

Financial Report



The Electrical life of Louis Wain

and Statements

For the year ended 31 December 2021

Consolidated income statement

for the year ended 31 December

	Note	2021 £m	2020 £m
Revenue	1	1,104	934
Cost of transmission and sales	2	(1,024)	(825)
Gross surplus		140	109
Other operating expenditure	3	(38)	(38)
Operating surplus		102	71
Net finance expense	5	(1)	(2)
Gain on sale of investments	7, 8	1	5
Impairment losses on investments	7	(1)	-
Surplus before tax		101	74
Income tax expense	6	(12)	(5)
Surplus for the year		89	69

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2021 £m	2020 £m
Surplus for the year		89	69
Net remeasurement surplus on pension scheme	19	30	4
Revaluation of freehold land and buildings	9	2	(4)
Deferred tax on pension scheme	12	(4)	-
Loss on revaluation of investments	7, 8	(3)	(2)
Other comprehensive income/(expense) for the year		25	(2)
Total comprehensive income for the year		114	67

None of the items in other comprehensive income/expense will be reclassified to the income statement.

Consolidated statement of changes in equity

for the year ended 31 December

	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2020	329	56	385
Surplus for the year	69	-	69
Other comprehensive income/(expense)	2	(4)	(2)
Total comprehensive income/(expense) for the year	71	(4)	67
At 31 December 2020	400	52	452
At 1 January 2021	400	52	452
Surplus for the year	89	-	89
Other comprehensive income	23	2	25
Total comprehensive income for the year	112	2	114
At 31 December 2021	512	54	566

Consolidated balance sheet

as at 31 December

	Note	2021 £m	2020 £m
Assets			
Investments accounted for using the equity method	7	8	6
Other investments	8	34	20
Property, plant and equipment	9	111	106
Right-of-use assets	11	10	12
Intangible assets	10	28	28
Deferred tax assets	12	17	26
Total non-current assets		208	198
Programme and film rights	13	299	240
Trade and other receivables	14	224	229
Other financial assets	15	115	110
Cash and cash equivalents	15	157	166
Total current assets		795	745
Total assets		1,003	943
Liabilities			
Employee benefits – pensions	19	(29)	(68)
Lease liabilities	11	(10)	(12)
Deferred tax liabilities	12	(6)	(5)
Total non-current liabilities		(45)	(85)
Trade and other payables	16	(389)	(326)
Current tax payable		–	(3)
Provisions	17	(3)	(2)
Borrowings	15	–	(75)
Total current liabilities		(392)	(406)
Total liabilities		(437)	(491)
Net assets		566	452
Revaluation reserve		54	52
Retained earnings		512	400
Total equity		566	452

The financial statements on pages 204 to 230 were approved by the Members of the Board on 4 May 2022 and were signed on its behalf by:

Sir Ian Cheshire
Chair

Alex Mahon
Chief Executive

Consolidated cash flow statement

for the year ended 31 December

	Note	2021 £m	2020 £m
Cash flow from operating activities			
Surplus for the year		89	69
Adjustments for:			
Income tax expense	6	12	5
Depreciation	9, 11	7	8
Amortisation of intangibles	10	2	2
Net finance expense	5	1	2
Gain on sale of investments	7, 8	(1)	(5)
Impairment losses on investments	7, 8	1	-
		111	81
(Increase)/decrease in programme and film rights	13	(59)	51
Decrease/(increase) in trade and other receivables	14	5	(50)
Increase/(decrease) in trade and other payables	16	63	(6)
Increase in provisions, excluding unwinding of discounts	17	1	-
		121	76
Defined benefit pension contributions	19	(10)	(9)
Tax paid	6	(8)	(5)
Net cash flow from operating activities		103	62
Cash flow from investing activities			
Acquisition of investments	7, 8, 21	(22)	(9)
Proceeds on sale of investments	7, 8	3	15
Purchase of property, plant and equipment	9	(9)	(3)
Internally developed software	10	(3)	-
Interest received and foreign exchange gain	5	-	-
Decrease in other financial assets ¹	15	(5)	(103)
Net cash flow from investing activities		(36)	(100)
Cash flow from financing activities			
(Repayment of)/Proceeds from borrowings	15	(75)	75
IFRS 16 payments on lease principal	11	(1)	(1)
Net cash flow from financing activities		(76)	74
Net (decrease)/increase in cash and cash equivalents		(9)	36
Cash and cash equivalents at 1 January		166	130
Cash and cash equivalents at 31 December		157	166

¹ Amounts invested in term deposits of three months or longer and other funds with time-restricted access.

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 2021 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 Corporation 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 4 May 2022. 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 Digital, 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.

Critical accounting judgements and sources of estimation uncertainty

In applying the Group's accounting policies (as described in this section), the Members are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Members have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- The following aspects of our programme and film rights policy require judgement (see further detail on page 208):
 - The transmission profile over which to amortise programme and film rights
 - Assessment of programme value with reference to the quality of programme that has ultimately been delivered and its expected viewing performance
 - Assessment of the future revenues from distribution when evaluating the carrying value of film rights held for exploitation
- Management's application of IFRS 16 "Leases" requires judgement regarding the classification of transponder contracts under the standard. Management has concluded that these contracts do not constitute leases under the definition given by IFRS 16, as the Group does not control these assets due to the nature of the operation of these assets and due to certain rights which the supplier retains based on the detailed terms provided in the contracts. Further details of these contracts (including remaining term and estimated payments) are disclosed in note 18.

Key sources of estimation uncertainty

No key sources of estimation uncertainty were noted during the reporting period.

Alternative performance measures

In reporting financial information the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional and helpful information on the performance of the business, but does not consider them to be a substitute for, or superior to, IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Group accounting policies (continued)

As a reflection of the draw down of our revolving credit facility in March 2020, the Group introduced net cash reserves as an APM during 2020 which reflects the sum of the Group's cash and cash equivalents and other financial assets, net of cash borrowings at the balance sheet date. While all borrowings were repaid during 2021, this measure has been retained for the purposes of prior year comparison. This measure does not reflect the impact of other debt held on the balance sheet such as lease liabilities under IFRS 16. This provides stakeholders with additional relevant information relating to the overall cash resources available to the Group, not only those categorised as cash and cash equivalents. This APM is calculated in 2021 and 2020 as follows:

	2021	2020
Cash and cash equivalents	157	166
Other financial assets	115	110
Borrowings	-	(75)
Net cash reserves	272	201

Going concern

The annual financial statements have been prepared on a going concern basis as the Members have a reasonable expectation that the Group will continue in operational existence, as set out in the Report of the Members. As noted on page 165, Channel 4 has delivered a record financial result for the second year running, further reinforcing its balance sheet position and ability to withstand future economic risks.

As part of our 2022 Budget and three-year plan, we have considered the impact of several potential downside scenarios. These include a decline in the linear and digital advertising market beyond what we currently anticipate; a broader market shock in line with that experienced in 2020; or lower than expected benefits from implementing our Future4 strategy. Even in the most severe case considered (deemed plausible but beyond the worst-case scenario currently anticipated by management), analysis shows that our contingency plans would mitigate these impacts to ensure we retain sufficient liquidity and remain within our covenants.

Our £75 million revolving credit facility increases our available liquidity if required, although even in the worst-case scenario considered in our analysis this additional funding would not be utilised. This facility was renewed in March 2022 and now runs until March 2027. This ensures access to this facility is available, if required, across the full 12-month period under consideration in assessing the Group's status as a going concern.

