee

During 2016 the Audit Committee comprised Alicja Lesniak (Chair), Monica Burch, Paul Potts and MT Rainey. All the members of the Committee are Independent Non-Executive Members. Alicja Lesniak FCA is a chartered accountant and was, until 2009, Chief Financial Officer of Aegis plc.

Following the conclusion of the terms of several Non-Executive Members in 2016, the members of the Audit Committee changed. From January 2017 the Audit Committee comprised Simon Bax (Chair), Paul Geddes and Paul Potts. All the members of the Committee are Independent Non-Executive Members. Simon Bax is a qualified accountant and has extensive financial and operating experience primarily in the media and entertainment industry (both in the US and the UK), having been EVP and CFO of Pixar Animation and, before that, CFO of Fox Filmed Entertainment and the advertising agency, Chiat/Day Inc.

MT Rainey was appointed interim Chair of the Audit Committee between the conclusion of the term of Alicja Lesniak on 1 October 2016 and the appointment of Simon Bax on 7 December 2016.

Further details of the Members of the Audit Committee can be found on pages 123 to 124.

The Committee met four times during 2016. At the Committee Chair's invitation, the Chair of the Board, the Chief Executive, the Group Finance Director, the Group Financial Controller, the Head of Business Assurance, the Board Secretary and the KPMG LLP external audit partner (among others) attended Committee meetings. The external audit partner and Head of Business Assurance have direct access to the Chair of the Audit Committee.

Details of attendance at Audit Committee meetings by the Members of the Corporation are disclosed in the Corporate Governance Report on page 120.

Responsibilities of the Audit Committee

As noted in the Corporate Governance Report on page 119, the Board has discharged certain responsibilities to the Audit Committee:

- To monitor the integrity of the financial statements of Channel 4 and any formal announcements relating to Channel 4's financial performance and reviewing significant financial reporting judgements contained in them
- To review the Corporation's internal financial controls and internal control and risk management systems
- To monitor the Corporation's whistleblowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, and with suitable subsequent follow-up action
- To monitor and review the effectiveness of Channel 4's Business Assurance function and activities
- To make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken
- To regularly update the Board about the Audit Committee's activities and make appropriate recommendations to ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business

Activities of the Audit Committee

The Chair of the Audit Committee briefed the Board as necessary on the activities of the Committee and any significant matters during the course of the year. Audit Committee papers, including Business Assurance reports, were made available to the Board during 2016.

Throughout the year, the Committee reviewed reports on the results of Business Assurance activities and met with the Head of Business Assurance and management to review the findings from these activities and instances of whistleblowing, if any. If necessary, the Audit Committee can instigate special investigations and, if appropriate, engage special counsel or experts to assist. The Committee discharged its key responsibilities in 2016 and 2017 to date as set out below.

March 2016 meeting

- Reviewed the 2015 financial statements and other sections of the Annual Report including the Statement of Media Content Policy and assessed that the financial statements reflected appropriate accounting principles
- Reviewed the Corporation's accounting policies in respect of the key audit risks, significant accounting and reporting issues and a detailed financial report in respect of 2015 and discussed matters arising with the external auditor, KPMG LLP
- Reviewed the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003 in relation to 2015

June 2016 meeting

- Considered the threats of cyber and physical security and the Corporation's safeguards in place to mitigate risks
- Considered the impact of the implications of the forthcoming EU Referendum vote on the Corporation's Capital and reserves

September 2016 meeting

- Reviewed the Corporation's accounting policies in respect of the key audit risks, significant accounting and reporting issues and a detailed financial report in respect of the half year to 30 June 2016
- Discussed the key audit risks for 2016 with the external auditor
- Reviewed the accounting treatment in respect of the Commercial Growth Fund
- Discussed the Corporation's key risks and risk appetite
- Considered the tax affairs and arrangements of the Corporation ahead of the annual Senior Accounting Officer certification to HMRC

February 2017 meeting

- Considered the disclosure of the Corporation's key risks and Viability Statement in the 2016 Annual Report
- Considered how much to draw down from the Content Reserve in respect of 2016
- Confirmed the key audit risks for 2016 with the external auditor
- Considered the Financial Reporting Council's revised Ethical Standard published in June 2016, which enacts EU audit reforms published in 2014, and updated its policy on the supply of non-audit services to reflect the Standard
- Reviewed and approved the Business Assurance work plan and assessed the Corporation's risk management framework

March 2017 meeting

- Reviewed the 2016 financial statements and other sections of the Annual Report including the Statement of Media Content Policy and assessed that the financial statements reflected appropriate accounting principles
- Reviewed the Corporation's accounting policies in respect of the key audit risks, significant accounting and reporting issues and a detailed financial report in respect of 2016 and discussed matters arising with the external auditor, KPMG LLP
- Reviewed the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003 in relation to 2016
- Discussed the audit tender planned for 2017

Audit Committee Report continued

Key audit risks

After discussions with both management and the external auditor, the Audit Committee determined that the key risks in relation to misstatement of the Corporation's financial statements continued to be as follows:

- Programme and film rights
- Revenue recognition

These issues were discussed while the audit strategy was being reviewed and at the conclusion of the audit of these financial statements.

Programme and film rights

The value of programme and film rights recognised on the balance sheet at 31 December 2016 is £279 million as disclosed in note 12 to the financial statements. The total value of obsolete programmes and developments written off in the year was £30 million. Reflecting the status of Channel 4 as a public service broadcaster, the value to the Corporation of the programme and film rights portfolio is considered on an aggregate basis. As described on page 140, programme and film rights are stated at the lower of direct cost incurred up to the balance sheet date and value to the Group.

The Committee has reviewed the results of management's provision for programme rights at the balance sheet date, and is satisfied that the procedures performed and the assumptions made were robust.

The auditor has explained its audit procedures to test the carrying value of programme and film rights on the balance sheet and the results of their work. On the basis of their audit work, the auditor considered that the carrying value of programme and film rights was appropriate in the context of the materiality of the financial statements as a whole.

Revenue recognition

Total revenue for 2016 was £995 million as detailed in note 1 to the financial statements. The revenue recognition accounting policies of the Corporation are disclosed on page 139. In 2016, £938 million, or 94% of total revenues, were advertising and sponsorship revenue. Advertising revenue is recognised on transmission of the advertisement while sponsorship revenue is recognised on a straight-line basis in accordance with the transmission schedule for each sponsorship campaign.

The accounting treatment for new or unusual revenue contracts is reviewed and presented by management to the Audit Committee.

The Committee has reviewed the accounting treatment for each material new revenue contract in 2016, and the judgement applied in each case. Management also provided papers explaining the accounting treatment to the auditor during the 2016 financial audit. On the basis of its audit work, the auditor considered that the value of revenue recognised was appropriate in the context of the materiality of the financial statements as a whole.

Misstatements

Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditor reported to the Committee any misstatements that it found in the course of their work. No material misstatements remain unadjusted. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

External audit

Auditor rotation

The current auditor has been in place since the audit of the financial statements for the year ending 31 December 2004. The auditor periodically rotates the lead audit partner to safeguard independence and objectivity. Karen Wightman began her tenure as audit partner in 2013.

The Audit Committee have agreed to carry out an audit tender process in 2017.

Auditor objectivity and independence

Channel 4 will not use its external auditor to provide other services unless it is efficient and effective to do so and authorised by the Committee. The Committee has also taken action to ensure the objectivity and independence of the external auditor is maintained. To discharge this responsibility, the Committee has:

- approved the proposed audit fee and scope of the audit;
- reviewed and approved all non-audit fees payable to the Group's external auditor; and
- reviewed KPMG's annual statement to the Audit Committee to confirm its independence within the meaning of regulatory and professional requirements.

A summary of the fees earned by KPMG LLP in respect of all services provided in 2016 to the Corporation is shown in note 3 to the financial statements.

The Committee has complied with the provisions of the Competitions & Markets Authority Order during 2016.

Effectiveness of the audit process

The Committee has reviewed the external audit process and has satisfied itself that it is effective by reviewing:

- the external auditor's plan for the audit of the Group's accounts, including the key audit risks identified above;
- the external auditor's reports on the Group's draft financial statements for the year ended 31 December 2016;
- the conduct of the audit through enquiries with management; and
- the robustness and perceptiveness of the external auditor in their handling of key accounting and audit judgements identified and in responding to questions in one-on-one meetings.

Business Assurance

As noted elsewhere, the Corporation has a Business Assurance function. The Head of Business Assurance has direct access to the Chair of the Audit Committee, and reports jointly to the Group Finance Director and the Chair of the Audit Committee.

During 2016, the Business Assurance function undertook a number of specific projects to provide assurance that control processes were appropriate and working effectively, and where necessary recommend improvements.

By Order of the Board

SIMON BAX

Chair of the Audit Committee
24 April 2017

FINANCIAL REPORT AND STATEMENTS CONTINUED

Members' Remuneration Report

Annual statement by the Chair of the Remuneration Committee

This report sets out the activities of the Remuneration Committee for the year ended 31 December 2016. It discloses the remuneration policy and remuneration details for the Executive and Non-Executive Members of the Corporation. It has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. Channel 4's status as a statutory corporation without shareholders means these provisions are not directly applicable, but the Members have decided to comply voluntarily with the provisions to the extent that they are relevant to Channel 4, in line with the Board's commitment to high standards of corporate governance.

The report is set out in three sections: the statement by the Chair of the Remuneration Committee, the annual report on remuneration, and the policy report. The annual report on remuneration provides details on remuneration relating to 2016 and other information required by the Regulations.

The Companies Act 2006 requires the auditor to report on certain parts of the Members' Remuneration Report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on remuneration that are subject to audit are indicated in the Auditor's Report. The statement by the Chair of the Remuneration Committee and the policy report are not subject to audit.

The Remuneration Committee oversees all aspects of pay for the Executive Members and staff of Channel 4, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff, and the details of remuneration packages for Executive Members. The Committee's recommendations and decisions in 2016 reflect its remuneration policy, which is designed to enable Channel 4 to attract, motivate and retain high calibre staff by offering both fixed and variable pay to reward commercial and creative success, while being sensitive to the position that Channel 4 occupies as a public service broadcaster.

Composition of the Remuneration Committee

During 2016, the Remuneration Committee comprised Richard Rivers (Chair), Mark Price (until 1 April 2016) and Stewart Purvis. In 2016, the Committee met five times.

Following the conclusion of the terms of several Non-Executive Members in 2016, the members of the Remuneration Committee changed. From January 2017, the Remuneration Committee comprised Stewart Purvis (Chair), MT Rainey and Christopher Holmes.

All the Members of the Committee are Independent Non-Executive Members. The Chair of the Board, the Chief Executive, the Group Finance Director, the Head of Human Resources and the Board Secretary attend meetings as appropriate.

Where Executive Members or senior management are involved in advising or supporting the Remuneration Committee, care is taken to recognise and avoid conflicts of interest. No Executive Members attend meetings of the Remuneration Committee at times when any aspect of his or her individual remuneration, benefits or terms of employment is being discussed.

Non-Executive Members are appointed by Ofcom, which also determines their fees. Non-Executive Members are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board and other meetings in relation to fulfilling their duties. Non-Executive Members' service contracts are subject to fixed terms of a maximum of three years.

Responsibilities of the Remuneration Committee

The Committee's principal responsibilities are:

- to recommend to the Board the level of any annual salary increases, variable pay awards and the structure of remuneration, in particular for Executive Members and senior management;
- to review any other significant change in Channel 4's remuneration arrangements and policies;
- to recommend to the Board the structure of the annual Corporate Variable Pay and Advertising Sales Schemes, and to review progress against the targets set for the schemes; and
- to review any other aspect of HR strategy or performance as seems relevant.

The Chair of the Remuneration Committee reports to the Board on the Remuneration Committee's discussions and recommendations, and brings to the Board's attention any matters of an unusual or sensitive nature.

Activities of the Remuneration Committee

The Committee's work in 2016 included making an award recommendation to the Board for the Corporate Variable Pay Scheme and Advertising Sales Scheme in respect of 2016.

The variable pay award for 2016 and the details of the Corporate Variable Pay Scheme are detailed on page 130.

