



Channel Four Television Corporation

Report and Financial Statements 2009

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Lord Burns

Chairman

2009 was a year of great challenge and great change for Channel 4. One in which the organisation had to deal not only with a total TV advertising market that declined by 12% but also with the departure of its Chairman and Chief Executive. It is testament to the well-run nature of the business that it was able to handle these challenges, hit financial breakeven and continue to make a significant contribution to the UK's public service media landscape.

The creative skill and enterprise of Channel 4's commissioning teams and their partners in the independent production community is evidenced by the breadth and quality of programmes and content highlighted in this report – from *Red Riding* to *The Family* and, of course, the ever present *Channel 4 News*.

As incoming Chairman, I would like to take this opportunity to pay tribute to my predecessor Luke Johnson who, from his appointment in 2003, made a passionate and important contribution to safeguarding the organisation's future. I would also like to thank Sue Ashtiany whose tenure on the Board came to an end in 2009.

My first priority on arrival has been to oversee the appointment of a new Chief Executive and I am delighted that David Abraham has agreed to lead Channel 4 in its next phase. His immediate predecessor Andy Duncan did a formidable job of setting Channel 4 firmly on course to becoming a fully integrated, multi-platform public service provider and I would also like to thank him for his contribution.

Given the clear threats posed to traditional broadcasting by the dramatic changes taking place in the sector I have been asked by many people what attracted me to taking on the Chairmanship of Channel 4 at this point. There are several reasons.

I am a strong supporter of Channel 4's public service remit and its role in providing content that is not designed to maximise profit but which has broader purposes and is distinctive. Channel 4's licence to innovate, experiment and take creative risks ensures it is a key competitor to the BBC, helping to strengthen the diversity of UK public service media by encouraging it to do things the BBC cannot. Furthermore, by competing directly in key public service genres such as news and current affairs Channel 4 helps keep other broadcasters up to the mark.

Channel 4 also benefits from having a strong brand, which resonates powerfully with young people. Maintaining this appeal to younger audiences is a real challenge but one that I believe is important if public service media is to remain relevant in the digital era.

Although it can be tough at times, I also like the discipline of Channel 4 having to earn its living in the market place rather than being dependent on Government funding.



As someone who has been interested throughout their career in using technology to make work easier and leisure more enjoyable, the prospect of implementing Channel 4's transformation into a fully digital, public service network, as envisaged in 2009's Digital Britain Report, is also very appealing.

Naturally, with the prospect of an enhanced remit that extends beyond the core linear TV channel, the role of the Board in ensuring there is appropriate governance and accountability is more important than ever. This will be a key focus for me and the whole Board in the years ahead. Another priority is to make sure that the Board works effectively as a team and as an oversight body to challenge the executive and offer it the appropriate levels of support.

I believe that retention of Channel 4's special status as a not-for-profit, publicly-owned organisation is essential to delivery of its mission. But in an increasingly complicated and fast-moving world we have to work harder than ever to demonstrate the public value we are delivering – both in cultural terms and in economic terms as a major supporter of the independent production sector.

To this end the Public Impact Report, incorporated for the second time in this year's Annual Report, is a very important tool. I look forward to working with Government and Ofcom to ensure this develops over time into a set of measures that give the public confidence that Channel 4 is meeting its public service mission and, therefore, justifying its special public status.

Major structural and economic challenges face all those media sectors that rely heavily on advertising. In these circumstances we must strive to find new and ingenious partnerships and business models to support our investment in content.

This will be no simple task but it is clear that we are challenged in some areas by a regulatory framework designed for a different broadcasting market. I would like to see if we can make progress in dismantling some of the regulations we face. We need to engage policy makers on whether all the regulations are still necessary.

Many challenges and opportunities lie ahead. We are going through a period where there is less money and a consequential need for greater ingenuity and innovation. It feels to me like that is a world Channel 4 was built for.

Anne Bulford

Interim Chief Executive



The economic recession that dominated everyone's outlook during 2009 required all Channel 4's editorial powers to explain its origins and consequences to an audience buffeted by its effects. It also required every ounce of our operational competence to manage the resulting pressures on our finances and minimise its impact on our public service delivery.

With a proud history of financial independence, Channel 4 has always reacted smartly to challenging external circumstances. Having acted promptly in the autumn of 2008 to reduce our overhead by 20%, we were left with no option but to cut deeply into programme budgets during 2009 in response to a 12% decline in advertising revenues across commercial television.

We did everything possible to protect core public service brands, but having reduced total programme spend by over £50 million in order to break even, it was inevitable that the richness of our schedules was affected. We are now spending over £75 million less annually on programmes than at our peak.

Channel 4 was forced to make tough editorial choices to balance the books in 2009. We cut back our half-hour *News at Noon* bulletin to five minutes and ended the *More4 News* service with the greatest reluctance. There was less drama across the network than we ideally would have liked and we were very restricted in our ability to invest in new, first-run content outside peak and at weekends.

In reading through this report, however, I am still overwhelmed by the diversity of Channel 4's output, despite straitened circumstances: the magnificent ambition of *Red Riding*; *The Inbetweeners* becoming a break-out hit, with a multiplatform audience of almost 5 million per episode; the success of programmes like *Cast Offs* and *The Family* in championing alternative voices in the mainstream. The Oscars that Film4 achieved for *Slumdog Millionaire* in February were a reminder of Channel 4's special creative alchemy and our ability to shape the culture.

This creative strength translated into ratings, with our portfolio of TV channels doing well in an exceptionally competitive marketplace to secure an 11.5% share of the total TV audience, just 3% down on the previous year. We also increased our share of total TV advertising revenue to 24.5%. We remain cautious about the outlook, although we are encouraged by signs of an upturn, which may allow us to put money back into content.

With so much pressure on the core channel's performance, 2009 was a year when the wisdom of our long-term investment in digital became ever more apparent. Record profits from our digital TV channels were the most important factor in helping the Group break even. Their profitability will be boosted by our move into high definition, with new E4 HD and Film4 HD channels joining Channel 4 HD on various platforms.

Perhaps the most significant development during 2009 was the coming of age of our video-on-demand (VOD) strategy. 4oD enjoyed a period of spectacular growth, serving more than 200 million programmes during 2009, making it the UK's most popular commercial long-form VOD platform. We aim to maintain this lead in 2010, when the impact of our deal with YouTube will be felt in full. We also have high hopes of our involvement as a shareholder in Project Canvas.

Channel 4 is also becoming truly cross-platform in its public service delivery, with ever larger audiences engaging with our content in this digital space. 10 million plays of our 1066 game in just seven months; 3 million video clips viewed on the *Embarrassing Bodies* website; 650,000 members of the Facebook fan group for *Skins*. These are statistics to make anyone sit up and take notice. This evolving approach to public service delivery was endorsed in the Digital Economy Bill.

We recognised last year that this evolution would necessitate a more sophisticated, effective and explicit form of 'public value' reporting. That is why in 2008 we significantly enhanced the Annual Report with the introduction of a Public Impact Report. I believe this year's Public Impact Report, which provides a detailed account of our public service delivery on a cross-platform basis, builds strongly on last year's innovation. It is an important document for us to get right as it is central to us giving audiences and stakeholders confidence that we are doing a good job of delivering our unique public service mission.

I am grateful to the many colleagues and external partners who have supported me as Interim Chief Executive and helped make this period so rewarding. Thanks to them, I feel confident we can welcome our new Chief Executive, David Abraham, in as good a shape as possible, having come through what we hope is the worst of the recession while prudently maintaining cash reserves.

Those reserves offer us a secure platform, liberating Channel 4 to be bold in its decision making as it enters an important period of creative renewal when *Big Brother* leaves our screens. Already exciting new projects are emerging, the 2012 Paralympics chief amongst them; while our financial situation in 2010 will remain challenging, our editorial prospects offer genuine grounds for optimism.

Channel 4’s public impact

Channel 4 takes seriously the importance of effective accountability and reporting mechanisms. It is a priority to ensure that our audiences, regulator and political stakeholders are confident that we are delivering the public service mission entrusted to us. Delivering this mission has become ever more sophisticated. For most of its life, Channel 4 was a single, linear analogue channel, and measuring its public impact was relatively straightforward. By contrast, today we have a successful portfolio of services delivering different kinds of public impact to different audiences, all of which we need to capture and report accurately. To this end, in 2008 for the first time we published a ‘Public Impact Report’ as an integral part of our Annual Report.

This year, we present Channel 4’s second Public Impact Report, providing evidence of the distinctive nature of its contribution across its television channels and digital services. Drawing on a wide range of measures, the Report covers the public impact achieved in the round and, in particular, through the delivery of our four public purposes – to **Nurture, Challenge, Champion and Inspire**.

As Channel 4’s ability to reach millions of viewers becomes increasingly valuable in a fragmenting media world, we again present a set of indicators covering scale and impact. Alongside a series of quantitative measures, the report also spotlights some of the programmes and services that we are most proud of, illustrating how they help Channel 4 to fulfil its public role. To ensure consistency, the public impact measures are the same as those in last year’s report, with a greater emphasis on the role played by digital media, as we promised last year. We also highlight areas where we have not performed as well as we would have liked and provide explanation for this.*

In 2009, Channel 4 responded decisively to the harsh economic conditions, acting quickly to reduce operating costs and thereby protect programming budgets as much as possible. Significant budget cuts were nonetheless required, and these are reflected in the public impact measures. However, the main story that the public impact measures tell us is that despite these budget cuts, Channel 4 performed strongly, not only maintaining the overall distinctiveness of its output in the eyes of viewers, but in some instances strengthening its reputation.

*See methodology document for details, at channel4.com/annualreport

Significant growth in performance of digital services helps offset core channel decline

Despite the budget cuts in 2009, there was only a modest decline in viewing to Channel 4’s TV channels – portfolio audience share was 11.5%, just 3% down. Within this total, there were striking differences in the trends for different services.

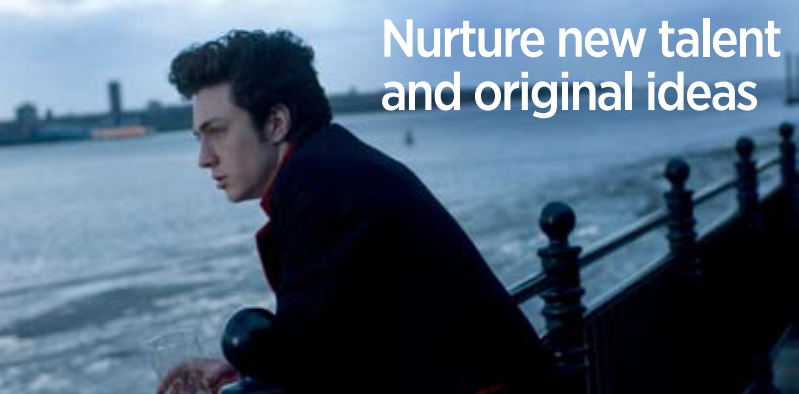
As Channel 4 makes the transition from a *public service channel* to a *public service network*, delivering its content over a variety of TV and other platforms, its digital services become more important each year, and their performance in 2009 was strong. The digital TV channels experienced significant growth, with their viewing share rising by 9%.

Thanks in large part to the success of our digital channels, Channel 4’s portfolio share over the last five years (from 2004 to 2009) was up by 10%. This makes Channel 4 the only public service broadcaster to have grown its portfolio share over this period.

Growth was even stronger online: the number of full-length programmes viewed on-demand rose by an impressive 60%, while visits to Channel 4’s websites were up by 31%. Page views, which fell in 2008, were back up in 2009, by 7%.

The core channel’s share of total TV viewing in 2009 was 7.5%, down 8% year-on-year. This decline partly reflected the pressures faced by all public service broadcasters due to digital switchover: viewing to their main PSB channels is lower in digital homes than in analogue homes. Also, Channel 4 took the decision to drop several long-established programmes in 2009 as part of its ongoing creative renewal, with new shows inevitably rating less well on average (it can take time for new series to build their audience). Viewing to *Big Brother*, which Channel 4 announced it would not extend beyond its 2010 run, also fell.

It is encouraging that within this trend on the core channel, viewing levels for commissioned programmes (“network originations”) – which are the focus of Channel 4’s public service contribution – were more resilient than for bought-in shows and feature films on the core channel. Viewing to network originations fell by 6%, compared to a more substantial 13% fall in viewing to acquired programmes. This also reverses the 2008 trend, when reduction in viewing to network originations was greater.



Audiences perceive Channel 4’s output to be at least as distinctive as before

Channel 4 monitors its performance against different aspects of its public role via an ongoing tracking survey that looks at how it is perceived by audiences. Of the 18 statements presented in the public impact report, Channel 4’s lead over the other main PSB channels in 2009 held constant or rose on 16 of them (the other two fell slightly). Channel 4 significantly increased its lead over other channels on some measures – its lead was up by 5 percentage points for “Being experimental”, for example. On balance, then, these measures suggest that viewers believe Channel 4 to have at least maintained its distinctiveness in 2009.

Other public impact measures highlighted specific areas of strength for Channel 4 in 2009:

- *Channel 4 News* continues to be regarded by regular viewers as more independent than the news programmes of the other main UK broadcasters
- Viewing to new originated programming on E4 (excluding *Big Brother*-related live streaming) rose by 37%
- The amount of first-run originated programming covering diversity themes rose by 2% overall and by 4% in peak (reversing a decline in 2008).

Programme budgets cut, but support for the nations and regions increases

Channel 4 is unusual for a publicly-owned organisation in that everything it does is financed in the marketplace. So while its primary goal is to meet its public service duties, these need to be carried out within strict financial disciplines. In 2009, the 12% decline in the TV advertising market had a direct impact on Channel 4’s ability to invest in new content, given the financial objective to achieve breakeven at the Corporation level. The volume of first-run commissions on the core channel, E4, More4

and Film4 fell by 12% in 2009 compared to 2008 (excluding *Big Brother*-related live streaming), while total investment in originated content (including TV and digital media) fell by 14%.

Against this backdrop, Channel 4 sought to enhance its commitment to production in the nations and regions in 2009. The proportion of investment in first-run originations on the core channel made outside London rose by 5 percentage points, equivalent to a small rise in expenditure in absolute terms. Of this out-of-London spend, an additional £3 million was invested in programming in the nations (with Scotland the primary beneficiary), resulting in their share of total out-of-London investment rising by 3 percentage points.

Conclusion and future challenges

Even with hundreds of channels to choose from, audiences consistently tell us that Channel 4 is different. It offers content that cannot be found elsewhere. This year’s public impact report confirms that Channel 4’s output remains as distinctive as ever, even despite substantial cuts in programme investment.

Not surprisingly, given the severity of the financial pressures faced in 2009, of the public impact measures that we report, the greatest areas of challenge for Channel 4 were the overall reductions in output and investment in originated content, along with the more modest declines in TV viewing share (especially on the core channel).

Turning to the future, with increased competition in digital media and reduced budgets for content, Channel 4 will have to continue to find new ways to achieve its public impact, both by making programmes available on as many platforms as possible and by engaging audiences through new kinds of digital media. In both these respects, Channel 4 made substantial progress in 2009, as we illustrate on the following pages. While there remains much work still to do for Channel 4, we look forward to the exciting challenges that lie ahead.



Nurture new talent and original ideas

Channel 4 encourages innovation in everything that it does – in television, film and increasingly digital media – always seeking new ways to reach audiences and achieve impact with public service content. This constant impulse to innovate requires Channel 4 to seek out the most creative talent from across the UK. It works with the best writers, directors, actors and other programme-makers throughout their careers, whether providing space in the schedules for new emerging voices or investing in ambitious landmark projects from veteran collaborators. Its programmes are sourced from the widest range of production companies to ensure it has access to the best ideas, with an active policy to support the creative economies across the nations and regions.

Nowhere Boy

The most original film making voices	10
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Film4 makes its production budgets go a long way by supporting the most exciting film making talent in the UK and helping them realise their creative ambitions. In another award-filled year, Film4 brought together some of the best-known names of cinema with the new and untried.

World class dramatic talent	12
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Channel 4’s approach to drama exemplifies the broadcaster’s commitment to nurturing talent at all stages of their careers – whether giving young new actors their first major break on *Misfits*, giving actress Samantha Morton the chance to direct her first feature film, or bringing together some of the most distinguished British filmmakers for the *Red Riding* trilogy.

Giving talent room to grow	14
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Channel 4’s commitment to finding new talent covers all genres, including mainstream ones such as entertainment and comedy. As well as identifying many of tomorrow’s stars, Channel 4 gives them, and their writers and directors, the time and space they need to build an audience.

Supporting creativity across the UK	16
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Channel 4 has a significant role to play in stimulating production across the nations and regions of the UK, ensuring that new voices across the country can be heard. Channel 4’s support for talent based outside of London ranges from working with larger companies to build sustainable production centres, to providing opportunities to new film-makers.

Key measures	18
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Public impact measures illustrate Channel 4’s commitment, across its TV channel portfolio, to programmes that are new and that support new talent, while regular audience surveys track perceptions of Channel 4’s willingness to experiment and try new things.

The most original film making voices

Film4 is central to the world-wide reputation of independent British film making, no more so than in 2009 when *Slumdog Millionaire* won an astonishing eight Oscars. The year also saw success for *Nowhere Boy*, *Looking for Eric* and *The Lovely Bones*, which was selected for the Royal Film Performance. Film4 believes that finding and nurturing talent is the key to sustained success, amply demonstrated during the year by films that came from some of the most respected and well-established names in the business like Danny Boyle, Michael Winterbottom and Ken Loach; as well as new film making voices like Sam Taylor-Wood, Richard Ayoade and Tom Harper.

Of the twenty-three Film4 films in production or on release in 2009 (see list below), no fewer than eleven were made by first-time directors, five of whom were already working with Channel 4. The London Film Festival gave Jack Thorne an award as Best British Newcomer for writing the Film4-backed *Scouting Book for Boys* and chose Sam Taylor-Wood's directorial feature film debut *Nowhere Boy* for its closing night gala.



Looking for Eric

“Film4 is a temple that has to be protected”

Danny Boyle, *The Independent*

UK film releases in 2009
All Tomorrow's Parties (Jonathan Caouette)
Better Things (Duane Hopkins)
Bunny and the Bull (Paul King)
Faintheart (Vito Rocco)
Franklyn (Gerald McMorrow)
Genova (Michael Winterbottom)
Hush (Mark Tonderai)
Looking for Eric (Ken Loach)
Nowhere Boy (Sam Taylor-Wood)
Slumdog Millionaire (Danny Boyle)
Unmade Beds (Alexis Dos Santos)
Vinyan (Fabrice Du Welz)

Festival premieres in 2009
Scouting Book for Boys (Tom Harper)
She, A Chinese (Xiaolu Guo)
The Lovely Bones (Peter Jackson)

Films in production in 2009
Another Year (Mike Leigh)
Attack the Block (Joe Cornish)
Chatroom (Hideo Nakata)
Eagle of the Ninth (Kevin Macdonald)
Four Lions (Chris Morris)
Neds (Peter Mullan)
Never Let Me Go (Mark Romanek)
Submarine (Richard Ayoade)

“Film4 is now playing an increasingly prominent role in the British film industry. How satisfying that such high-quality work is being developed here – and that Hollywood is recognising it”

Marc Lee, *Telegraph.co.uk*

Looking for Eric

An ailing Manchester postman gets his life back on track with a little help from Eric Cantona in Ken Loach's comedy-drama, written by Paul Laverty and starring Steve Evets, John Henshaw and the former Manchester United star himself. A hit with audiences, the film screened at numerous festivals including Cannes and The Sydney Film Festival before going on general release.

This is the latest in a long line of Ken Loach projects which have been supported by Channel 4. Loach made *It's a Free World* for Channel 4 in 2007 and in the 1990s Film4 financed his films *Riff-Raff*, *Raining Stones* and *Ladybird, Ladybird*. Loach has said these films “were the turning point ... before that I was really struggling and after that it was much easier, so I owe Film4 a huge debt.”

“... Ken Loach perfectly captures the feeling of football and the need for hope. Touching and hilarious – a blinder”
Nev Pierce, *Empire Magazine* ★★★★★

Nowhere Boy

Nowhere Boy is artist Sam Taylor-Wood's first full-length feature film following her Film4 short, *Love You More*. Working with a cast of young unknowns alongside established actors including Anne-Marie Duff and Kristin Scott Thomas, Taylor-Wood created a fascinating look at John Lennon's teenage years.

Robert Bernstein, Producer of *Nowhere Boy*, paid tribute to Film4's role when he said “*Film4 is driven by talent. [They are] loyal and committed to talent which is incredibly important for British film. They were first in and the process from there on in was extremely positive – genuinely, they were great.*”

“*Nowhere Boy* has striking emotional depth, a spot-on sense of period, and a central performance of remarkable texture and nuance from newcomer Aaron Johnson”
Nick Curtis, *The Evening Standard* ★★★★★

World class dramatic talent

Channel 4’s approach to drama starts with people – it looks for talented writers, new as well as established, who have a passionate desire to tell a particular story. And once it has found them, it gives them a great deal of creative freedom. Channel 4, like Film4, puts its trust in talent.

Red Riding, *Misfits* and *The Unloved* were amongst the dramas that exemplified this approach in 2009. So, too, did *Coming Up*, a strand of seven 30-minute films each from first-time writers and directors, the only scheme of its kind that gives emerging talent an opportunity to create original drama for a guaranteed UK-wide network television broadcast.

Channel 4 has continued to work closely with ‘graduates’ from *Coming Up* – with youth dramas providing particularly fertile opportunities for them to gain further experience and hone their creative skills. They include Sean Buckley, now writing for the teen-drama *Skins*; Tom Harper, director of *Misfits* and recent Film4 title *Scouting Book for Boys*; Miranda Bowen and Amanda Boyle, directors of *Cast Offs*; and Jack Thorne, a writer for *Cast Offs*, *Shameless*, *Skins* and *Scouting Book for Boys*.



Red Riding

“Revolution Films and Channel 4 afforded me an all too rare freedom. I experienced only support, trust and a desire to experiment and to push boundaries. It felt like a return to the halcyon days of television drama”

Tony Grisoni, Writer

Red Riding

Red Riding is an ambitious, dark and thrilling trilogy of interlinking films set in Yorkshire in the 1970s and 80s. Each film was directed by a different leading director with Julian Jarrold (*Kinky Boots*, *White Teeth*, *Brideshead Revisited*), Oscar winner James Marsh (*Man on Wire*), and Anand Tucker (*Hilary & Jackie*, *Shopgirl*) each taking on an episode and giving it a unique flavour. Many of those involved – on-screen and off – have worked with Channel 4 on previous projects, including writer Tony Grisoni, who also wrote *The Unloved*, and Andrew Garfield, who had his first break in 2007 in the multi-award winning drama, *Boy A*.

In addition to its small-screen success and a BAFTA win, the trilogy has been shown in cinemas around the world, including major international film festivals in Rome and Telluride.

“There were no limitations which was why the project was so exciting”

Anand Tucker, Director 1983

Misfits

Misfits is an exciting new comedy drama shown on E4 – continuing the channel’s commitment to bold and home-grown drama. The show features a hot young cast of emerging acting talent including Robert Sheehan (*Red Riding*), Iwan Rheon (*Spring Awakening*), Lauren Socha (*The Unloved*), Nathan Stewart Jarrett (*The History Boys*) and newcomer Antonia Thomas. It follows a gang of five teenage outsiders who get caught in a flash storm while on Community Service and suddenly find themselves saddled with strange superpowers.

“A script that fizzes with wit and invention, and a charismatic young cast of next-generation talent”

Time Out

The Unloved

The Unloved gives an intimate child’s eye view of life in a residential care home and an insight into the pain of being without a parent’s love. It is a very powerful and personal story from Academy Award nominee, Samantha Morton. As an actress, Samantha has a history with Channel 4 and Film4 (starring in award-winning drama *Longford*, and in the Film4 film *Enduring Love*), but this was her first film as director. The drama (which has since had a cinematic release) was widely acclaimed as a stunning directorial debut and went on to win a BAFTA.

“I am thrilled to be making my first film with Channel 4, who have constantly pushed boundaries and enabled people like myself to have a voice”

Samantha Morton, Director

Giving talent room to grow

Consistent support for talent is central to all Channel 4's commissioning decisions in comedy and entertainment. Various different comedy strands for developing talent allow Channel 4 to test new programmes with audiences. They provide an entry platform for untried talent, spawning the likes of Peter Kay, Dom Joly, Russell Brand and the BAFTA-winning Fonejacker. *Comedy Showcase*, in particular,

encourages innovation and risk-taking as the best writers, directors and producers are drawn to Channel 4 to try out new ideas with emerging talent. One of the keys to success sometimes lies in simply giving a series or a performer the time they need to build an audience. Now in its sixth series, *Peep Show*, with 2.1 million dedicated viewers, has more than doubled its ratings since the first series in 2003.

The Inbetweeners



The Inbetweeners

The Inbetweeners returned for a second hugely successful series with more embarrassing mishaps for the teenage stars. The four actors, who were unknown before joining the show, garnered praise for their performances, with Simon Bird winning Best Comedy Actor at the British Comedy Awards in 2009. For writers Iain Morris and Damon Beesley, the script was their first narrative sitcom for television.

The Inbetweeners tripled its audience in 2009, making it the highest rated comedy in digital channel E4's history, with an average of 1.5 million viewers per episode on first transmission. It also created a lot of buzz online, with over a thousand Facebook pages about the show.

“The teenage sitcom with wit and heart”

Daily Telegraph

School of Comedy

School of Comedy is a fresh and irreverent sketch show for E4 showcasing the talents of a group of teenage comedians who lampoon the adult world. Originally an after school club run by Laura Lawson, *School of Comedy* transferred to the Edinburgh Fringe in 2007-08. After spotting its potential, Channel 4 initially commissioned it as a *Comedy Lab* and, after helping the team to expand the cast and hone performances and scripts, went on to commission a six-part series in 2009.

“A rip-roaring, tummy-clutching, breath-catching good old laugh”

Company.co.uk



School of Comedy



Derren Brown: The Events

Derren Brown: The Events

Derren Brown's big break came as long ago as 1999, with the Channel 4 show *Mind Control*. He has innovated consistently over the last decade, returning in 2009 with *The Events* – four highly complex shows using a combination of illusion, suggestion, psychology, misdirection and showmanship.

Derren Brown's attempt to predict the National Lottery results live drew more than 4 million viewers – making it one of the highest rated Channel 4 shows of the year. There was substantial speculation in the media and online as to how he pulled off the various tricks.

“His lottery stunt has bewitched the nation”

The Sunday Times

Comedy Showcase

Comedy Showcase gives comedy writers, producers and directors the chance to take risks and experiment with ideas. The 2007 season resulted in series commissions in 2009 for *The Kevin Bishop Show*, *Plus One* and *Free Agents*. 2009's season was even more successful, with four of the seven pilots resulting in full series commissions on Channel 4, E4 and More4. These include *Campus*, a new project from *Green Wing*'s Victoria Pile, *PhoneShop*, script-edited by Ricky Gervais, and *Pete vs Life* from the team behind *Peep Show* and *Star Stories*.

“Comedy Showcase is one of Channel 4's most valuable strands...the [freedom offered] results in much riskier and more innovative work”

The Times

Supporting creativity across the UK

Channel 4 is committed to supporting creative talent across the entire UK – investing more than £100 million on programming outside of London in 2009, including some of Channel 4's most popular series, from *Location Location Location* to *Skins*. In addition to building scalable production centres with these long-running programmes, Channel 4's Nations and Regions team helps to grow smaller companies by providing creative development support. This includes investing in start-ups, funding digital media innovation and hosting TRC Media, a unique training unit for independent producers which was founded by Channel 4 in Glasgow.



The First Movie

Supporting new film-makers

2009 saw Channel 4 supporting the next generation of creative factual companies – often commissioning debut films, such as *The Exhumer* from Glasgow start-up Matchlight, and providing development support for new companies such as Bath-based Burning Blue. Several other emerging new film-makers from across the UK produced compelling and critically acclaimed documentary commissions for Channel 4, including:

The First Movie: Produced by Connect Film and directed by Edinburgh based film-maker Mark Cousins for Channel 4's *True Stories* strand, *The First Movie* is a magical realist portrait of a Kurdish village in northern Iraq, featuring films made by young villagers as they discover their own imaginations and the carnage of their past.

The Boy Who Was Born a Girl: A powerful *First Cut* film from Cardiff-based producer/director Julia Moon, *The Boy Who Was Born a Girl* tells the story of 16-year-old Jon, who used to be a girl called Natasha.

The Estate: Made by Clarity Productions and filmed over the course of a year for Channel 4's *3 Minute Wonders*, *The Estate* is an intimate portrait of the notorious Sighthill Estate in Glasgow as it prepares for the demolition of its tower blocks.

Building sustainable businesses

In addition to uncovering brand new voices, Channel 4 helps to nurture production companies across television, film and digital media by providing business support, investment and high level training and development.

The Channel 4 Nations and Regions team interacted with up to 100 companies over the year, investing over £1.5 million in developing and piloting new projects outside of London. These include Scottish-based Clarity Productions, which received development funding from the Nations and Regions team, went on to win a place on Channel 4's Researcher Development Programme, and is currently developing a film for the *True Stories* strand on More 4.

TRC Media runs a number of high-value development schemes, including Cross Creative, a 9 month scheme aimed at expanding the knowledge and networks of digital media professionals; and the International Development Programme, which introduces emergent companies to the international co-production market.

Channel 4 has invested in the development of many digital media companies across the UK, who benefit from business-building commissions, strategic support, and high-level training. These include Iso Design from Glasgow, Denki from Dundee, Tuna Technologies for Sheffield, and Edinburgh based Blipfoto, a new photo sharing website which won a Scottish BAFTA in its start-up year.

“Channel 4 is a talent academy – more people have graduated through its programmes than any other broadcaster. It is what it does best”

Gill Parry, Connect Film

Investing in production around the UK

Channel 4's investment in high-profile, long-running series can escalate the success of existing regional companies and help build production centres of scale and sustainability across the UK. Major regional suppliers in 2009 include:

Maverick (Birmingham): The company behind many of Channel 4's most successful health and lifestyle programmes, including *Embarrassing Bodies*, *Ten Years Younger* and *How To Look Good Naked*.

Boomerang (Cardiff): An innovative company creating new ideas across music, interactive games and extreme sports. In 2009 Channel 4 partnered with Boomerang in an experimental joint venture to produce the *Freesports on 4 Freeze* live event.

IWC (Glasgow): The largest production company in Scotland, IWC supply many of Channel 4's highest-profile series as well as a number of new commissions – from *Kirstie's Homemade Home* to the forthcoming *Iron Chef*.



The Boy Who Was Born a Girl

Nurture

Key measures

272

new or one-off programmes between 6pm-midnight

↓

1%

on last year

Channel 4's commitment to trying new things is reflected in part by the number of new and one-off programmes scheduled between 6pm and midnight (broadcasters are often most reluctant to experiment at times when audiences are highest). There were 272 such programmes shown on the core channel* in 2009. This was less than the number for BBC Two, but substantially more than on the other main PSB channels.

The commercially-funded public service broadcasters were all affected by the downturn in the TV advertising market in 2009, with reductions in the number of new and one-off programmes on ITV, Channel 4 and Five. By contrast, the BBC benefited from increases in the licence fee, and was able to offer more new programming. Consequently, the number of new and one-off programmes on Channel 4 fell by 1%, falling behind BBC Two, which achieved a 10% increase in the number of new and one-off titles.

* On these pages, "Channel 4" generally refers to the broadcaster, while its main TV channel will be referred to as the "core channel"

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

2009	185	BBC One
2008	171	
2009	293	BBC Two
2008	266	
2009	126	ITV
2008	131	
2009	272	Channel 4
2008	276	
2009	88	Five
2008	112	

Source: Attentional commissioned by Channel 4

43hrs

of first-run originations in strands dedicated to new talent

↓

9%

on last year

Dedicated strands on Channel 4 support emerging programme-makers across a range of genres. A number of established strands continued on the core channel in 2009 dedicated to new talent: *3 Minute Wonder*, *First Cut* and *Coming Up* all gave mainstream exposure to new writing and directing talent early in their careers.

There were new strands, too. *TNT Show* gave space to young comedy upstarts (replacing *Tonightly* in 2008), and there were six new *Comedy Showcases*. *Cast Offs* (replacing *The Shooting Party* in 2008) provided opportunities for disabled actors and writers (see page 40).

Across these strands, Channel 4 provided 43 hours of first-run programming dedicated to new talent in 2009. This was 9% less than in 2008, due to budget cuts. As a result, *Funny Cuts* did not return on E4 and there were no *Comedy Labs* on the core channel, although this latter strand has been recommissioned for 2010.

Strands dedicated to new talent across Channel 4's television network (2009)

New talent strand	Slots	Hours
Channel 4 (core channel)		
Three Minute Wonder	195	15
First Cut	19	8
TNT Show	12	6
Cast Offs	6	6
Coming Up	7	4
Comedy Showcase	6	3
Total first-run	245	43
Corresponding 2008 totals	242	47

Rounding differences may occur

Source: Channel 4

35hrs

of first-run originated programming on E4 (excluding Big Brother-related programming)

↓

24%

on last year

Digital TV channel E4 focuses its commissioning budget on a small number of programmes that resonate strongly with young audiences. It showed 35 hours of first-run originations in 2009, in addition to more than 800 hours of *Big Brother*-related programming. The volume of first-run commissions (excluding *Big Brother*) fell by 24% year-on-year, as budget cuts affected the digital channels disproportionately more than the core channel. With a reduced budget, E4 protected its original brands at the expense of spin-offs of Channel 4 shows such as *Supernanny* (which featured in 2008). There was also a 27% decline in the amount of *Big Brother*-related programming (from 1,117 hours in 2008), mainly due to fewer hours of live streaming.

In terms of viewing, E4's main commissions performed impressively in 2009. *Skins* averaged almost 1.2 million viewers per episode, 20% up year-on-year. *The Inbetweeners* tripled its audience, to 1.5 million viewers per episode on average. New drama *Misfits* gained an average of over 750,000 viewers per episode; a second series has been commissioned for 2010. Overall, average viewing of first-run originations (excluding *Big Brother*) was up by 37% in 2009.

First-run originations on E4 (2009)

Programmes	Number of hours	Average viewing (000s)
Core channel spin-offs:		
Big Brother and spin-offs	811	61
Hollyoaks spin-offs	7	807
E4 original commissions:		
The Inbetweeners	4	1,529
Skins	11	1,189
Misfits	6	766
School of Comedy	4	379
Other commissions (e.g. Rude Tube)	4	467
All excluding Big Brother	35	909
Corresponding 2008 totals	46	663

Rounding differences may occur

Source: Channel 4 (output), BARB (viewing)

Channel reputations

Channel 4 tracks audience perceptions of the main PSB channels against key reputational statements.*

Always trying something new

In 2009, 32% of respondents associated Channel 4's core channel more than any other channel with always trying something new, 22 percentage points more than the average for the other main PSB channels and 19 points more than the next highest-rating channel, ITV1.

The proportion of people who chose the core channel was the same in 2009 as in 2008, while its lead over the average of the other main PSB channels increased by 1 percentage point year-on-year.

Trend-setting

Channel 4's core channel was selected by 30% of respondents for being the most trend-setting, a 20 percentage point lead over the average for the other main PSB channels, and a 14 point lead over the next highest channel, ITV1.

The core channel's performance against this measure fell slightly in 2009. The proportion of people choosing it dropped by 2 percentage points compared to the 2008 level, and its lead over other channels dropped by 1 point.