Our scenario analysis and the resources available to Channel 4 indicate that the Group will be able to continue to operate for at least 12 months from the date that this Annual Report is approved. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

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 involvement with the investee and has the ability to affect those returns through its power over the investee by directing 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.

The Corporation financial statements note where the Members have taken the exemption under Companies Act s479A from having an audit of the financial statements for certain subsidiaries controlled and consolidated by the Group.

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.

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.

Group accounting policies (continued)

Accounting policies

A summary of the Group and Channel 4 significant accounting policies that are material in the context of the financial statements is set out on the next page. All accounting policies have been applied consistently in all material respects to all periods presented in these financial statements.

There are no new standards that became effective during 2021 that have had a significant effect on the consolidated financial statements of the Group.

There are no new standards that will become effective during 2022 that 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 a contract with a customer has been identified and as each of the Group's performance obligations are fulfilled. Contract assets and liabilities are recognised on the balance sheet as accrued and deferred income, respectively. Each of the Group's significant revenues are recognised as described below:

Linear and digital advertising revenues

Revenues are stated net of advertising agency commissions and rebates.

Linear and digital 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, reflecting the satisfaction of the Group's performance obligations.

Commission revenue earned from advertising representation for third parties is recognised on transmission of the related advertisements in line with contractual arrangements. Following the adoption of IFRS 15 'Revenues from Contracts with Customers' the Group reviewed its treatment of this revenue stream, concluding that it does not control the specified goods or services in these transactions before they are transferred to the customer, and therefore acts as an agent for these parties. 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. Judgement is required in assessing the fair value of the goods or services received. The total recognised for such revenues in 2021 is £63 million (2020: £44 million).

Non-advertising revenues

Revenues earned from syndicating content to third-party online platforms are typically generated from some or all of the following contractual arrangements:

- Licence fee income - revenue is recognised on a straight-line basis over the contract term as performance obligations are met
- 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 programme rights are recognised when the rights are transferred to the customer, reflecting the fact that the Group's performance obligations have been fulfilled.

Revenues generated from the exploitation of developed film rights (for example, from theatrical box office releases) are recognised when revenues can be reliably measured.

The Group's contracts with customers do not contain significant financing components or material aspects of variable consideration.

Segment reporting

IFRS 8 'Operating Segments' requires the segment information presented in the financial statements to be that which is used internally by the chief operating decision maker to evaluate performance and allocate resources.

The Group has determined that the Board of Members is its chief operating decision maker, and the financial statements are presented in aggregate as a single operating segment consistent with how the Board evaluates performance and allocates resources.

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 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 and dividends received.

Group accounting policies (continued)

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'. Level 1 and Level 2 inputs under IFRS 13 can be obtained for certain investments and used where available assessing their fair value. Where only Level 3 inputs are available (that is, where an active market value or other observable indicators of fair value cannot be obtained), the investment is recorded at cost less provision for impairment. The Members believe that this valuation reflects a reasonable approximation of fair value. On adopting IFRS 9 'Financial Instruments' during 2018 the Group elected to recognise any changes in the fair value of the Commercial Growth Fund investments through other comprehensive income, reflecting the fact that the management of these investments is not part of the Group's core activities.

Property, plant and equipment

Freehold land and buildings are stated at open market valuation (fair value, using Level 2 inputs per IFRS 13) and are revalued at 31 December each year. Directions from the Secretary of State for Digital, 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, including network distribution rights, are stated at cost less accumulated amortisation and any provision for impairment. Network distribution rights are amortised over an estimated useful life of 16 years. Broadcast licences are amortised over a useful life of seven years. 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. Brand intangibles are deemed to have an indefinite useful life and are tested annually for impairment.

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 subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested annually for impairment.

A gain realised on bargain purchase arising on the acquisition of an entity represents the excess of 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 over the cost of acquisition.

Any gain realised on bargain purchase is recognised in the income statement in the year that it arises.

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 (with the exception of impairments which the Group has elected to recognise in other comprehensive income under IFRS 9 'Financial Instruments').

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 cash flows for the specific asset, or if the asset does not generate independent cash flows, the discounted future net cash flows for the cash-generating unit to which it belongs.

Estimates are used in deriving these cash flows 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 value in use calculation and 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.

Group accounting policies (continued)

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 'greenlit' 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.

Payments for programme and film rights made in advance of taking delivery and/or of the legal right to broadcast the programmes are recorded in programme and film rights, but are separately identified as in the course of production. Before being included in programme rights, the rights are disclosed as contractual commitments (see note 18).

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.

Amortisation

Programme and acquired film rights are exploited by transmission on the Channel 4 suite of channels and availability on the Group's All 4 platform. 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. Content exclusive to All 4 is written off in line with the anticipated viewing profile.

Developed film rights

Direct cost

Direct cost is defined as payments made or due to the film producer.

Rights are recorded on the balance sheet when the Group commits to financing a film.

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

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. Management has rebutted the presumption under IAS 38 'Intangible Assets' and concluded that a revenue-based amortisation profile is appropriate for developed film rights as the revenue and consumption of economic benefits embodied in the film rights are highly correlated and management does not consider there to be any methodology that is more appropriate.

Trade and other receivables

Trade and other receivables are reflected net of any expected credit loss. For trade and other receivables with a remaining life of less than one year, the Group applies the practical expedient under IFRS 9 'Financial Instruments' to assume that there is no significant financing component, and the receivables are therefore measured at the transaction price. All other receivables are recognised at fair value, estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. The adoption of IFRS 9 in 2018 did not have a material impact on the value of the Group's trade and other receivables as it has no significant record of historical credit losses.

Trade and other payables

Trade and other payables are due for payment in less than one year. Trade and other payables are recognised based on contractual cash flows, and no differences have been identified between the book value of trade and other payables and their fair value.

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.

Group accounting policies (continued)

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 primarily in Sterling but also in 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

The Group adopted the lessee accounting model required under IFRS 16 'Leases' on 1 January 2019. This removes the distinction between finance leases and operating leases previously reflected in the Group's accounting policy.

On adoption of the standard (and at the inception of subsequent new leases) a right-of-use asset is recognised in the Group's financial statements reflecting its right to control the underlying lease assets and use them to generate future economic benefits. A corresponding lease liability is also recognised in line with the principal and interest to be repaid over the lease term. These amounts are determined based on the present value of the minimum lease payments to be made over the contract term, discounted using the rate implicit in the lease if this can be determined, and otherwise using the Group's incremental borrowing rate.

The Group subsequently recognises depreciation relating to the right-of-use asset, as well as interest accrued on the lease liability, in the income statement.

The Group applies practical expedients provided in IFRS 16 to exclude short-term and low-value lease contracts from the new accounting model, and these are presented as operating costs.

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 finance cost is 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 cash flows 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.

Notes to the consolidated financial statements

1. Revenue

	2021 £m	2020 £m
Linear advertising revenue	835	689
Digital advertising revenue	224	161
Non-advertising revenue	105	84
Total revenue	1,164	934

Gross revenues from transactions with one individual external customer comprised more than 10% of the Group's revenues in 2021, amounting to £122 million (2020: £103 million). The Group's major customers are all media buying agencies. Approximately 5% of the Group's revenues (2020: 5%) are attributable to external customers outside the UK and these are therefore not separately presented.

The Group has material contracts with customers with a duration of more than one year, relating to partnerships and distribution of channels and services. The aggregate amount of the transaction price for these contracts allocated to performance obligations which are still unfulfilled as at 31 December 2021 is £105 million (2020: £70 million). The Group expects to recognise £33 million of revenue relating to these performance obligations in 2021 (2020: £27 million to be recognised in 2021), with the remainder recognised on a straight-line basis until 2023.