After careful consideration and review, the Committee agreed that the decision on the average pay award should predominantly be deferred until July 2017. This reflects the current period of advertising market volatility and evolving economic conditions in the UK. The Committee considered that a pay award later in 2017 would allow greater clarity on trading conditions and budget affordability. In the interim, an award of 2% per annum for the year beginning 1 April 2017 has been made to a total of 265 staff who earn Full Time Equivalent ('FTE') salaries of up to £40,000.

The Remuneration Committee agreed that the Corporate Variable Pay Scheme for 2017 will remain largely unchanged from 2016 and continue to be focused on creative achievement and financial sustainability. The Committee reviewed the participation in the Corporate Variable Pay Scheme with respect to the Executive Members and agreed that from 1 January 2016, the maximum amount payable under the scheme would be increased from 40% to 50% of total gross salary for the Chief Executive.

Members' Remuneration Report continued

Remuneration report

The following provisions of the report are subject to audit

The remuneration of the Executive Members for the years ending 31 December 2016 and 2015 is made up as follows:

£000	Salary	Taxable benefits	Variable pay	Pension	Total for 2016	Salary	Taxable benefits	Variable pay	Pension	Total for 2015
David Abraham	560	1	256	140	957	554	1	188	138	881
Jay Hunt	433	1	180	69	683	410	1	139	62	612
Jonathan Allan	355	1	182	26	564	350	1	164	32	547
Dan Brooke	308	1	125	50	484	305	1	104	50	460
Total	1,656	4	743	285	2,688	1,619	4	595	282	2,500

The salary figures in the table above represent the gross salaries received in 2016, after taking account of salary increases during the year where applicable.

In 2016, all of the Executive Members received cash payments in lieu of pension benefits. In 2015, David Abraham, Jay Hunt and Dan Brooke received cash payments in lieu of pension benefits.

Jonathan Allan's variable pay comprises a 50:50 split between the Advertising Sales Scheme and the Corporate Variable Pay Scheme.

The remuneration of the Non-Executive Members for the years ending 31 December 2016 and 2015 is as follows:

£000	2016 salary and fees	2015 salary and fees
Lord Burns (term concluded on 27 January 2016)	7	100
Charles Gurassa (term commenced on 28 January 2016)	88	–
Mark Price (term concluded on 1 April 2016)	7	30
MT Rainey	27	22
Monica Burch (term concluded on 30 September 2016)	16	22
Alicja Lesniak (term concluded on 30 September 2016)	16	22
Richard Rivers (term concluded on 30 September 2016)	16	22
Paul Potts	22	22
Stewart Purvis	22	22
Josie Rourke	22	22
Simon Bax (term commenced on 5 December 2016)	2	–
Paul Geddes (term commenced on 5 December 2016)	2	–
Christopher Holmes (term commenced on 5 December 2016)	2	–
Roly Keating (term commenced on 5 December 2016)	2	–
Total	251	284

No detailed disclosure has been provided for the Non-Executive Members other than that relating to their fee, as it is the only form of remuneration they receive.

Mark Price did not retain his fees for his Non-Executive Directorship. In accordance with Waitrose policy, Mark requested that his fee be paid over to Waitrose.

Monica Burch's firm, Addleshaw Goddard LLP, deducted her Channel 4 fees from her partner drawings.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Members' Remuneration Report continued

Variable pay

During the year, the Committee met to monitor performance as part of its oversight of variable pay across the business. The Committee met again in January 2017 to agree on a recommendation to the Board on variable pay once results for the year were available.

Corporate Variable Pay Scheme outline

The Corporation's business model and strategy are set out in the Strategic Report on page 105. The Corporate Variable Pay Scheme has been designed specifically to link variable pay with the business model and is based on the following areas of achievement:

- Creativity – to maintain Channel 4's reputation for originality and creativity with an emphasis on innovation, impact and creative risk taking and achievement of the remit
- Sustainability – with the aim of growing total revenues and successfully developing new sources of revenue that can be reinvested into content

Achievement of at least the budgeted surplus or deficit before tax for the year and Ofcom licence requirements is a condition for any element of the scheme to pay out to staff. There may be circumstances where additional strategic or content investments are made in the year which means the budgeted surplus or deficit before tax is adjusted for the purpose of the Corporate Variable Pay Scheme award, as agreed by the Board. Where this is the case, the surplus or deficit before tax is measured against the adjusted budget so that the financial impact of such investments can be taken into account.

Most staff and the Executive team participate in the Corporate Variable Pay Scheme, where the amounts provided can be up to 10% of total gross salary for staff, 20% for Heads of Department and between 30% and 50% for the Executive team. These percentages represent the maximum average amount that can be provided across each employee category. Actual awards for each staff member will vary from the average to reflect their individual achievement against personal performance objectives.

Process for determining variable pay

Delivery of the remit is the overarching aim of the Corporation which, for the purposes of the Corporate Variable Pay Scheme, is considered to consist of two pillars: creativity and sustainability. To decide on how much variable pay should be provided each year, the Remuneration Committee reviews business performance using a monthly performance dashboard which tracks performance across a range of qualitative and quantitative metrics. Where relevant, performance versus competitors against the same metrics is also a key part of the Committee's deliberations. The Committee also considers a report written by the Chief Executive in conjunction with others in the Executive team, describing how the Corporation has performed in relation to creativity, commercial sustainability and diversity.

The scheme is based on a mix of both qualitative and quantitative information, and a degree of judgement is required around creative performance measures. Creativity and sustainability are considered to be of broadly equal weighting because they are both equally important to the long-term success of the Corporation, but the weighting allocated to each in a given year is at the discretion of the Committee.

After due consideration of performance during the year, the Remuneration Committee makes a judgement on the overall performance for the year and proposes an amount, entirely at its discretion, based on what they consider the average payout across the Corporation should be for the year. The Committee produces a narrative assessment of its evaluation which is then presented to the Board, which has the final approval of any payout.

The Committee will review the Corporate Variable Pay Scheme each year to ensure it remains appropriate.

Variable pay decision for 2016

The Committee noted that the first gateway to the scheme, meeting the licence requirements, had been met. The other gateway of achieving the budgeted surplus before tax was adjusted to take into account content investment decisions taken by the Board since the budget. The Board agreed to increase content spend in the first half of the year on the back of positive half-year trading. Subsequently, following a downturn in the advertising market in the second half of 2016, the Board agreed to maintain an increased level of content spend, including the 2016 Rio Paralympics, to maintain creative momentum into 2017. The Committee also noted the achievement of all diversity goals for the year.

The Committee undertook a detailed review of all the information available to it, including the CEO and Executive team's 2016 Creativity, Sustainability and Diversity Report, and the Corporation's performance across a wide range of performance metrics. An extract of the performance metrics considered by the Remuneration Committee is set out on pages 170 to 171 and includes programme quality, creative achievements, viewing share, diversity targets, ad sales performance, VoD viewing and commercial impact performance in key demographics. The creative achievements and financial results are also outlined in detail throughout this Annual Report.

The Committee determined that 2016 had been another impressive year of remit delivery. From a creative perspective there had been major television and film awards (pages 90 to 97) and successful programmes across every genre. In addition, the Corporation maintained or increased its lead over other broadcasters compared to 2015 across a range of the Statement of Media Content Policy ('SMCP') metrics (pages 60 to 87). The Committee recognise that in the pursuit of creative innovation not all endeavours will be successful; however, overall 2016 had been another strong year of creative performance.

The Committee also determined there had been strong commercial performance in spite of increased economic uncertainty, with the Corporation reporting record revenue and content results. Revenue was aided by new initiatives such as the Commercial Growth Fund. Digital revenues grew by 24% and Channel 4's digital platform, All 4, which was launched in 2015, achieved 14.9 million registered viewers by the end of 2016. The Indie Growth Fund progressed with a further two companies benefiting from investment in 2016, taking the total portfolio to 11 companies.

Channel 4 reached an important milestone in 2016, with daytime viewing share on Channel 4 improving for the first time since 2006. Performance in peak-time, where the majority of content investment is concentrated, was relatively stable following several years of investment in the schedule and multiple successes on-screen in every genre. The portfolio share for the year was 10.5% (pages 82 and 170), marginally short of the 10.6% achieved in 2015, due in part to viewing pressure from a summer of significant sports events. In spite of the success of some key initiatives, the key ABC1 demographic and the 16–34-year-old demographic share both declined.

After a careful and detailed consideration of performance for 2016, the Committee recommended that, following an exceptional year of creative performance and a year of strong commercial performance taking into account the economic backdrop and Board decisions to maintain content investment towards the end of 2016, staff should receive an average of 90% of their maximum opportunity under the Corporate Variable Pay Scheme. Actual awards for each staff member varied from this average to reflect their individual achievement against personal performance objectives.

Members' Remuneration Report continued

Advertising Sales Scheme

Staff working within advertising sales have a separate Advertising Sales Scheme, linked to advertising revenue and paid bi-annually based on performance. They are not eligible for the Corporate Variable Pay Scheme, with the exception of Executive Member Jonathan Allan whose variable pay comprises a 50:50 split between the Advertising Sales Scheme and the Corporate Variable Pay Scheme.

Variable pay awards to Executive Members

The Committee made the following awards to Executive Members in respect of 2016 performance:

- David Abraham was awarded an amount of 45% of year-end salary under the Corporate Variable Pay Scheme
- Jay Hunt was awarded an amount of 36% of year-end salary under the Corporate Variable Pay Scheme
- Dan Brooke was awarded an amount of 40% of year-end salary under the Corporate Variable Pay Scheme
- Jonathan Allan was awarded an amount of 36% of the half of his year-end salary which is subject to the Corporate Variable Pay Scheme. He also received £118,214 through the Advertising Sales Scheme

Taxable benefits

Executive Members are eligible for a range of taxable benefits, which can include a pension allowance and membership of a private medical insurance scheme (which is provided to all staff). In line with the Corporation's expenses policy, no expenses claimed by Executive Members were chargeable to UK income tax as they were incurred wholly for the purposes of the business of the Corporation.

Pension

The Corporation has two pension schemes: a defined contribution scheme open to all staff, and a defined benefit scheme which is closed to new entrants and closed to future accrual from 31 December 2015. Further details relating to the defined benefit plan are provided in note 18 to the financial statements.

All of the Executive Members received cash payments in lieu of pension benefits in 2016.

Non-Executive Members are not eligible for membership of either pension scheme.

The following provisions of the report are not subject to audit:

CEO remuneration table

The table below shows the percentage change in remuneration of David Abraham, the CEO, and the Corporation's employees as a whole between the years 2015 and 2016:

	CEO	All staff
Salary and fees	+2.75%	+2.75%
Variable pay	+36%	+12%
Total	+9%	+3%

The Group is not presenting a table on CEO pay in comparison to Total Shareholder Return as it is a statutory corporation without shareholders and the requirements are therefore not applicable.

Payment for loss of office

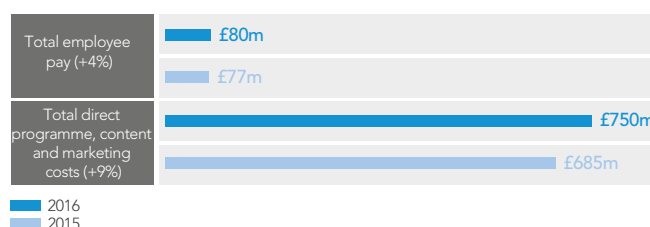
No payments were made for loss of office in 2016 to Executive Members, and at the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office to Executive Members.

Payment to past Members

No payments were made to past Members in 2016.

Relative importance of spend on pay

The graph below shows the actual expenditure of the Group and the change between the current and previous years.



The Members have chosen the change in total direct programme, content and marketing costs as disclosed in note 2 to the financial statements as the comparative measure for relative spend on pay as it is considered to be the most significant indicator in understanding total Corporation expenditure year-on-year. Employee pay was approximately 11% (2015: 11%) of on-screen expenditure.

Total employee pay is detailed in note 4 to the financial statements.