Takes risks with programmes that others wouldn't

52% of respondents felt that Channel 4's core channel most often takes risks with programmes that other channels wouldn't, 38 percentage points more than the next highest-rating channel, Five, and a substantial 46 percentage points more than the average for the other main PSB channels.

The core channel improved its performance in 2009. The proportion of people who chose it, and its lead over the other PSB channels, both increased by 3 percentage points compared to the corresponding 2008 figures .

Is experimental

In 2009, 38% of respondents thought that Channel 4's core channel was the most experimental, a 32 percentage point lead over the average for the other main PSB channels, and a 21 point lead over Five, the next highest-rating channel.

Channel 4's reputation for being experimental grew in 2009. The proportion of people choosing the core channel increased by 4 percentage points compared to 2008, and its lead relative to the average of the other main PSB channels increased by 5 points year-on-year.

* Channel 4 has been tracking audience perceptions of the main PSB channels since 2003. Five waves of research are conducted each year using face-to-face interviews. New statements reflecting Channel 4's purposes were piloted for the first time in 2008, using a separate online panel with a larger sample size that enables the responses of people from different demographic groups to be examined. These new statements are now tracked on an ongoing basis, with three further waves of research using the online panel conducted in 2009.

People who believed Channel 4 is the channel to which the following statements most apply...

'Always trying something new'

Year	Channel 4 (core channel)	Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
2005	25%	11%
2006	27%	12%
2007	29%	11%
2008	31%	10%
2009	32%	10%

'Trend-setting'

Year	Channel 4 (core channel)	Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
2005	26%	10%
2006	28%	11%
2007	29%	10%
2008	31%	9%
2009	30%	9%

'Takes risks with programmes that others wouldn't' (data begins 2008)

Year	Channel 4 (core channel)	Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
2008	47%	5%
2009	50%	4%

'Is experimental' (data begins 2008)

Year	Channel 4 (core channel)	Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
2008	33%	5%
2009	38%	4%

Note: The term "percentage points" (and the abbreviation "pt") refers to the absolute difference between two percentages.

Rounding differences may occur

Source: Ipsos MORI commissioned by Channel 4

18 Nurture

Nurture 19

Challenge people to see the world differently

By questioning assumptions and interrogating orthodoxies, Channel 4 helps individuals make sense of the world and encourages them to see things in new and surprising ways. Channel 4 likes to open up debate, not close it down, and does not shy away from asking the most difficult – and sometimes uncomfortable – questions.

Opening minds23

Britain's Forgotten Children demonstrated the still formidable power of television to change public perceptions about important and complex social issues. This landmark season was public service television at its most impactful – confronting large prime-time audiences with challenging subject matter.

Asking the right questions26

Channel 4 is one the few remaining places where viewers can reliably find serious and in-depth reporting of news and current affairs on mainstream television every evening. In 2009, Channel 4 sought to extend its prized journalistic values into digital media, providing new tools to enable audiences to participate in making the news rather than just watching it.

Covering the globe28

Globalisation and other international issues have profound implications for the health of democracies and the growth of multicultural communities. Channel 4 has a vital role to play in providing a window on the wider world, with programmes spanning a wide range of genres – from hard-hitting documentaries to light entertainment.

State of the nation32

Moving beyond the easy criticisms that are frequently made about Britain's public services, Channel 4 dug a little deeper with *The Hospital* and *The Force*, providing a rare opportunity to take a look inside two of the most important public institutions.

Key measures34

Public impact measures highlight the distinctiveness of Channel 4's news, current affairs and serious factual output, while regular audience surveys track perceptions of Channel 4's desire to challenge and provoke.

The Unloved

Opening minds

Public service broadcasters have a responsibility to tackle difficult, challenging subjects. It can highlight issues that others prefer to ignore and give an alternative perspective to debates that have become mired in prejudice.

In *Britain's Forgotten Children*, Channel 4 set out to explore two of the biggest issues facing the nation's care system: a lack of understanding amongst prospective adoptive parents about the children available for adoption and the reluctance of adoptive parents to offer a home to older, disabled, or other 'hard-to-place' children.

The season succeeded in debunking tired myths, galvanising public interest, providing a platform for rarely heard experts, engaging political energies and, finally, encouraging more people to consider adopting some of the forgotten children of our society.



The Unloved

The *Britain's Forgotten Children* season comprised a special edition of *Dispatches: Lost in Care* (a look at changes which could be made to the care system), *The Homecoming* (a documentary following a journalist who returns to find those she shared a care home with), *The Unloved* (a drama about a young girl in care) and a three-part series, *Find Me a Family* (following families as they go through the adoption process). The programmes were accompanied by a dedicated website (channel4.com/adoption), which gave people a chance to speak to others with personal experience of care, and a series of live public events to discuss the issues raised in the season.

A visually arresting marketing campaign featuring real children available for adoption amplified the impact of the programmes.

The programme-makers worked closely with organisations and charities such as Barnardo's, the National Society for the Prevention of Cruelty to Children (NSPCC) and the British Association for Adoption and Fostering (BAAF). Channel 4 funded a special version of *Find Me a Family* for BAAF to circulate to social workers in order to extend the public impact of the programme.

"This House congratulates Channel 4 on its Forgotten Children series exploring the issues facing children in care; welcomes its work in increasing public awareness of the challenges faced by professionals and children working in the care system; and wishes to encourage public discussion into the future of the care system" **Early Day Motion, Tim Loughton MP**

11.5m unique viewers watched some or all of the programmes in the season

700,000 unique visitors to the website in the first month

418 people registered serious interest in adopting children featured in the season in first three months after the season aired

“I always thought about fostering and adoption, but watching the series made it more definite that it was for me”

Focus group participant considering adoption before watching the programme (female)

“Thank you Channel 4 for bringing the issues faced by children in care to the attention of so many people”

Mo O'Reilly, Director of Child Placement, BAAF



Britain's Forgotten Children
The marketing campaign included labels on milk bottles to promote awareness of the issues



80%
of viewers learned things they didn't know before

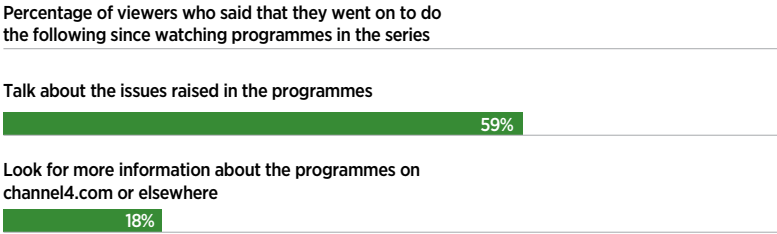
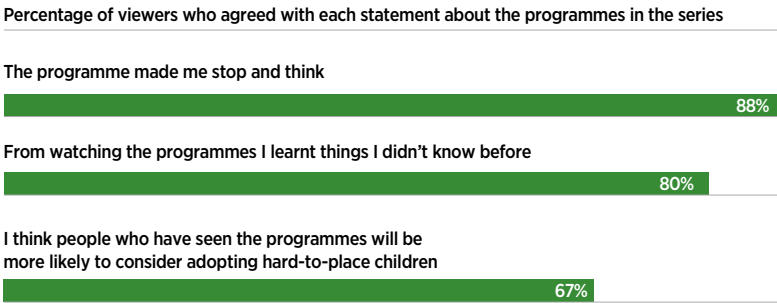
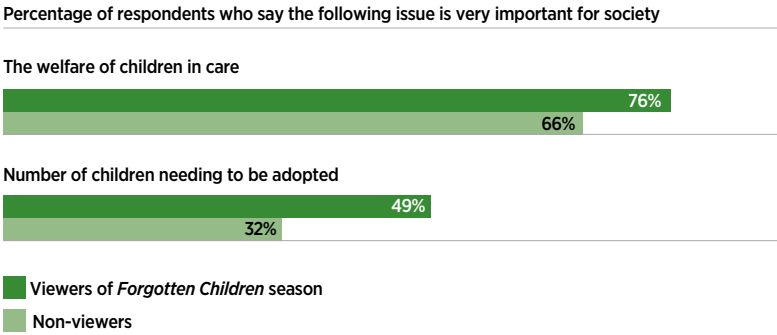
59%

of viewers talked about the issues raised in the programmes

67%

of viewers thought the programmes would encourage people to adopt hard-to-place children

A survey looking at viewers' responses to the programmes showed that the season succeeded in raising awareness of key problems in the care system.



Asking the right questions

Channel 4’s news and current affairs programmes provide independent, in-depth journalism with a strong emphasis on international, political and economic coverage and a bold approach to uncovering new stories. A YouGov survey commissioned in early 2009 found that viewers rated *Channel 4 News* as one of the most highly trusted news programmes on television.

In 2009, 40% of *Channel 4 News* coverage focused on global issues and in the process uncovered a number of exclusive stories. The programme showed Sri Lankan soldiers shooting Tamil prisoners (although initially accused of faking the footage by the Sri Lankan government, *Channel 4 News* was vindicated when a later UN investigation concluded that the footage did appear authentic); covered investigations into Israel and Hamas over alleged war crimes in Gaza; and filmed Iranian secret police firing at protesters. The cameraman who brought back the Iranian pictures was detained for 118 days and released only after international protests.

Channel 4 News brings the same independence to its UK coverage. One of the stand-out stories of the year involved a report revealing that the police officer who knocked over

Ian Tomlinson at the G20 protests was involved in a string of other incidents that day. In order to broadcast this story, Channel 4 had to overcome an attempt by the Independent Police Complaints Commission to block this report, which went on to receive one of three RTS Journalism awards won by *Channel 4 News* in 2009.

Channel 4’s distinctive, international approach to news is shared by its flagship current affairs output. In the best traditions of public service television, *Dispatches* gives its viewers the information, and the space, to form their own judgements about what is happening. These programmes report, analyse, forewarn and provoke debate. In 2009, there were thirty-eight editions of *Dispatches*, all of which were shown in peak-time. Meanwhile, international strand *Unreported World* goes off the beaten track, looking at the longer-term changes affecting the world and searching for the news behind the news.

In 2009, Channel 4’s journalists found new ways to extend their dialogue with audiences. An interactive debate about Britain’s role in Afghanistan involved a live television audience as well as viewers taking part via email and Twitter. People could follow the thoughts of Jon Snow and others on their blogs and tweets, while other new digital services gave ordinary citizens more power to participate in the democratic process and hold politicians to account.



New digital tools



Channel 4 developed a dedicated site to accompany *Battle Scarred* (channel4.com/battlescarred), a *Dispatches* examining the psychological effects experienced by British soldiers returning from Iraq and Afghanistan. The website allowed former soldiers to share their experiences, exchange information and ask questions about treatment. The programme also inspired a wide ranging discussion on army websites, with one post attracting comments from soldiers sharing their experiences of post-traumatic stress disorder.

"I have been moved so much by this program that I would like to offer my counselling services for free to former Military personnel"
Comment on Battle Scarred website

Launched to coincide with the More4 docudrama *When Boris Met Dave*, *Who Knows Who* (whoknowswho.channel4.com) is an interactive website that shows viewers the connections between people in power. It began by mapping the links between former members of the Bullingdon Club at Oxford University, including Boris Johnson and David Cameron, and invited users to identify additional connections, with over 200 submitted in the two months following the site's launch.

"I really like the interactive 'story-tree' [...] this is a serious journalistic tool"
Tony Curzon-Price, Opendemocracy

News Blogs and Tweets

Jon Snow’s authoritative and engaging *Snowblog*, and new blogs on *Politics*, *Economics* and *World News*, attracted more than 10,000 comments across the year. *Channel 4 News*’ Twitter feed (twitter.com/channel4news) gave viewers new ways to engage with the news, including an eye-witness account of a plane crash in Amsterdam. The Chief Medical Officer did a live Q&A about swine flu using only questions sent in via Twitter and email. *Channel 4 News* also hosted a successful ‘twinge’ event at the Labour and Conservative party conferences discussing social media which was picked up by many political journalists and commentators.

Fact Check (channel4.com/news/factcheck) allows viewers to ask *Channel 4 News* to check the accuracy of claims made by public figures. 2009 investigations included the spending promises made by Labour and the

Conservatives, while a story on the number of CCTV cameras per citizen in the UK won a Royal Statistical Society award for “statistical excellence in journalism”. *Fact Check* has been regularly cited in Parliament, and by the end of 2009 its newsletter had more than 3,000 subscribers



UK Dispatches in 2009 (see page 30 for international Dispatches)

Battle Scarred Highlighted post traumatic stress disorder in soldiers returning from active duty	Middle-Class & Jobless Examined middle-class unemployment during the credit crunch
Britain's Bankers: Still Cashing In Exposed how City bosses are still being rewarded even after the financial meltdown	MPs, Planes & Gravy Trains How MPs spend their summer recess
Britain's Challenging Children Revealed the extent of deteriorating standards of behaviour in classrooms across the UK	Mum, Dad, Alzheimer's and Me Highlighted the struggle to get care for Alzheimer's sufferers
The Children Britain Betrayed Investigated the failures in Britain's child protection system	Rape in the City Uncovered the extent and causes of gang rape in the UK
Christmas on Credit Investigated companies providing high-interest loans to people denied credit elsewhere	Ready For a Riot Scrutinised the riot training given to Metropolitan Police officers
Confessions of a Nurse The reality of work for NHS nurses around the country	The Big Job Hunt Examined how the government is tackling the unemployment crisis
Cops on the Cheap Questioned the success of Police Community Support Officers	The Problem Princes How the royal princes' activities are shaping the modern monarchy
Crash - How Long Will it Last How Britain's economy went from boom to bust	The Trouble with Boris A look at the London Mayor's first 11 months in office
Crash - How the Banks Went Bust Examined whether the recent recession could have been prevented	The True Cost of Cheap Food Exposed the quality of low cost food in British supermarkets
Crash Gordon Documented the rollercoaster fortunes of Prime Minister Gordon Brown	The War on Street Weapons How effective have government policies been in tackling street weapons?
How They Squander Our Billions How taxpayers' money is wasted on controversial public projects	The Westminster Gravy Train Examined how accountable MPs and Lords are to the citizens they are meant to represent
Inside Britain's Israel Lobby Looked at the powerful political pro-Israel lobby	Too Old to Work Revealed the ageism rife amongst employers and recruitment agencies
Lords, Billionaires and the Russian Connection Investigated the Russian oligarchs buying British football teams, newspapers and car companies	Undercover Debt Collector Revealed the lengths to which debt collectors will go to recover their debts
Lost in Care Asked whether the British care system is failing our children	What's In Your Breakfast? Asked how nutritious our breakfasts really are
	Who Took Your Pension? Lifted the lid on the pensions crisis

Covering the globe

From dedicated documentary strands to one-off specials, from possible *coups d'état* to improbable cuisines, Channel 4's commitment to informing its viewers about the rest of the world brought programmes from every continent in 2009.

Challenge people to see the world differently

Unreported World

Films offering an insight into the lives of people in some of the most neglected parts of the planet

Dispatches

Rigorous reports from the UK and around the world from Channel 4's flagship current affairs series

Channel 4 BRITDOC Foundation

Films backed by the C4 BRITDOC Foundation, festival premiered or first broadcast in 2009

Documentaries, entertainment and drama

Including science, history, the environment and factual entertainment, e.g. *On Tour with the Queen*, *Jamie's American Road Trip* and *Endgame*

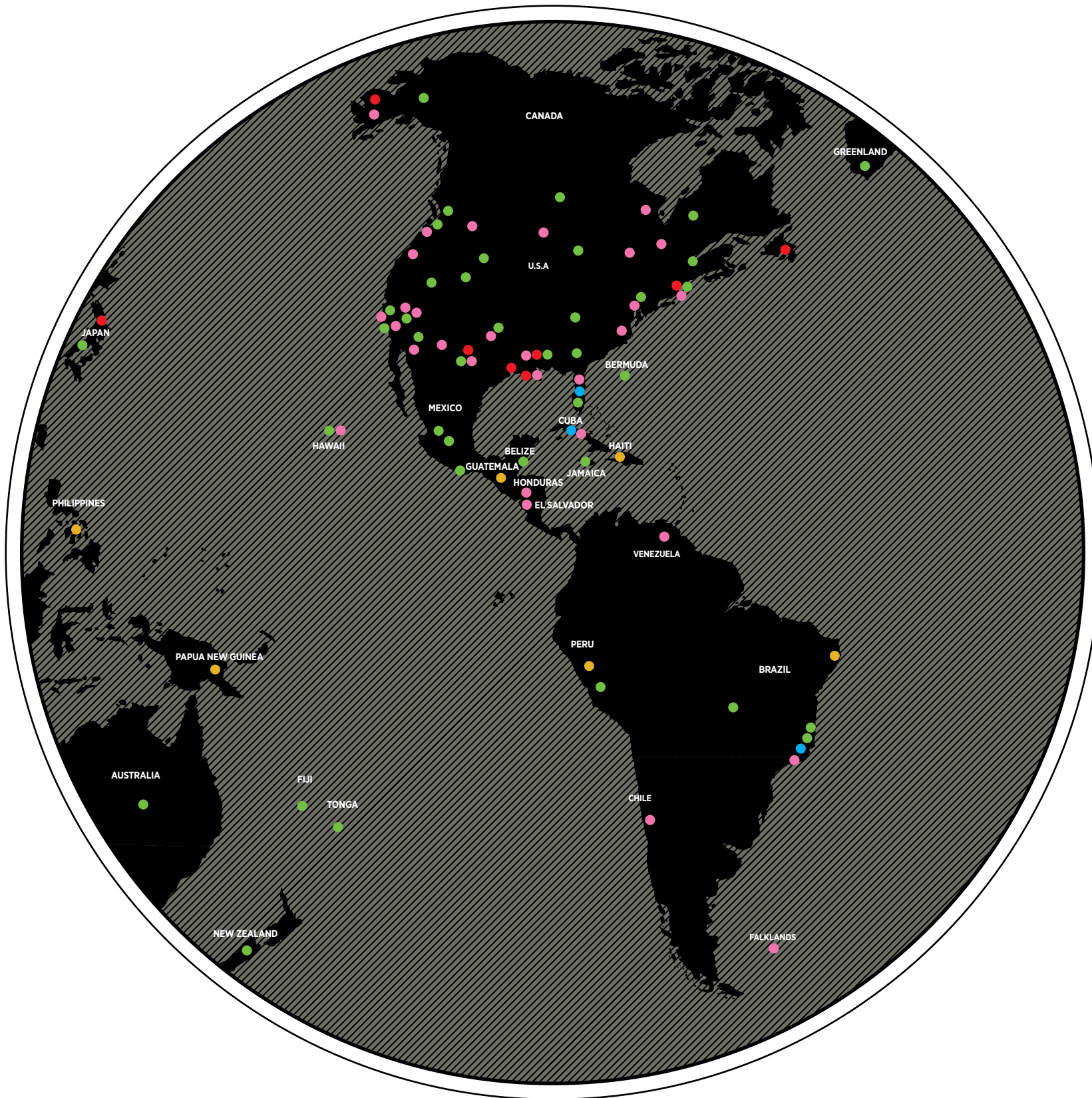
Arts

Programmes covering arts, culture and architecture, e.g. *Only When I Dance*, *Kevin McCloud's Grand Tour*

True Stories

Feature-length international films acquired or commissioned for More4

Please turn over for a full list of programmes



International Programmes

The following list gives more detail about each of the programmes featured in the map on pages 28–29. Each programme was first broadcast or festival premiered in 2009.

Unreported World

Afghanistan: Waiting for the Taliban
A look at everyday life for ordinary people living in Kabul

Brazil: The Killables
Uncovered allegations of brutal police ‘death squads’

Cambodia: Selling the Killing Fields
Revealed how capitalism is driving Cambodia’s poor from their land

China/North Korea: The Great Escape
Exposed the plight of North Korean women fleeing persecution

Congo: Forest of the Dead
Revealed evidence of a new campaign of terror by Lord’s Resistance Army rebel group

Greece: The Unwanted
Reported from illicit crossing points for Afghans attempting to enter Europe

Guatemala: Riding with the Devil
Looked at how criminal gangs maintain power through extortion

Haiti: The Island That Ate Itself
Why the island remained in a state of emergency a year after Hurricane Ike

India: Children of the Inferno
Treacherous impact on locals of subterranean coal fires that are fuelling India’s growth

Ingushetia: Russia’s Dirty War
Uncovered the murderous campaign of security forces in the Russian Republic of Ingushetia

Israel: The Battle for Israel’s Soul
The effects on Israeli society of the growth of Jewish fundamentalists

Liberia: Stolen Childhood
Exposed the ongoing child rape crisis in Liberia

Malaysia: Refugees for Sale
Uncovered allegations that Burmese refugees are being sold by Malaysian immigration officials to Thai human traffickers

Nepal: The Living Dead
Showed the tragic plight of Nepal’s child widows

Papua New Guinea: Bush Knives and Black Magic
Unearthed ‘witch murders’ in Papua New Guinea

Peru: Blood and Oil
Impact of the government’s auctioning of vast tracks of Amazonian rainforest

Philippines: Holy Warriors
Documented the deepening conflict between Muslims and Christians

Sierra Leone: Insanity of War
Revealed the trauma of victims ten years on from the war

South Sudan: How to Fuel a Famine
Highlighted escalating violence in South Sudan

Turkey: Killing for Honour
Investigated the continuing rise in honour killings

Dispatches

Afghanistan - Mission Impossible?
Featured interviews with senior military commanders on the war in Afghanistan

Afghanistan’s Dirty War
Examined the impact of US military operations on US–Afghan relations

Bankrolling Mugabe
Investigated how Robert Mugabe is still clinging on to power

Congo’s Forgotten Children
Child’s-eye perspective on the conflict in Congo

Orphans of Burma’s Cyclone
Followed eight Burmese children orphaned by Cyclone Nargis

Pakistan’s Taliban Generation
Highlighted the creation of a generation of child terrorists in Pakistan

Return to Africa’s Witch Children
Returned to visit children and church leaders featured in the earlier Dispatches edition

Terror in Mumbai
Presented the untold story of 2008’s terrorist attack (see box on page 31)

Unseen Gaza
Assessed the media coverage of the Gaza conflict around the world

C4 BRITDOC

Afghan Star
Followed the hopefuls in the Afghan version of Pop Idol (see box on page 31)

Heavy Water
Told the story of the people who dealt with the Chernobyl disaster at ground level

Life After the Fall
Personal insight into life in Baghdad following the fall of Saddam Hussein

Moving to Mars
Followed two Burmese families as they cope with new lives in the UK

Shelter in a Place
Portrait of a Texan community battling against environmental pollution and corporate power

The End of the Line
Investigated the devastating effects of over-fishing on our oceans (find more information on page 56)

The Joneses
Observational documentary set in the USA about a family with a secret

The Yes Men Fix the World
Political pranksters infiltrate the world of international big business

Documentaries, entertainment and drama

9/11: 102 Minutes that Changed America
Eyewitness footage from Ground Zero

9/11: Phone Calls from the Towers
Phone calls made by people trapped inside the World Trade Centre

Alone in the Wild
Attempt by novice Ed Wardle to survive completely alone in the wilderness

Around the World in 80 Trades
Four-part international trading adventure

Christianity: A History
Eight individually authored films offering different perspectives on the Christian faith

Could you Eat an Elephant?
Followed two UK chefs who test their stomachs by eating the world’s most taboo foods

Daredevils
Five films following individuals engaged in extreme sports around the world

Dolce Vito - Dream Restaurant
Five-part series following a chef attempting to bring English food to the Italians

Endgame
Thoughtful feature-length drama about the end of apartheid (see box on page 31)

Jamie’s American Road Trip
Followed Jamie Oliver on a culinary and cultural journey across the US

Madonna and Mercy: What Really Happened?
Why Madonna’s bid to adopt a child in Malawi polarised opinion around the world

Man on Earth
Four-part series examined how changes in climate have affected humans throughout history

Miracle of the Hudson Plane Crash
Reported on the emergency landing in the Hudson River

Not Forgotten: Soldiers of Empire
Explored the stories of soldiers from across the British Empire during WW1

On Tour with the Queen
Four-part series retracing Queen Elizabeth’s 1953 Commonwealth Tour

Terror Attack: Mumbai
Candid and personal accounts from people who were caught in the siege

The World’s... and Me
Mark Dolan’s series explored the lives of some of the world’s most remarkable people

Tsunami: Caught on Camera
Eye-witness footage from the 2004 tsunami

Arts

Kevin McCloud’s Grand Tour
Four-part series following in the footsteps of those taking the Grand Tour of Europe

Only When I Dance
Two teenagers trying to dance their way out from a Rio favela on to the international stage

The First Movie
A ‘magic realist’ film about a Kurdish-Iraqi village

The Royal Ballet in Cuba
Exclusive access to the Royal Ballet’s ground-breaking tour to Havana

The Scandalous Adventures of Lord Byron
Rupert Everett travelled in the footsteps of Romantic hero Byron in this two-part series

The World’s Greatest Musical Prodigies
Brought together the world’s greatest young musical talent to perform a new concerto

True Stories

21 Below
Intimate portrayal of family life in Buffalo, New York

A Jihad for Love
The stories of lesbian and gay Muslims around the world

A President to Remember
Observational film following US President John F. Kennedy

Act of God
Explored the physics and metaphysics of lightning

Another Perfect World
Explored digital utopias created as places for work, play, friendship and love

Cat Dancers
The unorthodox lives of the world’s first exotic tiger entertainment act

Close Encounters in Siberia
Investigated the mystery behind a massive explosion in a remote part of Siberia

Dancing with the Devil
Life in the slums of Rio seen through the eyes of a gangster-turned-preacher

Deliver us from Evil
Exposed an active paedophile sheltered by the Catholic Church

Encounters at the End of the World
Werner Herzog film documenting the lives of research scientists working in Antarctica

Grizzly Man
The remarkable story of grizzly–bear activist Timothy Treadwell

Kenya Murder Mystery
Unprecedented access to the family of a man facing the death penalty after allegedly killing a poacher

Last of the Honeybees
Witnessed the plight of honeybees, which are dying out throughout the world

Maximum Jail
Followed six men serving life in America’s oldest and largest prison

Nursery University
How five New York families battled to get their toddlers into the top preschools in the city

Pig Business
Four-year exploration of intensive pig farming

Pray the Devil back to Hell
Followed a group of “ordinary” Liberian women who brought about peaceful regime change

Red Oil
Unravelled the tangled tale of Venezuela’s oil industry

Challenge people to see the world differently

The Shock Doctrine
Argued that American policies are dominating the world by exploiting disasters and crises

Surfwise
Fascinating portrait of a surfing guru who introduced the sport to Israel

Sweethearts of the Prison Rodeo
Convicted cowgirls’ journey to the 2007 Oklahoma State Penitentiary Rodeo

The Caviar Connection
Followed two Serbian caviar fishermen as they dream of a better life

The Glass House
A unique insight into Iran through the prism of a day centre for troubled women

The Great Chinese Art Revolution
How Chinese art caught the world’s attention

The Last American Freak Show
Followed the journey of a self-labelled ‘Freak Show’ through America

Trantasia: Tears, Tiaras and Transsexuals
A no-holds-barred look at the first ever ‘World’s Most Beautiful Transsexual’ pageant

Trouble the Water
Oscar-nominated home video capturing the ferocious force of Hurricane Katrina

Which Way Home
The personal side of migration shown through the eyes of Mexican children trying to enter the US

Who Killed the Electric Car?
Investigated the destruction of thousands of new radically efficient electric vehicles

ZOO
Story of an American businessman whose secret sexual life led to his shocking death

Some 2009 highlights

Dispatches: Terror in Mumbai

A 360-degree view of the unfolding of 2008’s terrorist attack in Mumbai, in which ten gunmen held one of the world’s busiest cities hostage. Featuring footage of the attacks and interviews with senior police officers and hostages, including the testimony from sole surviving gunman Kasab, this *Dispatches* film – which went on to be televised around the world – revealed what happened, hour by hour, from the perspective of the security forces, the terrorists, their masterminds and the victims.



“There’s not a moment in this stunning film that doesn’t leave one rapt with wonder at its revelatory powers, and wanting more” **The Wall Street Journal**

Afghan Star

A riveting, multi-award-winning documentary following the dramatic stories of four contestants competing in Afghanistan’s version of Pop Idol. In a country where the Taliban outlawed music, *Afghan Star* is a small but significant unifying force for the country’s diverse ethnic groups, and this engaging film captured the hopes and dreams for freedom in a vulnerable nation.



“Informative and encouraging”
The Observer

Endgame

A gripping and sophisticated political drama revealing the true story of the secret talks that helped to end apartheid and the brave individuals who risked everything to make them happen. This powerful film was shot on location in both South Africa and the UK. It was the brainchild of producer David Aukin, who had previously produced BAFTA award-winning Channel 4 films *Britz* and *The Government Inspector*.



“Fierce emotions welled up inside me as I watched the conclusion to Endgame, the marvellous and gripping account of the fall of apartheid” **Former Cabinet Minister Peter Hain**

State of the nation

How do Britain's major public institutions look and feel from the inside, as they struggle to adapt to the stresses and strains of twenty-first century life? The *State of the Nation* season questioned some of the easy assumptions that are often made about the performance of key public services. By digging a little deeper than usual, the season allowed viewers to form their own judgements about where success and failure lies and how the difference between the two is assessed. Two peak-time series, about the NHS (*The Hospital*) and the police (*The Force*), provided a compelling, and often unexpected, view from the frontline.

The Hospital

Filmed in the Midlands, *The Hospital* depicted professionals across the NHS grappling with the fallout from the increasingly unhealthy lifestyles lived by many teenagers. The first of three one-hour instalments investigated the extra strain on the NHS from teenage binge drinking, and the pain and suffering caused to the drinkers themselves, their victims and families. Other episodes studied the consequences of the obesity epidemic among young people, and the effects of Britain's unenviable position as the nation with the highest teenage pregnancy rate in Europe. An average of three million people watched each episode, nearly a third of which were younger viewers.

“This programme should be shown in every school in the country”

The Times

The Force

Despite new technology and updated methods, many crimes still prove frustratingly difficult to solve for Britain's stretched police forces. BAFTA award winning director Patrick Forbes' three-part series used unprecedented and unvarnished access to the Hampshire police force to offer a rare insight into modern policing. In the process, he showed how the crucial work of cracking serious cases remains difficult and fraught with potential error. The episodes – which were each watched by an average of two million people – followed detectives as they pursued the killer of an unidentified burnt corpse, the unknown arsonist responsible for burning down a Portsmouth tower block, and a possible rapist whose only witness against him was his alleged victim.

“Absolutely fascinating television”

The Guardian



The Force

Challenge

Key measures

Commitment to long-form journalism

257
long-form news and current affairs programmes in peak

↓ **3%** on last year

The extended running time given to news and current affairs programmes such as *Channel 4 News* and *Dispatches* allows topics to be covered in greater depth. Focusing on peak-time (6–10.30pm), Channel 4 showed a total of 257 “long-form” news and current affairs programmes – defined as being those running for at least 45 minutes – on the core channel in 2009. This number fell by 3% year-on-year, as there were fewer extended Friday night editions of *Channel 4 News* than in 2008.

Channel 4 significantly exceeded the number of long-form news and current affairs programmes shown during peak on each of the other main PSB channels, as classified by BARB. BBC Two performed more strongly than the other main PSB channels when the post-peak period is included.

Note: while data for the BBC, ITV and Five relies on BARB classifications of news and current affairs programmes, Channel 4 data draws on internal genre categorisations in order to maintain consistency with other measures in this Report and to ensure accurate calculation of changes in its performance over time.

Number of news and current affairs programmes of duration of 45 minutes or longer shown on the main PSB channels between 6pm and midnight

	2009	2008	Totals:	
	87	46	133	BBC One (BARB)
	35	51	86	
	53	207	260	BBC Two (BARB)
	35	190	225	
	8	6	14	ITV (BARB)
	6	5	11	
	257	8	265	Channel 4 (Internal)
	266	7	273	
	74	0	74	Five (BARB)
	0		0	

■ Peak (6–10.30pm) ■ Post-peak (10.30pm–midnight)

2008 Channel 4 data restated – from 271 to 266 titles in peak, and from 6 to 7 titles in post-peak – to reflect internal categorisation of news and current affairs programmes

Source: Channel 4, BARB (other channels)

Audience reach of *Channel 4 News*

11.3m
people watched *Channel 4 News* each month

↓ **4%** on last year

11.3 million people watched *Channel 4 News* for at least 15 consecutive minutes each month on average in 2009. This was equivalent to 26% of all TV news viewers, 26% of news viewers aged 16–34, and 33% of Black, Asian and Minority Ethnic (BAME) news viewers. One million people relied on Channel 4 as their only source of news.

Viewing to *Channel 4 News* fell by 4% in 2009. The decline in reach was greater amongst BAME viewers (9% down) and those aged 16–34 (12% down), highlighting the importance of finding new ways to engage audiences with news, for example through new online initiatives such as those highlighted on page 27.

Percentage of TV news viewers who watch *Channel 4 News*

	2009	2008	
	26	27	All news viewers
	26	30	News viewers aged 16–34
	33	36	BAME news viewers

Source: BARB

Independence of TV news

83%
of *Channel 4 News* viewers regard it to be independent from Government

Channel 4 has incorporated its 2008 survey on TV viewers’ perceptions of the news programmes that they watch into its regular online audience tracker survey. The results are now tracked on an ongoing basis. In 2009, they showed that *Channel 4 News* was considered to be the most independent of the main UK broadcasters’ news programmes. 83% of regular *Channel 4 News* viewers perceived it to be independent from Government, 6 percentage points higher than the score for the next highest-rating news programmes, on Sky. And 74% of regular viewers to *Channel 4 News* regarded it as being independent from the influence of big business, 5 percentage points more than chose the BBC’s news programmes (in second place).

As different organisations conducted the 2008 and 2009 surveys, it is not appropriate to look at year-on-year trends (see online methodology document). Comparisons will be possible in future years, drawing on results from the regular audience tracker survey.

Percentage of regular viewers to TV news programmes who agree with the following statements (2009):

	‘It is independent from the Government’	‘It is independent from the influence of big businesses’	
	60	69	BBC News
	71	60	ITV News
	83	74	Channel 4 News
	69	58	Five News
	77	61	Sky News

Source: Ipsos MORI commissioned by Channel 4

Commitment to documentary films

271hrs
of first-run serious factual documentaries on Channel 4 and More4

↓ **5%** on last year

Reflecting Channel 4’s commitment to high-quality documentaries, there were 204 hours of first-run originations shown in the evening schedules on the core channel in serious factual genres in 2009 (2008: 216). On More4, the international documentary strand *True Stories* offered a further 67 hours of first-run titles (a combination of co-productions and acquisitions), giving a total of 271 hours of first-run serious factual documentaries across the two channels in 2009 which ran partially or wholly in peak. Reflecting a reduction in the total volume of new programming resulting from budget cuts, this was 5% down on the 2008 total.

Hours of first-run serious factual documentaries on the core channel and More4 running wholly or partially in peak

	2009	2008	Total in peak:
	204	67	271
	216	68	284

■ Originations on Channel 4 ■ True Stories on More4

Serious Factual genres are Documentaries and Education: Deaf & Disabled, Health, History, Nature and Environment, Science

Source: Channel 4

Range of international programming

133hrs
of first-run programmes covering international topics on the core channel (excluding news) and *True Stories* on More4

↓ **14%** on last year

Channel 4’s programmes cover all corners of the globe, as the map and accompanying key on pages 28–31 illustrate. 123 hours of originated programming with an international theme were shown on the core channel in 2009 (excluding coverage on *Channel 4 News*), 66 hours of which were first-runs. Combined with the first-run editions of international documentary strand *True Stories*, this gave a total of 133 hours of first-run programmes on the core channel and More4 in 2009.