The Group recognised £30 million of revenue during 2021 that was recorded as a contract liability at the previous year end (2020: £28 million).

2. Cost of transmission and sales

	2021 £m	2020 £m
Content	671	522
Other content-related costs	88	79
Broadcast and transmission costs	99	99
Other cost of sales	166	125
Total cost of transmission and sales	1,024	825

The Group's cost of transmission and sales is reported here as one segment as described in the 'Group accounting policies' section on page 206. Other cost of sales includes direct costs of linear and digital advertising and rights, marketing, technology and audience research costs.

Notes to the consolidated financial statements (continued)

3. Other operating expenditure

Other operating expenditure includes:

	2021 £m	2020 £m
Depreciation of property, plant and equipment (notes 9, 11)	7	8
Amortisation of intangible assets (note 10)	2	2
Restructuring costs	1	1
Impairment of trade receivables (note 14)	-	-
Other administrative expenses	28	27
Other operating expenditure	38	38

In 2021, £2 million of restructuring costs were expensed to the income statement in respect of initiatives to increase operational efficiency within the Group (2020: £4 million). Of this amount, £1 million is recognised within Cost of transmission and sales, with the remainder in Other operating expenditure.

Auditor's remuneration

Fees in respect of services provided by the auditor were:

	2021 £000	2020 £000
Audit of these financial statements	324	230
Amounts receivable by auditor and their associates in respect of:		
Audit-related assurance services	45	40
Auditor remuneration	369	270

Notes to the consolidated financial statements (continued)

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:

	2021 £m	2020 £m
Aggregate gross salaries	83	77
Employer's National Insurance contributions	8	7
Employer's defined contribution pension contributions	5	6
Total direct costs of employment	96	90

During 2020, the Group claimed £1 million under the Coronavirus Job Retention Scheme, which was subsequently repaid to the Treasury by the year end. No claims were made under the scheme during 2021.

The Executive Members are considered to be the key management of the Corporation. As disclosed in the Members' Remuneration Report on page 187, the total remuneration of the Executive Members for the year ending 31 December 2021 is £2,544,000 (2020: £2,217,000).

The salary multiple of highest paid Executive Member to employees in the 25th, 50th and 75th percentiles was as follows:

	2021 £000	2020 £000
Total remuneration of highest paid Executive Member (page 187)	1,196	991
Total remuneration of employee at 75th percentile	86	94
Total remuneration of employee at 50th percentile	55	61
Total remuneration of employee at 25th percentile	40	43
Multiple of highest paid Executive Member to employee at 75th percentile	13.9	5.4
Multiple of highest paid Executive Member to employee at 50th percentile	21.7	16.2
Multiple of highest paid Executive Member to employee at 25th percentile	30.3	23.0

Total remuneration is defined as base salary, variable pay, employer pension contribution and other benefits. The total remuneration of employees in the 25th, 50th and 75th percentiles is calculated based on the methodology set out under Option A provided in the Companies (Miscellaneous Reporting) Regulations 2018.

The average monthly number of employees, including Executive Members, was as follows:

	2021 Number	2020 Number
Commercial	238	230
Creative	377	314
Operational	396	356
4Talent	24	12
Total	1,035	912

The headcount calculation reflects the actual proportion of hours worked in a week for each individual employee. The employee information disclosed in this note excludes a small number of on-screen talent who are remunerated via Channel 4's payroll. 2020 figures have been restated to reflect current classification of roles by area.

Notes to the consolidated financial statements (continued)

5. Net finance expense

Net finance expense recognised in the year comprised:

	2021 £m	2020 £m
Interest receivable on short-term deposits	-	1
Net interest expense on pension scheme (note 19)	(1)	(2)
Other finance expense	-	(1)
Net finance expense	(1)	(2)

6. Income tax expense

The taxation charge is based on the taxable profit for the year and comprises:

	2021 £m	2020 £m
Current tax:		
Current year	9	7
Prior year	(3)	1
Deferred tax: origination and reversal of temporary differences (note 12)		
Current year	9	(2)
Prior year	(3)	(1)
Total income tax expense	12	5

Corporation tax is charged at the standard UK rate of 19% for the year (2020: 19%). An increase in this rate to 25% (effective 1 April 2023) was announced in the 2021 Spring Budget and substantively enacted on 24 May 2021. This will increase the Corporation's future tax charge accordingly. This change in rate has been reflected in calculating the Group's deferred tax balances.

Reconciliation of income tax:

	2021 Rate	2021 £m	2020 Rate	2020 £m
Surplus before income tax		101		74
Income tax using the domestic corporation tax rate	19.0%	19	19.0%	14
Effects of:				
Non-deductible expenses		1		1
Utilisation of brought forward losses		-		(9)
Impact of deferred tax rate change		(2)		-
Deferred tax not recognised		(4)		-
Other tax adjustments		(2)		(1)
Total income tax expense		12		5

The income tax expense excludes the Group's share of income tax of investments accounted for using the equity method of Enil (2020: Enil) 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:

	Indie Growth Fund £m
Carrying value at 1 January 2020	7
Acquisitions	2
Disposals	(3)
Total carrying value at 31 December 2020	6
Carrying value at 1 January 2021	6
Acquisitions	4
Disposals	(1)
Impairment loss	(1)
Total carrying value at 31 December 2021	8

The Indie Growth Fund

In 2021, Channel 4 invested £4 million (2020: £2 million) in the Indie Growth Fund. Investment activity during 2021 reflected the Fund's strategy geared to fast-growing independent production companies in the Nations and Regions as well as digital and diverse businesses across the whole of the UK.

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.

During 2021, Channel 4 sold its stake in one Indie Growth Fund entity – Lightbox Media Limited (for consideration of £1 million, recognising a gain on disposal of £nil). During 2020, Channel 4 sold its stakes in Eleven Film Limited and Whisper Films Limited for a total consideration of £9 million, recognising a total gain on disposal of £5 million. During 2021, Channel 4 received deferred consideration on the disposal of Eleven Film Limited, recognising a further gain on disposal of £1 million.

The Indie Growth Fund investments are assessed annually to identify any indicators of impairment, and if any are noted then a full impairment review is performed. An impairment loss of £1 million (2020: £nil) was recognised in non-operating expenditure.

Of the £671 million (2020: £522 million) total of programme rights recognised as expenses in 2020 (note 13), Channel 4 commissioned £11 million (2020: £15 million) of content from Indie Growth Fund companies. Channel 4 owed the Indie Growth Fund companies £nil in respect of these transactions at 31 December 2021 (2020: £nil).

Channel 4 had committed £nil for subsequent investment in the Indie Growth Fund entities as at 31 December 2021 (2020: £nil).