By Order of the Board

STEWART PURVIS

Chair of the Remuneration Committee
24 April 2017

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Members' Remuneration Report continued

Remuneration policy for 2017

The remuneration of Executive Members is determined by the Remuneration Committee, the membership and terms of reference of which are detailed on page 128. In framing its remuneration policy, the Committee has given full consideration to the best practice provisions of the UK Corporate Governance Code. There have been no significant changes to the Remuneration Policy for 2017.

Future policy table

The following table sets out the key components of the remuneration package for Executive Members:

Component	How this supports the strategic aims of the Group	How this operates	Maximum amount payable	Performance measures
Salary	Offering competitive remuneration packages helps the Corporation attract, motivate and retain a high calibre Executive team.	Salaries are paid monthly. The Remuneration Committee discusses the performance of each Member with the Chair of the Board and with the Chief Executive for other Executive Members.	Annual salaries for the year to 31 December 2017 are as follows: David Abraham – £568,958 Jay Hunt – £500,000 Jonathan Allan – increase from £359,625 to £380,000 with effect from 1 April 2017 Dan Brooke – £313,368 Salaries are usually reviewed annually in the first quarter of the year.	None.
Taxable benefits		The Corporation offers a range of benefits to all staff including private medical insurance. Other benefits such as life assurance are available through a flexible benefits scheme.	The value of private medical insurance in 2017 is expected to be £850 per Executive Member.	None.
Pensions		The Corporation currently offers a defined contribution pension scheme for new staff. Certain Executive Members also receive cash payments in lieu of pension benefits.	The maximum amount contributed by the Corporation under the defined contribution scheme is 13% of pensionable salary. David Abraham, Jay Hunt, Jonathan Allan and Dan Brooke receive cash payments in lieu of pension benefits.	None.
Variable pay		All of the Executive team participate in the Corporate Variable Pay Scheme. Payout is determined annually by the Remuneration Committee shortly after the financial year end based on performance and paid in March following the year end. Jonathan Allan's variable pay comprises a 50:50 split between the Advertising Sales Scheme and the Corporate Variable Pay Scheme.	The Corporate Variable Pay Scheme will pay up to 50% of total gross salary for the Chief Executive and up to 40% for the rest of the Executive Members. The Advertising Sales Scheme is linked to advertising revenue and paid bi-annually throughout the year based on performance.	The Remuneration Committee agreed that the Corporate Variable Pay Scheme for 2017 will remain largely unchanged from 2016 and continue to be focused clearly on the two common purposes of the organisation recognised by all staff: creative achievement and financial sustainability. Details of the scheme are set out on page 130.

None of the components of remuneration contain any provisions for recovery of sums paid.

Members' Remuneration Report continued

The following table sets out the key components of the remuneration package for Non-Executive Members:

Component	Purpose	Operation
Fees	The Non-Executive Members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations.	<p>Fees are set by Ofcom, paid monthly and reviewed periodically.</p> <p>Annual fees for the year to 31 December 2017 are expected to be:</p> <p>Chair – £95,000 Deputy Chair – £29,940 Other Non-Executive Members – £22,177</p>

No other components of remuneration are available for Non-Executive Members.

Policy on payment for loss of office

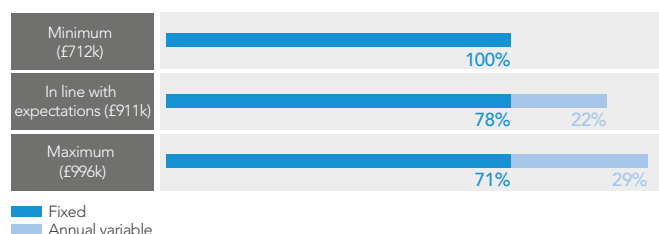
The service contracts of all the Executive Members are subject to notice periods of one year or less. The Committee's policy is to make payments in line with contractual obligations covering payment in lieu of notice including base salary and other benefits.

The Remuneration Committee will consider what compensation commitments (including pension contributions and all other elements) the Executive Members' terms of appointment would entail in the event of early termination. The aim of this is to avoid rewarding poor performance.

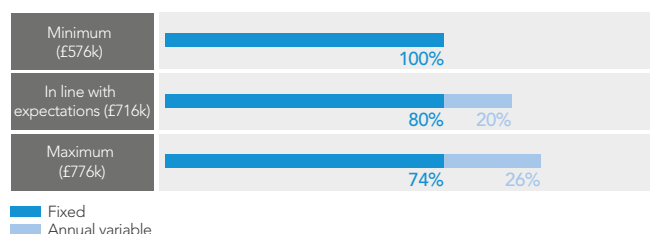
Illustration of application of remuneration policy

The graphs below represent the variations in the remuneration at different levels of performance for the 2017 remuneration policy for the Executive Members:

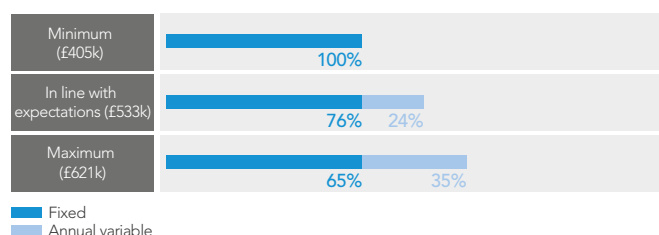
Chief Executive Officer



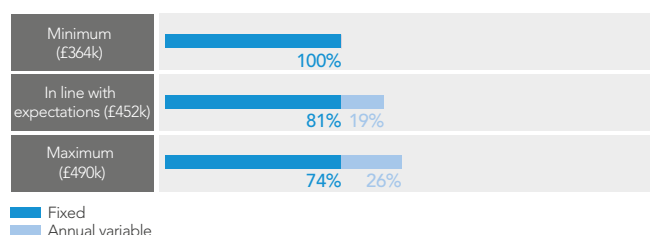
Chief Creative Officer



Director of Sales



Chief Marketing and Communications Officer



Audited information

The Members' Remuneration Report (pages 128 to 133), where indicated, has been audited by the Corporation's auditor in accordance with Schedule 8 of the Companies Act 2006 as if those requirements were to apply to the Corporation.

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Consolidated income statement for the year ended 31 December

	Note	2016 £m	2015 £m
Revenue	1	995	979
Cost of transmission and sales	2	(986)	(923)
Gross surplus		9	56
Other operating expenditure	3	(27)	(32)
Operating (deficit)/surplus		(18)	24
Net finance expense	5	–	(1)
Share of profit of investments accounted for using the equity method, net of income tax and amortisation	7	3	3
(Deficit)/surplus before tax		(15)	26
Income tax expense	6	(3)	–
(Deficit)/surplus for the year		(18)	26

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2016 £m	2015 £m
(Deficit)/surplus for the year		(18)	26
Net remeasurement (deficit)/surplus on pension scheme	18	(2)	12
Revaluation of freehold land and buildings	9	2	12
Deferred tax on pension scheme	11	–	(2)
Deferred tax on revaluation of freehold land and buildings	11	–	4
Other comprehensive income for the year		–	26
Total comprehensive (cost)/income for the year		(18)	52

None of the items in comprehensive income will be reclassified to the income statement.

Consolidated statement of changes in equity for the year ended 31 December

	Retained earnings			Total equity £m
	Other retained earnings £m	Content reserve £m	Revaluation reserve £m	
At 1 January 2015	374	30	39	443
Surplus for the year	26	–	–	26
Other comprehensive income	10	–	16	26
Total comprehensive income for the year	36	–	16	52
Reserve transfer	(20)	20	–	–
At 31 December 2015	390	50	55	495
At 1 January 2016	390	50	55	495
Deficit for the year	(18)	–	–	(18)
Other comprehensive (cost)/income	(2)	–	2	–
Total comprehensive (cost)/income for the year	(20)	–	2	(18)
Reserve transfer	15	(15)	–	–
At 31 December 2016	385	35	57	477

We established a content reserve in 2014 to ensure surpluses generated are re-invested into our creative ambition in order to deliver on our remit. Our aim is to maintain an overall financial break-even position in the long term. We have drawn down £15 million from the content reserve in 2016, reducing it to £35 million at 31 December 2016.

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Consolidated balance sheet as at 31 December

	Note	2016 £m	2015 £m
Assets			
Investments accounted for using the equity method	7	32	29
Other investments	8	10	–
Property, plant and equipment	9	110	112
Intangible assets	10	7	5
Deferred tax assets	11	13	16
Total non-current assets		172	162
Programme and film rights	12	279	254
Trade and other receivables	13	170	178
Other financial assets	14	83	87
Cash and cash equivalents	14	132	165
Total current assets		664	684
Total assets		836	846
Liabilities			
Employee benefits – pensions	18	(52)	(56)
Provisions	16	(1)	(1)
Total non-current liabilities		(53)	(57)
Trade and other payables	15	(306)	(293)
Provisions	16	–	(1)
Total current liabilities		(306)	(294)
Total liabilities		(359)	(351)
Net assets		477	495
Revaluation reserve		57	55
Retained earnings:			
Content reserve		35	50
Other retained earnings		385	390
Total equity		477	495

The financial statements on pages 134 to 161 were approved by the Members of the Board on 24 April 2017 and were signed on its behalf by:

CHARLES GURASSA
Chair

DAVID ABRAHAM
Chief Executive

The notes on pages 138 to 161 form part of these financial statements.

Consolidated cashflow statement for the year ended 31 December

	Note	2016 £m	2015 £m
Cashflow from operating activities			
(Deficit)/surplus for the year		(18)	26
<i>Adjustments for</i>			
Income tax expense	6	3	—
Depreciation	9	6	6
Amortisation of intangibles	10	2	1
Net financial expense	5	—	1
Share of profit from investments accounted for using the equity method, net of income tax and amortisation	7	(3)	(3)
Current service pension cost	18	—	4
		(10)	35
Increase in programme and film rights	12	(25)	(12)
Decrease in trade and other receivables	13	8	18
Increase in trade and other payables	15	13	7
Decrease in provisions, excluding unwinding of discounts	16	(1)	—
		(15)	48
Defined benefit pension contributions	18	(8)	(11)
Tax (paid)/repaid		—	(1)
Net cashflow from operating activities		(23)	36
Cashflow from investing activities			
Acquisition of investments	7, 8	(13)	(5)
Purchase of property, plant and equipment	9	(2)	(3)
Additions to internally developed software	10	(4)	(2)
Interest received and effects of foreign exchange rates	5	2	1
Dividends received	7	3	3
Decrease/(increase) in other financial assets ¹	14	4	(17)
Net cashflow from investing activities		(10)	(23)
Net (decrease)/increase in cash and cash equivalents		(33)	13
Cash and cash equivalents at 1 January		165	152
Cash and cash equivalents at 31 December		132	165

1 Amounts invested in term deposits of three months or longer and other funds with time restricted access.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Group accounting policies

Introduction

Channel Four Television Corporation ('Channel 4') is a statutory corporation domiciled in the United Kingdom. The consolidated financial statements of Channel 4 for the year ended 31 December 2016 comprise Channel 4 and its subsidiaries (together referred to as the 'Group') and the Group's investments accounted for using the equity method. Channel 4's Company financial statements present information relating to Channel 4 as a separate entity and not about its Group.

The financial statements were authorised for issue by the Members on 24 April 2017. The registered office of Channel 4 is 124 Horseferry Road, London SW1P 2TX.

Basis of preparation

The financial statements of the Group have been prepared and approved by the Members in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). The Corporation's individual financial statements have been prepared under the Financial Reporting Standard 101 *Reduced Disclosure Framework*.

The financial statements as a whole have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of HM Treasury, and are principally prepared under the historical cost convention (except that freehold properties, derivatives and certain financial instruments are stated at fair value). In line with IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial statements are presented in pounds Sterling, rounded to the nearest million.

The preparation of financial statements in accordance with IFRS requires the use of estimation 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 reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant risk of material adjustment on the financial statements and estimates are summarised as follows:

- Revenue recognition – timing of recognition to reflect the point or period when the Group has transferred the main risks and rewards of ownership to third parties (detailed policy on page 139)
- Programme and film rights (detailed policy on pages 140 to 141)
 - Estimate of value with reference to the quality of programme that has ultimately been delivered and its expected viewing performance
 - Estimate of future revenues from distribution when evaluating the carrying value of film rights held for exploitation

Going concern

The annual financial statements have been prepared on a going concern basis where the Members have a reasonable expectation that the Group will continue in operational existence, as set out in the Report of the Members.