The total volume of international-themed first-run programmes on the core channel and *True Stories* on More4 fell by 14%. This decline largely reflects the presence of major seasons on Iraq and Islam that boosted the 2008 total.

The Film4 channel likewise takes an international perspective, showing 673 hours of films from countries other than the UK and the US in 2009. This figure rose by 30% in the year, in part due to a new weekly dedicated foreign-language strand running at 11am.

Genres covered by international-themed originations on the core channel as a percentage of total first-run hours

2008

2009

■ Current affairs ■ Religion ■ Science
■ Documentaries ■ History ■ Other

Source: Channel 4

Channel reputations

Channel 4 tracks audience perceptions of the main PSB channels against key reputational statements.*

Is provocative

In 2009, 37% of respondents selected Channel 4’s core channel as the most provocative channel, a substantial 28 percentage point lead over the average for the other main PSB channels, and a 26 percentage point lead over the next highest channel, Five.

Performance held steady year-on-year. There was no change either in the proportion of people selecting the core channel, or in the channel’s lead over the average of the other PSB channels.

People who believed Channel 4 is the channel to which the following statements most apply...

‘Is provocative’ (data begins 2006)

40%
35%
30%
25%
20%
15%
10%
5%
0%

2005 2006 2007 2008 2009

■ Channel 4 (core channel)
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
■ Range for other main PSB channels

Shows programmes that make me stop and think

Channel 4’s core channel was chosen by 25% of respondents for “showing programmes that make me stop and think”, only 1 percentage point more than the next highest channel, BBC Two, but 13 points more than the average for the other main PSB channels.

The proportion of people choosing the core channel in 2009 increased by 1 percentage point compared to 2008. There was no change in the channel’s lead over the average of the other PSB channels.

‘Shows programmes that make me stop and think’ (data begins 2008)

30%
25%
20%
15%
10%
5%
0%

2005 2006 2007 2008 2009

■ Channel 4 (core channel)
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
■ Range for other main PSB channels

Challenges prejudice

28% of respondents believed Channel 4’s core channel to be the one which they most associate with challenging prejudice, a 22 percentage point lead over the average of the other main PSB channels, and an 18 point lead over the next highest-rating channel, BBC One.

The proportion of people choosing the core channel increased by 1 percentage point year-on-year, as did its lead relative to the average of the other main PSB channels.

‘Challenges prejudice’ (data begins 2008)

30%
25%
20%
15%
10%
5%
0%

2005 2006 2007 2008 2009

■ Channel 4 (core channel)
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)
■ Range for other main PSB channels

Rounding differences may occur

Source: Ipsos MORI commissioned by Channel 4

* See page 19 for a description of the tracking surveys.

Champion alternative voices and fresh perspectives

Channel 4 celebrates Britishness by exploring the rich diversity of cultures and lifestyles in modern society. We encourage people of all ages to look at themselves and others in a fresh light, presenting unvarnished accounts of real lives and real concerns - whether disabled or otherwise, from different ethnic or racial groups, or people with different cultures or lifestyles.

Promoting diversity on both sides of the camera 38

Channel 4 built on its longstanding commitment to diversity in 2009, strengthening its output on-screen whilst initiating a raft of internal and cross-industry initiatives behind the scenes.

Portrayal of gays and lesbians - what do viewers think? 39

As output and viewing data alone cannot tell the whole story about diversity portrayal, Channel 4 undertakes a wide range of in-depth research - both ongoing and bespoke studies - to dig more deeply into audiences' perceptions. A survey conducted in 2009 on the portrayal of gays and lesbians on television revealed this to be one of Channel 4's key strengths.

Bringing disability centre stage 40

With one in seven of the population experiencing some kind of disability, Channel 4 believes it is something to be embraced as a normal and unremarkable feature of everyday life. With a cast comprising actors with disabilities, comedy drama *Cast Offs* was one of the most distinctive programmes to be shown on British TV in 2009.

Showing our true colours 42

Multicultural programmes used to be confined to niche spaces in the schedules. Nowadays, highly engaging feature documentaries such as *The Family*, which in 2009 followed the day-to-day lives of an Asian family, reach large mainstream audiences. Elsewhere in peak time, the complexities of a modern, diverse society were explored across a range of genres, from science to religion.

Finding common ground 44

What does 'community' mean when different sections of our society have almost no contact with each other? From *Benefit Busters* to *How The Other Half Live*, Channel 4 got people talking across the divide, illuminating parts of society rarely seen in mainstream media.

Key measures 46

Public impact measures illustrate Channel 4's diversity output, while regular audience surveys track the extent to which Channel 4 is perceived to show the viewpoints of different cultures and opinions, including those of minority groups.

Secret Millionaire

Promoting diversity on both sides of the camera

Channel 4 believes that the only way to represent the rich diversity of cultures and lifestyles in modern society is with an approach that is itself diverse – one that properly reflects the varied passions, aspirations and concerns of ethnic minority groups, gays and lesbians, people with disabilities, and those from different social backgrounds. And Channel 4 is uniquely positioned to be able to bring such diverse perspectives into the homes of mainstream audiences. In 2009, Channel 4 built on its longstanding commitment to diversity in front of and behind the camera with a host of ambitious programmes and off-screen initiatives.



Skins

People from diverse backgrounds could be seen throughout the year on Channel 4, in mainstream dramas, soaps, documentaries and entertainment programmes. A good example is *Find Me A Family*, a documentary exploring the challenges facing people wishing to adopt, which featured a mixed race presenter and a gay couple considering adopting a disabled child. Another is *Location, Location, Location*: when this programme featured Martine Wright, who lost both her legs in the 7 July 2005 London bombings, her disability was not an issue – she was just another house-hunter giving Kirsty and Phil headaches.

There were important developments behind the scenes, too. A new Head of Diversity, Oona King, was appointed to bring renewed focus to Channel 4’s work on diversity issues; Channel 4 took on the chairmanship of the Cultural Diversity Network (CDN); and Channel 4’s Editorial Manager for Disability won the Ability Media International Champion Award in the autumn. One of Channel 4’s first acts as the new CDN Chair was to launch the CDN Pledge in April, working alongside PACT and other broadcasters. More than 200 companies have now signed up to take measurable steps to improve diversity. Channel 4

Champion alternative voices and fresh perspectives
committed to co-fund (with the BBC) a PACT Diversity Advisor to assist companies with compliance with the Pledge. Channel 4 also launched the inaugural CDN Awards to celebrate and promote excellence in diverse creative output. And the CDN began work to develop new cross-industry measures of diversity, looking both at the creative talent working on productions and the characters portrayed – pilots undertaken in 2009 will be developed into full studies in 2010.

Diversity continues to be a central part of Channel 4’s support for talent. The Diversity Production Scheme gave people from under-represented groups the opportunity to train for one year. Channel 4 offered bursaries to African-Caribbean, Bangladeshi and Pakistani students (three underrepresented groups in newsrooms) on City University’s Postgraduate Diploma in Broadcast Journalism. Film4’s Feature Lab Scheme (in conjunction with B3 Media) supported ethnic minority filmmakers aiming to make full-length feature films. 65% of participants on Channel 4’s Work-Related Learning programme were from a diverse ethnic background. All five disabled trainees who participated in the Diversity Production Training Scheme were placed on drama productions.

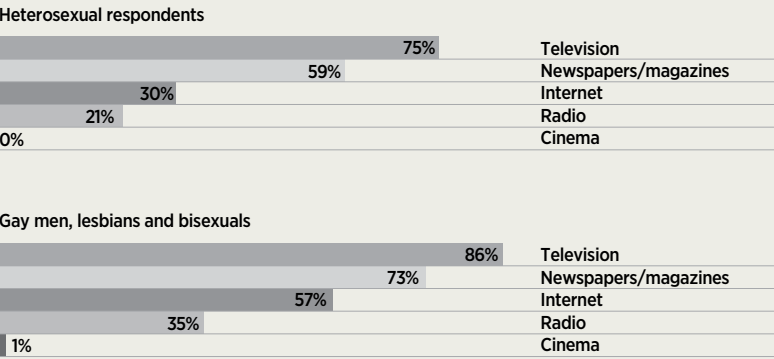
Portrayal of gays and lesbians – what do viewers think?

Gay men and lesbians were prominent across the schedules in 2009, whether as key cast members in dramas and soaps such as *Skins*, *Hollyoaks* and *Shameless*; or as presenters of entertainment and features programmes like *How to Look Good Naked* presented by Gok Wan, *Chatty Man* presented by Alan Carr and *The Scandalous Adventures of Lord Byron* presented by Rupert Everett. One of the campaigners featured in the cross-media project *Battlefront* highlighted the damage caused by homophobia in schools, while E4 acquisition *Rick & Steve: The Happiest Gay Couple In All the World* wittily satirised gay culture.

To complement its ongoing audience reputation tracking survey (see page 46), Channel 4 commissioned a study to examine viewers’ perceptions of the representation and portrayal of gays and lesbians on television.

Television is regarded as being more powerful than other media in influencing public attitudes towards homosexuality

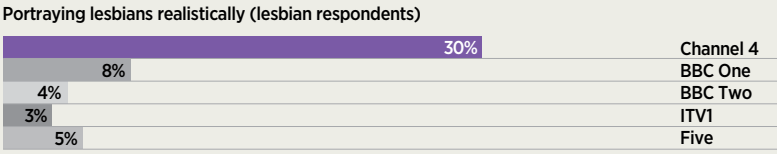
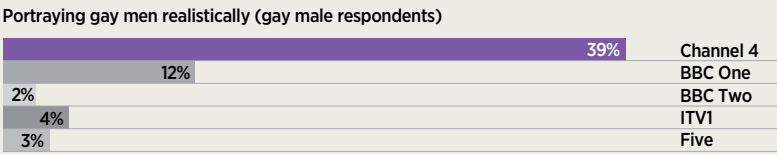
Percentage of respondents who select each medium as influencing public attitudes towards gay men, lesbians and bisexuals



Source: Continental, 994 adults (609 heterosexual, 385 homosexual/bisexual), November 2009

Channel 4 is regarded by gay men and lesbians as being best for realistic portrayals

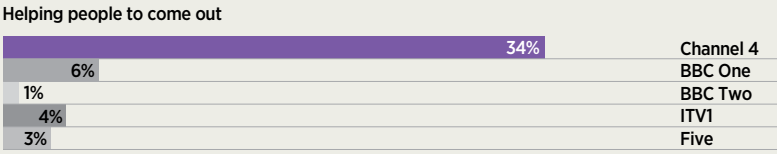
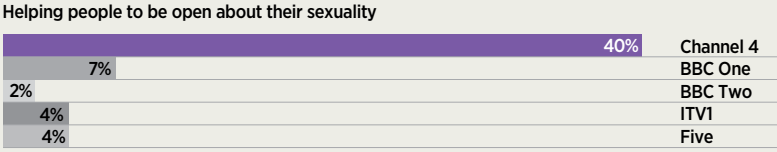
Percentage of gay men and lesbian respondents who select each of the main PSB channels for...



Source: Continental, 193 gay men and 159 lesbians, November 2009

Gay men and lesbians regard Channel 4 as being the channel that most helps people to be open about their sexuality and to come out

Percentage of gay men and lesbian respondents who select each of the main PSB channels for...



Source: Continental, 352 gay men and lesbians, November 2009

Bringing disability centre stage

2009 was a breakthrough year for bringing disability into mainstream programming on Channel 4. Actors with disabilities were cast in prominent roles in peak-time drama series, including *Hollyoaks* and *Shameless*, while *Cast Offs* starred disabled actors in the six lead roles.

A similar commitment ran across every other part of the Channel 4 schedule with people with disabilities appearing in programmes from *The Secret Millionaire* and game-show *Deal or No Deal* to a variety of documentaries, including *Born to Be Different*, a series following six disabled children from birth, *Alex: A Passion for Life*, featuring a brilliant musician with cystic fibrosis, and *Katie: My Beautiful Face*, a powerful film about a young woman rebuilding her life after an acid attack left her severely disfigured. Channel 4 also invited Katie to deliver the 2009 *Alternative Christmas Message*.

Cast Offs

A comedy drama that tells the story of six disabled characters who are marooned on an island, *Cast Offs* is the darkly comic creation of three writers – two of whom have disabilities. One of the writers, Jack Thorne, is a veteran of *Skins* and *Shameless* and wrote his first piece of work *The Spastic King* as part of the Channel 4 *Coming Up* strand. In the autumn his first feature film, *The Scouting Book for Boys* (which is supported by Film4) premiered at the London Film Festival.

“Brilliantly observed comedy drama and a breakthrough in television’s depiction of disabled people”

The Times

Born to Be Different

Since they were born nine years ago, Channel 4 has been following the lives of six children born with a disability. The latest series follows them over a two-year period as they turn eight and nine. Some of the children are now able to tell their own stories and reflect upon their growing awareness of their disability.

“The most brutally honest account of the realities of being born with a disability”

The Observer



Cast Offs

Showing our true colours

Channel 4 aims to reflect the rich and diverse mix of cultures in Britain today. Resisting the easy route of relegating ‘minority’ programmes to late night corners of the schedule, Channel 4 seeks to bring the full range of British voices into the mainstream, so that programme themes and on-screen roles reflect subjects and characters from every part of the nation’s community.

The Family followed the day-to-day life of the Grewals, a contemporary British Asian family from Windsor. Other series – *On Tour with the Queen*, *Race: Science’s Last Taboo* and *Christianity: A History* – each served to highlight in one way or another the varied cultures and traditions that are shaping modern Britain.

Christianity: A History

Christianity is the predominant religion in Britain, but it is viewed by different parts of society in different ways. *Christianity: A History* allowed Britons of various faiths to explore the religion, in the process illuminating their own culture and beliefs. Watched by an average of 1 million viewers on first transmission, the series included Rageh Omaar’s study of the Crusades and the Islamic world and Howard Jacobson’s analysis of Christianity’s relationship with its Jewish origins.

On Tour with the Queen

In 1953, Queen Elizabeth II travelled through Britain’s former empire, in order to promote the Commonwealth. In *On Tour with the Queen*, Kwame Kwei-Armah – the son of West Indian immigrants – retraced these steps to examine the effects of British colonialism, not just abroad but also in shaping Britain’s own culturally diverse society. The first transmission of the programmes attracted an average audience of 1.4 million across the series.

Race: Science’s Last Taboo

Channel 4 is never afraid to shine a light on uncomfortable areas, and this season challenged the view that science can be used to support notions of racial superiority. The highlight of the season was *The Event: How Racist Are You?*, which recreated an exercise designed in the 1960s to expose people’s innate bigotry. The first transmission of the television programme attracted 2.3 million viewers, while online the website achieved over 200,000 page views and 70,000 video views.



The Family

The Grewal family, made up of nine members spanning three generations, were the subject of Channel 4’s major observational documentary series *The Family*. They presented a new picture of a British Asian family, all the more illuminating for being far from stereotypical. But although their backgrounds and ambitions in theatre and film made the Grewals unusual, there was little acting to be seen over the eight-part series. Real emotions and family dramas were displayed as the family dealt with events such as a premature birth and the preparations for a big Indian wedding. The Grewal family quickly gained the audience’s affection with the series averaging 2.3 million viewers for the first transmission of each episode and gaining a total of nearly 1.5 million video-on-demand views in 2009.

“A really honest picture of a family ... some TV shows are too scared to highlight any negative aspects of anyone who is not white” **Asian, Male**

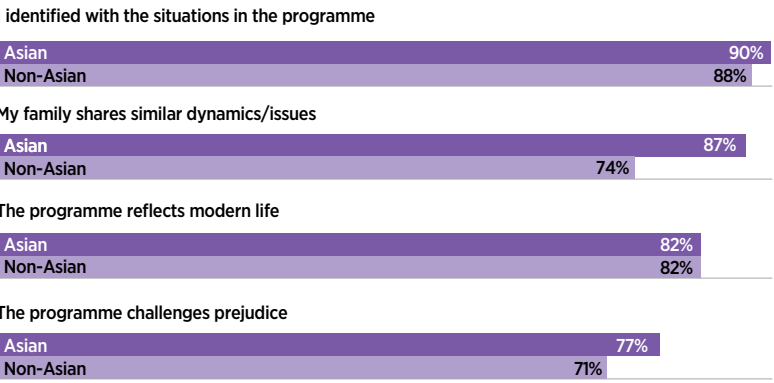
Like the first series in 2008, which followed the Hughes family from Canterbury, the programmes encouraged viewers to reflect on aspects of their own lives in response to family events. And while this was the first documentary of its kind to look at British Asian life in such detail, the underlying family themes and values were far from unfamiliar.

“An excellent insight into the lives of different families, in a way you can sort your own family problems...” **Non-Asian, Female**

Engaging Asian and non-Asian audiences

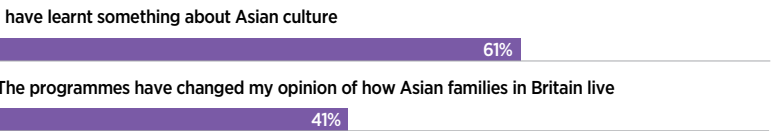
Research commissioned by Channel 4 showed that the series had an impact on both Asian and non-Asian audiences, with both groups identifying with the Grewal family, and non-Asians learning more about a different culture.

Percentage of Asian and non-Asian viewers agreeing with the following statements about the programmes



Source: Essential Research, 462 adults, December 2009

Percentage of non-Asian viewers agreeing with the following statements about the programmes



Source: Essential Research, 462 adults, December 2009

Finding common ground

Over the last decade, concern has grown over the increasing fragmentation of British society. In 2009, Channel 4 sought to challenge this trend by providing spaces in which people from some of the most deprived and neglected quarters of Britain's towns and cities could meet people from the opposite end of the income range.

The programmes highlighted here sought to reveal the gulfs that separate, but at the same time uncover the many similarities that bind people from different social groups. They are all good examples of how Channel 4 strives to reach as wide an audience as possible with programming that tackles challenging issues in an engaging and entertaining way.

Each of the series highlighted on this page attracted an average audience on first transmission in excess of 2 million viewers, and were watched by a fairly even mix of people from higher and lower socioeconomic groups.

How the Other Half Live

How the Other Half Live, a new series from the makers of *Secret Millionaire*, explored the contrasting opportunities available to financially secure families and families going through more difficult times. The series was particularly successful in providing its audience with a greater understanding of how families in the UK find themselves trapped in poverty.

The highlight of the series was the friendship formed by Grace, a nine year old from one of the wealthiest parts of the country, and Yolanda, a ten year old living on a council estate. The two girls were surprised at the difference in their lives, as Grace realised her good fortune and Yolanda saw a life removed from her crime ridden estate. Since the programme aired, Grace's school has offered scholarships to Yolanda and her sister Moesha – giving them the opportunity to attend one of the best independent schools in the country.

Come Dine With Me

Come Dine with Me continued to bring together mixed groups of people from the same city to try and lay on the perfect dinner party. On the surface a cookery show, the programmes gave an insight into people's attitudes to each other, in many cases revealing people's underlying desire to find common ground and get along. It has also spawned a new trend in social cooking, with people using Facebook and other social networking sites to set up their own events.

"Come Dine with Me deliciously taps into ... our enduring fascination with class" **Daily Telegraph**



The Secret Millionaire

The Secret Millionaire featured a fourth series of wealthy entrepreneurs going undercover, discovering hidden stories of hard work in pursuit of a better life within often-ignored social groups and communities. Highlights included Gary Eastwood, the owner of a successful scrap metal business, whose visit to Blackpool struck a personal chord as meetings with a drug abuse victim and a WW2 veteran reminded him of his own family; and Liz Jackson, an entrepreneur who lost her sight at the age of 26, who met people in south London not only living with their own disabilities and financial problems, but also helping others to live with theirs.

"A poignant and powerful piece of television" **Daily Mail**



“A brave attempt to take the scandal of UK poverty into the mainstream”

Colette Marshall, Save the Children's director of UK programmes

Benefit Busters

This three-part series followed agencies involved in helping people on benefits to find jobs. Episodes focused on a course to give single mothers the confidence and skills to find work; a welfare reform company's attempts to help the unemployed in Hull; and a charity's attempts to meet the government target to bring one million people currently on sickness benefits back to work.

“Absorbing and provocative”

Daily Telegraph



Champion

Key measures

Diversity output on the core channel

114hrs

of first-run originations covering diversity issues on the core channel

2%

on last year

In 2009, Channel 4 showed 228 hours of originated programmes on the core channel whose subject matter covered religion, multiculturalism, disability or sexuality (*Big Brother* and related programming is excluded from this total). 114 of these hours were of first-run programmes, and 74 of the first-run hours corresponded to programmes shown in peak.

Channel 4 committed to strengthening its diversity programming in 2009, and the volume of diversity-related first-run originations increased relative to 2008 levels – by 2% across the day and by 4% in peak – although a reduction in the number of repeats meant that there was a 2% decline in volume overall.

Programmes covering different aspects of diversity span a wide range of genres (see table), with highlights in 2009 including *Cast Offs* (see page 40), *The Family* (page 43) and *Christianity: A History* (page 42).

Total hours of programming covering diversity issues shown on the core channel (2009 with trends relative to 2008)

228

All originated

(2% down)

of which

114

First-run

(2% up)

of which

74

In peak

(4% up)

Breakdown by genre of first-run originations covering diversity issues on the core channel with examples (2009)

Education	Born To Be Different, On Tour with the Queen, Battlefront	37%
Current affairs	Unreported World, Terror in Mumbai, Pakistan's Taliban Generation	17%
Documentary	The Family, Cutting Edge	14%
Religion	Christianity: A History, Revelations	17%
Drama and Film4	The Last King of Scotland, Endgame, Cast Offs	11%
Other	Only When I Dance, Three Minute Wonder: One Day Shorts	5%
Total first-run originations covering diversity issues		100%

Rounding differences may occur

Source: Channel 4

Channel reputations

14pt

lead over average for other channels for catering for audiences that other channels don't cater for

1pt

on last year

Channel 4 tracks audience perceptions of the main PSB channels against key reputational statements.*

Caters for audiences other channels don't cater for

In 2009, 25% of people rated Channel 4's core channel as being the one that best “caters for audiences other channels don't cater for”, 10 percentage points more than chose the next highest channel, Five, and 14 percentage points more than the average for the other main PSB channels.

While Channel 4 continued to perform strongly relative to its competitors in 2009, the proportion of people who chose the core channel and the core channel's lead over the other PSB channels fell by 1 percentage point compared to the corresponding figures in 2008.

People who believed Channel 4 is the channel to which the following statements most apply...

'Caters for audiences other channels don't cater for'

30%

25%

20%

15%

10%

5%

0%

2005

2006

2007

2008

2009

Channel 4 (core channel)

Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)

Range for other main PSB channels

15pt

lead over average for other channels for allowing people an alternative point of view

1pt

on last year

Allows people an alternative point of view

26% of respondents selected Channel 4's core channel over other channels for “Allowing people an alternative point of view”, a lead of 15 percentage points over the average for the other main PSB channels, and a 9 percentage point lead over the next highest-rating channel, BBC One.

The proportion of people choosing the core channel increased by 1 percentage point in 2009 compared to 2008, as did its lead relative to the average of the other main PSB channels.

'Allows people an alternative point of view'

30%

25%

20%

15%

10%

5%

0%

2005

2006

2007

2008

2009

Channel 4 (core channel)

Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)

Range for other main PSB channels

20pt

lead over average for other channels for showing different cultures and opinions

1pt

on last year

Shows different kinds of cultures and opinions

30% of respondents believed Channel 4's core channel was the one which “has programmes which show different kinds of cultures and opinions”, a 20 percentage point lead over the average for the other main PSB channels, and a 13 point lead over the next highest channel, BBC Two.

Again, the proportion of people who chose the core channel increased by 1 percentage point year-on-year, as did its lead relative to the average of the other main PSB channels.

'Shows different kinds of cultures and opinions' (data begins 2008)

35%

30%

25%

20%

15%

10%

5%

0%

2005

2006

2007

2008

2009

Channel 4 (core channel)

Average for other main PSB channels (BBC One, BBC Two, ITV1 and Five)

Range for other main PSB channels

Source: Ipsos MORI commissioned by Channel 4

* See page 19 for a description of the tracking surveys.

The charts on this page are presented in a different form, to show the responses of different groups to the reputational statements.

Across all three measures presented below, Channel 4's reputation grew in 2009 both amongst audiences in general and specifically amongst people from different minority groups.

Shows the viewpoints of different ethnic groups

In 2009, 26% of all respondents associated Channel 4's core channel with “showing the viewpoints of different ethnic groups in the UK” (2008: 24%), 18 percentage points ahead of the average for the other main PSB channels. Channel 4 performed better still amongst Black, Asian and Minority Ethnic (BAME) respondents: the core channel was chosen by 34% of people in this group (2008: 32%), giving it a substantial 26 point lead over the average for the other main PSB channels.

Channel 4 strengthened its reputation in this area in 2009. The core channel's lead over the average of the other main PSB channels rose by 1 percentage point year-on-year for all audiences, and by 4 points amongst BAME audiences.

'Shows the viewpoints of different ethnic groups'

15

13

BBC One

8

8

BBC Two

7

4

ITV1

26

34

Channel 4

5

4

Five

BAME

All

Shows the viewpoints of gays and lesbians

Channel 4 cemented its reputation for “showing the viewpoints of gays and lesbians” in 2009, with 28% of respondents choosing the core channel (2008: 26%), 25 percentage points ahead of the average for the other main PSB channels. Channel 4's performance amongst gays and lesbians themselves was exceptional: 66% of respondents selected the core channel (2008: 48%), 63 percentage points higher than the average for the main PSB channels.

The proportion of all respondents choosing Channel 4 over the average for the other main PSB channels rose by 2 percentage points in 2009 compared to 2008, while the corresponding lead for the core channel amongst gays and lesbians rose by a substantial 20 points.

'Shows the viewpoints of gays and lesbians'

2

3

BBC One

3

2

BBC Two

3

2

ITV1

28

66

Channel 4

2

4

Five

Homosexual

All

Shows the viewpoints of disabled people

15% of respondents selected Channel 4's core channel as the one they most associated with “showing the viewpoints of disabled people” (2008: 14%), a lead of 10 percentage points over the average for the other main PSB channels. The figures were similar for those who identified themselves as being disabled: the core channel was chosen by 16% of respondents (2008: 14%), giving it a 9 point lead over the other main PSB channels.

As its lead over other channels on disability was relatively slender in 2008, Channel 4 sought to strengthen its performance in this area. Disabled people were cast across shows in all genres in 2009, a highlight being *Shameless*, which won a Remark Film and TV Award for Best Mainstream programme featuring British Sign Language. *Cast Offs*, a six-part series starring six disabled actors, written by a team including two disabled writers (see page 40), received critical acclaim. In the audience tracking survey, the core channel's lead over other the other main PSB channels in 2009 rose by 1 percentage point amongst all respondents, and by 2 points amongst disabled people.

Channel 4 will continue to strive to improve its performance in terms of disability portrayal in 2010 and beyond – which will encompass its major commitment as the host broadcaster of the 2012 Paralympics in London.

'Shows the viewpoints of disabled people'

10

9

BBC One

12

9

BBC Two

4

3

ITV1

16

15

Channel 4

3

2

Five

Disabled

All

Rounding differences may occur

Source: Ipsos MORI commissioned by Channel 4

46 Champion

Champion 47



Inspire positive change in people's lives

Channel 4 encourages personal development in ways that are both accessible and distinct from traditional public service approaches. Popular TV lifestyle formats and soaps are used to illustrate personal or social dilemmas – extending people’s horizons, sparking new interests and helping them to re-evaluate their lives – while new digital tools help transform passive viewers into active participants. Whether on TV or online, Channel 4 avoids telling viewers what to do or what not to do; rather, we show the effects of different courses of action and let people make up their own minds.

Making an impact on the world	50
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Channel 4 seeks not only to open viewers’ eyes to new ways of understanding the world, but also to inspire them to try to improve the world around them. Funded by the Channel 4 BRITDOC Foundation, *The End of the Line* was at the vanguard of a global campaign that has succeeded in persuading supermarkets, restaurants and consumers to change their buying habits.

Under the influence	52
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A storyline in *Hollyoaks* addressing binge drinking, one of the biggest issues facing teenagers, led to an online partnership between the Home Office and Channel 4. The resulting cross-media initiative achieved a high profile amongst its target teen audience, ensuring that the key messages resonated with them. Research shows that the campaign succeeded in its ultimate aim of making viewers think about improving their lives.

Life-long learning	54
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Channel 4’s Education department focuses on life-skills for older schoolchildren. By moving its commissioning budgets into digital media in 2009, Channel 4 sought to achieve a greater connection with tech-savvy pupils by offering immersive games and other online tools. And popular TV shows such as *Embarrassing Bodies* offered a growing range of information online to enable viewers of all ages to learn more about issues such as health.

Inspiring social change	56
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The digital world is spawning networks and collaborations that engage millions of people in activities that can enrich their lives and benefit their communities. The interactivity inherent in such services provides Channel 4 with new ways to empower people to do something different.

Key measures	58
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Public impact measures show how Channel 4 seeks to inspire audiences, encouraging them to pursue their hobbies and interests, broaden their cultural horizons, and find out more online about the subjects covered in its programmes. Regular audience surveys track the extent to which Channel 4 is appreciated for giving people new ideas and making them think about things differently.

End of the Line

Making an impact on the world



A vast and still expanding global fishing industry is pushing fish stocks toward total collapse, putting the staple food of billions of people at risk. *The End of the Line*, a feature-length documentary from the Channel 4 BRITDOC Foundation, premiered at The Sundance Film Festival in 2009. The film is based on the book of the same name by award-winning journalist Charles Clover, the former Environment Editor of *The Daily Telegraph*, who appears in the film. While the film showcases the ignorance, complacency

and irresponsibility behind overfishing, its message is not one of despair, but rather a wake-up call for the world to act while there is still time.

The End of the Line epitomises what the Channel 4 BRITDOC Foundation was created to do – providing an independent perspective on important stories from around the world, told with such imagination that they have the power to reach beyond the boundaries of a standard TV documentary programme.

In spotlighting a crucial issue, *The End of the Line* has helped achieve a change in attitudes and behaviour. The film kicked off a campaign to raise political, business and consumer awareness of the problem and call for action.

Released shortly before the Government's Marine Conservation Bill entered Parliament, *The End of the Line* was welcomed by politicians from all sides. International Development Secretary Hilary Benn praised its demonstration of “*how much we are currently taking from the sea.*” The Fisheries Minister Huw Irranca-Davies demanded that Japanese food chain Nobu cease stocking endangered species. Bernard Jenkin, Conservative MP for North Essex, called it “*a remarkable film.*” Meanwhile in the media, the London Paper conducted a name and shame campaign of restaurants not buying fish responsibly.

The pressure brought swift results amongst leading retailers. Pret a Manger revised its fish buying policy on the day of the film's release. Marks & Spencer changed its tuna policy, as did Carluccio's. The world's largest caterer, Compass, banned 69 endangered species from its restaurants and Waitrose experienced a 15% rise in sustainable fish sales following its release.

“This is investigative journalism at its best”

New Scientist

“A wake-up call for all of us”

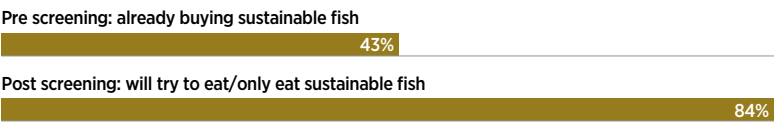
Huw Irranca-Davies, Fisheries Minister

Percentage of viewers who agree that over-fishing is ‘one of the greatest issues facing the world’



Source: Channel 4 BRITDOC Foundation, entry and exit poll conducted at opening night screening (two cinemas), 302 adults (8 June 2009)

Percentage of viewers who agreed with the following statements regarding their intentions to purchase sustainable fish



Source: Channel 4 BRITDOC Foundation, entry and exit poll conducted at opening night screening (two cinemas), 302 adults (8 June 2009)

“Furious and compelling ... a film in the spirit of *An Inconvenient Truth* and *The Age of Stupid*”

Daily Telegraph

Under the influence

There's a long tradition of British soap operas highlighting contentious social issues in a responsible way. Over the years Channel 4's *Hollyoaks*, with its focus on a young adult audience, has done more than most, exploring such topics as anorexia, drug abuse, family breakups, sexuality, physical disability and mental illness.

In the summer of 2009, a binge drinking storyline in *Hollyoaks* led the Home Office to team up with Channel 4 to create an online spin off storyline which would link to The Home Office's *Know Your Limits* campaign. The Home Office felt that by working with Channel 4 they would be able to more effectively

target under-age drinkers and hopefully change their thinking about binge drinking. To complement what was happening on-air, a specially commissioned 12-part online drama focused on two of the series' characters as they started to drink heavily. This, in turn, was reinforced by both characters setting themselves up with a social networking site on Bebo, writing regular blogs and involving their audience in an energetic debate about drinking habits and the effects of alcohol.

Channel 4 has a particularly strong relationship with young people. That reputation, combined with an imaginative multi-platform approach to a social issue of growing significance, allowed a more candid and effective campaign than would have been possible if any individual public agency had attempted it by themselves.



Hollyoaks

Raising awareness and influencing behaviour

A survey of *Hollyoaks* viewers found that the programme does more than just entertain young adults, it also covers a range of social topics of importance to them. *The Morning After the Night Before* storyline succeeded in making viewers think again about their attitudes towards alcohol.

83%

of young adults think *Hollyoaks* is the best soap for issues relevant to them

55%

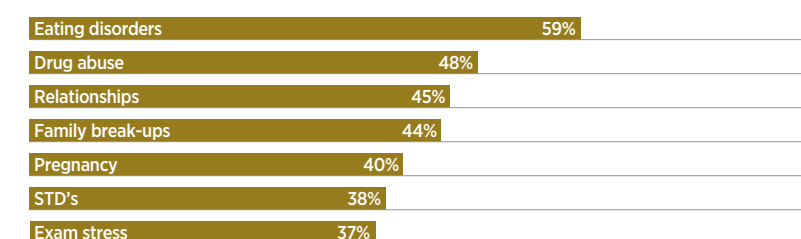
of binge drinkers agreed the storylines made them likely to consider whether they should drink differently

Percentage of young adults who agree that *Hollyoaks* is the soap that best portrays issues specific to young people



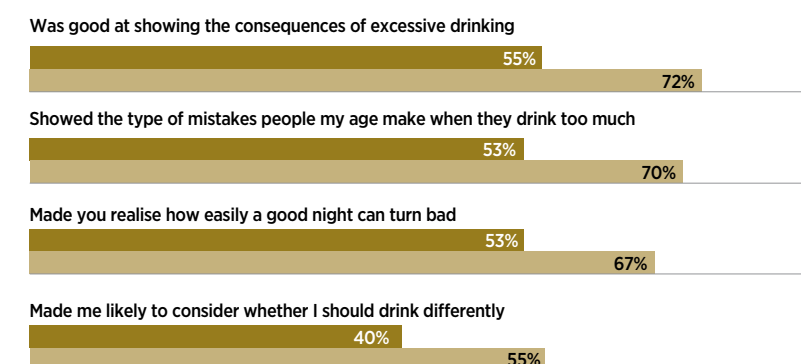
Source: Q media, 816 adults aged 16-24 (June-July 2009)

Percentage of viewers who agree that they have learnt about a topic from watching *Hollyoaks*



Source: Q media, 612 *Hollyoaks* viewers aged 16-24 (June-July 2009)

Percentage of viewers of *Hollyoaks: The Morning After The Night Before* who agree that the storyline...