Notes to the consolidated financial statements (continued)

7. Investments accounted for using the equity method continued

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

Company	Activity	Registered address	Proportion of equity owned at 31 December	
			2021	2020
Dial Square 86 Limited	TV programme production activities	Somerset House, Strand, London WC2R 1LA	4.7%	4.7%
Lightbox Media Limited	TV programme production activities	Regina House, 124 Finchley Road, London NW3 5JS	-	22.0%
Spelthorne Community Television Limited	TV programme production activities	2nd Floor, 63-64 Margaret Street, London W1W 8SW	25.0%	25.0%
Voltage TV Productions Limited	TV programme production activities	5 Elstree Gate, Borehamwood, Herts WD6 1JD	15.0%	15.0%
Parable Ventures Limited	TV programme production activities	64 New Cavendish Street, London W1G 8TB	18.0%	18.0%
Firecrest Films Limited	TV programme production activities	Fairfield, 1048 Govan Road, Glasgow G51 4XS	25.0%	25.0%
Two Rivers Media Limited	TV programme production activities	1st Floor, Tontine Building, 20 Trongate, Glasgow G1 5ES	17.0%	17.0%
Candour Productions Limited (formerly True Vision Yorkshire Limited)	TV programme production activities	18 The Glasshouse Studios, Fryern Court Road, Bursgate, Fordingbridge, Hampshire SP6 1QX	25.0%	25.0%
Five Mile Films Limited	TV programme production activities	Lower Ground Floor, 2 St Pauls Road, Clifton, Bristol BS8 1LT	17.5%	18.0%
Eagle Eye Drama Limited	TV programme production activities	35 Soho Square, London W1D 3QX	25.0%	25.0%
Yeti Media Limited	TV programme production activities	Lon Cae Flynnon Unit 1i, Cibyn Industrial Estate, Caernarfon LL55 2BD	25.0%	16.7%
Proper Content Limited	TV programme production activities	6th Floor, Charlotte Building, 17 Gresse Street, London W11 1QL	25.0%	20%
Uplands Television Limited	TV programme production activities	93 Chatterton Road, Bromley BR2 9QQ	25.0%	-
Big Deal Films Limited	Artistic creation	Unit 6, 58-60 Minerva Road, London NW10 6HJ	25.0%	-
Duck Soup Films Limited	Motion picture production activities	2nd Floor South, Marshall Court, Leeds LS11 9YP	25.0%	-
Paper Entertainment Limited	TV programme production activities	Flat 50, The Nautilus Building, 3 Myddleton Passage, London EC1R 1XW	20.0%	-
Salamanda Media Limited	TV programme production activities	Room 2b, Unit 126 Metroplex Business Park, Broadway, Salford M50 2UW	20.0%	-
Spirit Media Studios Limited	Video production activities	PO Box 484, Teddington TW11 1DU	25.0%	-

The equity owned for each of the entities listed above relates to ordinary shareholdings.

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	(Loss)/profit from continuing operations £m
2021	20	-	(15)	(4)	45	(1)
2020	27	-	(20)	(4)	40	(2)

Other

Channel 4 holds 25% of the shares and voting rights in European Broadcaster Exchange (EBX) Limited, a digital advertising sales venture with other European broadcasters. European Broadcaster Exchange (EBX) Limited is incorporated in the United Kingdom.

Company	Activity	Registered address	Proportion of equity owned at 31 December	
			2021	2020
European Broadcaster Exchange (EBX) Limited	Television programming and broadcasting activities	6th Floor, 65 Gresham Street, London EC2V 7NQ	25%	25%

Notes to the consolidated financial statements (continued)

8. Other investments

Channel 4 Ventures (formerly Commercial Growth Fund)

	Channel 4 Ventures £m	Other £m	Total £m
Carrying value at 1 January 2020	20	2	22
Acquisitions	3	4	7
Fair value movement	(1)	(1)	(2)
Disposals	(6)	(1)	(7)
Total carrying value at 31 December 2020	16	4	20
Carrying value at 1 January 2021	16	4	20
Acquisitions	18	-	18
Fair value movement	(3)	-	(3)
Disposals	(1)	-	(1)
Total carrying value at 31 December 2021	30	4	34

Channel 4 Ventures

During 2015, Channel 4 launched the Commercial Growth Fund (now renamed as Channel 4 Ventures), a fund with the aim of attracting new advertisers to TV and stimulating existing sectors. Channel 4 Ventures exchanges advertising airtime in return for equity shareholdings or convertible loan instruments. During 2021, the Corporation invested a further £19 million (2020: £3 million) in Channel 4 Ventures holdings.

Channel 4 Ventures investments are recorded at fair value. The Group elected to recognise any movement in the fair value of the Channel 4 Ventures investments through other comprehensive income from 1 January 2018 when it adopted IFRS 9 'Financial Instruments'. Fair value has been assessed against quoted prices in active markets where available or against other observable inputs. A net fair value loss of £3 million (2020: a net fair value loss of £2 million) has been recognised in other comprehensive income during 2021.

There were no other transactions with the Channel 4 Ventures companies in 2021 (2020: none).

Other investments

During 2020, Channel 4 acquired a £4 million equity shareholding in BritBox SVOD Limited.

During 2019, Channel 4 acquired a £2 million equity shareholding in Future plc as consideration relating to the sale of Barcroft Studios Limited, one of its Indie Growth Fund investments. The Group disposed of this holding during 2020.

Notes to the consolidated financial statements (continued)

9. Property, plant and equipment

	Freehold land and building £m	Furniture, fittings and equipment £m	Assets under construction £m	Total £m
Cost or valuation				
At 1 January 2020	100	53	1	154
Additions	-	3	-	3
Transfers	14	(14)	-	-
Revaluation	(18)	-	-	(18)
At 31 December 2020	96	42	1	139
At 1 January 2021	96	42	1	139
Additions	2	6	1	9
Revaluation	-	-	-	-
At 31 December 2021	98	48	2	148
Depreciation				
At 1 January 2020	-	40	-	40
Charge for the year	2	5	-	7
Transfers	12	(12)	-	-
Revaluation	(14)	-	-	(14)
At 31 December 2020	-	33	-	33
At 1 January 2021	-	33	-	33
Charge for the year	2	4	-	6
Revaluation	(2)	-	-	(2)
At 31 December 2021	-	37	-	37
Net book value				
At 1 January 2021	96	9	1	106
At 31 December 2021	98	11	2	111
At 1 January 2020	100	13	1	114
At 31 December 2020	96	9	1	106

The Group had committed £5 million for expenditure on property, plant and equipment at the balance sheet date (2020: £nil). No assets have been pledged for security (2020: none).

Valuation of freehold property

The freehold property at 124 Horseferry Road, London SW1P 2TX was valued at 31 December 2021 by independent valuers CBRE Limited, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. CBRE Limited has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. 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. They have also taken into account ongoing repair work to the building in arriving at their valuation.

The open market value for this property was £98 million (2020: £96 million). After additions made to the building during 2021 and depreciation charged on the open market value at 31 December 2021 (£2 million), a gain on revaluation of £2 million has been recognised in the statement of other comprehensive income (2020: loss on revaluation of £4 million).

Notes to the consolidated financial statements (continued)

9. Property, plant and equipment continued

If freehold property had not been revalued it would have been included in the financial statements at the following amounts:

	2021 £m	2020 £m
Cost	86	72
Additions	2	-
Transfers	-	14
Accumulated depreciation	(43)	(41)
Impairment	(6)	(6)
Net book value based on cost	39	39

10. Intangible assets

	Goodwill £m	Developed software £m	Broadcasting licence £m	Software under construction £m	Network distribution rights £m	Brands £m	Total £m
Cost							
At 1 January 2020	2	26	5	1	27	1	62
Disposal	-	(3)	-	-	-	-	(3)
At 31 December 2020	2	23	5	1	27	1	59
At 1 January 2021	2	23	5	1	27	1	59
Additions	-	-	-	3	-	-	3
Transfer	-	1	-	(1)	-	-	-
Disposal	-	(1)	-	-	-	-	(1)
At 31 December 2021	2	23	5	3	27	1	61
Amortisation							
At 1 January 2020	-	25	5	-	2	-	32
Amortisation for the year	-	-	-	-	2	-	2
Disposal	-	(3)	-	-	-	-	(3)
At 31 December 2020	-	22	5	-	4	-	31
At 1 January 2021	-	22	5	-	4	-	31
Amortisation for the year	-	-	-	-	2	-	2
At 31 December 2021	-	22	5	-	6	-	33
Carrying amount							
At 1 January 2021	2	1	-	1	23	1	28
At 31 December 2021	2	1	-	3	21	1	28
At 1 January 2020	2	1	-	1	25	1	30
At 31 December 2020	2	1	-	1	23	1	28

Goodwill represents goodwill arising on the acquisition of Global Series Network Limited ('GSN') on 30 July 2015. GSN holds the rights to the Walter Presents foreign language content transmitted across the Channel 4 portfolio.