The Group has sufficient financial resources, and the Members believe that the Group is well placed to manage its business risks based on normal business planning and control procedures.

As discussed on page 105, Ofcom have renewed Channel 4's licence. The new ten-year licence came into effect in January 2015.

In addition, notes 13 to 15 to the financial statements include the Group's approach to financial risk management, including its financial instruments and hedging activities and its exposures to liquidity and credit risks.

Basis of consolidation

A subsidiary is an entity that is controlled by the Group. Control exists when the Group has exposure, or has rights, to variable returns from its involvements with the investee and has the ability to affect those returns through its power over the investee. The Group has rights that give it the current ability to direct the relevant activities of the investee (i.e. the activities that significantly affect the investee's returns). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Investments in associates and joint ventures are accounted for using the equity method.

Associates are those entities over which the Group has significant influence. Where the Group holds 20% or more of the voting power (directly or through subsidiaries) of an investee, it will be presumed the Group has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, it will be presumed the Group does not have significant influence unless such influence can be clearly demonstrated. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

Joint arrangements are those entities over whose activities the Group has joint control. Joint control is established by a contractual agreement whereby the decisions about the relevant activities (i.e. the activities that significantly affect the investee's returns) of the entity require the unanimous consent of the two or more parties sharing joint control of the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under equity accounting, the consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases or until the associate or joint venture is classified as held for sale.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

Cost contributions to the Group's other not-for-profit, cost-sharing investments are charged to the income statement in the period to which they relate.

Group accounting policies continued

Intra-Group balances and any unrealised gains and losses or income and expense arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the equity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies

A summary of the Group and Channel 4 significant accounting policies that are material in the context of the accounts is set out below. All accounting policies have been applied consistently in all material respects to all periods presented in these financial statements.

A number of new standards, amendments to standards and interpretations have been issued and became effective on 1 January 2016. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Revenue recognition

Revenues are stated net of value added tax and are recognised when persuasive evidence of a sale exists, a service has been performed, and when collectability is reasonably assured. Each of the Group's significant revenues are recognised as described below:

Advertising and sponsorship revenues

Revenues are stated net of advertising agency commissions and rebates.

Television advertising revenue and online advertising revenue are recognised on transmission of the advertisement. Revenue from sponsorship of the Group's programmes and films is recognised on a straight-line basis in accordance with the transmission schedule for each sponsorship campaign.

Commission earned from advertising representation for third parties, including The Box Plus Network Limited, is recognised on transmission of the related advertisements in line with contractual arrangements. As the Group acts as an agent for these parties, and does not have exposure to the significant risks and rewards of the sale, the gross advertising sales of these arrangements are not recognised in revenue, but the commission earned by the Group in its capacity as agent is.

Revenues are recognised from barter and other similar contractual arrangements involving advertising when the services exchanged are dissimilar. Revenues are measured with reference to the fair value of the goods or services received.

Other revenues

Revenues earned from syndicating content to third-party online platforms are typically generated from some or all of the following contractual arrangements:

- Milestones – non-refundable milestone payments are recognised once the Group's performance obligations are satisfied, for example upon launch
- Ongoing service fees – revenue is recognised on a straight-line basis over the contract term as service obligations are performed
- Pence-per-view or revenue share – revenues are calculated based on the number of content views and are recognised when the amounts can be reliably measured

Revenues generated from the exploitation of developed film rights (for example, from theatrical box office releases) are recognised when revenues can be reliably measured.

Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments'. Segments are aggregated only where the nature of the products and services provided are similar and where the segments have similar economic characteristics.

The chief operating decision-maker has been identified as the Channel 4 Board. Segments follow management reporting to the Board in order to make decisions on the allocation of resources within the Group.

Taxation

Tax on the surplus or deficit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is also recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income 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 timing differences are not provided for: the initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and joint ventures 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 asset can be utilised.

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised using the equity method, where the investment is recorded at cost and adjusted thereafter to include the Group's share of profit or loss and other comprehensive income.

Other investments

Other investments includes equity holdings without significant influence. Equity investments are normally carried at fair value in accordance with IFRS 13 'Fair Value Measurement'. Where an active market value is not available or when it is not possible to measure fair value, the investment is recorded at cost less provision for impairment. The Members believe that this valuation reflects a reasonable approximation of fair value.

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Group accounting policies continued

Property, plant and equipment

Freehold land and buildings are stated at open market valuation (fair value) and are revalued at 31 December each year. Directions from the Secretary of State for Culture, Media and Sport require freehold land and buildings to be valued at current value. The Members believe that the fair open market value approximates the current value.

Any gain arising from a change in fair value is recognised directly in other comprehensive income, unless the gain reverses an impairment of the same asset previously recognised in the income statement, in which case it is also recognised in the income statement. Any loss arising from a change in fair value is charged directly to other comprehensive income to the extent of any credit balance existing in the revaluation surplus of that asset. Otherwise, the loss is recognised in the income statement.

Fixtures, fittings and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost or valuation of the asset evenly, on a straight-line basis, over its estimated useful life.

Useful lives are estimated taking into account the rate of technological change and the intensity of use of each asset. The annual rates used for this purpose are as follows:

Freehold buildings	2%
Computer hardware	25%–50%
Office equipment and fixtures and fittings	25%
Technical equipment	14%–25%

Freehold land is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or other changes in circumstances indicate that the carrying values may not be recoverable. Where an indicator of impairment exists, an estimate is made of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

Intangible assets

Expenditure on internally developed computer software applications is capitalised to the extent that the project is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits. The expenditure capitalised includes the cost of software licences, direct staff costs and consultancy costs.

Amortisation of capitalised software development costs is charged to the income statement on a straight-line basis over the estimated useful lives of the assets from the date that they are available for use. For capitalised computer software, the estimated useful life is between two and five years.

Other intangible assets acquired by the Group are stated at cost less accumulated amortisation and any provision for impairment. Where assets are considered to have finite lives, amortisation is charged to the income statement on a straight-line basis over their estimated useful life.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested annually for impairment.

Impairment

An impairment charge is recognised if the carrying value of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment charges are recognised in the income statement.

The carrying values of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cashflows for the specific asset, or if the asset does not generate independent cashflows, the discounted future net cashflows for the cash-generating unit to which it belongs.

Estimates are used in deriving these cashflows and the discount rate that reflects current market assessments of the risks specific to the asset and the time value of money. The complexity of the estimation process, including projected performance, the discount rate and long-term growth rate applied, affects the amounts reported in the financial statements.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairments

An impairment charge in respect of freehold land and buildings is reversed in the event of a subsequent increase in fair value. Such a gain is recognised in other comprehensive income, unless the gain reverses an impairment of the same asset previously recognised in the income statement, in which case it is also recognised in the income statement.

An impairment charge in respect of goodwill is not reversed.

In respect of other assets, an impairment charge is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Programme and film rights

All programme and film rights are valued at the lower of the direct cost incurred up to the balance sheet date and value to the Group. Development expenditure is included in programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme, or a 'green-lit' film, directly to the income statement.

Programme and acquired film rights

Direct cost

Direct cost is defined as payments made or due to programme suppliers.

Value to the Group

Consistent with Channel 4's business model, in which programmes that generate more revenue cross-subsidise programmes with a higher public but sometimes lower commercial value, the value to the Group of the programme and acquired film rights portfolio is assessed on an aggregate basis.

This assessment is overlaid by an evaluation of individual programmes when there is an indicator that the value of these specific programmes may be less than originally envisaged. Value to the Group of individual programmes is assessed both qualitatively and quantitatively, with reference to the quality of programme that has ultimately been delivered and its expected viewing performance.

In certain instances Channel 4 is committed to funding the acquisition or production of specific programmes where the value to the Group no longer warrants the level of expenditure to which the Group is committed. In these instances provision is first made against the costs incurred to date and then a liability recognised to reflect the unavoidable costs in relation to the remaining commitment.

Group accounting policies continued

Amortisation

Programme and acquired film rights are exploited by transmission on the Channel 4 suite of channels. The cost of broadcast programmes and acquired films are wholly written off on first transmission, except for certain feature films, sports rights and certain acquired series, the costs of which are written off over more than one transmission in line with the expected value to the Group.

Developed film rights

Direct cost

Direct cost is defined as payments made or due to the film producer.

Value to the Group

Developed film rights are exploited both through broadcast on Channel 4's suite of channels and through distribution.

Broadcast film rights are assessed in the same way as programme and acquired film rights.

To the extent that developed film rights are expected to generate revenue, where Channel 4's share of distribution revenues the film is anticipated to earn does not support the associated cost held within inventory, provision is made. The main assumptions employed to estimate future distribution revenues are minimum guaranteed contracted revenues and sales forecasts by territory.

Amortisation

Broadcast film rights are amortised in the same way as programme and acquired film rights.

Developed film rights expected to generate future revenues from distribution are held on the balance sheet and expensed to the income statement in the proportion that the revenue in the year bears to the estimated ultimate revenue, after provision for any anticipated shortfall.

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts. The fair value of trade and other receivables equals its book value. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are estimated as the present value of future cashflows discounted at the market rate of interest at the reporting date.

Other financial assets

Other financial assets comprise deposits of three or more months' duration and other funds with time restricted access, and are stated at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits of less than three months' duration from the date of placement, including money market funds repayable on demand.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Derivative financial instruments

The Group transacts in a number of currencies as well as Sterling, and is a net purchaser of Euros and US Dollars. Certain exposures to fluctuations in exchange rates are managed by transactions in the forward foreign exchange markets. These derivative financial instruments are stated at fair value based on quoted market rates. Changes in the fair value of these derivative financial instruments are recognised in the income statement. The Group does not hold or issue derivative financial instruments for trading purposes.

Channel 4 has not sought to apply hedge accounting treatment for any of its foreign exchange hedging activity in either of the years presented. As a result, changes in the fair value of hedging instruments have been recognised in the income statement as they have arisen.

Where Channel 4 has identified forward foreign exchange derivative instruments within certain contracts (embedded derivatives), these have been included in the balance sheet at fair value. Fair value of these derivatives is determined by reference to quoted market rates. The value of the derivatives is reviewed on an annual basis or when the relevant contract matures.

Leases

Assets held under finance leases (those in which the Group assumes substantially all the risks and rewards of ownership) are treated as property, plant and equipment and depreciation is charged accordingly. The capital elements of future obligations are recorded as liabilities. Interest is charged to the income statement over the period of the lease in proportion to the capital outstanding.

All other leases are treated as operating leases. The rental costs arising from operating leases are charged to the income statement in the year in which they are incurred.

Employee benefits – pensions

Defined benefit scheme

The Group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine a value at today's prices, and deducting the fair value of scheme assets at bid price. The assumed discount rate for the liabilities is the current rate of return of high-quality corporate bonds with similar maturity dates.

The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurement gains and losses that arise in calculating the Group's obligation in respect of the plan are recognised directly in other comprehensive income within the statement of comprehensive income in the period in which they arise. The current service cost and net interest are recognised in the income statement.

Defined contribution scheme

Obligations under the Group's defined contribution scheme are recognised as an expense in the income statement as incurred.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is significant, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Before provisions are established in relation to onerous contracts, impairment reviews are carried out and impairment charges recognised on assets dedicated to the contract.

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Notes to the consolidated financial statements

1. Segment reporting

The reportable segments are shown in accordance with IFRS 8 'Operating Segments'. The segments are measured in a manner consistent with the management reports reviewed by the Board, which is considered to be the chief operating decision-maker. Summaries of the principal activities, products and services and financial performance for each segment are provided within the Strategic Report on pages 108 to 109.

Segment results, assets and liabilities include items directly attributable to a segment, along with certain costs which are allocated on an equitable basis in accordance with the Group's cost allocation policies. All costs and revenues are fully allocated across the segments.

Inter-segment pricing is determined on an arm's length basis.