■ Less than monthly
■ Monthly binge drinkers

Source: Q media, 134 online viewers aged 16-24 (July-August 2009)

"Monthly binge drinkers" go out and get drunk at least monthly;
"Less than monthly" drink less frequently (Home Office definitions)



Hollyoaks

“It [showed] how you're seen in other people's eyes when you're drunk; you feel really confident but really you just look stupid”

Viewer age 16-17

“*Hollyoaks* proved to be the perfect partnership ... Research has shown that the online spin-off increased [our] credibility and made our advertising work harder”

Emma Roberts, Strategic Communications Adviser – Youth Campaigns, The Home Office

Life-long learning

Up until recently, Channel 4 has provided schools programmes in its morning schedules. In a bold move, Channel 4 has shifted the bulk of its schools budgets online, commissioning exciting new interactive tools that are more relevant and accessible to pupils today. And learning is not confined to schoolchildren – many of Channel 4’s peak-time programmes contain educational elements. Now, viewers can learn much more by exploring a wealth of information online.

Tools to help people learn

Channel 4’s Education team connects with hard-to-reach young audiences, creating games and other informal learning environments that give them new skills, new insights and new confidence to use the resources of the online world more effectively.

1066

1066game.com

10m

plays in 7 months

20 minutes

spent on site per user on average

The historical strategy game *1066* aimed to teach young people about the strategies deployed at the Battle of Hastings. Launched to coincide with the historical drama *1066: Battle For Middle Earth* and containing historically accurate information about medieval warfare, users can control the Saxon, Norman and Viking armies, providing a unique insight into the battles that shaped England. The game proved extremely popular amongst young people, and has also been used by teachers in history classrooms across the UK. *1066* won the 2009 British Interactive Media Award for Best Online Game.

“Requires tactical thinking rather than slash-and-burn dexterity... The kids all loved it, especially the boys” **The Times**

2009 totals	Monthly averages (000s)												
<div>33m</div> <div>7.2m</div> <div>page views</div> <div>visits</div>	<table><tr><th></th><th>Whole year (May–Dec)</th><th>Peak period (Jun–Jul)</th></tr><tr><td>Unique visitors</td><td>432</td><td>762</td></tr><tr><td>Visits</td><td>967</td><td>1381</td></tr><tr><td>Page views</td><td>4431</td><td>6401</td></tr></table>		Whole year (May–Dec)	Peak period (Jun–Jul)	Unique visitors	432	762	Visits	967	1381	Page views	4431	6401
	Whole year (May–Dec)	Peak period (Jun–Jul)											
Unique visitors	432	762											
Visits	967	1381											
Page views	4431	6401											

(total since launch in May 2009) Sources: Google Analytics for Channel 4, Channel 4 Omniture



Routes

routesgame.com

19m

game plays in 2009

100,000+

videos viewed

Routes, an eight-week project launched in association with the Wellcome Trust, allows young audiences to explore the world of genetics and bioethics. Users navigate through puzzles, video clips, flash games and an immersive alternate reality to learn how DNA impacts upon our health, personalities and futures. The alternate reality element encourages players to research information and debate ethics through an immersive murder mystery storyline, inspiring users to embed content, share information on blogs and forums and attend live events.

A focus group of 14–19 year olds commissioned by Channel 4 from research agency Dubit showed that young people felt they had learnt something from the site, with one teen commenting that “*doing this made me research, look for things and visit so many websites I'd never normally visit.*” *Routes* won the 2009 British Interactive Media Award for Best Online Content.

“*Routes is the best way we can attract a young, technically-savvy audience who wouldn't normally pay any attention to information about Darwin and genetic science*” **Dr Daniel Glaser, Wellcome Trust**

“*Routes is very ambitious and very pervasive... the game is as deep as you want to push it to be*” **The Guardian**

2009 totals	Monthly averages (000s)												
<div>1.6m</div> <div>577k</div> <div>page views</div> <div>visits</div>	<table><tr><th></th><th>Whole year (Jan–Dec)</th><th>Peak period (Feb–Mar)</th></tr><tr><td>Unique visitors</td><td>54</td><td>70</td></tr><tr><td>Visits</td><td>62</td><td>84</td></tr><tr><td>Page views</td><td>150</td><td>304</td></tr></table>		Whole year (Jan–Dec)	Peak period (Feb–Mar)	Unique visitors	54	70	Visits	62	84	Page views	150	304
	Whole year (Jan–Dec)	Peak period (Feb–Mar)											
Unique visitors	54	70											
Visits	62	84											
Page views	150	304											

(total since launch in Jan 2009) Sources: Google Analytics for Channel 4, YouTube Insight, Channel 4 Omniture



Smokescreen

smokescreengame.com

238,000

game plays in four months

10 minutes

spent on site per user on average

Recognising the need amongst young people for more advice about online safety, *Smokescreen* encourages players to think about online privacy and ethics in an engaging and non-patronising way. Aimed at 14–19 year olds, the site features puzzles and games that enable users to see for themselves the consequences of sharing personal information on social networking sites. The game also teaches users how to protect themselves online – from changing their privacy settings to spotting identity fraud.

“*A step in the right direction towards fostering media literacy*” **Alternative Reality Gaming Network**

“*It's better than everyone just shouting 'the internet is dangerous, be careful!'*” **User comment**

2009 totals	Monthly averages (000s)												
<div>637k</div> <div>113k</div> <div>page views</div> <div>visits</div>	<table><tr><th></th><th>Whole year (Sept–Dec)</th><th>Peak period (Sep–Nov)</th></tr><tr><td>Unique visitors</td><td>19</td><td>15</td></tr><tr><td>Visits</td><td>28</td><td>25</td></tr><tr><td>Page views</td><td>160</td><td>168</td></tr></table>		Whole year (Sept–Dec)	Peak period (Sep–Nov)	Unique visitors	19	15	Visits	28	25	Page views	160	168
	Whole year (Sept–Dec)	Peak period (Sep–Nov)											
Unique visitors	19	15											
Visits	28	25											
Page views	160	168											

(total since launch in Sep 2009) Sources: Six To Start, Google Analytics for Channel 4

Tools to give information

Cross-media initiatives enable viewers to better understand their bodies by asking questions, watching videos, playing games, and sharing their own health experiences.

Embarrassing Bodies

channel4.com/bodies

50,000

comments and questions since launch

3m


videos viewed

Channel 4’s highly successful *Embarrassing Bodies* returned in 2009 to tackle more health taboos. Its accompanying website continued to have a huge impact, providing a valuable and trusted space for large numbers of contributors to ask frank questions, access information and share first-hand experiences – inspiring people all across the UK to examine their own health and take action.

“*I thought i didn't need to check myself until i was in my 40's ...i saw your show & went to my GP because i found a lump.. I went for tests & got diagnosed with breast cancer...Watchin ur show has saved my life*” **Viewer comment on website**

2009 totals	Monthly averages (000s)												
<div>24m</div> <div>2.9m</div> <div>page views</div> <div>visits</div>	<table><tr><th></th><th>Whole year (Jan–Dec)</th><th>Peak period (Apr–Jun)</th></tr><tr><td>Unique visitors</td><td>220</td><td>387</td></tr><tr><td>Visits</td><td>238</td><td>661</td></tr><tr><td>Page views</td><td>2,030</td><td>7,648</td></tr></table>		Whole year (Jan–Dec)	Peak period (Apr–Jun)	Unique visitors	220	387	Visits	238	661	Page views	2,030	7,648
	Whole year (Jan–Dec)	Peak period (Apr–Jun)											
Unique visitors	220	387											
Visits	238	661											
Page views	2,030	7,648											

(total across 2009) Sources: Channel 4 Omniture



Surgery Live

channel4.com/surgerylive

10,000

comments and questions via Twitter and Facebook

Number 1

on Twitter’s global Trending Topics on final night of series

“*Totally fascinating. Have a heart condition and helping me better understand what goes on inside me!*” **Viewer Tweet**

“*The educational imperatives are both noble and admirable...it’s a genuine first that only Channel 4 would have the muscle and nerve (no pun intended) to even attempt*” **Time Out**

2009 totals	Monthly averages (000s)												
<div>318k</div> <div>65k</div> <div>page views</div> <div>visits</div>	<table><tr><th></th><th>Whole year (May–Dec)</th><th>Peak period (May)</th></tr><tr><td>Unique visitors</td><td>7</td><td>36</td></tr><tr><td>Visits</td><td>8</td><td>45</td></tr><tr><td>Page views</td><td>40</td><td>300</td></tr></table>		Whole year (May–Dec)	Peak period (May)	Unique visitors	7	36	Visits	8	45	Page views	40	300
	Whole year (May–Dec)	Peak period (May)											
Unique visitors	7	36											
Visits	8	45											
Page views	40	300											

(total since launch in May 2009) Sources: Channel 4 Omniture, Twitter, Facebook



Tools to bring people together

New digital services from Channel 4 encourage people to share interests, pool resources or work together to make a change to their lives.

25,000
registered users

7,000
teachers

"You're never too old or young to learn, but if you're not sure what it is you want to be studying why not just join the School of Everything"
BBC World News

2009 totals		Monthly averages (000s)	
2.8m page views	900k visits		Whole year (Jan-Dec)
		Unique visitors	94
		Visits	105
		Page views	328
(total across 2009)		Sources: School of Everything	



44,000 **1,000+**

In recent years, Channel 4 has run successful campaigns encouraging the British public to think more deeply about the food that it eats. New interactive tools enable Channel 4 to promote change more directly. The *Landshare* website tackles the problem of allotment availability by connecting people who want to grow their own food with people who have land they are willing to share.

"Within 24 hours of registering ourselves with the scheme, we were lucky enough to be very kindly offered the ideal plot of land" **Brian and Michelle,**
www.ourlandshare.co.uk

2009 totals	Monthly averages (000s)	
1.6m page views	Whole year (April-Dec)	Peak period (Nov-Dec)
245k visits	Unique visitors	21
(total since launch in Apr 2009)	Visits	27
	Page views	183
	Sources: Channel 4 Omnitree, KEO Productions	

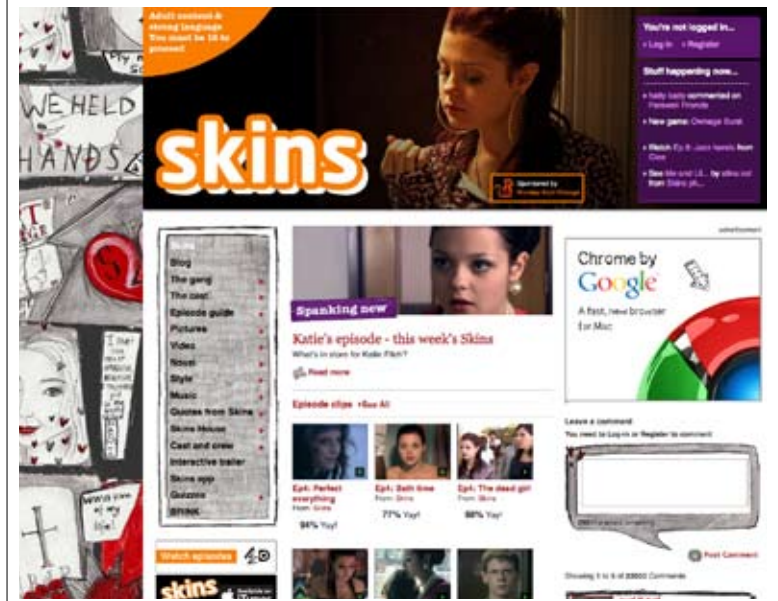


Channel 4 seeks to harness the creativity of its audiences to help shape its programmes. Several of its most successful drama series have websites that bring together communities of passionate fans to criticise and comment, to blog and tweet. Competitions encourage them to participate actively in the creative process.

5.4m **650,000+**

In addition to supporting the series with episode guides, interviews, music listings and clips, the website has also featured a number of competitions for fans to share their own music and short films – with around 2,500 pieces of music and over 1,000 videos submitted to the *Skins* website across the year. One competition gave viewers an opportunity to have their own music featured in the soundtrack of the programme, and in a ‘mash-up’ competition fans were asked to create their own film using footage from the series and songs from unknown artists. Over 800 entries were submitted, with some films attracting more than 10,000 views on the *Skins* website. The winner of the competition won a week’s paid work experience on the set of the fourth series of *Skins*.

2009 totals		Monthly averages (000s)		
45m	page views	Whole year (Jan-Dec)	Peak period (Jan-Mar)	
7.6m	visits	Unique visitors	365	713
		Visits	632	1,320
		Page views	3,777	9,000
(total across 2009)		Sources: Channel 4 Omniture, Facebook		



3.5m **10,000+**

The site also hosted several talent competitions in 2009, including 'Desperately Seeking', in which viewers were invited to audition to become a new character on the show. Participants were provided with a script and tips from the producers and asked to upload an audition video, which users were then encouraged to view and comment upon. 1,700 videos were submitted to the competition, with nearly 2,000 comments from viewers supporting the entrants. A similar process was also used to find unsigned bands to feature in the new *Hollyoaks Music Show* - with 500 acts submitting tracks which the online community then voted on.

2009 totals		Monthly averages (000s)		
<div>73m</div> <div>7.7m</div>	page views		Whole year (Jan-Dec)	Peak period (May)
		Unique visitors	271	362
		Visits	640	794
	visits	Page views	6,126	9,360
(total across 2009)		Sources: Channel 4 Omniture, Twitter		

37,000 **95,000+**

"New E4 drama Misfits is to be the first UK programme to have characters tweeting live on Twitter" **The Guardian**

2009 totals		Monthly averages (000s)		
5m	page		Whole year	Peak period
	views		(Oct-Dec)	(Nov-Dec)
1.3m		Unique visitors	278	412
		Visits	547	622
	visits	Page views	2,100	2,400

(total since launch in Oct 2009)

Sources: Channel 4 Omniture, Facebook

Inspire

Key measures

Programmes covering leisure, life-skills and hobbies

266hrs of originated programmes covering leisure interests, life-skills and hobbies shown on the core channel between 6pm and midnight

↑ 11% on last year

In 2009, Channel 4 showed 266 hours of originated programmes covering leisure, life-skills and hobbies on its core channel between 6pm and midnight. These programmes covered areas such as health and body issues (*Gok's Fashion Fix*), property (*A Place In The Sun Down Under*) and food (*Heston's Medieval Feast*). The volume of programming was 11% higher than in 2008, in part due to the extended run given to successful cookery show *Come Dine With Me*.

On the main PSB channels, Channel 4 and BBC Two were each responsible for 43% of total output in these genres across the evening schedules in 2009. Channel 4 seeks constantly to refresh its output, cancelling long-established shows such as *Wife Swap* to make way for new programmes in 2009. Overall, its schedules contained newer leisure, life-skills and hobbies programmes than BBC Two's: the average age of these programmes (based on the year in which the first series was transmitted) was five years on the core channel, while corresponding programmes on BBC Two had been running for 13 years on average.

Hours of originated programmes covering leisure, life-skills and hobbies shown on the main PSB channels between 6pm and midnight

Channel	2009	2008
BBC One	50	68
BBC Two	243	269
ITV	8	6
Channel 4 (core channel)	240	266
Five	37	17

Source: Attentional commissioned by Channel 4

UK and foreign-language films

171 UK and foreign language films shown on Channel 4, more than on any of the other main PSB channels

↓ 17% on last year

Channel 4 encourages audiences to broaden their cultural horizons through its feature film output on the core channel and digital channels (including its dedicated movie channel, Film4 – see below). Alongside popular mainstream US features, it offers a wide variety of UK and international titles, many of which are seldom seen elsewhere on British television.

Channel 4 showed 171 UK and foreign-language films on its core channel in 2009. 129 British films were shown, more than on any of the other main PSB channels. The core channel also broadcast 42 foreign-language films, exceeding the combined total across the other main PSB channels.

The number of UK and foreign-language films on the core channel fell by 17% in 2009, as budgetary pressures hit acquisitions more than originations. Nonetheless, Channel 4 continued to offer a diverse selection of some of the most acclaimed recent international films, such as award-winning French animation *Persepolis*, in addition to its annual Bollywood season.

Number of UK and foreign-language films on the main PSB channels

Channel	2009	2008	Totals:
BBC One	63	79	64
BBC Two	119	121	144
ITV	117	98	120
Channel 4	129	160	171
Five	59	47	64

Source: UK Film Council

Diversity of Film4 channel schedule

40% of output on the Film4 channel devoted to British, other European and international films

→ level with last year

While many film channels rely almost exclusively on Hollywood titles, Film4 showcases a diverse range of popular and acclaimed films from around the world. In 2009, British films made up 26% of its output, while continental European and international (non-US) films accounted for a further 15% of total hours. As in 2008, non-US titles made up 40% of the schedule overall.

Film4 extended its broadcast hours in May 2009, starting daily transmissions two hours earlier, at 11am. This new 11am slot included a regular world cinema strand each Thursday which featured prestigious works by the likes of Bergman and Tarkovsky. Other highlights on the channel included celebrations of contemporary French and Asian cinema, while *The British Connection* returned in February for 8 days, with every film shown during that period being of British origin and Film4's own productions showcased every evening at 9pm).

Percentage of output on Film4 channel by region of origin

2008

2009

Source: Channel 4

Engaging viewers online

558k comments on channel4.com and e4.com

↑ 7pts on last year

Channel 4 encourages audiences to engage actively with its programmes, whether by discussing them or seeking further information online. Following the relaunch of channel4.com in 2009, most programmes now have their own dedicated sites, on which users can post comments and interact with content in other ways. This facility replaces the user forums that were previously available for some programmes.

From April 2009, when forums were shut down and user comments were added to the new programme sites, through to the end of the year, Channel 4's websites attracted almost 558,000 comments. *Big Brother* drew the largest number (as it did on the forums in 2008), while *Come Dine With Me* (not in last year's Top 10) came in second place. There tend to be fewer user comments for any given programme than in the corresponding forums in previous years, reflecting the fact that forums were more conversational in nature. It is not appropriate therefore to compare 2008 and 2009 totals.

Audience engagement can also be assessed by looking at how many TV viewers go online to find out more. As we did in last year's Annual Report, we calculated the conversion rate from TV audiences to website visits by comparing TV viewing data with the number of visits to the corresponding websites for individual programmes (making the assumption that all online visitors watched the related programme on TV). The shows with the highest conversion rates in 2009 were E4 dramas *Skins* (28%) and *Misfits* (27%). The top three series achieved higher conversion rates than any programme in 2008. The 10 programmes with the highest conversion rates averaged 14% in 2009, 7 percentage points higher than in 2008, highlighting the increased desire for audiences to engage with TV programmes more deeply.

Programmes with most submitted comments on channel4.com and e4.com (2009)

Site	Comments
1 Big Brother	263,103
2 Come Dine With Me	84,468
3 T4	44,458
4 Embarassing Bodies*	29,820
5 Sexperience (The Sex Education Show)	19,022
6 Skins	10,257
7 News Blog*	8,168
8 Derren Brown	6,521
9 How To Look Good Naked	2,828
10 Hollyoaks	2,716
Total for top 10 sites	471,361

* The number of deleted comments is not tracked by these online providers. In these instances, only accepted comments are included

Channel 4 programmes with the highest conversion rate from TV audience to website visits (2009)

Title	Visits (000s)	Conversion from TV*
1 Skins	5,166	28.3%
2 Misfits	1,244	27.1%
3 Peep Show	2,457	19.3%
4 The Inbetweeners	1,944	12.8%
5 The Great Sperm Race	200	11.9%
6 Embarassing Old Bodies	202	10.8%
7 True Blood	1,739	9.0%
8 Sex Education Show vs Pornography	820	8.4%
9 Derren Brown	1,580	8.4%
10 One Tree Hill	1,104	8.0%

* Visits per TV viewer per episode

Source: Channel 4, BARB, third-party online service providers

Channel reputations

12pt lead over average for other channels for giving viewers new ideas

↑ 1pt on last year

Channel 4 tracks audience perceptions of the main PSB channels against key reputational statements.*

Gives me new ideas

In 2009, 20% of respondents believed that Channel 4's core channel gave them new ideas, 12 percentage points more than the average for the other main PSB channels and 8 points more than chose BBC Two, the next highest-rating channel.

The proportion of people who chose the core channel increased by 1 percentage point year-on-year, as did its lead relative to the average of the other main PSB channels.

People who believed Channel 4 is the channel to which the following statements most apply...

'Gives me new ideas' (data begins 2008)

'Makes me think about things in new and different ways' (data begins 2008)

Source: Ipsos MORI commissioned by Channel 4



Scale and impact

Channel 4’s scale – the amount it invests in new high-quality originated content – sets it apart from the hundreds of digital TV channels available. Even with so much choice, audiences still value high-quality British programmes, with almost 90% of the UK population watching Channel 4’s programmes every month. So do the critics, as the number and range of awards won by Channel 4 testify.

Channel 4 is increasingly achieving impact through digital media, especially amongst young people, for whom Channel 4’s programmes hold particular appeal. The rise of on-demand service 4oD was one of the key developments for Channel 4 in 2009. Meanwhile, digital innovation fund 4iP experimented with new kinds of public service content.

Through its investment in content, Channel 4 makes a vital contribution to the creative economy – investing in talent and supporting independent production companies. Everything Channel 4 does is sourced externally, made in partnership with a wide range of creative and cultural organisations.

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Viewer impact

Television

11.5%

viewing share across TV channel portfolio

↓ 3% on last year

Channel 4’s television channels attracted a total viewing share of 11.5% in 2009, a 3% fall relative to their 11.9% share in 2008.

2009 proved to be a challenging year for Channel 4’s core channel. Its share of total TV viewing fell from 8.2% in 2008 to 7.5% in 2009, an 8% decline. This reflects a decline in viewing to some long-established programmes such as *Big Brother*, along with the impact of budget cuts, which led to a decrease in the amount of new programming. The digital switchover process also put pressure on viewing share, as the core channel faces more intense competition for viewers in multichannel homes than in traditional analogue four- or five-channel homes.

This was partially offset by the performance of Channel 4’s digital channels, which continued to grow strongly. E4, More4, Film4 and 4Music collectively attracted 4.1% of total TV viewing, a 9% rise year-on-year. More4 grew its audience by an impressive 21%, taking its 2009 share to 1.1% of all TV viewing. An 8% increase in viewing to Film4 took its 2009 audience share to just under 1%. The biggest digital channel, E4, grew by 5%, giving it a 1.7% share in 2009. The most recent addition to the portfolio, 4Music, which launched in August 2008 (replacing The Hits), had a share of 0.3% of TV viewers in 2009, 4% up year-on-year.

Note: BARB data includes recorded viewing for 7 days post transmission. Alongside this, BARB began to include 7-day catch-up on-on-demand viewing on TV-VOD platforms as part of each channel’s viewing share in 2009.

Channel 4 portfolio share as a percentage of total TV viewing

			Totals (%)
2009	7.5	4.1	11.5
2008	8.2	3.7	11.9
2007	8.7	3.1	11.9
2006	9.8	2.3	12.1
2005	9.7	1.3	11.0

Channel 4 (core channel)

Digital Channels

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

					Totals (%)
2009	1.7	1.0	1.1	0.3	4.1
2008	1.6	0.9	0.9	0.3	3.7
2007	1.5	0.8	0.7	0.1	3.1
2006	1.5	0.4	0.5		2.3
2005	1.2	0.1			1.3

E4

Film4

More4

4Music / The Hits

Channel 4 (core channel) includes Channel 4 +1 and S4C. Rounding differences in the charts are due to reporting of channel shares and totals to one decimal place

Source: BARB

87.8%

of all TV viewers reached every month across Channel 4’s TV channels

↓ 0.6pts on last year

87.8% of television households watched Channel 4’s TV channels for at least 15 consecutive minutes every month on average in 2009. Channel 4’s portfolio reach was slightly behind that of the BBC and ITV, and substantially ahead of Five’s.

There was a small year-on-year decrease (of 0.6 percentage points) in Channel 4’s portfolio reach in 2009. Reach to the core channel declined by 1.7 percentage points. This was partially offset by the digital TV channels, all of which succeeded in growing their audience year-on-year. The most significant gain was for More4, which extended its reach by 4.9 percentage points to 35%. 4Music had the joint-highest reach of any music channel in 2009, along with VIVA. Overall, the digital channels contributed 5.5 points to Channel 4’s portfolio reach in 2009 over and above that of the core channel. This is 1.1 points more than they contributed in 2008, reflecting the growing success of the digital channels in sustaining audiences for Channel 4’s output in the digital world.

Traditional measures of audience reach do not take into account the rapid growth of on-demand viewing through services such as 4oD (see page 67). While there were small declines in the reach and viewing share (see above) of Channel 4’s television channels in 2009, on-demand viewing of these programmes rose sharply.

Average monthly reach of public service broadcasters’ TV portfolios

Year	BBC	ITV	Channel 4	Five
2005	92	90	80	63
2006	93	91	85	66
2007	94	92	86	66
2008	94	92	87	69
2009	93	91	86	68

Percentage reach of individual TV channels in Channel 4 portfolio

2009	82	Channel 4 (core channel)
2008	84	
2009	35	E4
2008	33	
2009	35	More4
2008	30	
2009	28	Film4
2008	26	
2009	10	4Music
2008	9	

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

67%

of total viewing across the core channel, E4 and More4 accounted for by network originations

→ level with last year

Programmes commissioned by Channel 4 and transmitted across its TV portfolio (“network originations”) accounted for almost 7% of total TV viewing in the UK in 2009, consistent with their performance in 2008.

Network originations continued to outperform acquired programming across the portfolio in 2009. They represented 67% of total viewing to the core channel, E4 and More4 (2008: 66%), compared to 53% of total hours across these channels (2008: 52%).

On the core channel, in the context of the 8% decline in audience share overall, network originations held viewers better than acquisitions did in 2009. Viewing to network originations fell by 6%, while viewing to bought-in programmes dropped more sharply, by 13%. On the digital channels, in part due to an increase in the volume of Channel 4-commissioned programmes transmitted, viewing to network originations rose by 7% in 2009.

Percentage of total TV viewing accounted for by network originations on Channel 4’s TV channels

2009	5.5	1.4	2.0	2.6	Totals (%): 11.5
2008	5.8	1.3	2.4	2.4	11.9

Network originations

Acquisitions (non-commissions)

Core channel

Digital Channels

Core channel

Digital Channels

In the chart, the digital channels are E4, More4, Film4 and 4Music. The main 67% figure is based on viewing to the core channel, E4 and More4 and excludes viewing to Film4 and 4Music (by their nature, music and film channels mainly comprise acquired content)

Source: Channel 4, BARB

Rounding differences may occur

10%

growth in TV channel portfolio viewing share over the last five years – the only public service broadcaster to have grown its portfolio share over this period

Five-year trends in the viewing shares of the public service broadcasters’ TV channels show how they have been affected over the medium term by the structural shifts in viewing from analogue to digital.

Between 2004 and 2009, Channel 4’s portfolio share increased by 10%. This is an impressive performance, given that the other public service broadcasters all suffered declines in their portfolio shares over this period.

All the main PSB channels experienced declines in viewing between 2004 and 2009. Viewing to Channel 4’s core channel fell by 23% during this period, a similar rate to that of BBC Two, ITV1 and Five. BBC One outperformed the other main PSB channels, with a decline of 15%.

Percentage decline in viewing to main PSB channels between 2004 and 2009

Channel	Decline (%)
BBC One	-15
BBC Two	-25
ITV	-22
Channel 4	-23
Five	-26

Percentage change in viewing to the public service broadcasters’ channel portfolios between 2004 and 2009

Channel	Change (%)
BBC	-11
ITV	-4
Channel 4	10
Five	-7

Source: BARB

26mins

average daily viewing of Channel 4’s TV channels

↓ 1min on last year

Even in a converged digital world, television continues to account for substantial amounts of individuals’ leisure time. Viewers watched an average of 26 minutes of Channel 4 programmes every day in 2009 across its TV channels (2008: 27 minutes). This excludes time spent watching programmes on-demand through services such as 4oD. Viewers aged 16 to 34 years old, who tend to watch less TV than other age groups, watched an average of 30 minutes a day across Channel 4’s portfolio (2008: 30 minutes).

While overall viewing to Channel 4 lags behind the levels enjoyed by the BBC and ITV, the gap is narrower for viewing levels amongst young audiences. Average viewing to Channel 4 in 2009 by 16- to 34-year-olds was 16% greater than average viewing by audiences across all age groups (13% greater in 2008). As was the case in 2008, Channel 4 was the only public service broadcaster whose channels were viewed more by young people than by the general population, indicating the important role Channel 4 plays in engaging this demographic.

Average daily minutes of viewing to the public service broadcasters’ TV channels

73	45	39% less	BBC
52	34	34% less	ITV
26	30	16% more	Channel 4
14	10	25% less	Five

All viewers (upper bars)

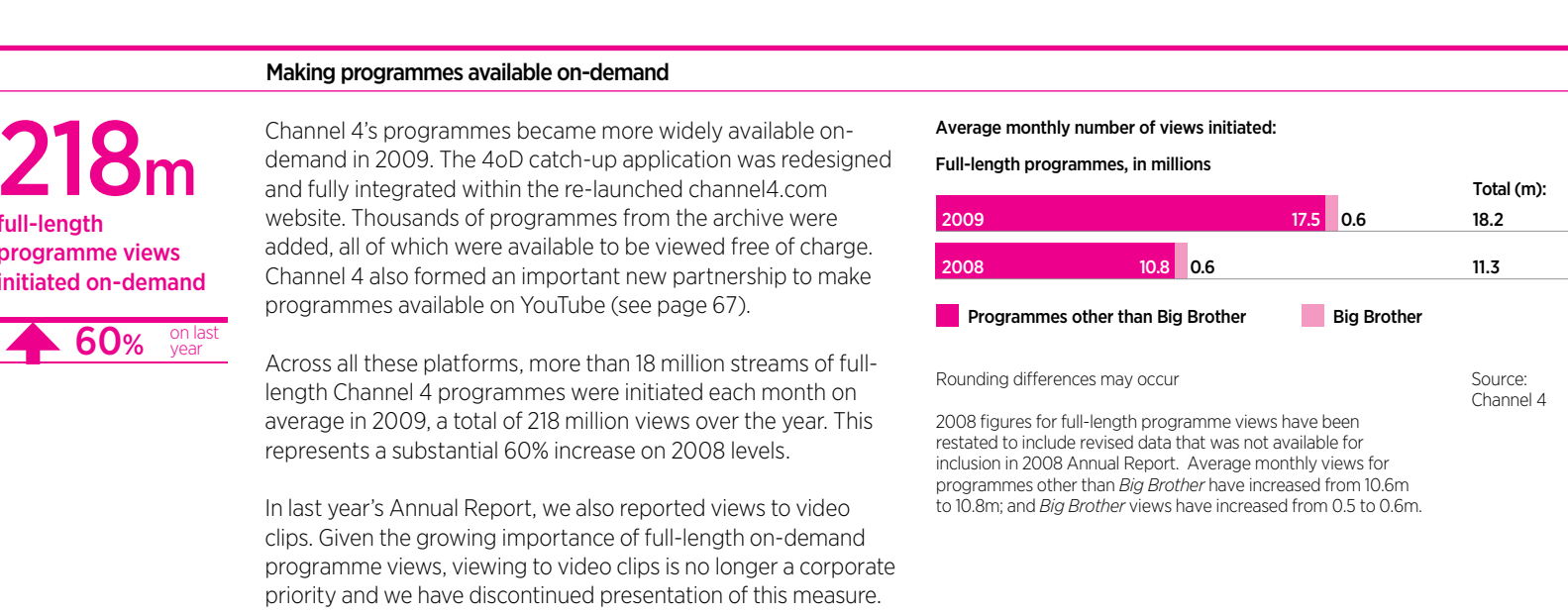
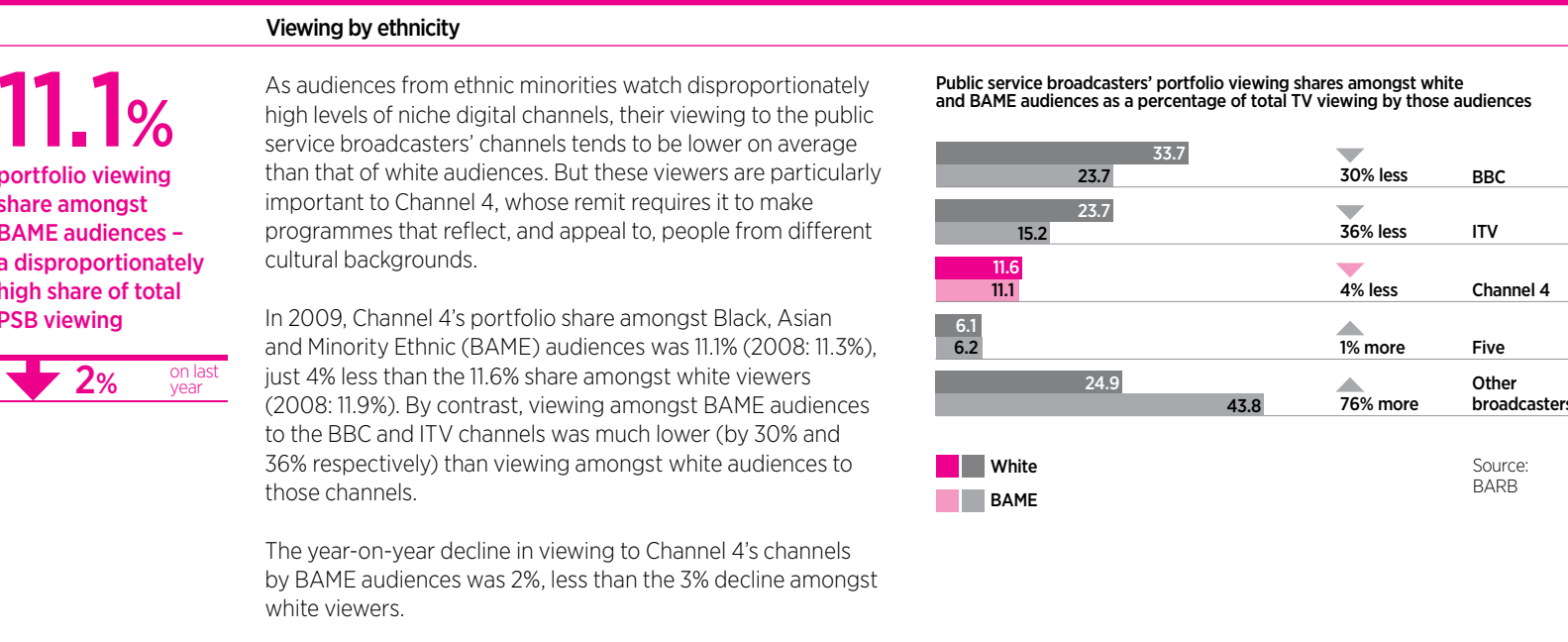
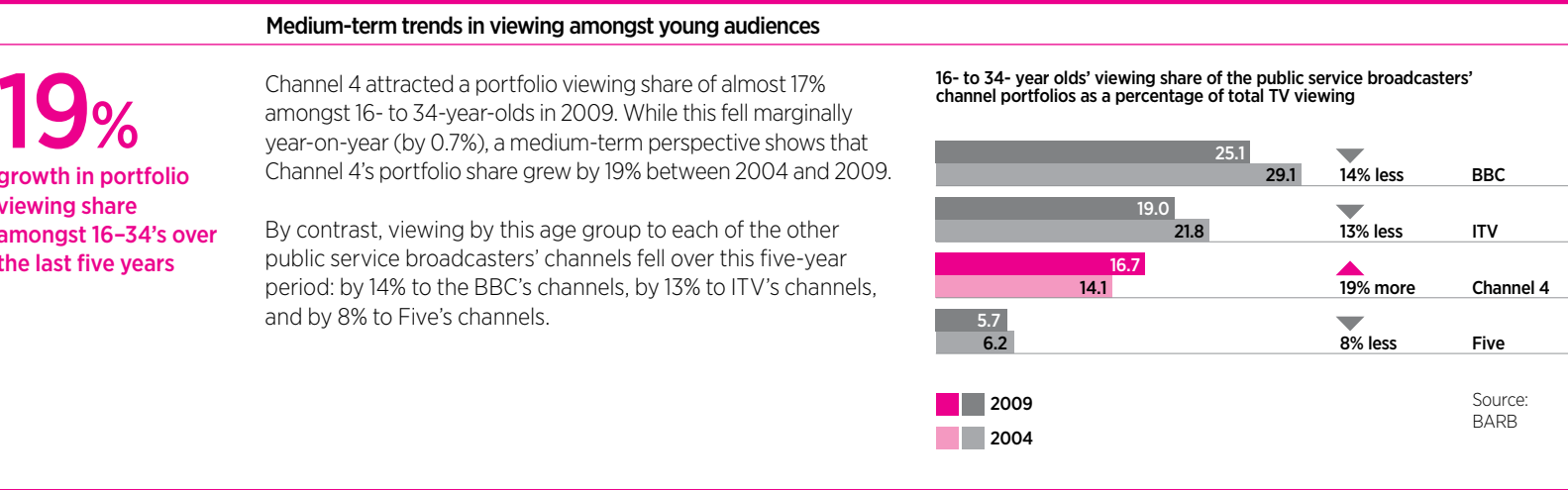
Viewers aged 16-34 (lower bars)