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 network distribution rights and brands arose during 2018 on the acquisition of Box Plus Network Limited ('Box').

Notes to the consolidated financial statements (continued)

11. Lease assets and liabilities

Right-of-use assets

	Property £m	Total £m
At 1 January 2020	3	3
Additions and changes in terms	10	10
Charge for the year	(1)	(1)
At 31 December 2020	12	12
At 1 January 2021	12	12
Additions and changes in terms	(1)	(1)
Charge for the year	(1)	(1)
At 31 December 2021	10	10

The Group expensed short-term leases and low-value assets as incurred in accordance with the exemption permitted by IFRS 16. These expenses amounted to £0.1 million in 2021 (2020: less than £0.1 million).

Lease liabilities

	Property £m	Total £m
Current		
Within one year	1	1
Non-current		
Between two to five years	3	3
Greater than five years	6	6
Total	10	10

The interest expense relating to lease liabilities under IFRS 16 was £0.1 million in 2021 (2020: £0.1 million).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 25% (2020: 19%) reflecting the corporation tax rate substantively enacted as at 31 December 2021.

	Assets 2021 £m	Assets 2020 £m	Liabilities 2021 £m	Liabilities 2020 £m	Net 2021 £m	Net 2020 £m
Property, plant and equipment	5	3	-	-	5	3
Employee benefits	7	13	-	-	7	13
Trading losses	5	10	-	-	5	10
Temporary differences on acquired intangible assets	-	-	(6)	(5)	(6)	(5)
Total deferred tax assets/liabilities	17	26	(6)	(5)	11	21

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). At 31 December 2021, based on long-term forecasts, and in line with the Group's aim to remain commercially self-sustainable in the long term, management considers it probable that future taxable profit will be available against which to recognise these assets. Unrecognised deferred tax assets include losses carried forward that the Group is not yet able to utilise.

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2021 £m	2020 £m
Carried forward capital losses	1	1
Carried forward trading losses	-	4
Tax assets	1	5

Notes to the consolidated financial statements (continued)

12. Deferred tax assets and liabilities continued

Movements in temporary differences during the year

The amount of deferred tax recognised in the income statement in respect of each type of temporary difference is as follows:

	Balance at 1 Jan 2021 £m	Recognised in income £m	Recognised in other comprehensive income £m	Merger accounting adjustment £m	Balance at 31 Dec 2021 £m
Property, plant and equipment	3	2	–	–	5
Employee benefits	13	(2)	(4)	–	7
Trading losses	10	(5)	–	–	5
Temporary differences on acquired intangible assets	(5)	(1)	–	–	(6)
Total deferred tax assets/liabilities	21	(6)	(4)	–	11

	Balance at 1 Jan 2020 £m	Recognised in income £m	Recognised in other comprehensive income £m	Merger accounting adjustment £m	Balance at 31 Dec 2020 £m
Property, plant and equipment	3	–	–	–	3
Employee benefits	13	–	–	–	13
Trading losses	6	4	–	–	10
Temporary differences on acquired intangible assets	–	–	–	(5)	(5)
Channel 4 deferred tax assets	22	4	–	(5)	21
Temporary differences on acquired intangible assets	(4)	(1)	–	5	–
Group deferred tax assets	18	3	–	–	21

13. Programme and film rights

	2021 £m	2020 £m
Programmes and films completed but not transmitted	120	95
Acquired programme and film rights	51	56
Programmes and films in the course of production	128	89
Total programme and film rights	299	240

Programme and film rights held on the balance sheet have increased since 2020 as the hurdles to production posed by Covid-19 have lifted, and commissioning and acquisitions activity has returned to pre-pandemic levels.

Certain programmes and film rights may not be utilised within one year but are expected to be consumed during the normal operating cycle and are therefore disclosed as current assets. The proportion of total programme and film rights not expected to be utilised within one year is 10% (2020: 13%).

Programmes and films in the course of production are disclosed within programme and film rights, rather than within prepayments, as management believes this most clearly reflects the total value of current assets relating to the production of content and that it is most useful to the readers of the financial statements to include the total value of current assets relating to the production and acquisitions of content in one line on the balance sheet.

Programme and film rights to the value of £671 million were recognised as expenses in the year across the main and digital television channels (2020: £522 million). Of this amount, obsolete programmes and developments written off totalled £48 million (2020: £28 million).

Programme and film rights include £31 million (2020: £26 million) in respect of developed film rights.

Notes to the consolidated financial statements (continued)

14. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	170	186
Prepayments	34	25
Accrued income	20	18
Total trade and other receivables	224	229

There is no difference between the fair value and book value of trade and other receivables. Trade receivables are shown net of impairment charges amounting to £nil (2020: net of £1 million impairment initially recognised during 2019 in relation to outstanding balances from customers).

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 these receivables including insurance for most customers. Exposure is monitored continually and reviewed on a weekly basis, and any issues are formally reported. Based on credit evaluation and discussions with insurers, customers may be required to provide security in order to trade with the Group.

The Group may establish an allowance for impairment that represents our expected credit loss 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 revenue is either protected by trade credit insurance or pre-paid prior to transmission. The Group's expected lifetime credit loss at 31 December 2021 was £nil (2020: £1 million in line with a provision held at that date).

(ii) Counterparty

See interest rate risk and exposure in note 15.

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 was £170 million for the Group (2020: £186 million), with £115 million of other financial assets (2020: £110 million), and cash and cash equivalents of £157 million (2020: £166 million). The exposure to credit risk all arises in the UK.

Trade receivables of £170 million for the Group (2020: £186 million) were aged under six months or were not yet due under standard credit terms at the balance sheet date. £139 million of the receivables were insured at the balance sheet date (2020: £162 million) and £167 million (2020: £184 million) has been subsequently collected by the Group since the balance sheet date.

Notes to the consolidated financial statements (continued)

15. Treasury

	2021 £m	2020 £m
Bank balances	37	7
Money market funds ¹	90	139
Money market deposits with initial maturity of less than three months	30	20
Cash and cash equivalents	157	166
Money market deposits with initial maturity of more than three months	10	10
Investment funds	105	100
Other financial assets²	115	110

1 Amounts held in money market funds are repayable within seven days.

2 Other financial assets comprise deposits of three or more months' duration and other funds with time-restricted access, and are stated at fair value.

There is no difference between the fair value and book value of cash, cash equivalents and other financial assets.