Gross revenues from transactions with one individual external customer comprised more than 10% of the Group's revenues in 2016, amounting to £169 million (2015: one external customer amounting to £159 million). The Group's major customers are all media buying agencies and these revenues are attributable to the 4Broadcast segment. Approximately 3% of the Group's revenues (2015: 3%) are attributable to external customers outside the UK and these are therefore not separately presented.

The following is an analysis of the Group's investment in content and revenue by reportable segment:

Year ended 31 December 2016	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Programme and other content	(706)	–	–	–	(706)
Funded by:					
Total revenue	912	82	1	–	995
Operating (deficit)/surplus	(60)	42	–	–	(18)
Net finance expense					–
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					3
Deficit before tax					(15)

Programme and other content is comprised of investment into content across all services (the main channel, digital TV channels and digital media services) of £695 million (2015: £629 million), access services (subtitling, audio description and signing) and amounts due to collection societies. Programme and content spend is typically funded by television advertising and other commercial operations but can also be funded by the content reserve in years when a deficit arises following creative investment.

Balance sheet as at 31 December 2016	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Segment assets	896	224	29	(313)	836
Segment liabilities	(572)	(24)	(76)	313	(359)
Net assets/(liabilities)	324	200	(47)	–	477

Notes to the consolidated financial statements continued

1. Segment reporting continued

Year ended 31 December 2015	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Programme and other content	(640)	(1)	–	–	(641)
Funded by:					
Total revenue	906	72	1	–	979
Operating (deficit)/surplus	(4)	28	–	–	24
Net finance expense					(1)
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					3
Surplus before tax					26
Balance sheet as at 31 December 2015	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Segment assets	915	181	29	(279)	846
Segment liabilities	(531)	(23)	(76)	279	(351)
Net assets/(liabilities)	384	158	(47)	–	495

2. Cost of transmission and sales

	Programme and other content £m	Indirect programme costs £m	Transmitter and regulatory costs £m	Cost of sales £m	Cost of marketing £m	Total £m
2016						
4Broadcast	706	46	90	61	43	946
4Rights	–	16	4	18	1	39
Other	–	–	–	1	–	1
Continuing operations	706	62	94	80	44	986
	Programme and other content £m	Indirect programme costs £m	Transmitter and regulatory costs £m	Cost of sales £m	Cost of marketing £m	Total £m
2015						
4Broadcast	640	42	90	65	43	880
4Rights	1	15	4	21	1	42
Other	–	–	–	1	–	1
Continuing operations	641	57	94	87	44	923

FINANCIAL REPORT AND STATEMENTS

CONTINUED

Notes to the consolidated financial statements continued

3. Other operating expenditure

Other operating expenditure includes:

	2016 £m	2015 £m
Depreciation of property, plant and equipment (note 9)	6	6
Amortisation of intangible assets (note 10)	2	1
Restructuring costs	1	2
Operating lease rentals	2	2
Other administrative expenses	16	21
Other operating expenditure	27	32

Auditor's remuneration

Fees in respect of services provided by the auditor were:

	2016 £000	2015 £000
Audit of these financial statements	150	147
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	20	23
Other audit related and assurance	42	41
Total audit and assurance	212	211
Taxation compliance services	–	31
All other services	184	71
Total other services	184	102
Auditor's remuneration	396	313

4. Employee expenses and information

A detailed analysis of Members' remuneration, including salaries and variable pay, is provided in the Members' Remuneration Report.

The direct costs of all employees, including Members, appear below:

	2016 £m	2015 £m
Aggregate gross salaries	69	65
Employer's National Insurance contributions	7	6
Employer's defined benefit pension current service cost (note 18)	–	4
Employer's defined contribution pension contributions	4	2
Total direct costs of employment	80	77

In addition to the above, in 2016 £1 million of costs were expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the Group (2015: £2 million).

As disclosed in the Members' Remuneration Report on page 129, the total remuneration of the Executive and Non-Executive Members for the year ending 31 December 2016 is £2,939,000 (2015: £2,784,000).

Notes to the consolidated financial statements continued

4. Employee expenses and information continued

The salary multiple of highest paid to median employee was as follows:

	2016 £000	2015 £000
Total remuneration of highest paid employee (page 129)	957	881
Total remuneration of median employee	59	57
Multiple of highest paid to median employee	16.2	15.5

Total remuneration is defined as base salary, variable pay, employer pension contribution and other benefits.

The average number of employees, including Executive Members, was as follows:

	2016 Number	2015 Number
4Broadcast		
Commercial	230	235
Creative	250	252
Operational	282	279
4Talent	17	13
4Rights	35	40
Group total	814	819
 Permanent employees	 770	 773
Contract staff	44	46
Group total	814	819

The average number of employees is computed on a Full Time Equivalent basis where any individual working less than 37 hours a week is classified as 0.5 of a full head. If headcount reflected the actual proportion of hours worked in a week for each individual employee, the average number of employees in 2016 would be 842.

FINANCIAL REPORT AND STATEMENTS

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Notes to the consolidated financial statements continued

5. Net finance expense

Net finance expense recognised in the year comprised:

	2016 £m	2015 £m
Interest receivable on short-term deposits	1	1
Foreign exchange gain on forward contracts	1	–
Net interest expense on pension scheme (note 18)	(2)	(2)
Net finance expense	–	(1)

6. Income tax expense

The taxation charge is based on the taxable profit for the year and comprises:

	2016 £m	2015 £m
Current tax:		
Current year	–	1
Deferred tax: origination and reversal of temporary differences (Note 11)		
Current year	3	(2)
Prior year	–	1
Total income tax expense	3	–

Corporation tax is charged at the standard UK rate of 20.0% for the year (2015: 20.25%).

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Corporation's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Reconciliation of income tax:

	2016 Rate	2016 £m	2015 Rate	2015 £m
(Deficit)/surplus before income tax		(15)		26
Income tax using the domestic corporation tax rate	20.00%	(3)	20.25%	5
Effects of:				
Non-deductible expenses		1		1
Non-taxable gains		(1)		(1)
Utilisation of unrecognised trading losses brought forward		–		(5)
Recognition of deferred tax on trading losses carried forward		–		(2)
Deferred tax not recognised		5		1
Other tax adjustments		1		1
Total income tax expense		3		–

The income tax expense excludes the Group's share of income tax of investments accounted for using the equity method of £1 million (2015: £1 million) which has been included in the Group's share of post-acquisition profits, net of income tax (note 7).

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	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

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Notes to the consolidated financial statements continued

7. Investments accounted for using the equity method continued

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	–

Notes to the consolidated financial statements continued

8. Other investments

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.

FINANCIAL REPORT AND STATEMENTS

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Notes to the consolidated financial statements continued

9. Property, plant and equipment

	Freehold land and building £m	Fixtures, fittings and equipment £m	Assets under construction £m	Total £m
Cost or valuation				
At 1 January 2015	85	134	–	219
Additions	–	3	–	3
Disposals	–	(29)	–	(29)
Revaluation	11	–	–	11
At 31 December 2015	96	108	–	204
At 1 January 2016	96	108	–	204
Additions	–	1	1	2
Revaluation	1	–	–	1
At 31 December 2016	97	109	1	207
Depreciation				
At 1 January 2015	–	116	–	116
Charge for the year	1	5	–	6
Disposals	–	(29)	–	(29)
Revaluation	(1)	–	–	(1)
At 31 December 2015	–	92	–	92
At 1 January 2016	–	92	–	92
Charge for the year	1	5	–	6
Revaluation	(1)	–	–	(1)
At 31 December 2016	–	97	–	97
Net book value				
At 1 January 2016	96	16	–	112
At 31 December 2016	97	12	1	110
At 1 January 2015	85	18	–	103
At 31 December 2015	96	16	–	112

There is a £1 million commitment to purchase property, plant and equipment at the balance sheet date (2015: £1 million). There are no material assets held under finance leases at the balance sheet date (2015: none). No assets have been pledged for security (2015: none).

Valuation of freehold property

The freehold property at 124 Horseferry Road, London SW1P 2TX was valued at 31 December 2016 by external valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the Members believe approximates to current value. In reaching their conclusions, the valuers have paid attention to comparable transactions which have taken place in recent months within the Victoria area of London.

The open market value for this property was £97 million (2015: £96 million). After depreciation charged on the open market value at 31 December 2016 (£1 million), a gain on revaluation of £2 million has been recognised in the Statement of Other Comprehensive Income.

If freehold property had not been revalued it would have been included in the financial statements at the following amounts:

	2016 £m	2015 £m
Cost	62	62
Accumulated depreciation	(21)	(20)
Impairment	(6)	(6)
Net book value based on cost	35	36

Notes to the consolidated financial statements continued

10. Intangible assets

	Goodwill £m	Developed software £m	Broadcasting licence £m	Software under construction £m	Total £m
Cost					
At 1 January 2015	–	23	5	–	28
Additions	2	2	–	–	4
At 31 December 2015	2	25	5	–	32
At 1 January 2016	2	25	5	–	32
Additions	–	1	–	3	4
At 31 December 2016	2	26	5	3	36
Amortisation					
At 1 January 2015	–	21	5	–	26
Amortisation for the year	–	1	–	–	1
At 31 December 2015	–	22	5	–	27
At 1 January 2016	–	22	5	–	27
Amortisation for the year	–	2	–	–	2
At 31 December 2016	–	24	5	–	29
Carrying amount					
At 1 January 2016	2	3	–	–	5
At 31 December 2016	2	2	–	3	7
At 1 January 2015	–	2	–	–	2
At 31 December 2015	2	3	–	–	5

Goodwill represents goodwill arising on the acquisition of Global Series Network Limited ('GSN') on 30 July 2015.

Developed software represents amounts capitalised on internally developed computer software, principally in relation to the management of advertising and sponsorship revenues, and programme scheduling applications meeting the recognition criteria for internally generated intangible assets.

The broadcast licence, acquired in 2007, was fully amortised as at 31 December 2012.

FINANCIAL REPORT AND STATEMENTS

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Notes to the consolidated financial statements continued

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 17% (2015: 18%) reflecting the corporation tax rate substantially enacted as at 31 December 2016.

	Assets 2016 £m	Assets 2015 £m	Liabilities 2016 £m	Liabilities 2015 £m	Net 2016 £m	Net 2015 £m
Property, plant and equipment	2	2	–	–	2	2
Employee benefits	9	10	–	–	9	10
Trading losses	2	3	–	–	2	3
Revaluation of freehold land and buildings	–	–	–	–	–	–
Other short-term timing differences	–	1	–	–	–	1
Group deferred tax assets	13	16	–	–	13	16

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2016 £m	2015 £m
Carried forward capital losses	1	1
Carried forward trading losses	5	–
Tax assets	6	1

Unrecognised deferred tax assets include losses carried forward that the Group is not yet able to utilise. A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised (either now or in later accounting periods).

Movements in temporary differences during the year

The amount of deferred tax recognised in the income statement in respect of each type of temporary timing difference is as follows:

	Balance at 1 Jan 2016 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 Dec 2016 £m
Property, plant and equipment	2	–	–	2
Employee benefits	10	(1)	–	9
Trading losses	3	(1)	–	2
Other short-term timing differences	1	(1)	–	–
Group deferred tax assets	16	(3)	–	13

	Balance at 1 Jan 2015 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 Dec 2015 £m
Property, plant and equipment	2	–	–	2
Employee benefits	14	(2)	(2)	10
Trading losses	2	1	–	3
Revaluation of freehold land and buildings	(4)	–	4	–
Other short-term timing differences	(1)	2	–	1
Group deferred tax assets	13	1	2	16

Notes to the consolidated financial statements continued

12. Programme and film rights

	2016 £m	2015 £m
Programmes and films completed but not transmitted	94	87
Acquired programme and film rights	65	65
Programmes and films in the course of production	120	102
Total programme and film rights	279	254

Certain programmes and film rights may not be utilised within one year.

Programme and film rights to the value of £684 million were recognised as expenses in the year across the main and digital television channels (2015: £621 million). Of this amount, obsolete programmes and developments written off totalled £30 million (2015: £31 million). Programme and film rights include £30 million (2015: £22 million) in respect of developed film rights.

13. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	141	140
Prepayments and accrued income	29	38
Total trade and other receivables	170	178

Trade receivables are shown net of impairment charges amounting to £nil (2015: £nil) recognised in the current year in relation to outstanding balances from customers, the receipt of which management view as unlikely.

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade receivables

Credit risk with respect to trade receivables is principally related to amounts due from advertising agencies and retailers. A risk strategy exists to protect against exposure to these receivables working to approved terms of reference including insurance for most customers. Exposure is monitored continually and reviewed on a weekly basis, and any issues are formally reported to an executive committee chaired by the Group Financial Controller. Based on credit evaluation and discussions with both the committee and insurers, customers may be required to provide security in order to trade with the Group.

The Group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as advertising agencies must settle their debts before advertising transmissions are broadcast.

(ii) Counterparty

See interest rate risk and exposure in note 14.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure at the balance sheet date in relation to trade receivables, net of allowance for impairment, was £141 million for the Group (2015: £140 million), with £83 million of other financial assets (2015: £87 million), and cash and cash equivalents of £132 million (2015: £165 million). The exposure to credit risk all arises in the UK.

Trade receivables of £141 million for the Group (2015: £140 million) were aged under six months and were not yet due under standard credit terms at the balance sheet date. £129 million of the receivables were insured at the balance sheet date (2015: £127 million) and £141 million (2015: £135 million) has been subsequently collected by the Group since the balance sheet date.

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Notes to the consolidated financial statements continued

14. Treasury

	2016 £m	2015 £m
Bank balances	25	20
Money market funds ¹	97	105
Money market deposits maturing in less than three months	10	40
Cash and cash equivalents	132	165
Money market deposits maturing after three months	10	–
Investment funds	73	87
Other financial assets	83	87

1 Amounts held in money market funds are repayable within seven days.

There is no difference between the fair value and book value of cash, cash equivalents and other financial assets.

Cashflow information

	2016 £m	2015 £m
Cash and cash equivalents at 1 January	165	152
Other financial assets at 1 January	87	70
Total cash and cash equivalents and other financial assets at 1 January	252	222
Net cashflow from operating activities	(23)	36
Net cashflow from investing activities	(14)	(6)
Total cashflow	(37)	30
Cash and cash equivalents at 31 December	132	165
Other financial assets at 31 December	83	87
Total cash and cash equivalents and other financial assets at 31 December	215	252

Notes to the consolidated financial statements continued

14. Treasury continued

Interest rate risk and exposure

The Group invests surplus cash in fixed rate money market deposits, high interest bank accounts and variable and constant net asset value money market funds. Funds are invested only with an agreed list of counterparties that carry a minimum of an A- credit rating or equivalent from Standard and Poor's, and Moody's credit rating services with government support, or with money market funds that have an AAA credit rating from either of these credit rating services.

It is estimated that if interest rates had been 0.5% points lower/higher throughout the year, with all other variables held constant, the Group's deficit before tax would have been £1 million lower/higher (2015: £1 million).

The Group does not have any debt and as such is not exposed to fluctuations in interest rates in this regard.

The interest rate profile of the Group's cash and deposits at 31 December 2016 and 31 December 2015 is set out below:

	Effective interest rate 2016 %	Effective interest rate 2015 %	Total 2016 £m	Total 2015 £m
Interest-bearing deposits maturing in less than three months held in Sterling	0.3	0.5	122	163
Interest-bearing deposits maturing in less than three months held in foreign currencies	0.5	0.2	10	2
Total cash and cash equivalents	0.3	0.5	132	165
Money market deposits maturing after three months held in Sterling	0.4	–	10	–
Investment funds	0.9	0.6	73	87
Other financial assets	0.8	0.6	83	87

Foreign currency risk and derivative financial instruments

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than Sterling. The currencies that give rise to this risk are US Dollars and Euros. The Group uses forward exchange contracts and currency cash receipts to hedge its currency risk. Changes in the fair value of exchange contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the income statement. Both the change in the fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financial income (note 5).

The Group does not have any foreign subsidiaries and as a result is not exposed to foreign currency risk in this regard. The Group is exposed to currency movements on foreign cash holdings. Amounts held by currency are detailed above within the analysis of the Group's and Channel 4's cash and deposits.

At 31 December 2016, the total value of forward contracts used as economic hedges of monetary liabilities was £7 million (2015: £4 million). This represented eleven (2015: six) Euro forward purchase contracts of which ten had fixed maturity dates with settlement within 12 months from the balance sheet date and one had a fixed maturity date with settlement more than 12 months from the balance sheet date, and one (2015: one) US Dollar forward purchase contract with a fixed maturity date with settlement within 12 months from the balance sheet date. At 31 December 2016, these contracts were revalued with reference to forward exchange rates based on maturity. A fair value gain of £1 million (2015: £nil) has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2016. The forward contracts have been assessed as level 2 in the fair value hierarchy under IFRS 13.

It is estimated that if Sterling had strengthened/weakened by 10% at the balance sheet date against other currencies, with all other variables held constant, the Group's deficit before tax would have been £2 million lower/higher (2015: £1 million).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its assets and liabilities. These risks are managed by the Group's treasury function as described below.

The Audit Committee is responsible for approving the treasury policy for the Group. The Group's policy is to ensure that adequate liquidity and financial resource is available to support the Group's continuing activities and growth while managing the risks described above. The Group's policy is not to engage in speculative financial transactions. The Group does not seek to apply hedge accounting. The Group's treasury and funding activities are undertaken by a treasury function, which reports to the Group Finance Director. Its primary activities are to manage the Group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates within the parameters of the approved treasury policy.

Group treasury operates within clearly defined objectives and controls and is subject to periodic review by the Business Assurance function.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

15. Trade and other payables

	2016 £m	2015 £m
Trade payables	12	10
National Insurance	1	1
Other creditors	62	61
Accruals and deferred income	218	211
VAT	13	10
Total trade and other payables	306	293

There is no difference between the fair value and book value of trade and other payables. The contractual cashflows are equal to the carrying amount and are classified as payable within six months or less at 31 December 2016 and 2015.

The Group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Group Finance Director, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services in 2016, as calculated using average payable balances, was six (2015: six). This is significantly lower than the Group's standard payment terms of 30 days due to the payment arrangements required for programme and transmission costs.

Liquidity risk

Liquidity risk is the risk that the Group fails to meet its financial obligations as they fall due. The management of operational liquidity risk aims primarily to ensure that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. The cash balances held by the Group are considered to be sufficient to support the Group's medium-term funding requirements.

16. Provisions

	Onerous lease/ dilapidations £m	Restructuring costs £m	Total £m
At 1 January 2015	2	—	2
Released in the year	(1)	—	(1)
Charged to the income statement	—	1	1
At 31 December 2015	1	1	2
At 1 January 2016	1	1	2
Released in the year	—	(1)	(1)
At 31 December 2016	1	—	1

Provisions have been analysed as current and non-current as follows:

	2016 £m	2015 £m
Current	—	1
Non-current	1	1
Total	1	2

Onerous lease and dilapidations provision

Prior to 2015, the provision was an onerous contract related to a rental deficit on a building that was surplus to requirements but for which the Group had contracted commitments at the balance sheet date. In 2015, the property rental agreement was reviewed and revised, resulting in a contract that was no longer onerous. The provision as at the year end represents the discounted dilapidations cost when the property rental agreement expires in 2020.

Contingent liabilities

The Members are not aware of any legal or arbitration proceedings, pending or threatened, against any Member of the Group which gives rise to a significant contingent liability.

Notes to the consolidated financial statements continued

17. Commitments

	Due within 1 year £m	Due within 2–5 years £m	Due after 5 years £m	Total £m
2016				
Programme commitments	390	295	–	685
Operating leases	2	4	–	6
Property, plant and equipment	1	–	–	1
Total	393	299	–	692
2015				
Programme commitments	324	292	7	623
Operating leases	2	6	–	8
Property, plant and equipment	1	–	–	1
Total	327	298	7	632

In addition to the above, the Group is party to the shareholder agreement for Digital 3 and 4 Limited. The Group is committed to meeting its share of contracted costs entered into by that company.

The Group's share of Digital 3 and 4 Limited's committed payments was £22 million in 2016 (2015: £24 million) and is forecast to be £23 million in 2017. Digital 3 and 4 Limited has entered into long-term distribution contracts that expire in 2022 and 2034 and the Group is committed to funding its contractual share.

The Group is committed to paying capacity costs for transmission on the digital terrestrial and satellite network. Committed payments for digital terrestrial transmission capacity costs amounted to £24 million in 2016 (2015: £26 million) and are forecast to be £25 million in 2017. The digital terrestrial transmission contracts expire between 2018 and 2031. Committed payments for satellite transmission capacity costs were £16 million in 2016 (2015: £14 million) and are forecast to be £17 million in 2017. The satellite transmission contracts expire between 2018 and 2022.

The Group has commitments for equity subscriptions for minority shareholdings in companies in the Indie Growth Fund due within one year as disclosed in note 7.

18. Employee benefits – pensions

During 2015, the Group operated a defined benefit pension scheme – the Channel 4 Television Staff Pension Plan (the 'Plan'), providing benefits based on final salary for employees. The scheme closed to future accrual with effect from 31 December 2015 without material impact to the Group's defined benefit obligation.

Nature of benefits, regulatory framework and governance of the Plan

The Plan is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Trustees of the Plan are responsible for operating the Plan and have a statutory responsibility to act in accordance with the Plan's Trust Deed and Rules, in the best interests of the beneficiaries of the Plan, and UK legislation (including Trust law). The employer has the power to set the contributions that are paid to the Plan, following advice from the scheme actuary. However, these must be agreed by the Trustees to the extent required by Part 3 of the Pensions Act 2004 (Scheme Funding).

Risks to which the Plan exposes the employer

The nature of the Plan exposes the employer to the risk of paying unanticipated additional contributions to the Plan in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation and salary increase experience;
- lower than expected investment returns; and
- the risk that movements in the value of the Plan's liabilities are not met by corresponding movements in the value of the Plan's assets.

The sensitivity analysis disclosed on page 160 is intended to provide an indication of the impact on the value of the Plan's liabilities of the risks highlighted.

Plan amendments, curtailments and settlements

There have not been any material curtailments or settlements during the year.

FINANCIAL REPORT AND STATEMENTS

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Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

Strategic investment policy

The Trustees' primary objectives are that the Plan should meet benefit payments as they fall due; and that the Plan's funding position should remain at an appropriate level. The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Plan.

The Trustees undertook a comprehensive strategy review in 2015. The result of the 2015 review was that the Plan should have a diversified mix of UK and global equities and bonds. It was also decided that a part of the Plan's assets would be invested in a multi-asset portfolio with an absolute return focus, and that part of the Plan's bond assets would be invested in a dynamic liability driven ('LDI') portfolio, so that the Plan's assets better match its liabilities under movements in long-term interest rates and inflation assumptions.

The Trustees regularly seek advice from their investment adviser about the benchmark allocation and consider the impact of further opportunities to enhance the current investment strategy, taking into account market conditions and anticipated future cashflows.

Amounts recognised in the consolidated balance sheet

	2016 £m	2015 £m
Present value of funded obligations	(476)	(388)
Fair value of Plan assets	424	332
Recognised liability for defined benefit obligations	(52)	(56)

Movements in the fair value of Plan assets recognised in the balance sheet:

	2016 £m	2015 £m
Fair value of scheme assets at 1 January	332	323
Interest income on Plan assets	12	12
Return on Plan assets (excluding amounts in interest income)	82	(7)
Employer contributions net of charges	8	11
Employee contributions net of charges	–	1
Benefits paid	(10)	(8)
Fair value of scheme assets at 31 December	424	332

The fair value of the Plan assets at the balance sheet date is comprised as follows:

	2016 £m	2015 £m
UK equity	8	7
Overseas and emerging markets equity	100	79
Total equity securities	108	86
Corporate bonds	59	65
Index-linked gilts	–	–
Total debt securities	59	65
Multi-asset absolute return	81	79
Liability driven investments	155	84
Total investment funds	236	163
Cash and cash equivalents	21	18
Fair value of scheme assets at 31 December	424	332

The Plan assets do not include any directly or indirectly owned financial instruments issued by the Corporation.