Rounding differences may occur

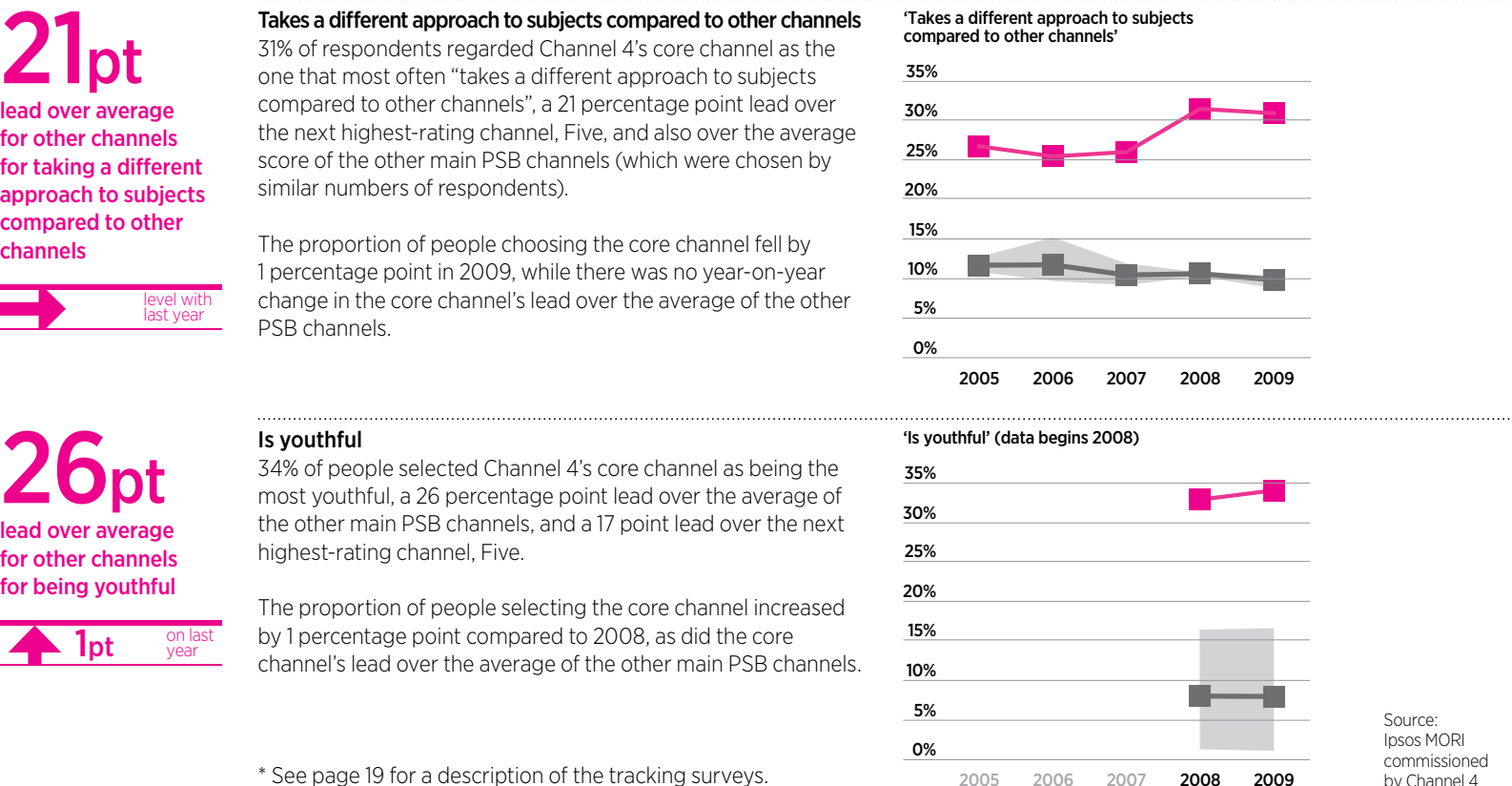
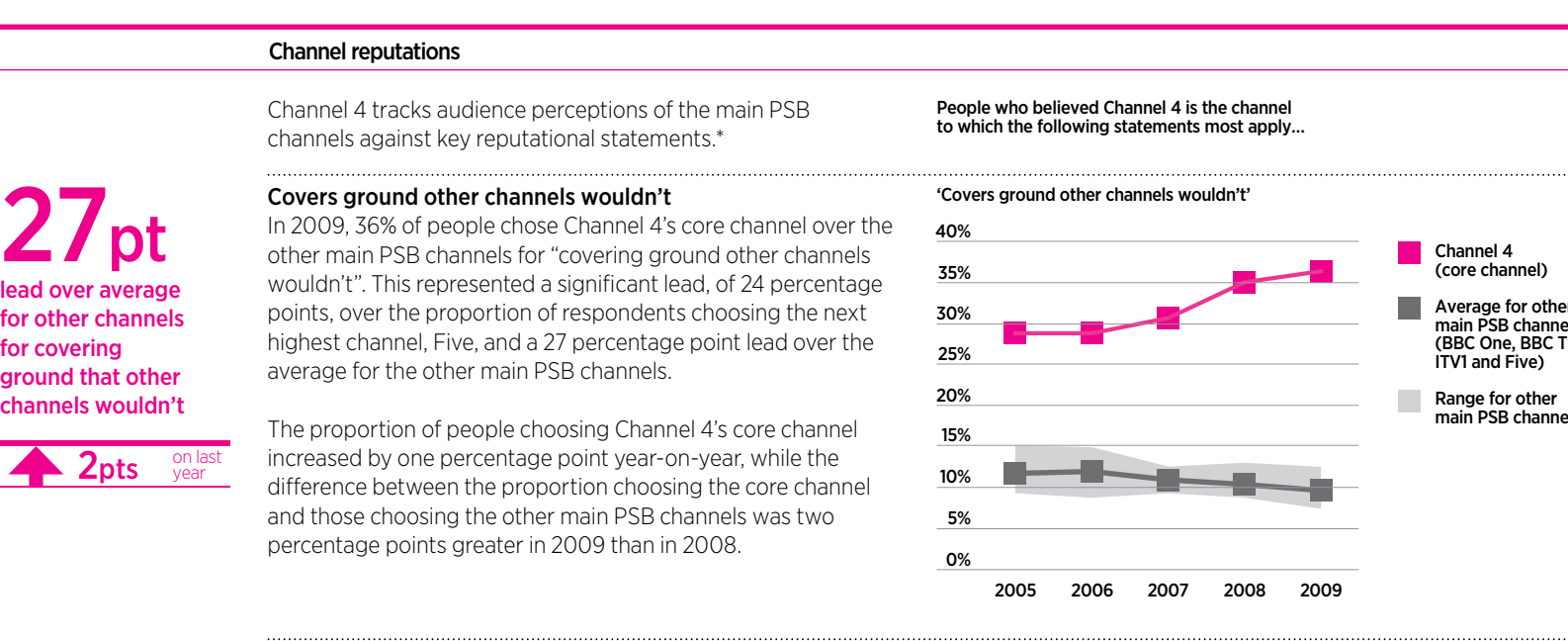
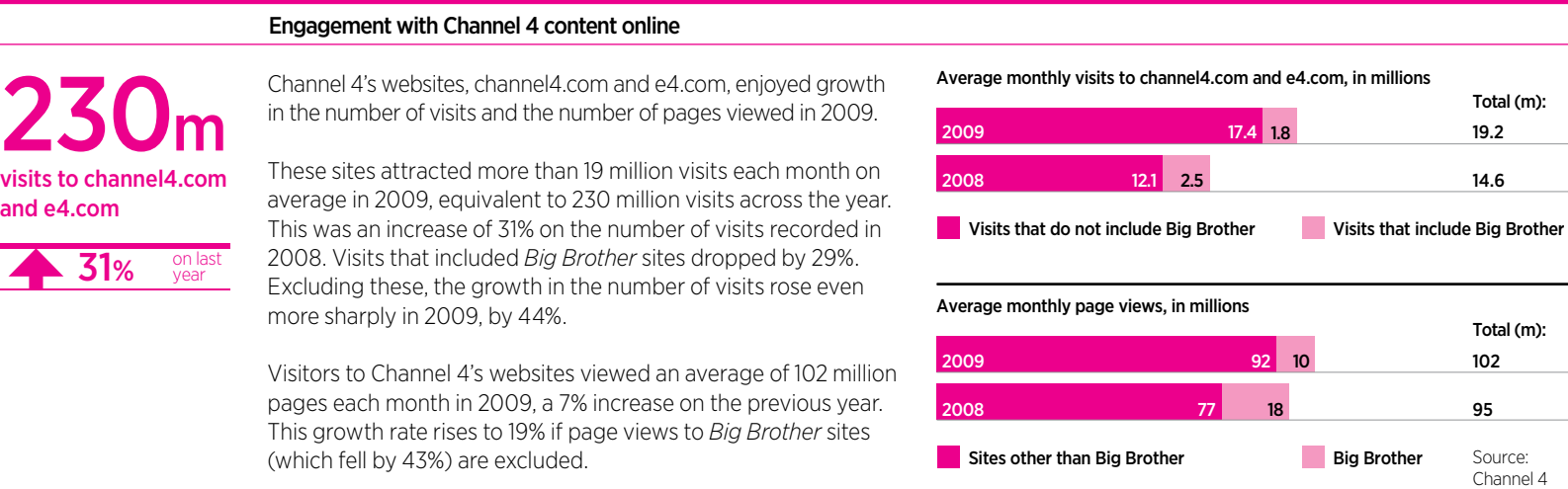
Source: BARB

Viewer impact

Portfolio



Note: during 2009, Channel 4 worked with third-party service providers to improve the timeliness of data. There still remains some uncertainty over the reliability of on-demand viewing data. In 2010, we will continue to encourage third-party providers to make enhancements in this area. Please refer to the online methodology document for details.



* See page 19 for a description of the tracking surveys.

Breakthrough year for on-demand viewing



4oD marketing campaign

218m

views of full-length Channel 4 programmes initiated across TV and online

6,000+

episodes on 4oD website at year end

125%

growth in views to 4oD website between 2008 and 2009

25%

of 16-34's say that they use 4oD on a weekly basis

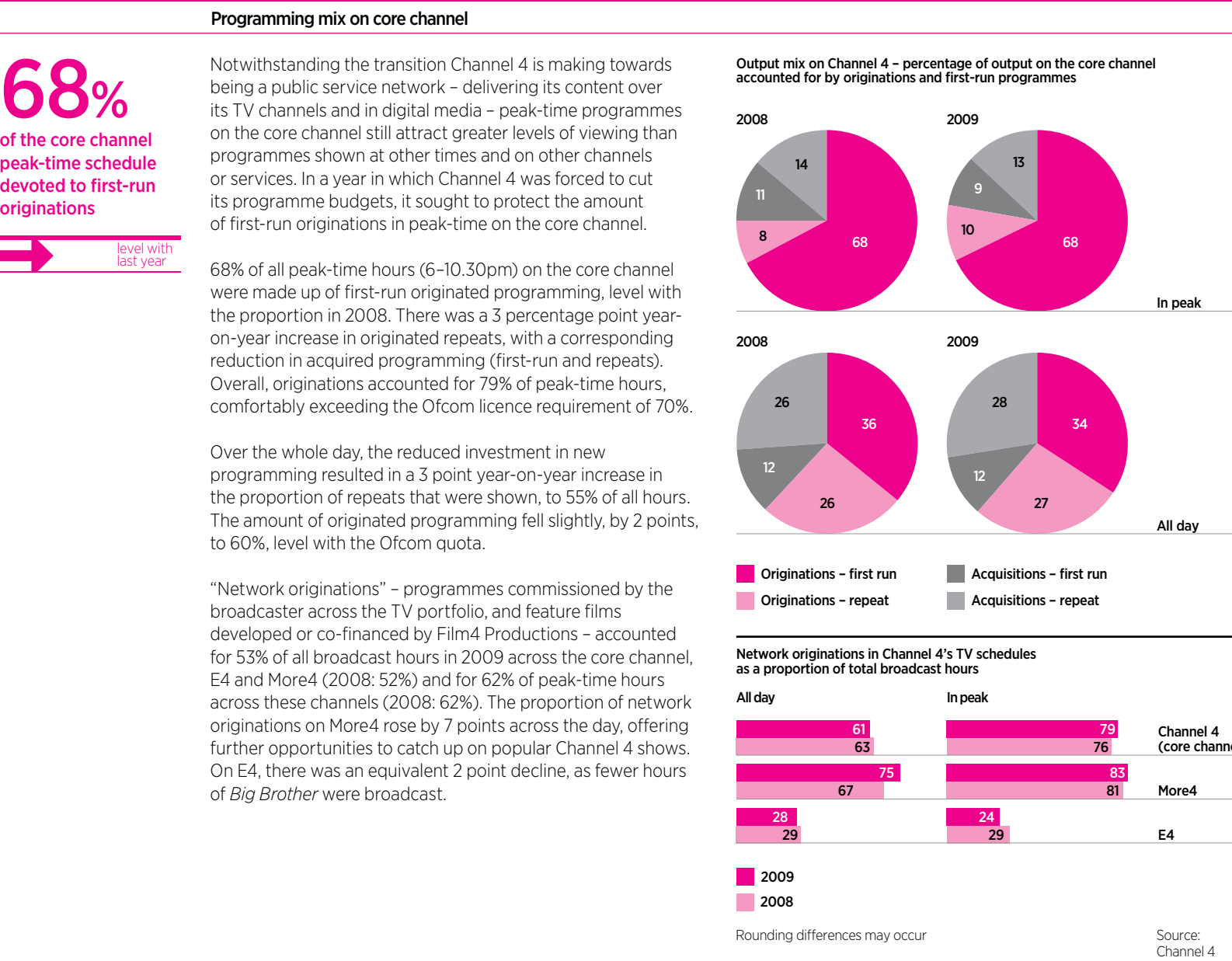
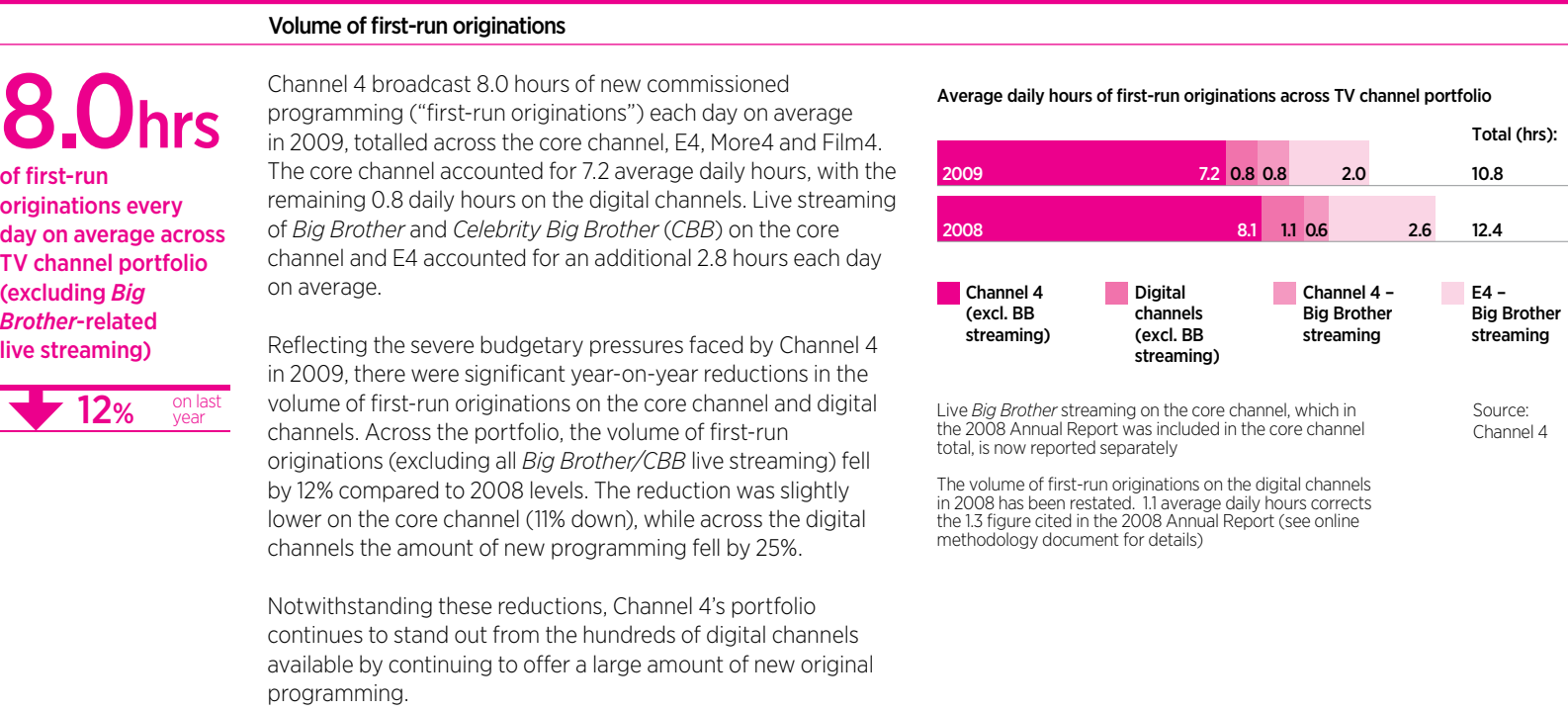
Channel 4's commitment to innovation extends to the nature and delivery of the content that it offers. In 2009, Channel 4 expanded its on-demand services – including a world-leading partnership with YouTube.

In recent years, Channel 4 has pioneered the development of video-on-demand services that enable viewers to watch what they want, when they want, where they want – making 4oD available on TV-based platforms such as Virgin Media and BT Vision, as well as through a stand-alone PC application.

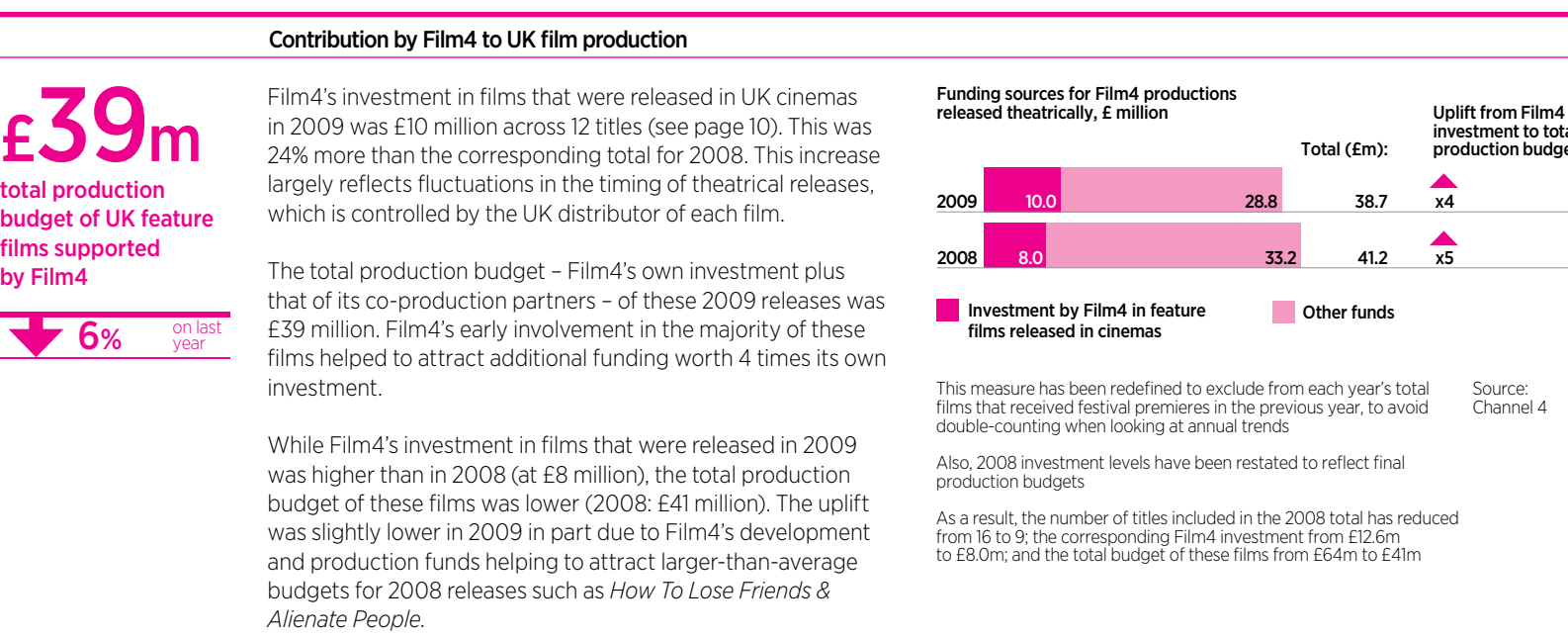
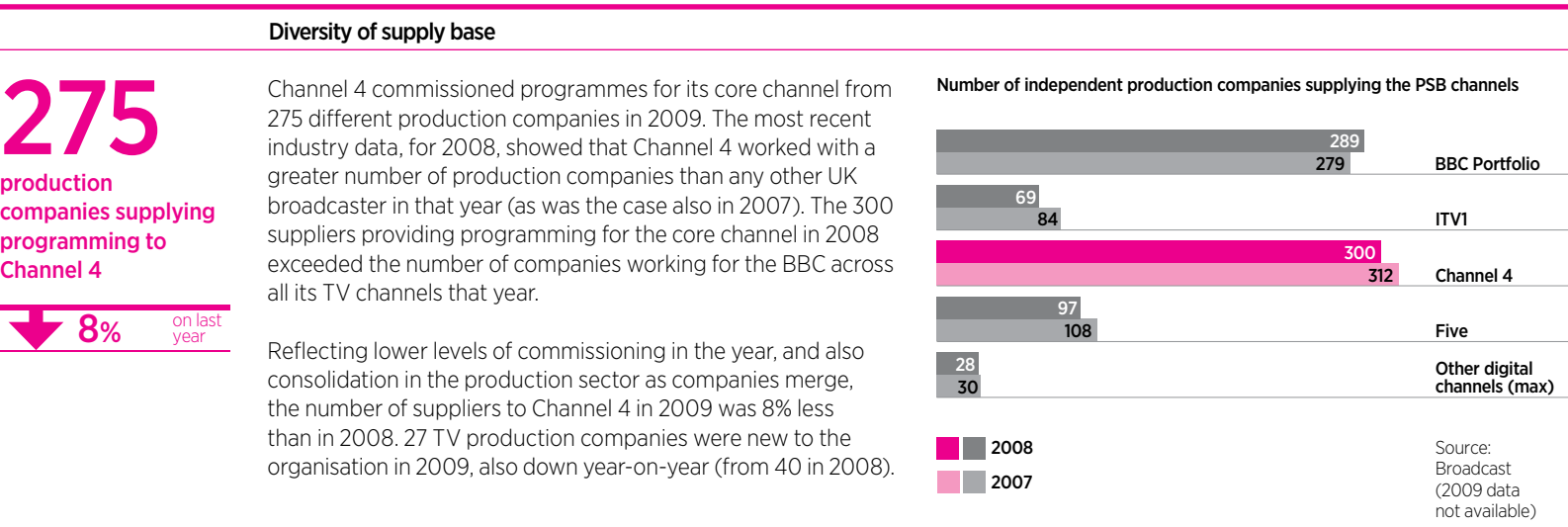
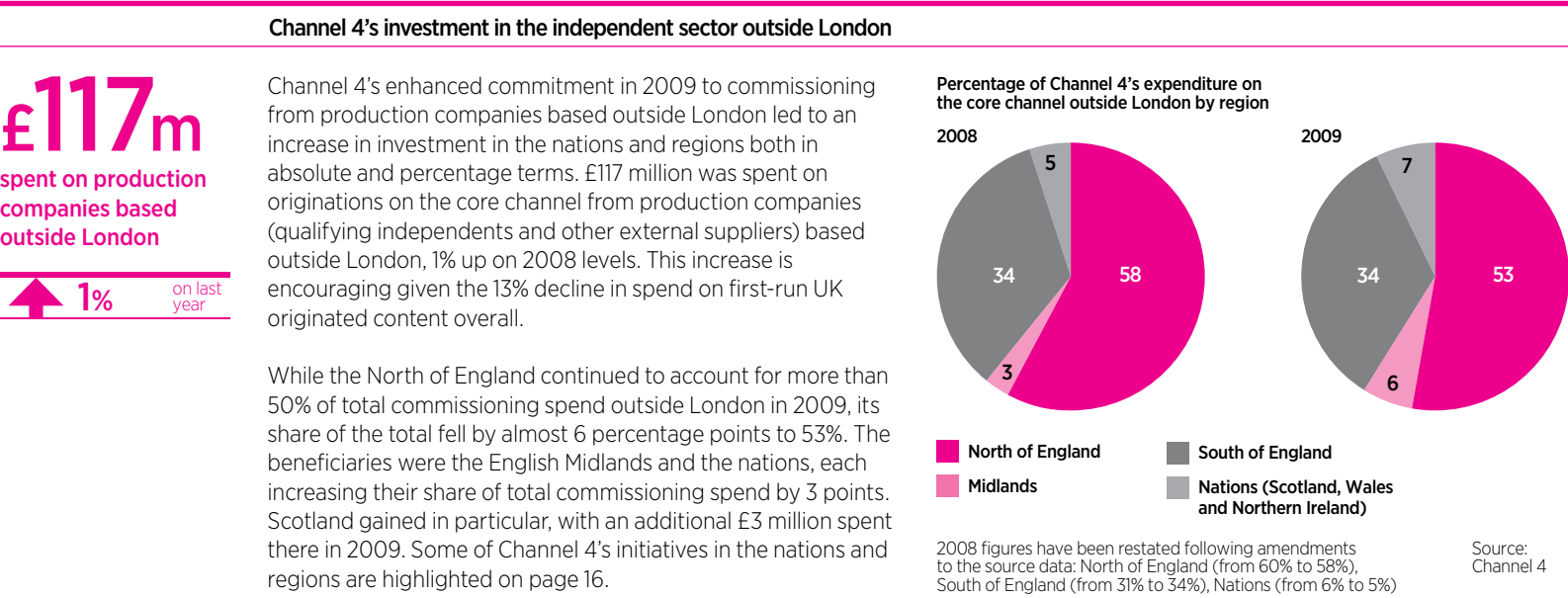
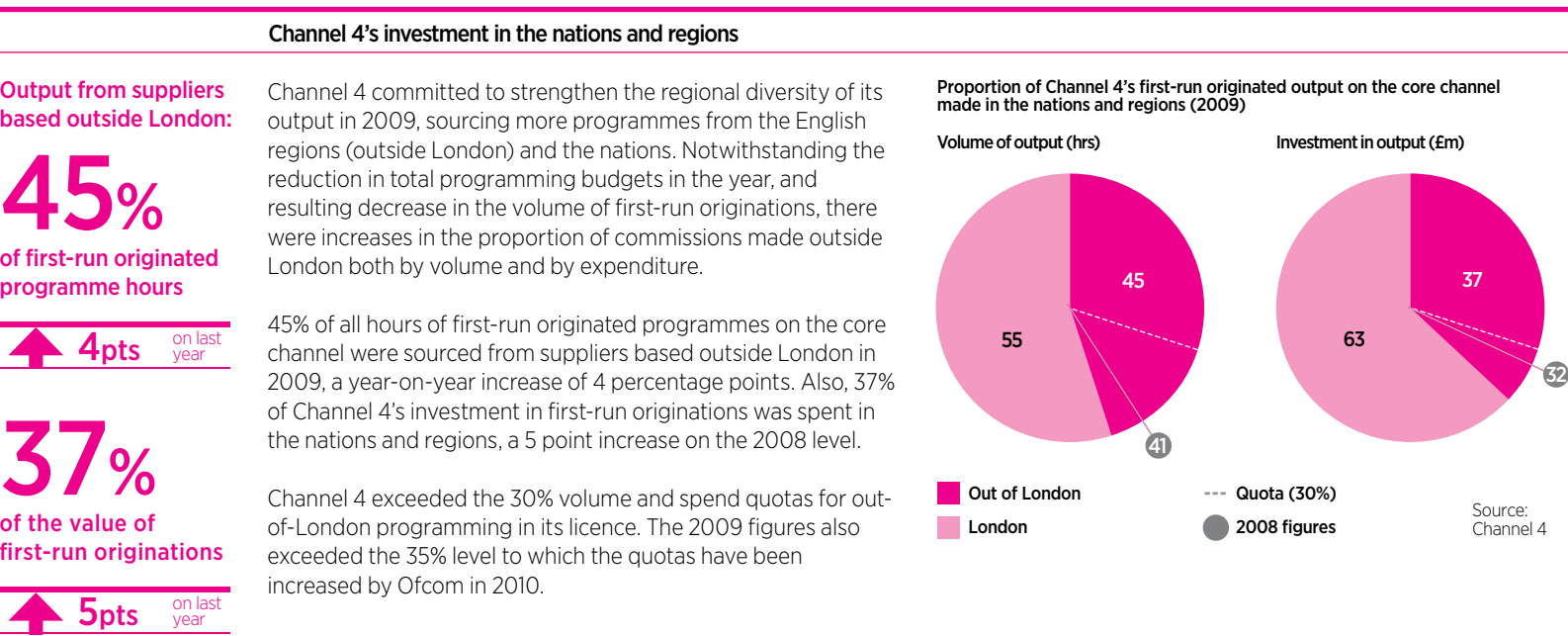
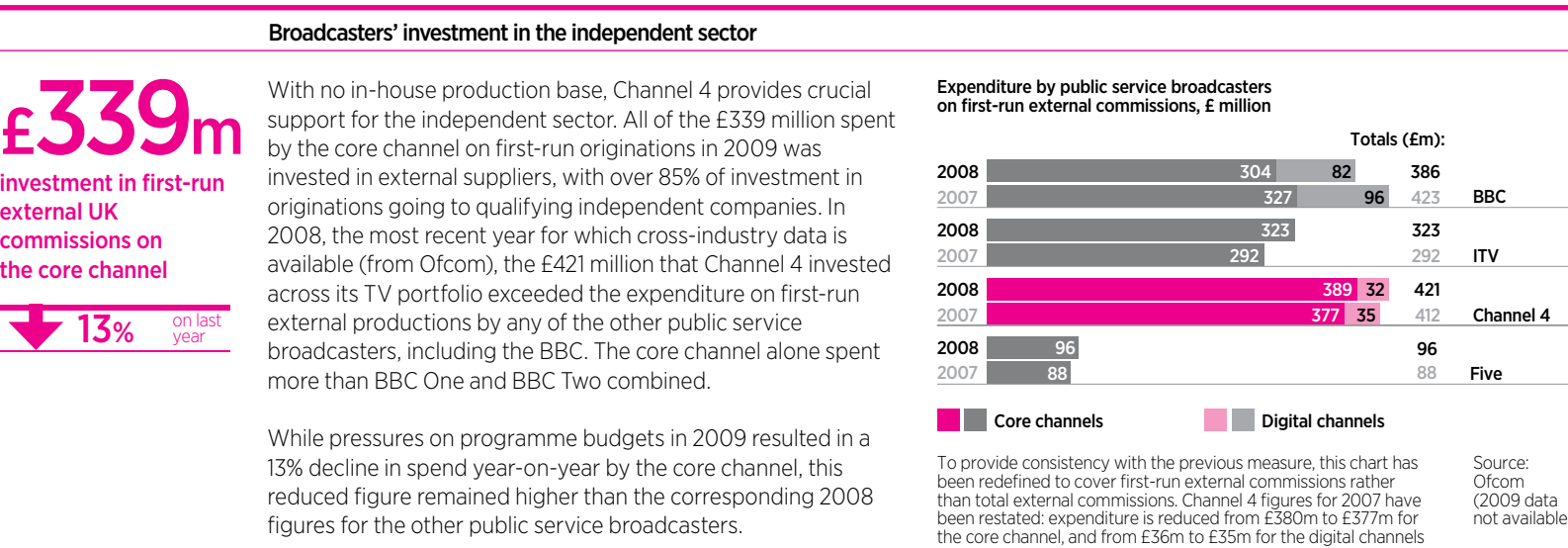
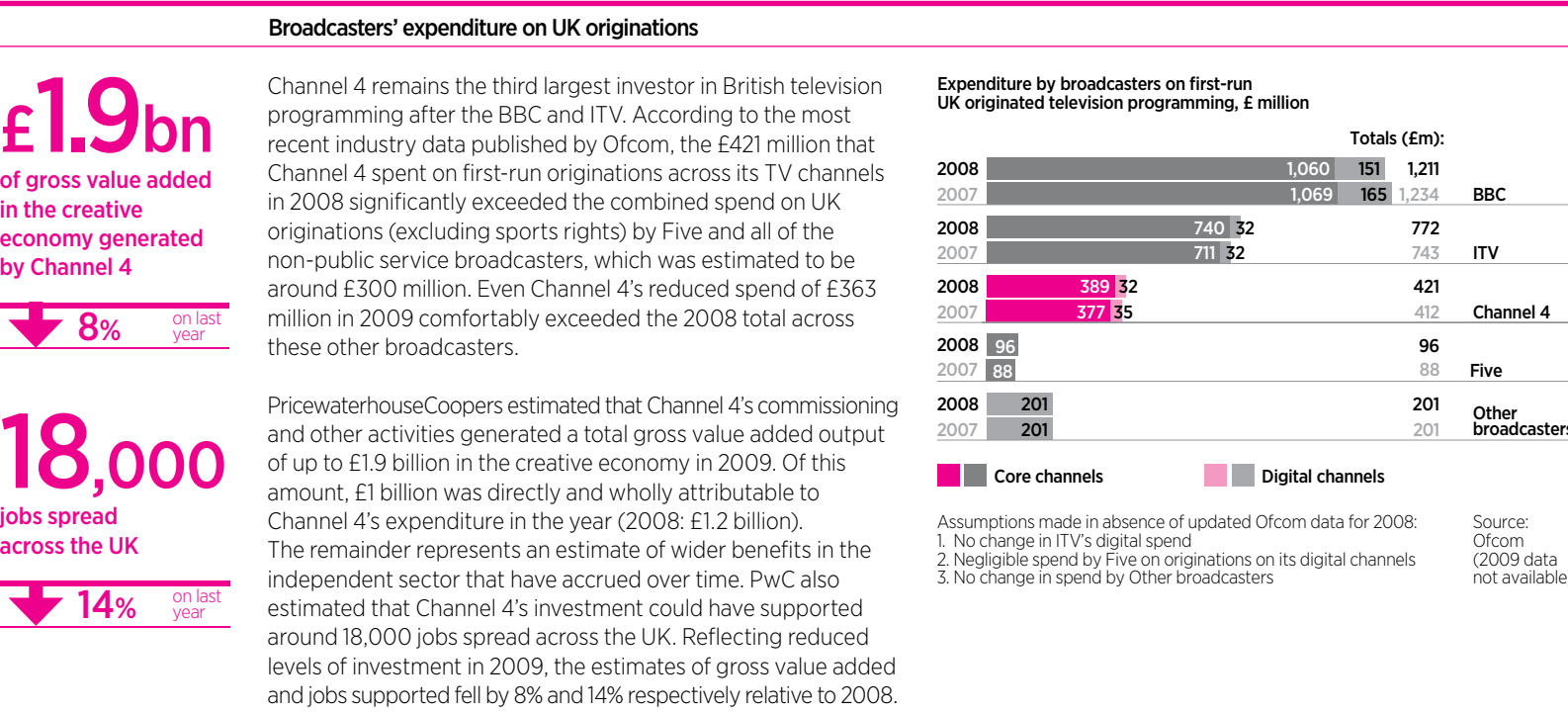
2009 saw Channel 4 significantly expand its on-demand offering. The rebuild of channel4.com enabled 4oD to be fully integrated into the website (replacing the stand-alone app), and to be available on Macs as well as PCs for the first time. The amount of content available also increased significantly. As well as offering most programmes in the current schedules for 30 days after transmission, Channel 4 also sought to unlock its archive, which accounted for over 80% of the total inventory by the end of 2009. A landmark deal with YouTube in October made Channel 4 the first broadcaster anywhere in the world to make a comprehensive catch-up service of full-length programmes available on this platform.