Cash flow information

	2021 £m	2020 £m
Cash and cash equivalents at 1 January	166	130
Other financial assets at 1 January	110	7
Borrowings at 1 January	(75)	-
Total net cash reserves¹ at 1 January	201	137
Net cash flow from/(used in) operating activities	103	62
Net cash flow (used in)/from investing activities	(31)	3
Net cash flow used in financing activities	(1)	(1)
Total cash flow	71	64
Cash and cash equivalents at 31 December	157	166
Other financial assets at 31 December	115	110
Borrowings as at 31 December	-	(75)
Total net cash reserves¹ at 31 December	272	201

1 The Group presents net cash reserves as an alternative performance measure; an explanation of this APM is provided on page 207. Net cash reserves represents the total of Cash and cash equivalents and Other financial assets above net of cash borrowings.

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 surplus before tax would have been £1 million lower/higher (2020: £1 million).

At the balance sheet date, the Group had no debt and was not exposed to fluctuations in interest rates. In 2018 the Group entered into a revolving credit facility ("RCF"), providing £75 million of additional liquidity. The facility is unsecured and is committed with a single tangible net worth covenant. This facility was drawn down in full during 2020 to provide additional liquidity, if required, as part of the Group's response to the Covid-19 outbreak. None of this additional funding was utilised at any point during 2020 or 2021, and the facility was repaid in full in June 2021. After the balance sheet date, this facility was renewed for a further five-year term and now runs until March 2027.

Notes to the consolidated financial statements (continued)

15. Treasury continued

The interest rate profile of the Group's cash and deposits at 31 December 2021 and 31 December 2020 is set out below:

	Effective interest rate 2021 %	Effective interest rate 2020 %	Total 2021 £m	Total 2020 £m
Interest-bearing deposits maturing in less than three months held in Sterling	0.1	0.0	152	165
Interest-bearing deposits maturing in less than three months held in foreign currencies	0.0	0.0	5	1
Total cash and cash equivalents	0.1	0.0	157	166
Money market deposits maturing after three months held in Sterling	0.2	0.3	10	10
Investment funds	0.1	0.8	105	100
Other financial assets	0.1	0.8	115	110

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 holds bank accounts in foreign currencies and 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 finance expense (note 5).

The Group does not have any material foreign subsidiaries and as a result is not exposed to translational 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 2021, the total value of forward contracts used as economic hedges of monetary liabilities was £nil (2020: £nil). At 31 December 2021, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £nil (2020: £nil) has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2021. The forward contracts have been assessed as Level 2 in the fair value hierarchy under IAS 13 and assessed against observable market inputs.

	Maturity within 12 months of balance sheet date	Maturity within 12 months of balance sheet date	Maturity more than 12 months after balance sheet date	Maturity more than 12 months after balance sheet date	Total	Total
	2021 No.	2020 No.	2021 No.	2020 No.	2021 No.	2020 No.
Forward contracts to purchase US Dollars	1	-	-	-	1	-
Forward contracts to purchase Euros	-	-	-	-	-	-
Total forward contracts with fixed maturity dates	1	-	-	-	1	-

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 £1 million lower/higher (2020: £nil).

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 & Risk 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, whose work is overseen by a Treasury Risk Committee reporting to the 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.

Notes to the consolidated financial statements (continued)

16. Trade and other payables

	2021 £m	2020 £m
Trade payables	14	16
Taxation and social security	1	1
Other creditors	76	61
Accruals	232	182
Deferred income	40	30
VAT	26	36
Total trade and other payables	389	326

There is no difference between the fair value and book value of trade and other payables. The contractual cash flows are equal to the carrying amount and are payable within six months or less at 31 December 2021 and 2020.

The Group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, the Group's standard payment terms are within 45 days of the date of the invoice, with the exception of certain programme and transmission costs with qualifying independent production companies which are on immediate payment terms. Any complaints about failure to pay on time should be addressed to the Chief Operating Officer, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services in 2021, as calculated using average payable balances, was seven (2020: eight). This is significantly lower than the Group's standard payment terms due to the impact of the immediate payment terms described above.

Under HMRC's deferral scheme, the Group deferred £10 million of VAT payments for Q1 and Q2 2020, and has repaid £9 million in instalments as at December 2021, with the remainder repaid in early 2022.

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 and, from March 2018, the £75 million revolving credit facility, are considered to be sufficient to support the Group's medium-term funding requirements.

17. Provisions

	Onerous leases/ disputations £m	Restructuring costs £m	Total £m
At 1 January 2020	–	2	2
Utilised in the year	–	(2)	(2)
Charged to the income statement	1	1	2
At 31 December 2020	1	1	2
At 1 January 2021	1	1	2
Utilised in the year	–	(1)	(1)
Charged to the income statement	–	2	2
At 31 December 2021	1	2	3

Provisions have been analysed as current and non-current as follows:

	2021 £m	2020 £m
Current	2	1
Non-current	1	1
Total	3	2

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)

18. Commitments

	Due within 1 year £m	Due within 2-5 years £m	Due after 5 years £m	Total £m
2021				
Programme commitments	414	224	-	638
Transmission contracts	29	73	52	154
Total	443	297	52	792
	Due within 1 year £m	Due within 2-5 years £m	Due after 5 years £m	Total £m
2020				
Programme commitments	405	226	1	632
Transmission contracts	29	89	61	179
Total	434	315	62	811

Transmission contracts represent committed capacity costs for transmission on the digital terrestrial and satellite network. Committed payments for digital terrestrial transmission capacity costs amounted to £21 million in 2021 (2020: £26 million). The digital terrestrial transmission contracts expire between 2020 and 2031. Committed payments for satellite transmission capacity costs were £8 million in 2020 (2020: £8 million). The satellite transmission contracts expire in 2024.

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 £25 million in 2021 (2020: £24 million) and is forecast to be £25 million in 2022. Digital 3 and 4 Limited has entered into long-term distribution contracts that expire in 2028 and 2034 and the Group is committed to funding its contractual share.

The Group's commitments for further subscriptions for minority shareholdings in companies in the Indie Growth Fund as at 31 December 2021 are disclosed in note 7.

19. Employee benefits – pensions

Prior to 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

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 228 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.

Notes to the consolidated financial statements (continued)

19. Employee benefits – pensions continued

Investment strategy

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' investment objective is to target an appropriate return on the Plan's assets to meet the objectives above whilst managing and maintaining investment risk, taking into account the strength of the employer covenant.

The Trustees, with the help of their advisers and in consultation with Channel 4, undertake a review of investment strategy from time to time. This includes consideration of the broad split between growth and matching assets, as well as asset class and asset manager arrangements. The Trustees have also considered how social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

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 cash flows.

The assets have a diversified mix of UK and global equities and bonds. The portfolio also contains a multi-asset portfolio with an absolute return focus, and bond assets are invested in a dynamic liability driven investment ('LDI') portfolio, so that the Plan's assets better match its liabilities under movements in long-term interest rates and inflation assumptions.

The most recent investment strategy discussions, which took place during 2019, focused on efficiently achieving returns. Due to new offerings in the LDI market, the Plan was able to increase its credit exposure and maintain its exposure to equities, whilst leaving the levels of interest rate and inflation liability matching broadly the same.

The 2019 review, which occurred in conjunction with the actuarial valuation as at 31 December 2018, resulted in the Plan:

- replacing its passive global equity allocation with equity-linked LDI (which maintained overall equity exposure);
- replacing part of the existing LDI allocation with credit-linked LDI (introducing credit exposure but, in combination with the above switch, maintaining overall liability matching); and
- increasing its allocation to absolute return bonds.

These changes increased the expected return of the investment portfolio whilst keeping the investment risk to an acceptable level.