All equities and bonds are held as part of investment portfolios which have quoted prices in active markets.

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

Movements in the present value of scheme liabilities for defined benefit obligations recognised in the balance sheet:

	2016 £m	2015 £m
Present value of scheme liabilities at 1 January	388	396
Current service cost	–	4
Interest expense on pension scheme liabilities	14	14
Remeasurement deficit on plan liabilities arising from changes in demographic assumptions	6	–
Remeasurement deficit/(gain) on plan liabilities arising from changes in financial assumptions	90	(14)
Experience remeasurement	(12)	(5)
Employee contributions net of charges	–	1
Benefits paid	(10)	(8)
Present value of scheme liabilities at 31 December	476	388

Expenses recognised in the income statement arose as follows:

	2016 £m	2015 £m
Current service cost	–	4
Net interest expense	2	2
Net charge to income statement	2	6

The expense has been recognised in the following lines in the income statement:

	2016 £m	2015 £m
Cost of transmission and sales	–	3
Other operating expenditure	–	1
Net financial expense	2	2
Net charge to income statement	2	6

The remeasurement (deficit)/gain recognised in other comprehensive income arose as follows:

	2016 £m	2015 £m
Remeasurement (deficit)/gain on plan liabilities	(84)	19
Remeasurement gain/(deficit) on plan assets (excluding amounts in interest income)	82	(7)
Net remeasurement (deficit)/gain on pension scheme	(2)	12

The cumulative amount of net remeasurement deficits/gains recognised in the statement of changes in equity since transition to IFRS is £89 million (2015: £87 million).

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

Principal actuarial assumptions at the balance sheet date

	2016 %	2015 %
Discount rate	2.75	3.65
Rate of increase in salaries	2.75	2.60
Rate of increase in pensions	3.15	3.05
Inflation	3.25	3.10
	2016 years	2015 years
Life expectancy from 65 (now aged 45) – male	23.7	23.3
Life expectancy from 65 (now aged 45) – female	26.2	26.6
Life expectancy from 65 (now aged 65) – male	23.1	23.0
Life expectancy from 65 (now aged 65) – female	24.7	26.1

These assumptions were adopted in consultation with the independent actuary to the Channel Four Television Staff Pension Plan. If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the Group balance sheet. The expected returns on Plan assets are set by reference to historical returns, current market indicators and the expected long-term asset allocation of the Plan.

Sensitivity analysis

The table below sets out the sensitivity of the scheme's pension liabilities to changes in actuarial assumptions at 31 December 2016:

	Revised present value of scheme liabilities £m
0.5% decrease in discount rate	533
1 year increase in life expectancy	495
0.5% increase in salary assumptions	481
0.5% increase in inflation (and inflation-linked) assumptions	520

The sensitivities disclosed are calculated using approximate methods taking into account the duration of the Plan's liabilities.

Funding arrangements

The Plan was closed to future accrual with effect from 31 December 2015. The Corporation's contributions to the scheme are determined by a qualified independent actuary (the 'Actuary to the Plan') on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 31 December 2015. The results of the valuation at 31 December 2015 showed that the scheme's assets represented 74% of the benefits that had accrued to Members, reflecting a deficit of £115 million. The next triennial valuation will be carried out as at 31 December 2018.

Following the valuation and discussions with the Actuary to the Plan, the Trustees and the Board agreed a revised schedule of contributions to reduce the Plan's funding deficit by £9.5 million in 2016, £10.5 million in 2017 and £11 million from 2018.

The estimated total employer contributions in 2017 are £11.5 million, representing the deficit funding payments described above for 2017 and a one-off payment of £1 million to retrospectively settle the increased 2016 contributions.

The weighted average duration of the Plan's defined benefit obligation is approximately 23 years. The majority of the Plan's benefits are to be paid as annuities from retirement of a Member until their death.

In accordance with the fund rules, the Corporation can realise any surplus on the winding up of the scheme after all other benefits have been paid. As a result no adjustment is required in respect of IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

Notes to the consolidated financial statements continued

19. Related party transactions

Members

Details of transactions in which Members have an interest are disclosed in the Report of the Members (page 115).

Details of Members' remuneration are shown in the Members' Remuneration Report (page 129).

Joint ventures and associates

Details of transactions between the Group and its joint ventures and associates are disclosed in note 7.

Equity investments

The Group holds a 15% equity holding in Protagonist Pictures Limited. During 2016, Channel 4 paid £0.1 million to Protagonist Pictures Limited for agency sales and film acquisition services (2015: £0.1 million). An amount of £nil was due at 31 December 2016 (2015: £nil).

Other

The Group contributes to the funding of several not-for-profit, cost-sharing organisations. Details of transactions between the Group and these organisations are disclosed in note 8.

FINANCIAL REPORT AND STATEMENTS

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Channel 4 balance sheet as at 31 December

	Group note	Channel 4 note	2016 £m	2015 £m
Assets				
Property, plant and equipment	9		110	112
Intangible assets		2	5	3
Investments in subsidiaries and joint ventures		3	28	28
Deferred tax assets	11		13	16
Total non-current assets			156	159
Programme and film rights		4	277	252
Trade and other receivables	13		170	178
Other financial assets	14		83	87
Cash and cash equivalents	14		132	165
Total current assets			662	682
Total assets			818	841
Liabilities				
Employee benefits – pensions	18		(52)	(56)
Provisions	16		(1)	(1)
Total non-current liabilities			(53)	(57)
Trade and other payables		5	(430)	(431)
Provisions	16		–	(1)
Total current liabilities			(430)	(432)
Total liabilities			(483)	(489)
Net assets			335	352
Revaluation reserve			57	55
Retained earnings:				
Content reserve			35	50
Other retained earnings			243	247
Total equity			335	352

The financial statements on pages 162 to 166 were approved by the Members of the Board on 24 April 2017 and were signed on its behalf by:

CHARLES GURASSA
Chair

DAVID ABRAHAM
Chief Executive

The notes on pages 164 to 166 form part of these financial statements.

Channel 4 statement of changes in equity for the year ended 31 December

	Retained earnings			Total equity £m
	Other retained earnings £m	Content reserve £m	Revaluation reserve £m	
At 1 January 2015	231	30	39	300
Surplus for the year	26	–	–	26
Other comprehensive income	10	–	16	26
Total comprehensive income for the year	36	–	16	52
Reserve transfer	(20)	20	–	–
At 31 December 2015	247	50	55	352
At 1 January 2016	247	50	55	352
Deficit for the year	(17)	–	–	(17)
Other comprehensive (cost)/income	(2)	–	2	–
Total comprehensive (cost)/income for the year	(19)	–	2	(17)
Reserve transfer	15	(15)	–	–
At 31 December 2016	243	35	57	335

FINANCIAL REPORT AND STATEMENTS CONTINUED

Channel 4 accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties, derivatives and certain financial instruments are stated at fair value, and are presented in pounds Sterling, rounded to the nearest million.

The financial statements have been prepared under the Financial Reporting Standard 101 *Reduced Disclosure Framework*. The Corporation's financial result and balance sheet are included in the consolidated financial statements presented on pages 134 to 161. As permitted by Financial Reporting Standard 101, the Corporation has not presented its own cashflow statement and has not provided the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

As permitted by section 408 of the Companies Act 2006, the Corporation has not presented its own income statement. A deficit of £17 million (2015: £26 million surplus) was recorded in relation to the Corporation. Accounting policies applied in the preparation of the Corporation's financial statements are consistent with the Group policies presented on pages 138 to 141, except as stated below.

Investments in subsidiaries

Investments in subsidiaries are carried at historical cost less provision for impairment.

Investments in associates and joint ventures

Investments in associates and joint ventures are carried at historical cost less provision for impairment.

Equity investments

Equity investments represent equity holdings without significant influence. Equity investments are normally carried at fair value. Where an active market value is not available, the Members believe that valuation at cost less provision for impairment is a reasonable approximation of fair value.

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts if applicable.

Notes to the Channel 4 financial statements

1. Operating expenditure

Auditor's remuneration

Fees in relation to the audit of the Corporation financial statements and additional fees paid to the auditor for the year ended 31 December 2016 are presented in note 3 to the consolidated financial statements on page 144.

Staff costs

All staff costs are borne by Channel 4 and are presented in note 4 to the consolidated financial statements on pages 144 to 145.

2. Intangible assets

	Developed software £m	Assets under construction £m	Total £m
Cost			
At 1 January 2015	23	–	23
Additions	2	–	2
At 31 December 2015	25	–	25
At 1 January 2016	25	–	25
Additions	1	3	4
At 31 December 2016	26	3	29
Amortisation			
At 1 January 2015	21	–	21
Amortisation for the year	1	–	1
At 31 December 2015	22	–	22
At 1 January 2016	22	–	22
Amortisation for the year	2	–	2
At 31 December 2016	24	–	24
Carrying amount			
At 1 January 2016	3	–	3
At 31 December 2016	2	3	5
At 1 January 2015	2	–	2
At 31 December 2015	3	–	3

FINANCIAL REPORT AND STATEMENTS

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Notes to the Channel 4 financial statements continued

3. Investments

Joint ventures

The investment in The Box Plus Network Limited is recorded on the Corporation's balance sheet at historical cost. The balance as at 31 December 2016 is £28 million (2015: £28 million).

Subsidiary undertakings

The cost of investments at 31 December is:

	2016 £000	2015 £000
4 Ventures Limited	1	1

The subsidiary undertakings incorporated in the United Kingdom at 31 December 2016 are as follows:

Name	Nature of business	Issued ordinary £1 shares	Ownership interest
4 Ventures Limited	Intermediate holding company and non-primary function activities	1,000	100%
Film Four Limited ¹	Film distribution	1,000	100%
Channel Four Investments Limited ¹	Indie Growth Fund	1	100%
Global Series Network Limited ¹ (Group note 20)	TV and film distribution	2,000 ²	80%
Channel Four Television Company Limited	Non-trading	100	100%
Channel Four Racing Limited ¹	Non-trading	2	100%
E4.com Limited ¹	Non-trading	1,000	100%
E4 Television Limited ¹	Non-trading	1,000	100%
Film on Four Limited ¹	Non-trading	100	100%
Four Ventures Limited ¹	Non-trading	1,000	100%
Sport on Four Limited ¹	Non-trading	2	100%

1 Indirect shareholding through 4 Ventures Limited.

2 Issued 'A' ordinary shares of £1,000 each.

Film Four Limited sells rights from its film library to Protagonist Pictures Limited (Group note 19).

Associated undertakings

For the Corporation's indirect shareholdings in the Indie Growth Fund through Channel Four Investments Limited, refer to Group note 7.

For the Corporation's indirect shareholdings in the Commercial Growth Fund through 4 Ventures Limited, refer to Group note 8.

For the Corporation's direct shareholdings in not-for-profit, cost-sharing organisations, refer to Group note 8.

4. Programme and film rights

	2016 £m	2015 £m
Programmes and films completed but not transmitted	94	87
Acquired programme and film rights	63	63
Programmes and films in the course of production	120	102
Total programme and film rights	277	252

Certain programmes and film rights may not be utilised within one year.

5. Trade and other payables

	2016 £m	2015 £m
Trade payables	12	10
National Insurance	1	1
Other creditors	60	60
Amounts due to subsidiaries	126	139
Accruals and deferred income	218	211
VAT	13	10
Total trade and other payables	430	431

Programmes and the licence

Sources of programmes

Channel 4

Channel 4 commissions programmes from both independent and non-independent producers and purchases programmes from the international markets. The source and cost of the programmes transmitted on the main Channel 4 service in 2016 are shown in the table below:

	2016 Hours	2015 Hours	2016 £m	2015 £m
Originated				
Independents	2,752	2,800	232	264
Other	2,961	2,855	214	144
Total originated programmes	5,713	5,655	446	408
Acquired	3,071	3,105	107	99
Total originated and acquired programmes	8,784	8,760	553	507
Other direct programme costs			7	7
Total	8,784	8,760	560	514

	Hours	Hours	%	%
All hours				
Originated	5,713	5,655	65	65
Acquired	3,071	3,105	35	35
Total	8,784	8,760	100	100

	Hours	Hours	%	%
Peak-time hours				
Originated	1,327	1,326	81	81
Acquired	320	317	19	19
Total	1,647	1,643	100	100

Independent production companies are the most important source of originated programmes. Programmes transmitted on Channel 4 in 2016 were provided by 153 independent companies (2015: 155).