The most popular programmes were those with strong youth audiences: *Hollyoaks* gained nearly 18 million full-length video streams initiated across all of its episodes, and the 2009 series of *Skins* and *Big Brother* each achieved more than 6 million views across the year. Older series of Channel 4 hits also performed strongly on-demand – with classic comedy series like *Peep Show*, *The IT Crowd* and *Green Wing* proving to be amongst the most popular in the archive.

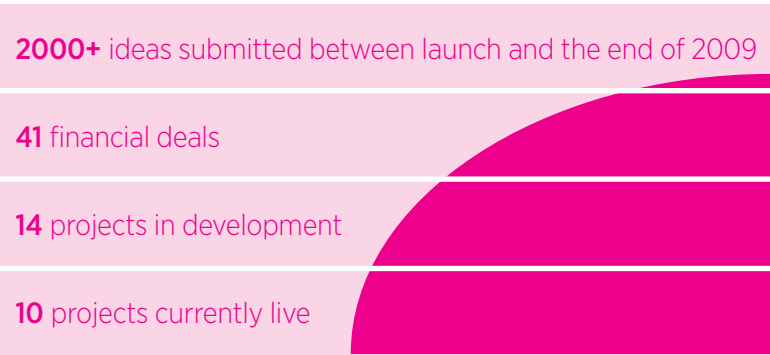
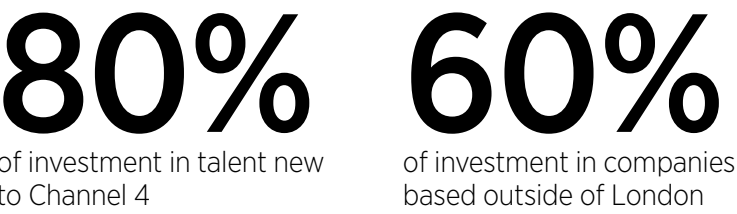
For programmes that appeal to young audiences, the initial transmission on TV increasingly accounts for only one component of total viewing. Each episode of Series 2 of *The Inbetweeners* was watched by 1.5 million people on first transmission (on E4 and E4+1). Each episode drew another 2 million viewings aggregated over repeats on E4 and Channel 4 in 2009 and almost 1.5 million on-demand streams of each episode were initiated on 4oD.



Creative economy impact



4iP: Digital innovation



Channel 4’s digital media fund 4iP was established at the end of 2008, aiming to develop new forms of online public service media – across mobile, games and web platforms – and nurture a new generation of creative talent.

Since 4iP’s launch, Channel 4 has invested a total of around £3 million in approximately 40 companies. Regional partnerships underpin much of 4iP’s work, and a further £2 million was leveraged from regional funds such as Screen West Midlands and Scottish Screen. Suzie Norton, the Chief Executive of Screen West Midlands, said 4iP projects “highlight the vibrant social media community in the West Midlands, giving some of Britain’s most dynamic digital pioneers the platform to take their work and ideas to the next stage.”

4iP aspires to extend Channel 4’s long-standing catalytic role in the creative economy – nurturing and developing independent production businesses – into digital media. Its first full year of operation has already had an impact around the UK. 4iP partnered with Scottish Screen to give former security guard, David Hamilton, his first break by funding *You Booze You Looze*.

“The 4iP fund was the break we needed [...] They were simply looking for great ideas and people who were committed and determined. This allowed us to get off the ground. Digital Goldfish has now trebled in staff and we have had many successes on the App Store” **David Hamilton, Founder, Digital Goldfish**

The majority of 4iP’s 2009 investments were in new talent that had never worked with Channel 4 before, and 16 brand new businesses were created. A partnership with Unltd, the Foundation for Social Entrepreneurs, provided mentoring, funding and other support to talented individuals looking for their first break. In 2009, this scheme helped 11 people from a diverse range of backgrounds to develop early stage digital media ideas, with the aim of working with up to 60 individuals by the end of the programme in 2011.

“Channel 4’s 4iP project is at the very least a lifeline and at best something of a miracle”

MediaGuardian

Exploring themes ranging from health and well-being to new ways of holding power to account, commissions in 2009 included:

Help me investigate (helpmeinvestigate.com), a crowd-sourced investigative journalism site. Within weeks of launch, it identified a significant overspend in Birmingham Council’s budget, a story later picked up by the Birmingham Post

Audioboo (audioboo.fm), a mobile application that allows users to record and upload audio on the move. It played a vital role in citizen reporting at events ranging from the G20 protests to the UK political party conferences. Around 8 hours of new audio were being created every day (by the end of 2009, according to Audioboo)

You Booze You Looze (youboozeyoulooze.com), an iPhone game that captures the impact of alcohol consumption

Mirror Me (mirrormegallery.com), an innovative Facebook application showing the effect of your lifestyle on your face. Produced by small Middlesbrough-based company Ideonic, in partnership with Northern Film and Media, MirrorMe won a 2009 Interactive Media Award for Outstanding Achievement

“The 4iP path should be seen as a turning point for the shape of ... public service provision long term”

Broadcast



Investing in creative talent

Channel 4 is committed to giving space to untried voices. An array of talent initiatives is overseen by 4Talent, the learning and skills development arm of Channel 4. These provide opportunities for people to experience different careers within the media industry, catering for everyone from absolute beginners to more established talent seeking new directions. Channel 4 also provides a number of on-screen development programmes for directors, writers and producers.

Channel 4 spent just over £9 million on talent initiatives on-screen and off in 2009. The Nurture section of this report outlines a range of on-screen initiatives – such as *Comedy Showcase*, *3 Minute Wonder*, *First Cut* and *Coming Up* – that give new talent the chance to develop and experiment.

4Talent initiatives “on the ground” include interaction with over 100 schools, festivals and conferences, plus the provision of structured new entrant work experience programmes. 4Talent’s Work Related Learning initiatives seek to offer students an insider insight into the media industry. As part of this, 4Talent offers 80 work experience placements with Channel 4 and independent producers, opening up career choices in areas such as HR, Finance and Press and Publicity. Generation Next provides six 10-week paid work placements within various Channel 4 departments, which in 2009 led to two students being awarded full-time contracts. *Inspiration Week* – developed in partnership with Media Box, Bafta, the Guardian, Pinewood Studios, Microsoft and Skillset – gives 120 teenagers the opportunity to learn first hand about the media industry.

Channel 4 also ensures media professionals have the opportunity to extend their skills into digital media, through initiatives such as *Crossover* creative labs. In 2009, 4Talent co-ordinated a joint *Crossover/4iP* creative event which resulted in the development of a Facebook application, *Mirror Me* which went on to be commissioned by 4iP.

Total investment in 2009	
Type of Support	Amount (£million)
Dedicated on-screen talent strands	6.1
Online talent strands	0.1
Film	0.3
Off-screen	2.7
Totals	9.2

“Cutting edge initiatives like Generation Next and paid internships provide genuine opportunities for people from disadvantaged backgrounds”

Iain Wright MP, Parliamentary Under-Secretary of State for 14-19 Reform and Apprenticeships

“4Talent offers great opportunities to young people and reinforces Channel 4’s reputation as a beacon of diversity. With industry partners Channel 4 can continue to develop talented individuals and production companies for a multiplatform world”

Andrew Chitty, Managing Director, Illumina Digital and Chair, National Skills Council for Interactive Media

Talent initiatives

4Docs: a website operated by Channel 4 BRITDOC which gives filmmakers independent advice, a chance to join film competitions, and make contacts with other filmmakers

4Talent website: a resource-rich community detailing numerous entry points for new talent

Channel 4 BRITDOC: a foundation to make and find funding for documentaries

Cinema Extreme: a short film development and production programme offering regional workshops for writers and directors

First Cut: 20 half-hour documentaries per year – characterised by original style and off-beat subjects; often a place for developing talent to try out ideas

National Film & Television School: supported by Channel 4, this is one of the leading UK institutions training TV and film professionals

Regional Support Fund: designed to encourage the development of new ideas by independent production companies outside London

Skillset TV Freelance Fund: supported by Channel 4, this fund provides training funds for the freelance television workforce

Three-Minute Wonders (3MW): short films by new talent – often innovative snapshots of people’s everyday lives

Work-Related Learning: a range of 4Talent programmes including *Generation Next* and *Inspiration Week* designed to increase young people’s knowledge about the media industry and confidence to enter into it

Luke Sewell made a *3 Minute Wonder* series, *Living with Surveillance*, in 2008, progressing to a *First Cut*. *Squirrel Wars: Red vs Grey*, concerning one man’s bid to rid Northumbria of grey squirrels, in 2009. He has since worked on *The Family* and *Life Begins* for Dragonfly Film & Television. “Channel 4 is incredibly nurturing and supportive, providing me with fantastic opportunities to make my first films for television, and work alongside some very inspiring film makers.”

Tim Wardle directed *First Cut: In Search of Mr Average* in 2008, after five years in production development. He is now lined up to direct an hour-long film for a major 5-part Channel 4 documentary series on the British Police made by Blast! Films. “My relationship with Channel 4 has always felt like a long-term one – if one project doesn’t come off, they’ll come back with others.”

Following two 3MW series, Zara Hayes directed 2009’s *First Cut: The Seven Ages of Love*, collaborating with the poet Luke Wright. She says: “Channel 4 is willing to take a chance not just on new talent, but on the very different ideas those people bring to the table.”



Seven Ages of Love

Channel 4 partnerships

Partnership is in Channel 4’s DNA. The organisation was born out of a partnership between creative commissioning talent and independent producers, and partnership remains at the core of everything we do. It is the most effective – and cost-effective – way for us to develop talent, to foster skills, to empower individuals and families, to reach out to communities and to explore new ways of delivering public benefit in every part of the UK.

The Arts Council, The Art Fund, Big Art Trust & local agencies and authorities

The Big Art series was the biggest and most high-profile group of public art commissions ever seen in the UK, with major financial support from Arts Council England and the Art Fund and with the support of local authorities and regional agencies in England, Scotland, Wales and Northern Ireland. An independent Big Art Trust ensured that the quality of the art, the integrity of the commissioning process and the management of Big Art’s legacy could be kept separate from the constraints and pressures of the programmes themselves.

To celebrate the launch of Big Art, Channel 4 commissioned a huge ‘4’ outside the Channel 4 building in London. The structure was “dressed” by different artists – with the final incarnation by a student competition winner (see the front cover).


The Big Art Project website was supported by Arts Council England who collaborated on a range of online video and features spotlighting the rich mix of public art activity across the country, as well as helping amplify the success of the Big Art Mob by rolling it out to arts and disability groups and to young people in schools, colleges and beyond.

Building on the long-established relationship with Arts Council England, 2009 saw a new partnership established with More4 to jointly fund a season of films for More4 Arts, showcasing the excellence of the arts in England. The first film, *The Royal Ballet in Cuba*, was broadcast as part of a Christmas celebration of dance on More4. Further films will follow in 2010.

Front cover

The following table gives a brief outline of some of Channel 4’s 2009 partnerships and provides details of where readers can find more information elsewhere in the report.


Warp X	2009 saw Warp X, the low-budget film company that partners Channel 4 with the UK Film Council, Screen Yorkshire, East Midlands Media and Optimum Releasing, produce Paul King’s <i>Bunny and the Bull</i> , which won a British Independent Film Award; and Tiger Lily’s <i>She, A Chinese</i> , directed by Xialou Guo, which won the Golden Leopard for best film at the Locarno Film Festival.	p10
TRC Media	Channel 4 is the main sponsor and partner of TRC Media, based at the Channel’s Scottish headquarters. It provides an information resource and training support for small independent production companies throughout the nations and regions of the UK.	p16
Blipfoto, National Theatre of Scotland, Scottish Screen	Channel 4 and Blipfoto – a new photo-sharing website – teamed up with the National Theatre of Scotland and Scottish Screen to mount a major competition to unearth new photographic talent in Scotland.	p16



British Association of Adoption & Fostering

When Channel 4 screened its *Britain’s Forgotten Children* season, it approached the British Association for Adoption and Fostering to seek expert advice on devising tests for potential adoptive parents. The outcome was so successful that a re-edited DVD of the programmes has been made available as a training tool for social workers in the field of adoption and fostering.


p24



Channel 4 BRITDOC

The Channel 4 BRITDOC Foundation, funded by Channel 4, raises finance for its award-winning documentary films by partnering with dozens of funders.


p50–51



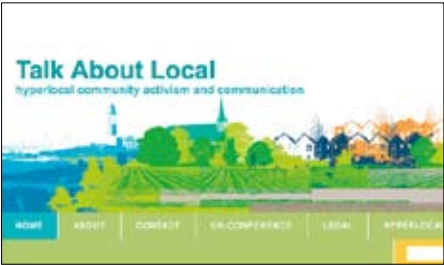
The Home Office

A binge-drinking storyline in *Hollyoaks* led the Home Office to build an online partnership with Channel 4. This online collaboration addressed the problem of under-age drinking, enabled actors to blog in character and helped raise awareness among 12 and 13-year-olds about binge drinking.

p52–53



The National Trust	<i>Landshare</i> is a Channel 4 website that matches people who have land to spare with people who have fruit and vegetables they want to grow. One of many partner organisations, The National Trust is planning to make available enough land to provide a thousand new allotments.	p56
YouTube	A commercial joint venture to stream “catch-up” programming from the TV schedules and classics from the Channel 4 archive. For Channel 4, it’s another way of reaching audiences and generating ad revenue. For YouTube it’s a ground-breaking opportunity to stream full-length programmes.	p67
Screen West Midlands	4iP has partnered with Screen West Midlands’s £5m Digital Media Fund to co-invest in new ideas and new businesses across the West Midlands over three years. Tools supported to date include <i>Talk about Local</i> , which gives local communities a fresh online voice in their local affairs, and <i>Help Me Investigate</i> , that enables a pioneering crowd-sourced approach to investigative journalism.	p72
Crossover	Channel 4’s 4iP partnered with cross-media training organisation Crossover to develop new forms of participatory public service media.	p74
National Film and Television School	Channel 4 contributes financially to the NFTS as part of its training support for the film and television industries.	p75
Skillset	Channel 4 helps sustain the creative and technical quality of the UK’s media industries through its funding for and partnerships with Skillset, the media industry’s training organisation.	p75



Awards

Television

Amnesty International Media Awards

Channel 4 News (ITN Ltd)
Television News
(Kiwanja Massacre, Congo)

Dispatches: Saving Africa's Witch Children (Red Rebel Films and Oxford Scientific Films)
Television Documentary

Association for International Broadcasting

Dispatches: Pakistan's Taliban Generation (October Films)
Best Current Affairs Documentary – Television

BAFTA Television Awards

The Shooting of Thomas Hurndall (talkbackTHAMES)
Actor
(Stephen Dillane)

Poppy Shakespeare (Cowboy Films Ltd)
Actress
(Anna Maxwell Martin)

Chosen (True Vision Productions Ltd)
Single Documentary

Dispatches: Saving Africa's Witch Children (Red Rebel Films and Oxford Scientific Films)
Current Affairs

The IT Crowd (talkbackTHAMES)
Situation Comedy

Peep Show (Objective Productions)
Comedy Performance
(David Mitchell)

Skins (Company Pictures)
Phillips Audience Award

BAFTA Scotland Awards

KNTV – The Act of Sex (Tern Television Productions)
Children's Programme Award

The Unloved (Revolution Films)
Acting (male) Performance in Television
(Robert Carlyle)

British Comedy Awards

The Inbetweeners (Bwark Productions Ltd)
Best Comedy Actor
(Simon Bird)

The IT Crowd (talkbackTHAMES)
Best Comedy Actress
(Katherine Parkinson)

You've Been Watching (talkbackTHAMES)
Best Male Newcomer Award
(Charlie Brooker)

Broadcast Awards

Inside Nature's Giants (Windfall Films Ltd)
Best Popular Factual Programme
Highly Commended – New Programme

The Inbetweeners (Bwark Productions Ltd)
Best Multichannel Programme
Highly Commended – Comedy

The Shooting of Thomas Hurndall (talkbackTHAMES)
Highly Commended – Single Drama

Broadcasting Press Guild Awards

The Devil's Whore (Company Pictures Ltd)
Best Drama Series
Best Actress
(Andrea Riseborough)

Business Journalist of the Year Awards

Channel 4 News (ITN Ltd)
Business Journalist of the Year
(Faisal Islam)

Best Business Story of the Year (Faisal Islam – Icelandic banking crisis)

Children & Young People Now – Positive Image Awards

Battlefront (Raw TV Limited)
Best Television Coverage of Young People

Edinburgh International Television Festival

E4
Non-terrestrial Channel of the Year

The Inbetweeners (Bwark Productions Ltd)
Network and Fast Track Programme of the Year

Grierson Awards

Afghan Star (Roast Beef Productions Limited)
Best Documentary on a Contemporary Issue

Thriller in Manilla (Darlow Smithson Productions Ltd)
Best Historical Documentary

The Yes Men Fix The World (Renegade Pictures Limited)
Most Entertaining Documentary

Burma VJ (Magic Hour Films ApS)
UK Film Council Best Cinema Documentary

The Mona Lisa Curse (Oxford Film and Television Limited)
Best Arts Documentary

Harold Wincott Business Awards

Channel 4 News (ITN Ltd)
Best TV Coverage of a Topical Issue
(Faisal Islam – Icelandic banking crisis)

Silly Money (Betty TV Ltd)
Programme of the Year Award

One World Media Awards

Dispatches: Saving Africa's Witch Children (Red Rebel Films and Oxford Scientific Films)
Children's Rights Award

Channel 4 News (ITN Ltd)
Broadcast Journalist of the Year
(Jonathan Miller)

Rory Peck Awards

Dispatches: Saving Africa's Witch Children (Red Rebel Films and Oxford Scientific Films)
Sony Professional Impact Awards

Dispatches: Orphans of Burma's Cyclone (Quicksilver Media Ltd)
Features Award

Channel 4 News (ITN Ltd)
Martin Adler Recipient for News Reporting
(Ashraf Mashharawi)

RTS Educational Television Awards

KNTV Sex – The Act of Sex (Tern Television Productions)
Schools 11-16 Years

Jamie's Ministry of Food (Fresh One Productions)
RTS/NIACE Campaigns and Seasons Award

7/7: The Angels of Edgware Road (Testimony Films Ltd)
Factual Education – Life Skills

Chosen (True Vision Productions Ltd)
Educational Impact in the Primetime Schedule – Single Programme

Can't Read, Can't Write (RDF Media Ltd)
Educational Impact in the Primetime Schedule – Series

RTS Journalism Awards

Channel 4 News (ITN Ltd)
News Coverage – Home
(G20 Policing)

Channel 4 News (ITN Ltd)
The Independent Award
(Mehran Bozorgnia – Afghan Life Crumbles Despite Foreign Aid)

Channel 4 News (ITN Ltd)
Camera Operator of the Year
(Dai Baker)

RTS North West Awards

Shameless (Company Pictures)
Best Performance in a Continuing Drama
(David Threlfall)

Britain's Got The Pop Factor (And Possibly The Next Jesus Christ Soapstar Strictly On Ice) (Phil McIntyre/Goodnight Vienna Productions)
Best Comedy Programme

RTS Programme Awards

Peep Show (Objective Productions Ltd)
Comedy Writer
(Sam Bain and Jesse Armstrong)

Victorian Sex Explorer (Blast! Films)
History

How To Look Good Naked (Maverick Television)
Features and Lifestyle Series

The Devil's Whore (Company Pictures Ltd)
Drama Serial
Female Actor
(Andrea Riseborough)
Drama Writer
(Peter Flannery)

Britain's Got The Pop Factor (And Possibly The Next Jesus Christ Soapstar Strictly On Ice) (Phil McIntyre/Goodnight Vienna Productions)
Comedy Performance
(Peter Kay)

Sunday Night Project (Princess Productions)
Entertainment Performance
(Alan Carr and Justin Lee Collins)

South Bank Awards

Red Riding (Revolution Films)
Best Television Drama

Televisual Bulldog Awards

Channel 4
Channel of the Year

A Boy Called Alex (Walker George Films Ltd)
Single Documentary

Skins (Company Pictures)
Best Music

Dead Set (Zeppotron Ltd)
Digital and Physical Fx

TVChoice and TVQuick Awards

The Inbetweeners (Bwark Productions Ltd)
Best Comedy

Deal or No Deal (Endemol UK PLC)
Best Game Show

Craft

BAFTA Television Craft Awards

The Devil's Whore (Company Pictures Ltd)
Costume Design

The Shooting of Thomas Hurndall (talkbackTHAMES)
Director Fiction/Entertainment
(Rowan Joffe)

Dead Set viral
Interactive Creative Contribution

British Precast Awards

Big Art Team – 'Dream' (Jaume Plensa / Carbon Media Limited)
Creativity in Concrete Award

British Television Advertising Craft Awards

House of Imagination (Tino Schaedler for SyFy)
Pinewood Studios Group Award for Best Production Design

Marsh Awards

Big Art Team – 'Dream' (Jaume Plensa / Carbon Media Limited)
Marsh Award for Excellence in Sculpture

RTS CRAFT & DESIGN AWARDS

The Devil's Whore (Company Pictures Ltd)
Lighting, Photography & Camera – Photography – Drama

The Family (Dragonfly Productions)
Lighting, Photography & Camera – Multicamera Work

Great Adaptations (Channel 4/Film4)
Graphic Design, Trails and Packaging

Diversity

AMI Awards

Champions Award
(Alison Walsh – Editorial Manager – Disability)

Cultural Diversity Network Awards

Outstanding Contribution to Promoting Diversity
(Tessa Ross – Controller – Film & Drama)

Find Me A Family (Betty TV Ltd)
Excellence in Creative Output Award

Mental Health Media Awards

Chosen (True Vision Productions Ltd)
Speaking Out Award for each of the contributors

Unreported World – Sierra Leone – The Insanity of War (Quicksilver Media Ltd)
Short Television Documentary Award

The Muslim News Awards for Excellence

Award for Excellence in Media
(Mehdi Hasan – Channel 4 Editor – News & Current Affairs '09)

Stonewall Awards

Channel 4 News (ITN Ltd)
Broadcast of the Year
(Samira Ahmed's report on corrective rape in South Africa)

International

Banff Television Festival

John Adams (HBO)
Grand Jury Prize
Best Drama
Mini-Series

The Mona Lisa Curse (Oxford Film and Television Ltd)
Best Documentary
Arts & Performing Arts Documentaries

Britain's Got The Pop Factor (And Possibly The Next Jesus Christ Soapstar Strictly On Ice) (Phil McIntyre/Goodnight Vienna Productions)
Music or Variety Programmes

Dispatches: Warlords Next Door? (Quicksilver Media Ltd)
Political Documentaries

The Qur'an (Juniper TV)
Social & Humanitarian Programmes

Thriller in Manilla (Darlow Smithson Productions Ltd)
Sports Documentaries

Battlefront (Raw TV Limited)
Youth Programmes

duPont-Columbia Awards

Dispatches: Pakistan's Taliban Generation (October Films Ltd)
Excellence in Broadcast News

The Emmy Awards

Dispatches: Saving Africa's Witch Children (Red Rebel Films and Oxford Scientific Films)
Current Affairs Award

Golden Globe Awards

Glee (Twentieth Century Fox Television Ltd)
Best Television Comedy or Musical

The Good Wife (CBS Paramount Ltd)
Best Television Actress
(Julianne Margulies)

Grey Gardens (HBO)
Best Television Mini-Series
Best Mini-Series Actress
(Drew Barrymore)

Hamptons International Film Festival

Mugabe and the White African (Arturi Films)
Special Jury Prize

International Emmy Awards

The Mona Lisa Curse (Oxford Film and Television Ltd)
Arts Documentary Award

The Ascent of Money (Chimerica Media Limited)
Documentary Award

Monte Carlo Television Festival

The Shooting of Thomas Hurndall (talkbackTHAMES)
Best Television Film
Best Direction
Monaco Red Cross Prize
Signis Prize

Awards (continued)

Prix Italia

Afghan Star
(Roast Beef Productions Ltd)
Prix Italia Award for Best Documentary

Rose D'or

The Mona Lisa Curse
(Oxford Film and Television Ltd)
Arts Documentary

The Eternity Man
(Illuminations Ltd)
Performing Arts

Relentless
(Zig Zag Productions Limited)
Game Show

Silverdocs Documentary Film Festival

Mugabe and the White African
(Arturi Films)
Sterling World Feature Award

Marketing

Accountancy Age Awards

Channel 4 Annual Report 2008
(Channel 4/NB Studio)
Annual Report and Accounts: Public and Voluntary Sector

Association of International Broadcasting

Skins Messenger
(Channel 4/Inside Group)
Highly Commended – Most Innovative Technology

E4
Highly Commended – Most Creative Marketing Strategy

British Television Advertising Awards

Disarming Britain: Handguns
(Channel 4)
Bronze – Best 60–90 sec TV commercial
Diploma Award – Best over 90 sec TV commercial

Honda Live Ad
(Channel 4/North One Television)
Bronze – Best over 90 sec TV commercial

Stanley Kubrick Season (Channel 4)
Diploma Award – Best 60-90 sec TV commercial

Creative Circle Awards

Skins Series 2 (Channel 4/E4)
Gold – Best Cinematography
Bronze – Best Direction

Stanley Kubrick Season (Channel 4)
Gold – Best Production Design

Honda Live Ad
(Channel 4/North One Television)
Gold – Best Use of Media / Amdient

The Family (Channel 4)
Silver – Best Typography

Great British Food Fight (Channel 4)
Silver – Best Dialogue

D&AD Awards

Stanley Kubrick Season (Channel 4)
Yellow Pencil – TV & Cinema Communications / TV Promotions, Stings & Programme Junctions

Design Week Awards

Channel4, Big4 (Freestate)
Winner – Wayfinding & Environmental Graphics

DMA Awards

4oD (Channel 4/Profero)
Gold – Best Use of Search, natural and paid for

Cannes Lions

Media Lions

Honda Live (Channel 4/North One Television)
Silver Lion – Best use of Special Effects and Stunt/Live Advertising

Film Lions

Honda Live (Channel 4/North One Television)
Bronze Lion – Product & Service: Cars

Disarming Britain: Handguns
(Channel 4)
Silver Lion – Product & Service: Publications & Media

Market Research Society Awards

In VoD we Trust (Channel 4/Qmedia Research)
MRS Award for Research in Advertising & Media

Microsoft Advertising Awards

E4 Skins Messenger (Channel 4/Inside Group)
Gold Mouse – Telecom, Media & Entertainment

PROMAX Awards

Channel 4
Gold (Channel of the Year)

E4
Silver (Channel of the Year)

Ugly Betty (Channel 4)
Silver – Best Entertainment – Clip Based
Gold – Best Use of Music
Silver – Best Editing

Britain's Forgotten Children (Channel 4)
Gold – Best Factual / News and Current Affairs – Originated
Gold – Best Direction

Films Worth Talking About (Channel 4/Film4)
Gold – Best Film
Silver – Best Image

The Great British Food Fight (Channel 4)
Gold – Best Leisure & Lifestyle
Silver – Best Rundown or Themed
Silver – Best Use of Photography

Jamie's American Road Trip (Channel 4)
Silver – Best Leisure & Lifestyle

Dispatches: Lost in Care (Channel 4)
Gold – Best Design

Great Adaptations (Channel 4/Film4)
Silver – Best Design
Gold – Best Image

Dispatches: Lost in Care (Channel 4)
Gold – Best Typography

More4 Pub Quiz (Channel 4/More 4)
Gold – Best Script or Copy
Gold – Best Television Campaign – TV Channel
Gold – Best Website or Interactive

E4 Perfection in Entertainment (Channel 4/E4)
Silver – Best Script or Copy
Gold – Best Use of Humour

FrightFest (Channel4 4/Film4)
Silver – Best Use of Sound Design

The Family (Channel 4)
Gold – Best Print or Poster

Skins 3 Launch (full length) (Channel 4/E4)
Silver – Best Long Form

Alan Carr Chatty Man (Channel 4)
Gold – Best Entertainment – Originated
Silver – Best Television Campaign – On-Air Promo

Derren Brown the Events (Channel 4)
Gold – Most Effective Promo or Campaign

4oD Convenience Store (Channel 4/4oD)
Gold – Best Video On Demand / Catch Up Promo

4oD: Sorry to Mac Users (Channel 4/4oD)
Silver – Best Website or Interactive

Dead Set Viral (Channel 4/E4)
Silver – Best Interactive Marketing
Gold – Best Viral, Widget or Application

Digital media

BAFTA Television Awards

Embarrassing Bodies Online (Maverick Television)
Interactivity Award

BIMA Awards

Channel 4
Judges Award for Best Client

1066 (PREloaded)
Best Online Game

Year Dot (SO TV Limited & Holler)
Best Online Video/Podcast

Routes (OIL Productions)
Best Web Content

Landshare (Keo Digital & Mint Digital)
Best Social Media – Community Programme Award

Broadcast Digital Awards

4Music
Best Digital Channel Launch

Chicken Out (KEO Digital/HWF Interactive/0404 Creative/CIWF)
Best Use of Interactive

E4
Highly commended

Digital Emmy Awards

Battlefront (Raw TV Ltd)
Children & Young People Award

Green Web Awards

Landshare (KEO Digital & Mint Digital)
Food & Planet

RTS Innovation Awards

Landshare (Keo Digital & Mint Digital)
User-Generated Content Award

Animation

BAFTA Film Awards

Mother of Many (ArthurCox Ltd)
Best Short Animation

Clermont-Ferrand

A Family Portrait (Fifty-Nine Productions)
Winner – Prix de la Presse
Winner – Prix Audio Labo

Stoke your Fires Festival of Animation

The Moon Bird (The Brothers McLeod)
Best professional regional animation
'Made in the Midlands'

Film

Arts Film Festival (Slovakia)

Hunger (Blast! Films Ltd)
Best Film

BFI London Film Festival – Star of London Awards

The Scouting Book for Boys (Scouting Book Films Ltd)
Best British Newcomer
(Jack Thorne – Screenwriter)

British Independent Film Awards

Nowhere Boy (Ecosse Films)
Best Supporting Actress
(Anne Marie Duff)

Looking for Eric (Sixteen Films)
Best Supporting Actor
(John Henshaw)

Bunny & The Bull (Warp X Ltd)
Best Achievement in Production

Love You More (Mirage Enterprises)
Best Short Film

Mugabe and the White African (Arturi Films)
Best British Documentary

Dinard British Film Festival

Sounds like Teen Spirit (Number 9 Films)
Le Hitchcock D'Argent

Empire Film Awards

Outstanding Contribution to British Film Award
(Danny Boyle)

Evening Standard Film Awards

Nowhere Boy (Ecosse Films)
Best Actress
(Anne-Marie Duff)

Irish Film and TV Awards

The Lovely Bones (Paramount)
Actress in a Lead Role
(Saoirse Ronan)

New York Critics Circle Award

Hunger (Blast! Films Ltd)
Best Film

UK Critics Circle Film Awards

Nowhere Boy (Ecosse Films)
Best Actress in a Supporting Role
(Anne-Marie Duff)



Dispatches: Pakistan's Taliban Generation



How to Look Good Naked



Burma VJ



The IT Crowd

Independent assurance report to Channel Four Television Corporation (Channel 4)

Channel 4 engaged KPMG LLP (UK) to provide limited assurance over their key measures on pages 18, 19, 34, 35, 46, 47, 58, 59, 62 to 65, 68 to 71, of their Public Impact Report identified hereafter as 'the key measures'.

This independent assurance report is made solely to Channel 4. Our work has been undertaken so that we might state to Channel 4 those matters that we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Channel 4 for our work, this independent assurance report, or for the conclusions we have reached.

Responsibilities of the Channel 4 Members

The Members of Channel 4 are responsible for the preparation of the Public Impact Report Methodology, the 2009 Annual Report and determining the content and statements contained therein, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Channel 4 applies its own Public Impact Report Methodology for reporting. The statement on the Channel 4 website and the detail within the Public Impact Report section gives further information on how the data has been selected, specific definitions and the calculation methodology. (www.channel4.com/annualreport)

Responsibilities of the independent assurance provider

Our responsibility is to express our conclusions to Channel 4 on the findings of our work referred to below, and to examine the presentation of the key measures in the Public Impact section of this report for consistency with our findings.

Scope of work

We examined the key measures in the data tables, graphs and pie charts relating to Channel 4 in this 2009 Annual Report and the year-on-year trends, as defined in the Public Impact Report Methodology.