In order to begin to tackle longevity risk (that is, the risk that members of the Plan live for longer than expected over time), the Trustees entered into a c.£45 million bulk annuity policy with Just Retirement in March 2018. This provides income to match the requirements of certain pensioner liabilities (providing protection against interest rates, inflation and longevity risks).

The next formal actuarial valuation of the Plan, as at 31 December 2021, is underway and the Trustees, in conjunction with their investment advisors, will review the current investment strategy and implement any changes as necessary.

Notes to the consolidated financial statements (continued)

19. Employee benefits – pensions continued

Amounts recognised in the consolidated balance sheet

	2021 £m	2020 £m
Present value of funded obligations	(576)	(590)
Fair value of Plan assets	547	522
Recognised liability for defined benefit obligations	(29)	(68)

Movements in the fair value of Plan assets recognised in the balance sheet:

	2021 £m	2020 £m
Fair value of scheme assets at 1 January	522	453
Interest income on Plan assets	7	9
Return on Plan assets (excluding amounts in interest income)	19	67
Employer contributions net of charges	10	9
Benefits paid	(11)	(16)
Fair value of scheme assets at 31 December	547	522

The fair value of the Plan assets at the balance sheet date is comprised as follows:

	2021 £m	2020 £m
Overseas and emerging markets equity	70	63
Total equity securities	70	63

Corporate bonds	91	90
Infrastructure	57	50
Total debt securities	148	140

Multi-asset absolute return	52	47
Liability driven investments	235	228
Total investment funds	287	275

Cash and cash equivalents	1	1
Annuity policy buy-in	41	43
Fair value of scheme assets at 31 December	547	522

The Plan assets do not include any directly or indirectly owned financial instruments issued by the Corporation. The valuation of the assets above is based on Level 1 inputs in the IFRS 13 fair value hierarchy, with the exception of the infrastructure assets and annuity policy buy-in which are valued based on relevant Level 3 inputs.

All equities and bonds are held as part of investment portfolios which have quoted prices in active markets.

Movements in the present value of scheme liabilities for defined benefit obligations recognised in the balance sheet:

	2021 £m	2020 £m
Present value of scheme liabilities at 1 January	590	532
Interest expense on pension scheme liabilities	8	11
Remeasurement deficit on plan liabilities arising from changes in demographic assumptions	2	-
Remeasurement (gain)/deficit on plan liabilities arising from changes in financial assumptions	(34)	71
Experience remeasurement	21	(8)
Benefits paid	(11)	(16)
Present value of scheme liabilities at 31 December	576	590

Notes to the consolidated financial statements (continued)

19. Employee benefits – pensions continued

Expenses recognised in the income statement arose as follows:

	2021 £m	2020 £m
Net interest expense	1	2
Net charge to income statement	1	2

The remeasurement deficit recognised in other comprehensive income arose as follows:

	2021 £m	2020 £m
Remeasurement gain/(deficit) on plan liabilities	11	(63)
Remeasurement gain on plan assets (excluding amounts in interest income)	19	67
Net remeasurement surplus/(deficit) on pension scheme	30	4

The cumulative amount of net remeasurement deficits/gains recognised in the statement of changes in equity since transition to IFRS is a £111 million deficit (2020: £140 million deficit).

Principal actuarial assumptions at the balance sheet date

	2021 %	2020 %
Discount rate	1.90	1.30
Rate of increase in salaries	2.40	2.00
Rate of increase in pensions	3.15	2.80
Inflation	3.25	2.85

	2021 years	2020 years
Life expectancy from 65 (now aged 45) – male	23.8	23.5
Life expectancy from 65 (now aged 45) – female	26.7	26.1
Life expectancy from 65 (now aged 65) – male	22.1	22.4
Life expectancy from 65 (now aged 65) – female	24.9	24.9

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, showing the revised present value of scheme liabilities in each scenario:

	2021 £m	2020 £m
0.5% decrease in discount rate	638	657
1 year increase in life expectancy	599	613
0.5% increase in salary assumptions	579	594
0.5% increase in inflation (and inflation-linked) assumptions	620	645

The sensitivities disclosed are calculated using approximate methods taking into account the duration of the Plan's liabilities.

Notes to the consolidated financial statements (continued)

19. Employee benefits – pensions continued

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 2018. The results of the valuation at 31 December 2018 showed that the scheme's assets represented 75% of the benefits that had accrued to members, reflecting a deficit of £134 million. The next triennial valuation will be carried out as at 31 December 2021.

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 of £9 million per annum from January 2020 until August 2028.

The weighted average duration of the Plan's defined benefit obligation is approximately 22 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'.

20. Related party transactions

Members

Details of transactions in which Members have an interest are disclosed in the Report of the Members (page 171).

Details of Members' remuneration are shown in the Members' Remuneration Report (page 187).

Key management personnel

The Executive Members are considered to be the key management of the Group.

Joint ventures and associates

Details of transactions between the Group and its joint ventures and associates as at 31 December 2021 are disclosed in note 7.

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	
				2021 £m	2020 £m	2021 £m	2020 £m
Broadcasters' Audience Research Board Limited	Research	*	-	-	-	2	2
Clearcast Limited	Regulator	Ordinary, deferred	25.0%	-	-	1	2
Digital 3 and 4 Limited	Operator	*A Ordinary	50.0%	1	1	25	24
DTV Services Limited	Marketing	Ordinary	20.0%	6	7	3	4
Digital UK	Marketing	*	-	-	-	2	2
Thinkbox Limited	Marketing	Ordinary	20.0%	1	1	2	2
YouView Limited	Platform	Voting, non-voting	14.3%	-	-	1	1

The Group had £nil trade payables remaining with the organisations listed above at 31 December 2021 (2020: £1 million). No dividends were received in 2021 (2020: £nil) from any of the related parties listed above.

These related party disclosures are also applicable to the Channel 4 financial statements.

Notes to the consolidated financial statements (continued)

21. Post Balance Sheet Events

In July 2021, the Government announced a consultation on the future ownership of Channel 4, which took place over the second half of the year. In April 2022, following the balance sheet date, the Government published a White Paper in which it set out its intention to proceed with the privatisation of Channel 4. This is expected to require a lengthy legislative process, with the Group continuing to operate as normal and a continued focus on the delivery of its remit while this takes place.

Management's assessment is that this announcement does not represent an adjusting event for the 2021 financial statements under IAS 10 *Events After The Reporting Period*, and that the proposals are at too early a stage to quantify any potential future impact on the Group's financial statements arising as a result.

Channel 4 balance sheet

as at 31 December

	Group note	Channel 4 note	2021 £m	2020 £m
Assets				
Property, plant and equipment	9		111	106
Right-of-use asset	11		10	12
Intangible assets		2	22	22
Other investments		3	4	4
Deferred tax assets	12		17	26
Total non-current assets			164	170
Programme and film rights		4	293	235
Trade and other receivables		5	220	226
Other financial assets		6	115	110
Cash and cash equivalents		6	152	161
Total current assets			780	732
Total assets			944	902
Liabilities				
Employee benefits – pensions	19		(29)	(68)
Lease liabilities	11		(10)	(12)
Deferred tax liabilities			(6)	(5)
Total non-current liabilities			(45)	(85)
Trade and other payables		7	(502)	(450)
Current tax payable			–	(3)
Provisions	17		(3)	(2)
Borrowings	15		–	(75)
Total current liabilities			(505)	(530)
Total liabilities			(550)	(615)
Net assets			394	287
Revaluation reserve			54	52
Other retained earnings			340	235
Total equity			394	287

As permitted by section 408 of the Companies Act 2006, the Corporation has not presented its own income statement. A surplus of £79 million has been recognised in relation to the Corporation in 2021.