Other direct programme costs reflect access services such as subtitling and sign-language services and amounts payable to music royalty collection societies.

Production outside London

Channel 4 is keen to encourage film and television production throughout the Nations and Regions of the United Kingdom and has a number of schemes to achieve that objective. The total cost of those programmes in 2016 amounted to £163 million (2015: £145 million).

FINANCIAL REPORT AND STATEMENTS CONTINUED

Programmes and the licence continued

Programme transmissions

Channel 4

The main Channel 4 service broadcast 8,784 hours in 2016 (2015: 8,760) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows¹:

	2016 Hours	2015 Hours	2016 £m	2015 £m
Drama	335	423	77	100
Entertainment	2,132	2,394	102	112
Education ²	2,795	2,757	102	84
Feature films	837	821	49	45
Other factual	374	260	57	41
News	244	246	26	26
Current affairs	315	283	28	26
Documentaries	358	389	28	39
Arts and music	98	85	6	5
Sport	804	563	68	19
Quiz and gameshows	491	526	10	8
Religion	1	13	0	2
Total programme transmissions	8,784	8,760	553	507

1 The data in the table above is consistent with prior years and based on Channel 4's internal reporting genres. Data presented in the Statement of Media Content Policy ('SMCP') is structured around the key genres reflecting Channel 4's internal commissioning structure.

2 'Education' refers to all programmes broadcast across the main channel (originated and acquired) that are educational in nature.

E4, More4 and Film4 channels

The digital channels broadcast for the following hours:

	2016 Hours	2015 Hours	2016 % Hours subtitled	2015 % Hours subtitled
E4	8,784	8,760	100	100
More4	6,835	6,825	100	100
Film4	6,054	6,041	100	100
4seven	7,161	7,159	100	100

Ofcom

Ofcom monitors compliance with broadcasters' licence obligations (including compliance with its Broadcasting Code) and deals with complaints concerning standards in programmes and complaints of unfair treatment and/or infringement of privacy.

Channel 4

Ofcom recorded two breaches of its Code on standards in programmes by the main Channel 4 service in 2016 (2015: eight). None were judged serious enough to merit a statutory sanction (2015: none). In 2016, no complaints about fairness/privacy in Channel 4's programmes were upheld (2015: none) and no complaints were upheld in part (2015: none).

E4, More4 and Film4

No recorded breach of the Code on standards in programmes was noted against More4 (2015: none), E4 (2015: one) and Film4 (2015: two) in 2016. No statutory sanctions were imposed against any of these channels during the year (2015: none). In 2016, no complaints about fairness/privacy were upheld against E4, More4 or Film4 (2015: none).

Advertising Standards Authority

The Advertising Standards Authority ('ASA') regulates all broadcast and non-broadcast UK advertising. All non-broadcast advertising should comply with the Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (the 'CAP Code'). All broadcast advertisements and programme sponsorship credits on television services licensed by Ofcom should comply with the UK Code of Broadcast Advertising (the 'BCAP Code'). Ofcom retains direct responsibility under the BCAP Code for sponsorship, product placement and participation TV advertising. The ASA recorded one breach of the BCAP Code in 2016 (2015: none).

Programmes and the licence continued

The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. Our licence from Ofcom, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4. A description of each programme obligation can be found in the methodology document that accompanies the Annual Report at annualreport.channel4.com.

	Compliance minimum	2016	2015
Average hours per week			
News			
– in peak-time (6–10.30pm)	4	4	4
Current affairs			
– overall	4	6	5
– in peak-time (6–10.30pm)	2	3	3
Hours per year			
Schools	1	29	27
Percentage			
Original production			
– overall	56	65	65
– in peak-time (6–10.30pm)	70	81	81
Independent production ¹	25	59	64
European independent production ¹	10	30	34
European origin	50	70	69
Subtitling for the deaf and hard-of-hearing	90	100	100
Audio description	10	31	26
Signing	5	6	5
Regional production	35	40	39
Regional hours	35	55	53
Production in the Nations	3	8	7
Nations hours	3	9	9

1 There are material differences in the definitions contained in the European and UK legislation for qualifying independent production.

The 2016 Ofcom licence disclosure reflects Channel 4's Digital Replacement Licence ('DRL'), which was renewed in 2014 and came into effect in January 2015. This encompasses the requirements set out in the Communications Act 2003.

Several of the measures reflected in this section of the report are discussed in detail in the Statement of Media Content Policy (pages 60 to 87) and in the Strategic Report (pages 104 to 114).

FINANCIAL REPORT AND STATEMENTS

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Historical metrics 2012–2016

	Page ref	2012	2013	2014	2015	2016
Creativity						
Commissioning success						
Number of major television and film awards won	90 to 97	46	40	64	45	47
Originated content spend (£m)	63, 106	434	429	430	455	501
Engaging audiences						
Portfolio high peak-time viewing share (8–11pm)		12.6%	12.4%	12.5%	12.9%	12.5%
Portfolio viewing share ABC1s		11.4%	11.3%	10.9%	11.0%	10.8%
Portfolio viewing share 16–34-year-olds	83	16.9%	16.7%	17.0%	16.5%	16.2%
Channel 4 viewing share	82	6.6%	6.1%	5.9%	5.9%	5.9%
Portfolio viewing share	82, 107	11.5%	11.0%	10.9%	10.6%	10.5%
Portfolio 15 minute reach		88.1%	86.8%	85.2%	83.8%	83.5%
Digital VoD views (m)		450	476	492	512	620
Registered viewers (m) ¹	56	6.3	10.2	11.3	13.1	14.9
¹ Registered viewers are net of duplicate and active users within the last two years.						
Sustainability						
Financial metrics						
Corporation revenue (£m)	134	925	908	938	979	995
Digital revenues (£m)		51	61	63	82	102
Content and marketing spend (£m)	143	667	649	651	685	750
Content and marketing spend and surplus/(deficit) as a percentage of revenue		69%	70%	69%	73%	75%
Year end cash (£m)	136	261	238	222	252	215
Non-advertising and sponsorship revenue (£m)		81	62	69	54	56
Other operating costs as a percentage of total costs		30%	30%	30%	28%	26%
Pre-tax surplus/(deficit) (£m)	134	(27)	(16)	4	26	(15)
Ad sales measures						
Sales House SONAR	172	27.4%	26.3%	25.9%	26.4%	26.6%
Advertising and sponsorship revenue (£m)	106	844	846	869	925	938
SOCI portfolio high peak-time (8–11pm)		19.9%	18.7%	19.1%	19.7%	19.1%
SOCI portfolio ABC1s		19.9%	19.0%	18.2%	18.5%	17.9%
SOCI portfolio 16–34-year-olds		24.8%	23.3%	23.3%	22.5%	21.5%
SOCI portfolio		18.5%	17.1%	16.6%	16.2%	15.6%

Historical metrics 2012–2016 continued

	2012	2013	2014	2015	2016
Performance versus competitors					
Portfolio viewing share					
Channel 4	11.5%	11.0%	10.9%	10.6%	10.5%
BBC	33.6%	32.4%	33.1%	32.8%	32.1%
ITV	22.4%	23.1%	22.0%	21.2%	21.3%
Channel 5	6.0%	6.0%	5.9%	6.0%	6.2%

Source: BARB all individuals

Portfolio high peak-time viewing share 8–11pm

Channel 4	12.6%	12.4%	12.5%	12.9%	12.5%
BBC	34.1%	32.8%	33.3%	33.0%	32.1%
ITV	24.3%	24.9%	24.0%	22.9%	23.5%
Channel 5	7.2%	7.2%	7.0%	7.1%	7.3%

Source: BARB all individuals

SOCI portfolio

Channel 4	18.5%	17.1%	16.6%	16.2%	15.6%
ITV	38.3%	38.3%	36.2%	34.9%	34.4%
Channel 5	10.1%	9.7%	9.5%	9.3%	9.2%
Sky	21.7%	21.7%	25.6%	24.7%	24.8%

Source: Mediaocean

SOCI portfolio ABC1s

Channel 4	19.9%	19.0%	18.2%	18.5%	17.9%
ITV	36.7%	36.4%	34.6%	33.7%	33.7%
Channel 5	8.9%	8.9%	8.7%	8.5%	8.6%
Sky	23.0%	22.6%	25.8%	24.0%	23.6%

Source: Mediaocean

SOCI portfolio 16–34-year-olds

Channel 4	24.8%	23.3%	23.3%	22.5%	21.5%
ITV	27.5%	27.3%	26.3%	26.2%	27.3%
Channel 5	8.5%	8.0%	7.7%	7.6%	8.4%
Sky	27.6%	27.7%	30.1%	26.4%	25.5%

Source: Mediaocean

FINANCIAL REPORT AND STATEMENTS

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Historical record

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Consolidated results										
Revenue	945	906	830	935	941	925	908	938	979	995
Operating surplus/(deficit)	(9)	(1)	4	49	41	(29)	(15)	4	24	(18)
Net financial income/(expense)	10	14	(2)	2	2	1	(1)	(1)	(1)	–
Share of profit/(loss) in joint venture	1	(3)	–	3	2	1	–	1	3	3
Surplus/(deficit) before taxation	2	10	2	54	45	(27)	(16)	4	26	(15)
Taxation	(1)	(8)	(2)	(15)	(10)	–	1	(1)	–	(3)
Surplus/(deficit) for the year	1	2	–	39	35	(27)	(15)	3	26	(18)

All figures are shown in accordance with IFRS.

Advertising sales

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Channel 4 Sales House	825	790	707	819	939	916	935	967	1,047	1,056
Other	2,608	2,487	2,179	2,490	2,442	2,430	2,616	2,770	2,922	2,908
Total broadcast	3,433	3,277	2,886	3,309	3,381	3,346	3,551	3,737	3,969	3,964
	%	%	%	%	%	%	%	%	%	%
Channel 4 Sales House share	24.0	24.1	24.5	24.8	27.8	27.4	26.3	25.9	26.4	26.6
Other share	76.0	75.9	75.5	75.2	72.2	72.6	73.7	74.1	73.6	73.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Audience share (portfolio)

	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %
BBC (sixteen channels)	34.0	33.5	32.6	32.9	32.9	33.6	32.4	33.1	32.8	32.1
ITV (seven channels)	23.1	23.2	23.1	22.9	23.1	22.4	23.1	22.0	21.2	21.3
Channel 4 excluding S4C (six channels)	11.7	11.8	11.5	11.4	11.6	11.5	11.0	10.9	10.6	10.5
Channel 5 (five channels)	6.0	6.1	6.1	5.9	5.9	6.0	6.0	5.9	6.0	6.2
Other (approximately 200 channels)	25.2	25.4	26.7	26.9	26.5	26.5	27.5	28.1	29.4	29.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

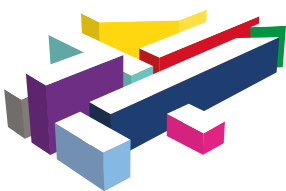
The number of channels in brackets indicates the number of channels in that portfolio as at 31 December 2016.

Source: BARB all individuals

Audience share

	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %
BBC One	22.0	21.8	20.9	20.8	20.7	21.3	21.0	21.7	21.9	22.0
BBC Two	8.6	7.8	7.5	6.9	6.6	6.1	5.8	6.1	5.7	5.9
ITV and GMTV	19.2	18.4	17.9	17.0	16.6	15.7	16.2	15.6	15.0	15.4
Channel 4 excluding S4C	8.6	8.1	7.4	7.0	6.8	6.6	6.1	5.9	5.9	5.9
Channel 5	5.2	5.0	4.9	4.5	4.4	4.5	4.4	4.4	4.2	4.1
Other	36.4	38.9	41.4	43.8	44.9	45.8	46.5	46.3	47.3	46.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BARB all individuals



CHANNEL FOUR TELEVISION CORPORATION