The primary focus of our work was measures for the year ended 31 December 2009 and the comparisons with the immediate prior year. We have not examined the key measures for years prior to the year ended 31 December 2008 other than in the following cases:

- where the summary metrics for which the source of the data is Ofcom or Broadcast for which the 2009 data was not yet available, we have examined the information for the years ended 31 December 2008 and 2007 found on pages 70 and 71.; and

- we have checked the calculations compiled to report the medium-term viewing trend key measures between 2004 and 2009 found on pages 63 and 64.

For the following key measures, the scope of our work was limited to checking the calculations performed by the Managers of Channel 4 based on the data provided by its on-line service providers:

- Most submitted comments on channel4.com (on page 59);
- Channel 4 programmes with the highest conversion rate from TV audience to website visits (on page 59);
- Average monthly number of long-form video views (on page 64);
- Average monthly visits to channel4.com and E4.com (on page 65); and
- Average monthly page views (on page 65).

Basis of our work

We conducted our work in accordance with International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Information*, issued by the International Auditing and Assurance Standards Board.

We made use of Channel 4’s Public Impact Report Methodology to perform our work.

Work performed

For the key measures that are calculated from information derived within Channel 4 (stated as Source: Channel 4), the work consisted of:

- Conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the systems and controls used to generate, aggregate and report the Public Impact key measures;
- Examining and testing of the systems and processes in place to generate, aggregate and report Public Impact key measures;
- Assessing the completeness and accuracy of the Public Impact key measures by:
 - testing the operating effectiveness of systems and controls;
 - assessing relevant supporting documentation used to aggregate and report the key measures;
 - assessing the significant assumptions and judgements made by Channel 4 in the preparation of the key measures;
 - testing the documentation which supports the measurement, calculation and estimation of the key measures; and
 - assessing and testing the source information used to generate the key measures; and
- Examining the presentation of key measures and the calculation of year-on-year trends in Channel 4’s Report in light of our findings.

For the key measures calculated based on information from outside of Channel 4 (stated as Source: BARB, Ipsos MORI, Attentional, Ofcom and Broadcast) we have relied upon the information supplied by BARB, Ipsos MORI, Attentional, Ofcom and Broadcast and have not carried out any independent verification procedures on the information so provided to Channel 4 other than:

- Conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the external information used and the level of information available to support the measures;
- Assessing the accuracy of extraction from external information sources and the compilation of trends for the medium-term viewing measure; and
- Examining the presentation of key measures and the calculation of year-on-year trends in Channel 4’s Report in light of our findings.

For the key measures based on information from Channel 4’s online service providers outlined above, the work consisted of:

- Assessing the accuracy of the calculation performed within Channel 4; and
- Examining the presentation of key measures and the calculation of year-on-year trends in Channel 4’s Report in light of our findings.

Matter of emphasis

Our conclusions do not relate to the periods before 2008, other than as indicated above in the Scope of work. We have not examined any of the measures found in the case studies on pages, 24 to 25, 39, 42 to 43, 50 to 57, 67, and 72 to 74.

Conclusions

Based on the work performed, nothing has come to our attention to suggest that:

- Channel 4 key measures for the year ended 31 December 2009 and the comparison with the immediate prior year are not fairly stated;
- key measures, where the source of the data is Ofcom or Broadcast, for the year ended 31 December 2008 and the comparison with the immediate prior year are not fairly stated; and
- the medium-term viewing trends key measure for the period 2004 to 2009 is not fairly stated.

Hugh Green for and on behalf of KPMG LLP
Chartered Accountants
United Kingdom
24 March 2010

Financial report and statements

Report of the members

The members present their report and the audited financial statements for the year ended 31 December 2009.

Introduction and business review

Channel Four Television Corporation (Channel 4) is a statutory corporation, without shareholders, established under the terms of the Broadcasting Act 1990.

Channel 4 is a public service broadcaster funded solely from commercial revenues. Channel 4 receives free spectrum in return for fulfilling public service obligations as set out in the 1990 and 1996 Broadcasting Acts and the licence issued by Ofcom, which came into effect on 28 December 2004. The group also continues to pursue various commercial activities which are conducive to the operation of Channel 4.

The core public service channel is available on both analogue and the main digital broadcast platforms. To maintain relevance and impact with audiences in a digital age, new services including the launch of Film4 on Freeview and online video catch-up services ('4oD') were established in 2006, and C4+1 and C4 HD were launched in 2007. In 2008, the Box music channel on Freeview, operated through a joint venture with Bauer Consumer Media Ltd, was re-branded from The Hits to 4Music. In 2009, Channel 4 announced a pioneering syndication deal with Google to provide content via YouTube, and E4 HD launched on the Sky platform. In early 2010, it was announced that E4 HD and Film4 HD will also launch on the Virgin cable service.

Channel 4 is a unique organisation: a public service broadcaster with a distinctive creative remit, funded within the marketplace, existing to provide a range of innovative and creative content to cater for the changing society we live in. In order to fulfil our public service remit whilst optimising commercial returns we continue to focus on a strong core Channel 4, whilst continuing to invest in our digital channels and online.

It remains our ambition to pursue the vision set out in Next on 4 and the values enshrined within our remit, so that we can grow our audience reach and social impact in the digital world. Because of this, Channel 4 welcomes the introduction of the Digital Economy Bill which proposes an update to Channel 4's remit. Whilst the core elements of Channel 4's historic remit – to innovate and

experiment in television and appeal to the tastes and interests of a culturally diverse society – remain as relevant as when they were first set down, they only apply to the core Channel 4 channel. The Digital Economy Bill explicitly extends this historic remit to include three new areas – Film, Digital Content and Content for Older Children – and enshrines in legislation the four public purposes discussed on page 6.

The Chairman and Interim Chief Executive present their statements on pages 4 and 5 respectively.

A review of the group, outlining its development and performance during the financial year together with its position at 31 December 2009, is provided in the business review on the following pages. This outlines the principal risks and uncertainties facing Channel 4.

The group's financial statements are set out on pages 92 to 124.

Principal activities

Our business comprises five operating segments:

Channel 4
The public service channel is available on analogue, digital terrestrial, satellite and cable platforms and continues to maintain its core focus on the values of innovation, creativity and diversity. It also encompasses our delayed transmission service C4+1 and high definition service, C4 HD.

4Channels
4Channels comprises three free-to-air digital channels, which help to maintain the Corporation's scale and creative impact in the growing multichannel world. The digital channels build on the core values of Channel 4 and offer further opportunities to see Channel 4 programming as well as originally commissioned and specially acquired programming. The channels are:

- E4 – focusing on comedy, drama and entertainment including original commissions, US acquisitions and further opportunities to see Channel 4 output. From late 2009, E4 was also available on Sky on a new high definition service, E4HD
- More4 – offering a combination of new commissions, acquisitions and programmes from the core channel across multiple genres, including news, current affairs, drama, factual, entertainment and documentary

- Film4 – the UK's leading dedicated film channel, which offers a mix of the best British, European, US and international cinema

4Rights
4Rights includes our UK secondary rights business generating income through the distribution of programmes, sale of DVDs, and other associated products.

Future Media
Channel 4 has used interactive platforms to help extend the depth and impact of its programming output for more than a decade and continues to use the internet and new technologies both to develop new commercial opportunities and also to reinforce its public service contribution. These include:

- Channel4.com and E4.com – which host a variety of micro-sites complementing television content as well as offering free catch-up services for selected programming
- Syndication deals with online content aggregators such as YouTube, which was announced in 2009

Other
Other includes the provision of creative design and production services, premium rate telephony services on a not-for-profit basis, certain cross-platform activities exploiting and enhancing content across online distribution channels, and 4iP, Channel 4's pilot scheme to develop new forms of online public service media.

Key performance indicators

The Channel's primary purpose is the fulfilment of its public service remit, which was most recently defined in the 2003 Communications Act (this may be updated by the Digital Economy Bill if this passes through Parliament in 2010). The Act states that 'the public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming which, in particular:

- demonstrates innovation, experiment and creativity in the form and content of programmes;
- appeals to the tastes and interests of a culturally diverse society;

- makes a significant contribution to meeting the need for the licensed public channel to include programmes of an educational nature and other programmes of educative value; and
- exhibits a distinctive character'.

Following the publication of Next on 4, and the articulation of Channel 4's public purposes, in 2008 for the first time the Channel 4 Annual Report presented a new framework of measures to assess the public value that Channel 4 provides, structured according to the public purposes. In 2009 these measures have been published again. Referred to collectively as the Public Impact Report, the measures include data on the volume and value of programming by genre, a range of audience research results, and other indicators of on- and off-screen performance. They reflect Channel 4's ambitions to operate as a public service network, covering the core channel and digital services. Measures for each of the four purposes ('Nurture', 'Champion', 'Challenge' and 'Inspire') are presented, along with other measures covering aspects of Channel 4's overall 'Scale and impact', throughout the Public Impact Report.

The key performance indicators used to monitor the performance of our business are set out below. We use a combination of financial and non-financial measures to assess how successful we have been in achieving our objectives. These measures are:

1. Multi-channel share
With the growth of multi-channel television eroding the viewing share of our core public service channel, our portfolio of digital channels allows us to deliver 4-branded content to a wider audience and generate new revenue streams. They allow us to deliver ground-breaking, provocative and intelligent programming that reinforces areas of reputational strength whilst staying true to our values of innovation, experimentation, creativity and diversity.

Our digital channels grew their share of viewing by 0.4% points in the year (2008: 0.6% points) to 4.1% (2008: 3.7%). As a result, the group's portfolio audience share was 11.5% (2008: 11.9%), showing the mitigating effects of the digital channels strategy on our total viewing share. Portfolio viewing was amongst our highest ever, despite the significant year on year reduction in content budgets to achieve financial breakeven in difficult economic conditions.

Audience viewing shares are measured by the Broadcasters' Audience Research Board (BARB), of which Channel 4 is a member, and we measure our share of 'all individuals' viewing.

2. Channel 4 audience share
A key measure of how we are delivering on our remit is the impact of Channel 4's programming, which we measure in terms of our share of audience.

Over the five year period to 2009, Channel 4's portfolio audience share held up better than any other terrestrial broadcaster. However in 2009, the core channel's share of audience fell to 7.5% (2008: 8.2%) in another year in which all of the main terrestrial channels lost audiences to multi-channel television.

3. Ofcom requirements
As a public service broadcaster, the Channel is set various licence obligations by Ofcom, the delivery of which is seen as central to Channel 4's public service role. Targets are set for a range of production and transmission measures. These targets are set out on page 137. In 2009 and 2008 we met all our licence requirements.

During 2009 the core channel achieved 60% overall of hours of originated programmes (target: 60%) and 79% in peak hours (target: 70%). We also exceeded our target of 30% of programme production outside London with 37% (£117.0 million) of Channel 4's originated programming being supplied by production companies located outside the M25.

4. Total television advertising revenue
Channel 4 is funded solely from commercial activities without direct public subsidy. The revenue the group derives from television advertising drives overall financial performance and impacts the delivery of our remit. Our commercial performance is dependent on delivering valuable airtime to advertisers, which in 2009 accounted for 85% (2008: 87%) of total revenue.

Although core Channel 4 contributes much of our advertising revenues, our digital channels continue to cushion the fall in core advertising revenues in the digital world. Primarily as a result of an estimated drop in the market of 11.9% – an unprecedented year in the history of commercial broadcasting – our television advertising revenue fell to £706.7 million in 2009 (2008: £789.7 million), a fall of £83.0 million (10.5%) on the previous year. The overall advertising revenue decrease on the core channel was £84.6 million, reflecting both the cyclical and structural effects of the market, mitigated by a £1.1 million revenue increase on the digital channels and £0.5 million on TV video on demand.

5. Operating profit/(loss)
This is used as a measure of financial performance and our ability to continue fulfilling our remit into the future. It does not take into account interest, share of profits or losses from joint ventures, or taxation. The principal factors behind our

operating profit of £3.9 million (2008: loss of £0.5 million) are explained below.

Financial Review

The financial pressures on core Channel 4 have continued in 2009 as a result of the drive to digital switchover and the steep decline in the advertising market. The migration to digital and growth in online content are continuing to drive decline in Channel 4's audience share and hence a decline in advertising revenues: whilst the growing contribution from the digital channels and to a lesser extent, video on demand services are partly mitigating this decline, they are not expected to replace the lost revenues on the core channel in their entirety. In 2009 we faced even greater revenue pressures due to tough trading conditions, although close monitoring of programming and marketing budgets helped us withstand these pressures. Following our restructuring programme in late 2008, overall our operating cost base reduced significantly in 2009 and helped to deliver a breakeven result.

In February 2009 the Competition Commission announced it would prohibit any further development of the Kangaroo venture, a joint proposition between the BBC, ITV and Channel 4 to supply video on demand services in the UK. Subsequent to this decision, in August 2009 the joint venture disposed of the technology platform it had developed to Arqiva Ltd. The joint venture will be dissolved in 2010. At Channel 4, the original 4oD video catch-up service was consolidated with the main C4.com website to improve our consumer proposition and drive operational efficiencies.

In October 2009 Channel 4 announced a syndication deal with Google, in a move expected to strengthen Channel 4's leading position in video on demand. Under the non-exclusive deal, the first of its kind to be announced by any broadcaster anywhere in the world, Channel 4 long-form content and clips are supplied to YouTube, and the two parties share advertising revenues based on an agreed formula. The deal will run for an initial period of three years.

In December 2009, the Channel 4 Board approved a plan, begun in the same month, to rationalise its property portfolio by consolidating all employees in one location at 124 Horseferry Road. The plans follow the near completion of the outsourcing of Channel Operations to Red Bee Media Ltd, and the release of lower ground space at Horseferry Road which will be converted to office use. As a result, the property currently leased at Francis Street is surplus to Channel 4 requirements and will be sub-leased, generating both rental income and operating savings during the remaining lease period to 2020.

Report of the members continued

From January 2010, Channel 4 has taken on the advertising sales function for Box Television Ltd ('Box'). The operation transferred from Sky to Channel 4 following the expiry of the existing contract Box held with Sky for advertising from 1 January.

Trading in 2010 is expected to continue to be difficult due to ongoing digital switchover and the challenging economic environment. Once again we have set a prudent and flexible budget to manage the uncertainties in the television/media sector and beyond. The budget seeks to meet the requirements of our evolving public service remit through investing in creative renewal, advancing our online content proposition and increasing our reach through platform syndication and HD. Commitments are phased, and alternate plans are in place to manage any potential further budgetary risk. Overall, we seek to balance risk and opportunity in order to continue to maximise our investment in content whilst targeting financial breakeven.

Average headcount for the year was below 2008 levels at 696 (2008: 905) after the 2008 restructuring programme. Closing headcount for the year was 694 (2009: 705) and average headcount in 2010 is not expected to rise significantly compared with 2009.

Financial performance

As shown in the table below, our revenues decreased by 8.5% from 2008 (2008: decline of 4.1%). Our operating profit was £3.9 million (2008: loss of £0.5 million).

	TV advertising revenue £m	Other revenue £m	Total revenue £m	Operating profit/ (loss) £m
2009				
Channel 4	535.1	40.0	575.1	(59.4)
4Channels	170.7	10.6	181.3	53.5
4Rights	—	44.8	44.8	11.5
Future Media	0.9	31.9	32.8	3.2
Other	—	6.4	6.4	(4.9)
Eliminations	—	(10.1)	(10.1)	—
	706.7	123.6	830.3	3.9
2008				
Channel 4	619.7	49.0	668.7	(24.0)
4Channels	169.6	5.4	175.0	41.1
4Rights	—	34.6	34.6	8.9
Future Media	0.4	33.0	33.4	(6.8)
Other	—	9.2	9.2	(19.7)
Eliminations	—	(14.8)	(14.8)	—
	789.7	116.4	906.1	(0.5)

Channel 4
Revenues decreased by £93.6 million to £575.1 million in 2009 on the core channel, driven mostly by the decline in the advertising market of 11.9% during the year. Given the deterioration of market conditions, we reduced programming and marketing spend and made a significant reduction to our cost base to mitigate the effects of the difficult trading conditions and structural pressure on linear broadcasting. The resulting core channel operating loss was £59.4 million (2008: £24.0 million).

4Channels
Revenues grew year on year by £6.3 million from £175.0 million in 2008 to £181.3 million in 2009, driven by underlying growth in audience share despite advertising market conditions. 4Channels generated operating profits of £53.5 million in 2009 (2008: £41.1 million), principally as a result of underlying growth and programme and other cost savings.

4Rights
Revenues increased by £10.2 million from £34.6 million in 2008 to £44.8 million in 2009. This included an increase in rights sales generated from secondary programme output deals and other third party share collections, and an increase in consumer products revenues (principally DVD sales), marking the success of key titles and a year of recovery after difficult retail conditions in late 2008. 4Rights generated operating profits of £11.5 million in 2009 (2008: £8.9 million).

Future Media
Future Media revenues were £32.8 million in 2009, a slight decrease on 2008 (£33.4 million). The decrease is the result of falling display advertising sales, only partly offset by improved video on demand advertising. The operating profit was £3.2 million (2008: £6.8 million operating loss) as a result of platform cost savings.

Other
Other revenues included creative design and production services and not-for-profit premium rate telephony services. A significant proportion of these revenues was eliminated on group consolidation. The operating loss in 2009 is stated after spend on cross-platform activities and 4iP investments in digital public service media.

Finance costs

Net finance costs were £2.0 million in 2009 compared with £13.7 million net finance income in 2008. The decrease was due to a combination of factors, including the significant reduction in bank base rates and small losses on forward contracts held to hedge cash exposures on satellite transmission capacity payments and on bank accounts denominated in Euros and US Dollars.

Financial position

The balance sheet on page 94 of the financial statements shows that the net assets of Channel 4 and the group decreased in the year through the revaluation of freehold property (note 10) and revised IAS 19 'Employee Benefits' pensions valuation estimates (note 20) as well as increases in provisions for certain onerous contracts (note 17).

Cashflow

As shown in the group cashflow statement on page 95, the profit for the year of £0.3 million resulted in a £5.2 million net operating cash inflow due to working capital improvements (2008: profit of £1.8 million and net operating cash inflow of £5.0 million). Net cash flows from investing activities were positive at £43.0 million (2008: £8.9 million) as cash deposit terms were reduced below three months. Group cash and cash equivalents were £201.9 million at 31 December 2009 (2008: £153.9 million) with a further £10.0 million held on deposit for three months or longer (2008: £50.0 million) (note 15).

Pension

The assets and liabilities of the Channel Four Television Staff Pension Plan have been valued at 31 December 2009 in accordance with IAS 19 'Employee Benefits' and the net accounting deficit of £44.9 million has been recorded in the year end balance sheet (2008: £21.1 million) (note 20).

The deficit has increased as a result of a higher inflation rate and a lower rate of return on high quality corporate bonds, both of which have increased plan liabilities.

The most recent independent triennial valuation was carried out as at 1 January 2009 and updated subsequently at 1 January 2010. The subsequent valuation and recovery plan were approved by the Board in March 2010 (note 20).

The Channel Four Television Staff Pension Plan was closed to new joiners with effect from 1 September 2008 and a new Defined Contribution Scheme opened from the same date.

Accounting policies

A summary of significant accounting policies is provided in pages 96-99 of this report.

Risks

Outlined below are the key risks that the group faces, together with how we take steps to mitigate them. Further details of our governance structure are provided in the Corporate Governance section on pages 125-130.

1. Dependence on advertising revenues
85% of Channel 4's revenue is derived from advertising. This dependency upon one form of revenue means that the Channel is susceptible to cyclical fluctuations as well as structural changes in the advertising market. Advertising income is extremely variable and has the potential to change significantly during the course of the year as a result of changes in audience share or broader market conditions. The majority of Channel 4 costs are fixed within a year which means that Channel 4 has limited ability to respond to short term downturns in advertising income.

In order to mitigate this risk Channel 4 monitors the advertising market and its share of the market very closely to identify trends and to allow time to respond. As far as possible the group maintains a flexible cost base. Channel 4 also maintains cash reserves. Our Treasury Risk Committee regularly reviews the group's cashflow forecast and requirements for cash.

Following recent experience, internal expectations and industry forecasts, our budgeted 2010 revenue assumptions assume further market decline in TV advertising. Looking to the future, the Board has committed to achieving financial breakeven and not to enter into deficit. This has implications for our future content expenditure and overall cost base. The Board monitors forecasts each month and ongoing trends in order to respond to market conditions as flexibly as possible.

2. Ofcom Licence Obligations
A significant risk to Channel 4 would be any failure to fulfil its statutory duties and functions in order to ensure the successful delivery of Channel 4's remit and other public service responsibilities.

In December 2004 Channel 4 was issued with a detailed Digital Replacement Licence ('DRL') which sets out all of its formal obligations, including detailed programming obligations.

Channel 4 falls within Ofcom's overall obligations to assess the delivery of public service broadcasting taken collectively, carried out through its Annual Reports and the quinquennial Public Service Broadcasting Review. Revised licence quotas have been agreed for some of Channel 4's obligations in 2010 and will be published in the 2010 Annual Report.

The Channel 4 Board is the main body for ensuring that Channel 4 meets all of its public service responsibilities. Current programming output and the delivery of the Channel's programming obligations are reviewed regularly by the Board.

Channel 4 also publishes an Annual Statement of Programme Policy ('SoPP') alongside an Annual Review of performance against this SoPP, as required under its DRL and consistent with the other public service broadcasters.

In addition, as noted on page 85, Channel 4 now publishes a Public Impact Report within this Annual Report.

3. Legal and Regulatory Obligations
There are three significant risks in relation to the publication of content by Channel 4:

- Breach of the Ofcom Broadcasting Code resulting in the imposition of a statutory sanction;
- Breach of the civil law (to which we have no defence in law); and
- Breach of the criminal law (to which we have no defence in law).

There are a number of detailed legal and compliance procedures and protocols designed to ensure that such risks are identified and appropriately reduced. These procedures are mandatory for all relevant staff. At the heart of these procedures is Channel 4's Internal Procedures for Referral-up and Compliance. The referral-up process involves senior editorial staff and ultimately the Director of Television and Content and the Chief Executive. This process also

requires that independent producers working with Channel 4 ensure that they have their own internal procedures so that legal and compliance issues are referred to senior executives and Channel 4 as and when appropriate. Such procedures exist to ensure that difficult and fine-cut decisions on legal and compliance matters are properly considered by the most experienced editorial and programme lawyers and senior executives within Channel 4.

Members

The members of the Board have full responsibility and discretion for deciding and operating the group's policies and for the conduct of the group's affairs.

The current members of Channel 4 are listed on page 131. Since 1 January 2009, the following members have been appointed or have resigned:

Nathalie Schwarz resigned from the Board on 26 March 2009, although she remains a Channel 4 employee.

Sue Ashtiany's appointment ended on 30 June 2009 after six years' service.

Andy Duncan (Chief Executive) resigned from the Board on 17 November 2009. Since then, Group Finance Director Anne Bulford has acted as Interim Chief Executive.

Subsequent to the year end, David Abraham was confirmed as new Chief Executive of Channel 4.

Lord Terry Burns (Chairman) was appointed subsequent to the year end on 27 January 2010.

Lord Burns replaces Luke Johnson, the outgoing Chairman, whose appointment ended on the same date.

Details of members' remuneration are contained within the report on members' remuneration on pages 132-135.

Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members' interests. During 2009, members, in addition to their salaries, benefits and/or fees as disclosed on pages 133-134, were interested in the following contracts negotiated at arm's length on normal commercial terms with the group:

Report of the members continued

Andy Duncan, who resigned from the Board on 17 November 2009, was appointed a non-executive director of HMV Group plc on 13 March 2009. Channel 4 paid HMV Group plc £341,628 during 2009 in respect of shared marketing activities in the normal course of business. No amounts were accrued or due at 31 December 2009.

Lord Puttnam (Deputy Chairman), is also Deputy Chairman of Profero Ltd, having retired as Chairman of Profero in September 2009. Channel 4 paid Profero Ltd £555,605 during 2009 in respect of digital marketing services in the normal course of business. No amounts were accrued or due at 31 December 2009.

Employment policy

Channel 4 is an equal opportunities employer and does not discriminate on grounds of sex, sexual orientation, marital status, race, colour, ethnic origin, disability, age or political or religious belief in its recruitment or other employment policies. The ethos of the group for both job applicants and staff is that everyone matters.

During the year, Channel 4 implemented a new recruitment system that allows improved monitoring and reporting of diversity in relation to candidate selection and attraction. Figures continue to be monitored regularly on all aspects of diversity of employees. The representation of ethnic minorities amongst permanent staff in 2009 was 12 % (2008: 11%). Women continue to form the majority of staff at 55% (2008: 54%).

Channel 4 manages a number of initiatives that encourage diversity of all areas. Applications from people with disabilities are welcomed and Channel 4 was featured in the Stonewall Starting Out Guide for 2009/10. The policy is to recruit, train and provide career development opportunities to disabled people, whether registered as such or not, on the same basis as that of other staff. In the event of an employee becoming disabled, every effort is made to ensure that his or her employment with the group continues.

Employee involvement and consultation

The quality, commitment and effectiveness of the group's staff are crucial to its continued success. Channel 4 has continued to invest in its staff through training and development and has been accredited with the Investors in People standard since 2001. In addition, the group informs and consults with its employees through:

- an internal intranet information service available to all members of staff;
- meetings hosted by executive members during which staff are briefed on recent developments and strategic plans;
- regular departmental meetings during which information is disseminated and staff have an opportunity to air their views;
- recognition of trade unions. The group has two recognised trade unions, BECTU and Equity;
- an internal communications function, which aids effective communication across the organisation, and co-ordinates internal culture activities; and
- an employee forum, which allows the sharing of information and an exchange of views with an elected group of employees on key matters affecting the Channel's business, structure and organisation.

Diversity

4Talent develops and supports talented people at different stages of their careers, reflecting a diverse Britain and a multi-platform industry. Each year 4Talent runs a range of diversity initiatives with the primary aim of breaking down barriers to entry for those groups within our society that are currently under-represented in the media. These initiatives range from structured 'new entrant' schemes such as our Diversity Production Trainee Programme to talks and bespoke funding of talented individuals to help enhance their careers through training, placement and shadowing opportunities.

Our Diversity Production Trainee Scheme was re-launched in 2008 combining the disability and cultural diversity trainee initiatives, which funded internships for new entrants to try their hand at other job roles such as script editor, production manager and researcher. Now, a single expanded initiative with up to 18 placements this academic year looks to break down barriers to entry across all areas of the industry. This initiative has been running for over seven years in total, with 73% of graduates still working in the creative industries.

4Talent gave over fifty talks in 2009 to a range of schools, universities and community groups across the UK and has worked with over 160 schools, community groups and charities to deliver its Work-Related Learning Programme. This programme enables young people aged between 14-25 from diverse communities to meet key people across marketing, press, finance and commissioning as well as at our independent production companies. The aim of this programme is to give an exclusive insight into the different routes for creative talent into Channel 4 and the wider television industry. In 2009 we have also built a range of mentoring opportunities to support wider relationships with prospective talent, the most recent being a business mentoring programme for six individuals partnering with Operation Black Vote. The programme runs for six months and individuals will spend up to nine days within Channel 4 in their mentor department. Opportunities are available across a range of departments from HR to Future Media.

Channel 4 also works with broadcasting partners to drive diversity across the media industry. In early 2009 we announced the appointment of Oona King as Head of Diversity to bring a new focus to our work on diversity issues. In our current role as Chair of the Cultural Diversity Network we launched the CDN Diversity Pledge in April 2009 and in November 2009 hosted the inaugural CDN Diversity Awards, which celebrated good practice in the media around diversity. The CDN Diversity Pledge aims to encourage broadcasters to reflect British society more closely both on- and off-screen. We are committed to signing up 250 independent production companies (as well as in-house producers) by December 2010. At the time of writing, more than 200 companies had signed up to the Pledge.

Our commitment in this area dovetails with Channel 4's ongoing work around talent development, as well as our belief that diversity contributes to our ultimate ambition: creating world-class content for the digital age.

Environmental matters

We take seriously our responsibilities to minimise the impact of our activities on the environment and continue to work towards reducing carbon emissions as far as possible. We re-measured our carbon footprint in March 2009 and achieved a reduction of 11% since July 2006. The majority of our emissions are attributable to our activities on our premises and we anticipate these will reduce further in 2010.

We have an established environmental policy and 2009 saw the launch of our in-house Corporate Responsibility intranet site. Amongst our many activities was a four-month waste awareness campaign (rethink, reduce, re-use, recycle) which increased employee awareness and helped reduce our impact on the environment.

We continue to monitor our suppliers and service partners, ensuring we only work with companies who put corporate responsibility and environmental issues at the top of their agenda.

Community

Channel 4 has formed links with several local charities and community groups and provides support in terms of meeting room space, building tours and donations of surplus office furniture and technical equipment. Office supplies such as toners and ink cartridges are donated to charity for recycling and cooking oil is donated as green fuel. Channel 4 is also a member of the Media CSR Forum (mediacsrforum.org), Business in the Community (bitc.org.uk) and the Muslim mentoring network Mosaic (mosaicnetwork.co.uk).

Charitable donations

During 2009, the group donated £1.1 million to charities (2008: £1.5 million). Of this amount, £1.0 million (2008: £1.2 million) was paid to charities to provide training that will improve the overall expertise of television staff in the industry.

Once again in 2009, a charity payment was made for each vote cast relating to Big Brother with charity donations for the ninth series totalling £0.1 million paid to three charities (2008: £0.3 million).

Development

The group devotes substantial resources to the development of scripts for possible commissioning. Research and development expenditure charged to the income statement in 2009 amounted to £5.3 million (2008: £9.5 million) (note 3).

Group foreign currency, cash and treasury management

The group's treasury management function operates within defined treasury policies determined by the Board. Details of the group's foreign currency, cash and treasury matters are disclosed in note 18, including information on the group's exposure to market, foreign currency, interest rate, liquidity and credit risk as well as the disclosures required in respect of IFRS 7 'Financial Instruments: Disclosures'.

In 2009 potential exposures to the credit markets continued to be monitored on an ongoing basis and the Treasury Risk Committee met frequently to discuss changes in credit ratings of the institutions holding Channel 4 deposits and their potential impact on Channel 4. Through strict adherence to the policies, cash and other financial asset deposits continued to be spread across a number of financial institutions, all of which were either AA-rated or backed by the UK Government. In many cases cash deposit terms were reduced below three months to preserve liquidity.

Channel 4 website

In keeping with our strategy to connect with viewers across all platforms, Channel 4 has published this report on its website at channel4.com/annualreport.

Disclosure of information to auditors

Each of the persons who is a member at the date of approval of this Annual Report confirms that:

- so far as the member is aware, there is no relevant audit information of which the company's auditors are unaware; and

- the member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410).

Auditors

KPMG LLP have been appointed as auditors to Channel 4 with the approval of the Secretary of State for Culture, Media and Sport, and have expressed their willingness to continue in office.

Going concern

Based on normal business planning and control procedures, the members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the members continue to adopt the going concern basis in preparing the financial statements.

By Order of the Board:

Anne Bulford
Interim Chief Executive
24 March 2010

Report of the auditors

Independent auditors’ report to the members of Channel Four Television Corporation (Channel 4)

We have audited the financial statements of the group and Channel 4 (the ‘financial statements’) for the year ended 31 December 2009 which comprise the group Income Statement and the group and Channel 4 Statements of Comprehensive Income, the group and Channel 4 Balance Sheets, the group and Channel 4 Cashflow Statements, the group and Channel 4 Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

In addition to our audit of the financial statements, the members have engaged us to audit the information in the Members’ Remuneration Report that is described as having been audited, which the members have decided to prepare (in addition to that required to be prepared) as if Channel 4 were required to comply with the requirements of Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410).

This report is made solely to Channel 4’s members, as a body, in accordance with the Broadcasting Act 1990 and direction thereunder by the Secretary of State and the terms of our engagement, and, in respect of the separate opinion in relation to the Members’ Remuneration Report and reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to Channel 4’s members those matters we are required to state to them in an auditors’ report and, in respect of the separate opinion in relation to the Members’ Remuneration Report and reporting on corporate governance, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Channel 4 and Channel 4’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

The members’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of members’ responsibilities on page 125.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and under the terms of our engagement letter, to audit the part of the Members’ Remuneration Report that is described as having been audited.

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the relevant financial reporting framework and have been prepared in accordance with the Broadcasting Act 1990 and the Companies Act 2006, as if the requirements of the Companies Act 2006 were to apply. We also report to you whether the part of the Members’ Remuneration Report to be audited has been prepared, in accordance with the Companies Act 2006, as if those requirements were to apply. We also report to you whether in our opinion the information given in the Members’ Report is consistent with the financial statements. The information given in the Members’ Report includes that information presented in the Chairman’s and Interim Chief Executive’s Statements and the Business Review section of the Members’ Report.

In addition, we report to you if, in our opinion, Channel 4 has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding members’ remuneration and other transactions is not disclosed.

In addition to our audit of the financial statements, the members have engaged us to review their Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Services Authority in relation to those matters.

We review whether the Corporate Governance Statement reflects the company’s compliance with the nine provisions of the June 2008 Combined Code specified for our review by those rules, and we report if it does not. We are not required by the terms of our engagement to consider whether the board’s statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Members’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and Channel 4’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Members’ Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Members’ Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view of the state of the group’s affairs as at 31 December 2009 and of its profit for the year then ended;
- the group’s financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- Channel 4’s financial statements give a true and fair view of the state of its affairs as at 31 December 2009;
- Channel 4’s financial statements have been properly prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006, to the extent that those provisions are applicable;
- the financial statements have been prepared in accordance with the Broadcasting Act 1990 and the Companies Act 2006, to the extent that those provisions of the Companies Act 2006 are applicable;
- the information given in the Report of the members is consistent with the financial statements; and
- the part of the Members’ Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as if those requirements were to apply to Channel 4.