The financial statements on pages 231 to 236 were approved by the Members of the Board on 4 May 2022 and were signed on its behalf by:

Sir Ian Cheshire
Chair

Alex Mahon
Chief Executive

The notes on pages 234 to 236 form part of these financial statements.

Channel 4 statement of changes in equity

for the year ended 31 December

	Group note	Channel 4 note	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2020			178	56	234
Surplus for the year			62	-	62
Net remeasurement surplus on pension scheme	19		4	-	4
Revaluation of freehold land and buildings	9		-	(4)	(4)
Merger accounting adjustment		2	(9)	-	(9)
Total comprehensive income/(expense) for the year			57	(4)	53
At 31 December 2020			235	52	287
At 1 January 2021			235	52	287
Surplus for the year			79	-	79
Net remeasurement surplus on pension scheme	19		30	-	30
Revaluation of freehold land and buildings	9		-	2	2
Deferred tax on pension	12		(4)	-	(4)
Total comprehensive income for the year			105	2	107
At 31 December 2021			340	54	394

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 204 to 230. As permitted by Financial Reporting Standard 101, the Corporation has not presented its own cash flow 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 surplus of £79 million (2020: £62 million deficit) 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 204 to 209, except as stated below.

In preparing these financial statements the Corporation has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include disclosure of related party transactions with other wholly owned members of the Group headed by the Corporation. Details of transactions between the Group and its related parties are disclosed in Group note 20 on page 229.

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 any expected credit loss.

Critical accounting judgements and sources of estimation uncertainty

The critical accounting judgements made by management and the sources of estimation uncertainty in the application of IFRS that have a significant risk of material adjustment on the financial statements of the Corporation are considered to be programme and film rights amortisation and the classification of transponder assets as service contracts under IFRS 16, as disclosed for the Group on page 204.

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 2021 are presented in note 3 to the consolidated financial statements on page 211.

Staff costs

All staff costs are borne by Channel 4 and are presented in note 4 to the consolidated financial statements on page 212 and in the Members' Remuneration Report on pages 185 to 192. The average monthly number of employees of the Corporation is 1,035 (2020: 904), classified as shown below:

2021	Male no.	Female no.
Executive team	8	5
Senior managers	21	17
Employees	422	553
Total employees	431	575
Non-Executive Members	6	3
Total including Non-Executive Members	437	578

The key management of the Corporation are considered to be the same as for the Group, as disclosed in Group note 4.

2. Intangible assets

	Developed software £m	Assets under construction £m	Network distribution rights £m	Brands £m	Negative goodwill £m	Total £m
Cost						
At 1 January 2020	26	1	-	-	-	27
Merger accounting adjustment	-	-	27	1	(5)	23
Disposal	(3)	-	-	-	-	(3)
At 31 December 2020	23	1	27	1	(5)	47
At 1 January 2021	23	1	27	1	(5)	47
Additions	-	3	-	-	-	3
Disposal	(1)	-	-	-	-	(1)
At 31 December 2021	22	4	27	1	(5)	49
Amortisation						
At 1 January 2020	25	-	-	-	-	25
Merger accounting adjustment	-	-	4	-	(1)	3
Disposal	(3)	-	-	-	-	(3)
At 31 December 2020	22	-	4	-	(1)	25
At 1 January 2021	22	-	4	-	(1)	25
Amortisation for the year	-	-	2	-	-	2
At 31 December 2021	22	-	6	-	(1)	27
Carrying amount						
At 1 January 2021	1	1	23	1	(4)	22
At 31 December 2021	0	4	21	1	(4)	22
At 1 January 2020	1	1	-	-	-	2
At 31 December 2020	1	1	23	1	(4)	22

During 2020, the trade and assets of The Box Plus Network ("Box"), previously a 100% owned subsidiary, were hived up into the Corporation, as part of Box's operational integration into Channel 4 following the full acquisition of the business in 2018. As a result of this transaction, intangibles with a net book value of £24 million which were recognised on consolidation of Box into the Group following the full acquisition are now recognised in the Corporation's books. This transaction also resulted in a £9 million adjustment to the Corporation's retained earnings to retrospectively recognise the accounting treatment of these intangible assets under FRS 101.

Notes to the Channel 4 financial statements (continued)

3. Investments

Subsidiary undertakings and joint ventures

The cost of investments at 31 December is:

	2021 £000	2020 £000
4 Ventures Limited	1	1

The subsidiary undertakings incorporated in the United Kingdom at 31 December 2021 are as follows. Where the Members have taken the exemption under Companies Act s479A from having an audit of the financial statements for subsidiaries controlled and consolidated by the Group, this is noted below:

Name	Company number	Nature of business	Issued ordinary £1 shares	Ownership interest
Registered office address is: 124 Horseferry Road, London SW1P 2TX				
4 Ventures Limited ¹	04106849	Intermediate holding company and non-primary function activities	1,000	100%
Film Four Limited ^{1,2}	03075944	Film distribution	1,000	100%
Channel Four Investments Limited ^{1,2}	08950142	Indie Growth Fund	1	100%
The Box Plus Network Limited ¹	02643552	Non-trading	1,000	100%
Global Series Network Limited ^{1,2}	09086979	TV and film distribution	2,000	100%
GSN Holdings International Limited ^{1,2}	10526433	TV and film distribution	1,000	82.5%
Channel Four Television Company Limited	01533774	Non-trading	100	100%
E4.com Limited ²	04063871	Non-trading	1,000	100%
E4 Television Limited ²	04060680	Non-trading	1,000	100%
Film on Four Limited ²	01915181	Non-trading	100	100%
Sport on Four Limited ²	01637216	Non-trading	2	100%

¹ Exemption from audit of subsidiary financial statements taken by the Members.

² Indirect shareholding through 4 Ventures Limited.

Associated undertakings

For the Corporation's indirect shareholdings in the Indie Growth Fund through Channel Four Investments Limited and European Broadcast Exchange ("EBX") Limited, refer to Group note 7.

For the Corporation's indirect shareholdings in Channel 4 Ventures through 4 Ventures Limited, refer to Group note 8.

Other investments

	Total £m
Carrying value at 1 January 2021	4
Additions	-
Carrying value at 31 December 2021	4

4. Programme and film rights

	2021 £m	2020 £m
Programmes and films completed but not transmitted	120	95
Acquired programme and film rights	45	51
Programmes and films in the course of production	128	89
Total programme and film rights	293	235

Certain programme and film rights may not be utilised within one year as disclosed in note 13 to the consolidated financial statements.

Notes to the Channel 4 financial statements (continued)

5. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	170	187
Prepayments	34	25
Accrued income	16	14
Total trade and other receivables	220	226

6. Treasury

	2021 £m	2020 £m
Bank balances	32	2
Money market funds	90	139
Money market deposits maturing in less than three months	30	20
Cash and cash equivalents	152	161
Money market deposits maturing after three months	10	10
Investment funds	105	100
Other financial assets	115	110

7. Trade and other payables

	2021 £m	2020 £m
Trade payables	14	15
Taxation and social security	1	1
Other creditors	71	59
Amounts due to subsidiaries	113	130
Accruals	230	179
Deferred income	46	30
VAT	27	36
Total trade and other payables	502	450

The amounts due to subsidiaries relate to cash balances managed by the Corporation on behalf of Group companies, and as such the Corporation does not expect settlement of these balances to be required in the foreseeable future.