Hugh Green (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
24 March 2010

Consolidated income statement for the year ended 31 December

	Note	Group 2009 £m	Group 2008 £m
Revenue	1	830.3	906.1
Cost of transmission and sales	2	(778.7)	(846.9)
Gross profit		51.6	59.2
Other operating expenditure	2	(47.7)	(59.7)
Operating profit/(loss)	3	3.9	(0.5)
Financial income	5	11.1	25.4
Financial expenses	5	(13.1)	(11.7)
Net finance costs		(2.0)	13.7
Share of profit/(loss) of investments accounted for using the equity method, net of income tax	8	0.3	(3.3)
Profit before income tax		2.2	9.9
Income tax expense	6	(1.9)	(8.1)
Profit for the year		0.3	1.8
Attributable to:			
Channel Four Television Corporation		0.3	2.1
Minority interest		—	(0.3)
Profit for the year		0.3	1.8

Statement of comprehensive income for the year ended 31 December

	Note	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Profit/(loss) for the year		0.3	1.8	(46.5)	(7.2)
Net actuarial losses in pension scheme	20	(23.7)	(13.7)	(23.7)	(13.7)
Deferred tax on pension scheme recognised directly in equity	12	6.6	3.8	6.6	3.8
Revaluation of freehold land and buildings	10	(1.4)	(8.2)	(1.4)	(8.2)
Other comprehensive cost for the year		(18.5)	(18.1)	(18.5)	(18.1)
Total comprehensive cost for the year		(18.2)	(16.3)	(65.0)	(25.3)
Attributable to:					
Channel Four Television Corporation		(18.2)	(16.0)	(65.0)	(25.3)
Minority interest		—	(0.3)	—	—
Total comprehensive cost for the year		(18.2)	(16.3)	(65.0)	(25.3)

Statement of changes in equity for the year ended 31 December

	Channel 4 Retained earnings £m	Other segments Retained earnings £m	Group Retained earnings £m	Channel 4 Revaluation reserve £m	Attributable to minority interest £m	Group reserves total £m
At 1 January 2008	474.9	(33.8)	441.1	9.9	0.7	451.7
Profit/(loss) for the year	(7.2)	9.3	2.1	—	—	2.1
Other comprehensive (cost) for the year	(9.9)	—	(9.9)	(8.2)	—	(18.1)
Total comprehensive (cost)/income for the year	(17.1)	9.3	(7.8)	(8.2)	—	(16.0)
Transfer from revaluation reserve	0.3	—	0.3	(0.3)	—	—
Loss for the year attributable to minority interest	—	—	—	—	(0.3)	(0.3)
At 31 December 2008	458.1	(24.5)	433.6	1.4	0.4	435.4
At 1 January 2009	458.1	(24.5)	433.6	1.4	0.4	435.4
Profit/(loss) for the year	(46.5)	46.8	0.3	—	—	0.3
Other comprehensive (cost) for the year	(17.1)	—	(17.1)	(1.4)	—	(18.5)
Total comprehensive (cost)/income for the year	(63.6)	46.8	(16.8)	(1.4)	—	(18.2)
Transactions with owners recognised directly in equity:						
Dividends paid to equity owners	—	—	—	—	(0.4)	(0.4)
At 31 December 2009	394.5	22.3	416.8	—	—	416.8

Balance sheets as at 31 December

	Note	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Assets					
Investments in subsidiaries	7	—	—	—	—
Investments accounted for using the equity method	8	28.9	30.4	—	—
Equity investments	9	2.5	2.2	—	—
Freehold land and buildings	10	42.0	49.0	42.0	49.0
Fixtures, fittings and equipment	10	8.1	12.4	8.1	12.4
Intangible assets	11	7.0	8.4	4.5	5.1
Deferred tax assets	12	16.0	10.0	15.7	9.5
Total non-current assets		104.5	112.4	70.3	76.0
Programme and film rights and other inventories	13	201.9	209.1	182.3	188.5
Trade and other receivables	14	144.6	114.8	114.9	130.8
Current tax assets	14	0.2	—	3.2	1.8
Other financial assets	15	10.4	52.5	10.4	52.5
Cash and cash equivalents	15	201.9	153.9	201.9	152.8
Total current assets		559.0	530.3	512.7	526.4
Total assets		663.5	642.7	583.0	602.4
Liabilities					
Employee benefits – pensions	20	(44.9)	(21.1)	(44.9)	(21.1)
Provisions	17	(7.3)	(1.9)	(7.3)	(1.9)
Deferred tax liabilities	12	(4.0)	(5.8)	(1.3)	(2.7)
Total non-current liabilities		(56.2)	(28.8)	(53.5)	(25.7)
Trade and other payables	16	(172.8)	(157.6)	(117.3)	(100.5)
Current tax liabilities	16	—	(3.7)	—	—
Provisions	17	(17.7)	(17.2)	(17.7)	(16.7)
Total current liabilities		(190.5)	(178.5)	(135.0)	(117.2)
Total liabilities		(246.7)	(207.3)	(188.5)	(142.9)
Net assets		416.8	435.4	394.5	459.5
Retained earnings		416.8	434.0	394.5	458.1
Revaluation reserve		—	1.4	—	1.4
Total equity		416.8	435.4	394.5	459.5
Equity attributable to:					
Channel Four Television Corporation		416.8	435.0	394.5	459.5
Minority interest		—	0.4	—	—
Total equity		416.8	435.4	394.5	459.5

The financial statements on pages 92 to 124 were approved by the Board of members on 24 March 2010 and were signed off on its behalf by:

Lord Burns
Chairman

Anne Bulford
Interim Chief Executive

The notes on pages 100 to 124 form part of these financial statements.

Cashflow statements for the year ended 31 December

	Note	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Cashflow from operating activities					
Profit/(loss) for the year		0.3	1.8	(46.5)	(7.2)
Adjustments for:					
Income tax expense/(credit)	6	1.9	8.1	(15.1)	(2.6)
Depreciation	10	5.4	7.0	5.4	7.0
Amortisation of intangibles	11	2.2	1.9	1.4	1.1
Net financial expense/(income)	5	2.0	(13.7)	2.2	(14.2)
Share of profit from investments accounted for using the equity method, net of income tax	8	0.3	3.3	—	—
Impairment of property, plant and equipment and developed software	10, 11	6.2	2.3	6.2	2.3
Impairment of investment in joint venture	8	—	3.8	—	—
Impairment of equity investments	9	0.2	—	—	—
Reversal of impairment in UK VOD LLP	8	(1.9)	—	—	—
Operating cashflow before changes in working capital and provisions		16.6	14.5	(46.4)	(13.6)
Changes in working capital:					
Decrease/(increase) in programme and film rights and other inventories	13	7.2	(2.3)	6.2	(2.1)
(Increase)/decrease in trade and other receivables		(31.1)	18.1	25.2	42.7
Increase/(decrease) in trade and other payables		15.4	(23.0)	16.9	(21.9)
Increase in provisions (excluding unwinding of discounts)	17	4.3	1.7	4.8	1.2
Cash generated from operations		12.4	9.0	6.7	6.3
Tax (paid)/repaid		(7.2)	(4.0)	2.8	(4.1)
Net cashflow from operating activities		5.2	5.0	9.5	2.2
Cashflow from investing activities					
Investment in Joint Venture	8	—	(3.6)	—	—
Acquisition of equity investments	9	(0.5)	(0.1)	—	—
Purchase of property, plant and equipment	10	(1.7)	(3.6)	(1.7)	(3.6)
Internally developed software	11	(0.8)	(2.2)	(0.8)	(2.2)
Interest received		2.3	10.4	2.3	10.4
Dividends received	8	1.8	2.0	—	—
Distribution from UK VOD LLP	8	1.9	—	—	—
Decrease in other financial assets	15	40.0	6.0	40.0	6.0
Net cashflow from investing activities		43.0	8.9	39.8	10.6
Cashflow from financing activities					
Net cashflow from financing activities		—	—	—	—
Net increase in cash and cash equivalents					
Cash and cash equivalents at 1 January		153.9	139.2	152.8	139.2
Effect of exchange movements on cash held		(0.2)	0.8	(0.2)	0.8
Cash and cash equivalents at 31 December		201.9	153.9	201.9	152.8

Significant accounting policies

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 2009 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 financial statements present information relating to Channel 4 as a separate entity and not about its group.

The financial statements were authorised for issue by the members on 24 March 2010. The registered office of Channel 4 is 124 Horseferry Road, London, SW1P 2TX.

Statement of compliance

The group and Channel 4 financial statements have been prepared and approved by the members in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). On publishing the Channel 4 financial statements here together with the group financial statements, Channel 4 is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties and derivative financial instruments are stated at fair value; and are presented in pounds sterling, rounded to the nearest one hundred thousand. The financial statements have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury and meet the disclosure and measurement requirements, in so far as they are applicable, of the Companies Act 2006 and Adopted IFRSs.

The preparation of financial statements in conformity with Adopted IFRSs requires the use of estimation and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those 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. Judgements made by management in the application of Adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Programme and film rights

Programme and film rights are included in the balance sheet at the lower of cost and net realisable value. In estimating net realisable value, consideration is given to the contracted sales price and projected costs to complete for programmes in production, and when the programmes and films are scheduled for transmission. Programmes which, taking into account viewing expectations, in management's judgement are unlikely to be transmitted or sold are expensed to the income statement (note 13).

Provisions for onerous contracts

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 material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability (note 17).

Employee post retirement benefit obligations

The group operates a defined benefit pension plan. The obligations under the plan are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from the members. The estimation of this obligation is dependent upon numerous assumptions, including discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of assumptions used are provided in note 20.

Income tax

The actual tax on the result for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits which are recognised in the financial statements. The group considers the estimates, assumptions and judgements to be reasonable but

this can involve complex issues which may take a number of years to resolve. The final determination of prior years' tax liabilities could be different from the estimates reflected in the financial statements. Further analysis of income tax is provided in note 6.

Accounting policies

A summary of the group and Channel 4 accounting policies that are material in the context of the accounts is set out below. The accounting policies have been applied consistently to all periods presented in these financial statements.

The following new standards became effective in 2009 and have been applied by the group in the financial statements:

- IFRS 8 'Operating Segments'
- IAS 1 'Presentation of Financial Statements'

The adoption of IFRS 8 has had no material impact on the operating segments reported or on the financial statements of the group. Although the basis for the identification of segments has changed under IFRS 8, management believes the segmentation continues to be appropriate under the new standard.

IFRS 8 requires that the measures of revenue and profit which are reported to the Chief Operating Decision-maker be reported in the financial statements for each segment. As a result, the principal change on adoption of the new standard is the extension of the disclosure of performance by operating segment from Operating profit/(loss) to Profit/(loss) before tax (note 1).

Under IAS 1, the group is required to present both a statement of comprehensive income and a statement of changes in equity as primary financial statements. The statement of comprehensive income replaces the former statement of recognised income and expense. The statement of changes in equity brings the former reserves note to the forefront of the accounts as a primary financial statement.

The following amendments have been endorsed by the EU and will become effective for the group for the year beginning 1 January 2010:

- Revised IFRS 3 'Business Combinations'
- Amended IAS 27 'Consolidated and Separate Financial Statements'

The following amendment had not yet been endorsed but is expected to become effective for the year beginning 1 January 2010:

- Amended IFRS 5 'Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as a result of Improvements to IFRSs 2008'

The members do not anticipate that the adoption of these amendments in 2010 will have a material impact on the financial statements of the group.

Basis of consolidation

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Investments accounted for using the equity method comprise associates and joint ventures.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or until the associate is classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. When the group's share of losses exceeds its interest in an associate, 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.

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement. The financial statements include the group's share of total recognised gains and losses using the equity method of accounting from the date that joint control commences to the date it ceases or until the jointly controlled entity is classified as held for sale in accordance with IFRS 5.

As explained in note 8, certain of the group's joint ventures are not-for-profit organisations. Cost contributions to those organisations are charged to the income and expenditure account in the period that they occur.

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities 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.

Revenue recognition

All revenues are stated net of advertising agency commissions where these are borne and paid by advertisers, and value added tax. Revenues are recognised when services have been performed, persuasive evidence of an arrangement exists and when collectibility is reasonably assured.

Television advertising revenue is 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.

Online advertising revenue is recognised over the period of display of the advertisement.

Revenue from the sale of film and television rights is recognised on the later of signature of the contract, and the start of the licence period, provided that the film or programme rights have been made available for delivery.

Consumer products revenues are recognised when DVDs are delivered to retailers, net of a provision for anticipated returns, or for 4-branded events, when the event takes place.

Subscription fee and similar revenues are recognised over the period of the subscription.

Revenue from the provision of premium rate telephony services is recognised in line with contestant call volumes.

Revenues are recognised from barter transactions involving advertising when the services exchanged are dissimilar, and are measured with reference to the fair value of the advertising provided.

Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments', where the Chief Operating Decision-maker has been identified as the Channel 4 Board, and reportable segments follow management reporting to the Board in order to

make decisions on the allocation of resources within the group. Segments are aggregated only where the nature of the products and services provided is similar and where the segments have similar economic characteristics.

Taxation

Tax on the profit or loss 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 equity, in which case it is also recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary timing differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and jointly controlled entities 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 subsidiaries

Investments in subsidiaries are consolidated in the group balance sheet from the date that control commences to the date it ceases.

Significant accounting policies continued

Investments in associates and interests in jointly controlled entities

Investments in associates and interests in jointly controlled entities are recognised initially at cost. The carrying amount is subsequently increased or decreased to recognise the share of total recognised gains or losses, or share of profit or loss if these are the same, after the date of acquisition or investment.

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.

Property, plant and equipment

Freehold land and buildings are stated at open market valuation (fair value) and are revalued at 31 December each year. Directions from the Secretary of State for Culture, Media and Sport require freehold land and buildings to be valued at current value. The members believe that open market value approximates to current value.

Any gain arising from a change in fair value is recognised directly in equity, 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 equity 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. Freehold land is not depreciated. 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	20%–25%

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.

Where applicable, property, plant and equipment held under finance leases are depreciated over the period of the lease.

Intangible assets and goodwill

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 on capitalised software development costs is charged to the income statement on a straight line basis over the estimated useful lives of the assets from the date that they are available for use. For capitalised computer software, the estimated useful life is between two and five years.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and any provision for impairment. Where assets are considered to have finite lives, amortisation is charged to the income statement on a straight line basis over their estimated useful life.

All business combinations are accounted for by applying the purchase method. Identifiable intangible assets are those which can be sold separately or arise from legal rights regardless of whether those rights are separable. Goodwill represents amounts arising on the acquisition of subsidiaries, associates or jointly controlled entities where a difference exists between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill in respect of associates and jointly controlled entities is included in the carrying value of the associate or jointly controlled entity within

which benefits are expected to accrue as a result of the acquisition.

Goodwill is stated at cost less impairment charges. Goodwill is not amortised but is tested annually for impairment whether or not an indication of impairment exists.

Impairment

An impairment charge is recognised if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment charges are recognised in the income statement.

The carrying values of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cashflows for the specific asset, or if the asset does not generate independent cashflows, the discounted future net cashflows for the cash generating unit to which it belongs.

Estimates are used in deriving these 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 amounts reported in the financial statements.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairments

An impairment charge in respect of freehold land and buildings is reversed in the event of a subsequent increase in fair value. Such a gain is recognised in 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 charge may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Programme rights and other inventories

Inventories are valued at the lower of cost and net realisable value. Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for programmes and films which are unlikely to be transmitted or sold. Direct cost is defined as payments made or due to programme suppliers.

Development expenditure is included in broadcast programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme directly to the income statement.

The cost of broadcast programme and film rights is wholly written off on first transmission, except for certain feature films and certain acquired series, the costs of which are written off over more than one transmission in line with expected revenue.

Developed film rights are stated at direct cost incurred up to the balance sheet date. Provision is made for any excess over the value of the film held in inventories and the revenues the film is anticipated to earn. The main assumptions employed to estimate future revenues are minimum guaranteed contracted revenues and sales forecasts by territory.

Film rights are amortised in the income statement in the proportion that the revenue in the year bears to the estimated ultimate revenue, after provision for any anticipated shortfall.

Other inventories principally comprise DVDs held within the 4Rights segment, and are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts.

Other financial assets

Other financial assets comprise deposits of more than three months duration and financial instruments with debit balances 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.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Derivative financial instruments

The group transacts in a number of currencies as well as Sterling, and is a net purchaser of Euros. 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.

The group has not sought to apply hedge accounting treatment for any of its foreign exchange hedging activity in any of the periods presented. As a result, changes in the fair value of hedging instruments have been recognised in the income statement as they have arisen.

Where the group has identified forward foreign exchange derivative instruments within certain contracts (embedded derivatives), these have been included in the balance sheet at fair value. Fair value of these derivatives is determined by reference to quoted market rates. The value of the derivatives is reviewed on an annual basis or when the relevant contract matures.

Leases

Assets held under finance leases (those in which the group assumes substantially all the risks and rewards of ownership) are treated as tangible fixed assets and depreciation is charged accordingly. The capital elements of future

obligations are recorded as liabilities. Interest is charged to the income statement over the period of the lease in proportion to the capital outstanding.

All other leases are treated as operating leases. The rental costs arising from operating leases are charged to the income statement in the year in which they are incurred.

Employee benefits – pensions

Defined benefit scheme

The group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine its present value 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.

Actuarial gains and losses that arise in calculating the group's obligation in respect of the plan are recognised directly in equity within the statement of comprehensive income in the period in which they arise. The current service cost, interest cost and return on plan assets are recognised in the income statement in the current period.

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 material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Before provisions are established in relation to onerous contracts, impairment reviews are carried out and impairment charges recognised on assets dedicated to the contract.

Notes to the financial statements

1. Segment reporting

The reportable segments are shown in accordance with IFRS 8 ‘Operating Segments’ which came into effect in 2009. The segments are measured in a manner consistent with the management reports reviewed by the Board, which is considered the Chief Operating Decision-maker (page 131). Segment revenues include any intersegment sales and results are presented to pre-tax profit. The segments are considered principally from a product and regulatory perspective when deciding how to allocate resources within the group.

Segments are aggregated where economic characteristics and the nature of the products and services are similar and the Board considers them in aggregate when evaluating management performance and allocating resources. The segments reported are the same as those reported in previous years, as the quantitative thresholds set remain the same and there have been no major changes to the group structure during the year. Summaries of the principal activities, products and services and financial performance for each segment are provided within the Report of the members on pages 84 and 86.

Segment results, assets and liabilities include items directly attributable to a segment, along with certain costs which are allocated on an equitable basis in accordance with the group’s cost allocation policies which are reviewed under arrangements required under Schedule 9 of the Communications Act (page 129). All costs and revenues are fully allocated across the segments. Fixed assets are held in Channel 4 and costs of these assets are recharged to other segments within operating expenditure.

Inter-segment pricing is determined on an arm’s length basis. There are no segments selling primarily or exclusively to other segments of the group.

Revenues from transactions with individual external customers comprising more than 10% of the group’s revenues in 2009 were £97 million and £95 million (2008: £96 million and £89 million). The group’s major customers are all media buying agencies and these revenues are attributable to the Channel 4, 4Channels and Future Media segments.

Approximately 2% of the group’s revenues (2008: 1%) are attributable to external customers outside the UK and these are therefore not separately presented.

Reconciliations to group profit for the year and to group net assets at the balance sheet date are included in the tables below.

Year ended 31 December 2009	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
Revenue							
External sales	575.1	181.3	43.9	25.8	4.2	—	830.3
Inter-segment sales	—	—	0.9	7.0	2.2	(10.1)	—
Total revenue	575.1	181.3	44.8	32.8	6.4	(10.1)	830.3
Result							
Gross profit/(loss)	(15.6)	54.2	11.7	6.2	(4.9)	—	51.6
Other operating expenditure	(43.8)	(0.7)	(0.2)	(3.0)	—	—	(47.7)
Operating profit/(loss)	(59.4)	53.5	11.5	3.2	(4.9)	—	3.9
Financial income	10.5	0.1	0.3	—	0.2	—	11.1
Financial expense	(12.7)	(0.2)	—	(0.2)	—	—	(13.1)
Net finance costs	(2.2)	(0.1)	0.3	(0.2)	0.2	—	(2.0)
Share of profit of investments accounted for using the equity method net of income tax	—	—	—	—	0.3	—	0.3
Profit/(loss) before tax	(61.6)	53.4	11.8	3.0	(4.4)	—	2.2
Income tax expense							(1.9)
Profit for the year							0.3
Other information							
Capital additions (notes 10 and 11)	1.7	—	—	—	—	—	1.7
Depreciation (note 10)	5.4	—	—	—	—	—	5.4
Amortisation (note 11)	1.4	—	—	—	0.8	—	2.2
Impairments (notes 9 and 10)	6.2	—	—	—	0.2	—	6.4
Reversal of impairment (note 8)	—	—	—	1.9	—	—	1.9

As at 31 December 2009	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
Balance sheet							
Segment assets	583.0	39.4	61.9	4.8	59.8	(85.4)	663.5
Segment liabilities	(188.5)	(31.3)	(22.3)	(18.1)	(71.9)	85.4	(246.7)
Net assets/(liabilities)	394.5	8.1	39.6	(13.3)	(12.1)	—	416.8

Notes to the financial statements continued

1. Segment reporting (continued)

Year ended 31 December 2008	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other* £m	Eliminations £m	Group £m
Revenue							
External sales	668.7	175.0	33.7	26.0	2.7	—	906.1
Inter-segment sales	—	—	0.9	7.4	6.5	(14.8)	—
Total revenue	668.7	175.0	34.6	33.4	9.2	(14.8)	906.1
Result							
Gross profit/(loss)	11.3	42.2	10.8	(1.0)	(4.1)	—	59.2
Other operating expenditure	(35.3)	(1.1)	(1.9)	(5.8)	(15.6)	—	(59.7)
Operating profit/(loss)	(24.0)	41.1	8.9	(6.8)	(19.7)	—	(0.5)
Financial income	21.1	0.3	1.5	0.2	2.3	—	25.4
Financial expense	(7.0)	(4.0)	—	(0.7)	—	—	(11.7)
Net finance costs	14.1	(3.7)	1.5	(0.5)	2.3	—	13.7
Share of profit of investments accounted for using the equity method net of income tax	—	—	—	—	(3.3)	—	(3.3)
Profit/(loss) before tax	(9.9)	37.4	10.4	(7.3)	(20.7)	—	9.9
Income tax expense							(8.1)
Profit for the year							1.8

Other information							
Capital additions (notes 10 and 11)	5.8	—	—	—	—	—	5.8
Depreciation (notes 10)	7.0	—	—	—	—	—	7.0
Amortisation (note 11)	1.1	—	—	—	0.8	—	1.9
Impairments (notes 8, 10 and 11)	2.3	—	—	—	3.8	—	6.1

As at 31 December 2008	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other* £m	Eliminations £m	Group £m
Balance sheet							
Segment assets	602.4	23.9	50.2	3.6	84.1	(121.5)	642.7
Segment liabilities	(142.9)	(58.8)	(19.3)	(24.9)	(82.9)	121.5	(207.3)
Net assets/(liabilities)	459.5	(34.9)	30.9	(21.3)	1.2	—	435.4

* During 2008 the group made the decision to exit its 4Radio venture (included within ‘Other’). As this undertaking did not constitute a reportable segment on the basis of materiality it was not disclosed as a discontinued operation.

Notes to the financial statements continued

2. Total operating expenditure

Cost of transmission and sales

	Programme and other content £m	Transmitter and regulatory costs		Indirect programme costs £m	Cost of sales £m	Cost of marketing £m	Total £m
		Analogue £m	Digital £m				
2009							
Channel 4	471.9	18.8	37.5	22.0	20.6	19.9	590.7
4Channels	78.2	—	31.0	4.5	5.7	7.7	127.1
4Rights	—	—	—	0.2	30.1	2.8	33.1
Future Media	0.3	—	0.9	14.9	9.2	1.3	26.6
Other	5.8	—	0.3	0.2	4.4	0.6	11.3
Eliminations	(7.9)	—	—	—	(2.2)	—	(10.1)
Group continuing operations	548.3	18.8	69.7	41.8	67.8	32.3	778.7
2008							
Channel 4	516.3	20.2	35.5	34.3	25.4	25.7	657.4
4Channels	85.8	—	27.1	4.3	4.8	10.8	132.8
4Rights	—	—	—	—	21.1	2.7	23.8
Future Media	0.4	—	1.1	23.0	7.9	2.0	34.4
Other	3.5	—	—	1.7	7.9	0.2	13.3
Eliminations	(7.4)	—	—	—	(7.4)	—	(14.8)
Group continuing operations	598.6	20.2	63.7	63.3	59.7	41.4	846.9

Programme and other content classified as ‘Other’ relates to expenditures on 4iP and cross-platform activities which exploit and enhance programme content across online distribution channels. Indirect programme costs classified as ‘Future Media’ include certain other expenditures on digital media content.

Other operating expenditure

	2009 £m	2008 £m
Restructuring costs	(2.1)	(6.7)
Business development expenditure	—	(8.1)
Depreciation and amortisation (notes 10 and 11)	(7.6)	(8.9)
Impairments (notes 8, 9, 10 and 11)	(6.4)	(6.1)
Reversal of impairment of investment in UK VOD LLP (note 8)	1.9	—
Provision for onerous property leases	(6.2)	—
Other administrative expenses	(27.3)	(29.9)
Total other operating expenditure	(47.7)	(59.7)

3. Operating profit/(loss)

Other operating expenditure includes:

	2009 £m	2008 £m
Depreciation of fixed assets (note 10)	5.4	7.0
Amortisation of intangible assets (note 11)	2.2	1.9
Impairment of investments (notes 8 and 9)	0.2	3.8
Impairment of freehold land and building (note 10)	4.8	—
Impairment of fixtures, fittings and equipment and internally developed software (notes 10 and 11)	1.4	2.3
Reversal of impairment of investment in UK VOD LLP (note 8)	(1.9)	—
Restructuring costs	2.1	6.7
Research and development (page 89)	5.3	9.5
Members’ remuneration (page 133)	3.9	3.4
Operating lease rentals (note 19)	1.3	2.9

In accordance with the exemption available under section 408 of the Companies Act 2006 Channel 4 has not presented its own income statement. Within the profit for the year of £0.3 million (2008: profit of £1.8 million) recorded in the consolidated income statement, a loss of £46.5 million (2008: £7.2 million) results from Channel 4.

Restructuring costs relate to the costs of employees working their notice following the 2008 restructuring programme to increase the operational efficiency of the group and to additional severance costs paid to employees during the year.

Auditors’ remuneration

Fees in respect of services provided by the auditors were:

	2009 £000	2008 £000
Audit of these financial statements	67	66
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	63	63
Other audit related and assurance	82	54
Total audit and assurance	212	183
Other services relating to taxation	64	35
Services relating to corporate finance transactions	201	—
All other services	27	108
Total other services	292	143
Auditors’ remuneration	504	326

In addition to the above services £21,000 (2008: £21,000) was paid to the group’s auditors who acted as auditors to the Channel Four Television Staff Pension Plan.

The appointment of auditors to the Channel Four Television Staff Pension Plan and the fees paid in respect of those audits are agreed by the trustees of the Plan, who act independently from the management of the group.

Notes to the financial statements continued

4. Employee expenses and information

A detailed analysis of members’ remuneration, including salaries and performance-related bonuses, is provided in the Report on members’ remuneration on pages 132-135.

The direct costs of all employees, including members, appear below:

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Aggregate gross salaries	47.3	55.3	34.2	35.2
Employer’s national insurance contributions	5.0	5.9	3.3	3.7
Employer’s defined benefit pension contributions (note 20)	4.9	4.8	4.6	4.3
Employer’s defined contribution pension contributions (note 20)	0.3	0.2	0.3	0.1
Total direct costs of employment	57.5	66.2	42.4	43.3

In addition to the above, in 2008 £6.7 million costs were accrued in respect of the restructuring programme to increase operational efficiency within the group (note 17). During 2009 a further £1.6 million was paid to employees leaving under the restructuring programme.

The average number of employees, including executive members, was as follows:

	2009 Number	2008 Number
Channel 4		
Programme commissioning	146	190
Transmission and engineering	17	36
Corporate affairs and press office	29	39
Advertising and sponsorship sales and research	97	111
Corporate and strategy	24	26
Information systems	28	39
Marketing and creative services	28	35
Finance, human resources and facilities management	51	57
	420	533
4Channels	106	132
Future Media	105	146
4Rights	23	22
Other	42	72
	276	372
Group total	696	905
Permanent employees	664	846
Contract staff	32	59
	696	905
Male	313	415
Female	383	490
	696	905

Closing headcount for the year was 694. Average headcount has reduced in 2009 compared with 2008 as a result of the restructuring programme which took place in late 2008.

4. Employee expenses and information (continued)

Travel, subsistence and hospitality expenditure was as follows:

	2009 £000	2008 £000
Members	63	107
Other employees:		
Channel 4	1,663	1,975
Other businesses	175	271
Total	1,901	2,353

Staff loans outstanding at 31 December were as follows:

	2009 £000	2008 £000
Season ticket loans	200	162

There were no loans to members.

5. Net finance costs

Net finance costs recognised in the year comprised:

	2009 £m	2008 £m
Interest receivable on short-term deposits	2.0	10.5
Change in fair value of financial assets	—	2.6
Foreign exchange gain	—	0.8
Expected return on plan assets (note 20)	9.1	11.5
Financial income	11.1	25.4
Unwinding of discount on provisions (note 17)	(1.6)	(1.0)
Interest on pension scheme liabilities (note 20)	(10.4)	(10.1)
Change in fair value of financial assets	(0.3)	—
Foreign exchange loss	(0.2)	—
Financing costs	(0.6)	(0.6)
Financial expense	(13.1)	(11.7)

Foreign exchange losses reflect the effect of the depreciation of the US dollar and Euro against Sterling during the year on cash holdings denominated in US dollars and Euros.

Financing costs reflect interest costs borne by the group on certain content agreements.

Notes to the financial statements continued

6. Income tax expense

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

	2009 £m	2008 £m
Current tax:		
Current year	3.5	7.0
Adjustment for prior years	(0.4)	(1.7)
	3.1	5.3
Deferred tax: origination and reversal of temporary differences		
Current year	(1.3)	1.0
Prior year	0.1	1.8
Income tax expense excluding share of income tax of investments accounted for using the equity method	1.9	8.1
Share of income tax of investments accounted for using the equity method	0.8	0.7
Total income tax expense	2.7	8.8

Corporation tax is charged at the standard UK rate of 28.0% for the year (2008: 28.5%).

Reconciliation of effective tax rate

	2009 %	2009 £m	2008 %	2008 £m
Profit for the year		0.3		1.8
Total income tax expense		2.7		8.8
Profit excluding income tax		3.0		10.6
Income tax using the domestic corporation tax rate		0.8		3.0
Effects of:				
Non-deductible expenses		2.8		4.5
Non-taxable distributions		(0.6)		—
Tax losses not recognised		—		1.2
(Over)/under provided in prior periods		(0.3)		0.1
Income tax expense	89.5	2.7	83.0	8.8

Current tax assets and liabilities

The current tax asset of £0.2 million (2008: current tax liability £3.7 million) represents the amount of income tax receivable in respect of current and prior periods (notes 14 and 16).

Deferred tax recognised directly in equity

The following movement in deferred tax has been recognised directly in equity and is shown in the statement of comprehensive income:

	2009 £m	2008 £m
Relating to employee benefits	6.6	3.8
Deferred tax recognised in equity	6.6	3.8

7. Investments in subsidiaries

Subsidiaries

The cost of investments at 31 December was:

	Channel 4 2009 £000	Channel 4 2008 £000
4 Ventures Ltd	1	1

4Ventures Ltd is a 100% owned subsidiary of Channel 4. Its principal activities include the activities of the 4Channels, 4Rights and Future Media segments (page 86).

At the balance sheet date 4Ventures Ltd owned more than 50% of the issued share capital of the following companies either directly or indirectly*, each of which was incorporated in Great Britain:

	Activity	Issued ordinary £1 shares	Ownership %
FilmFour Ltd	Film distribution	1,000	100
Life One Broadcasting Ltd	Digital channel	1,000	100
Life Two Broadcasting Ltd*	Digital channel	1,000	100
Life Showcase Ltd*	Digital channel	1,000	100
Channel 4 Radio Ltd	Digital Radio channels	1	100
Channel 4 Radio Services Ltd*	Digital Radio channels	1	100
4 Digital Group Ltd*	Digital Radio channels	3,000,000	55

FilmFour Ltd sells rights from its film library to Protagonist Pictures Ltd, a joint venture film sales company (note 8).

Life One Broadcasting Ltd and its two wholly owned subsidiaries, Life Two Broadcasting Ltd and Life Showcase Ltd, own licences to broadcast three channels on the Sky platform.

During 2008, Channel 4 announced its withdrawal from 4Radio. As a result, Channel 4 Radio Ltd and Channel 4 Radio Services Ltd will become dormant in future years.

Assets remaining in 4 Digital Group Ltd were distributed to the shareholders during 2009. Subsequent to the balance sheet date, on 15 January 2010 a final meeting of the shareholders in 4 Digital Group was held, at which the company was dissolved.

8. Investments accounted for using the equity method

Box Television Ltd

The investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box Television Ltd (Box). The other shareholder is Bauer Consumer Media Ltd.

Impairment tests on the goodwill and intangible assets acquired as a result of the investment in Box are carried out annually or if indications arise of a possible impairment. The recoverable amounts of the goodwill and intangible assets in Box are determined based on their value in use.

An impairment review was carried out by estimating the future expected cash flows for Box, using a pre-tax discount rate of 11% (2008: 11.25%) reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 4%, an equity risk premium of 7% and a beta of 1, and a growth rate of 2.5% after five years, consistent with long-term average growth rates for the digital television industry. The cash flow forecast reflected growth in line with Channel 4's conservative view of the digital television advertising market and the transfer of advertising sales representation from Sky to Channel 4 from 1 January 2010. The present value of the cash flows accruing to Channel 4 was then compared to the carrying value of the goodwill and other intangible assets held on the balance sheet. No impairment was required as a result.

Management has approved the forecast on which the cashflow analysis has been based and believes that there are currently no likely changes in revenues or discount rate which would reduce the value in use for Box down to a level where an impairment would arise.

Taste of London Ltd

The investment reflects 27,250 ordinary shares of £1 representing 50% of the share capital of Taste of London Ltd. The other shareholder is Brand Events Ltd.

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

UK VOD LLP

During 2009 Kangaroo, the project name for a joint venture to develop a one-platform video on demand service with BBC Worldwide and ITV plc, was prohibited by the Competition Commission. The value of the investment in the jointly controlled entity, UK VOD LLP, was fully written down in 2008 as a post-balance sheet event.

Later in the year UK VOD LLP disposed of the technology platform it had developed to Arqiva Ltd. Following the disposal and in anticipation of the subsequent winding up of the entity, funds representing the assets of the entity were returned to each of the shareholders. Channel 4 received a net return in the year of £1.9 million, which was recognised in the income statement, the investment having been fully impaired in the previous year (note 3).

Protagonist Pictures Ltd

The investment reflects 131,250 ordinary shares of £1, representing 33% of the share capital of Protagonist Pictures Ltd. The other shareholders are Vertigo Holdings Ltd and Ingenious Media Services Ltd.

Big Freeze Ltd

During the year the group acquired 25 ordinary shares of £1 in Big Freeze Ltd, a venture formed to develop, produce and exploit snow sport and music events. The group contributed less than £0.1 million in funding to the entity during the year. The other shareholders are Sports Vision (International) Ltd, which holds 50% of the shares, and Boomerang Plus Plc, which holds 25% of the shares.

Galaxy New Media Ltd

The group held 50% of the share capital of Galaxy New Media Ltd, a company developing an online classified property website. As a result of the joint venture entity going into administration in 2008, the investment was liquidated during 2009.

Popworld Ltd

The group holds 29% of the share capital of Popworld Ltd. This investment was fully provided in 2009 and 2008 following the transfer of the assets and liabilities of the company to 19 Entertainment Ltd.

Summary annual financial information of continuing investments

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
2009						
Box Television Ltd	11.2	0.6	(6.5)	—	28.3	(23.4)
Taste of London Ltd	1.2	0.1	(0.7)	—	4.0	(3.3)
Protagonist Pictures Ltd	0.7	—	(0.8)	—	0.3	(0.4)
Big Freeze Ltd	0.1	—	(0.3)	—	1.1	(1.3)
	13.2	0.7	(8.3)	—	33.7	(28.4)
2008						
Box Television Ltd	10.6	0.7	(4.9)	—	26.6	(21.9)
Taste of London Ltd	1.7	—	(1.2)	—	4.6	(4.0)
Protagonist Pictures Ltd	0.4	—	(0.3)	—	—	(0.4)
	12.7	0.7	(6.4)	—	31.2	(26.3)

The broadcast licence acquired as part of the investment in Box Television Ltd is amortised over the duration of the licence (eight years). These amounts are included within the carrying value of investments accounted for using the equity method.

The trademark acquired as part of the investment in Taste of London Ltd is amortised over ten years from acquisition in line with its estimated useful life.

There are no contingent liabilities and no capital commitments in respect of joint ventures to be included within the group's financial statements.

8. Investments accounted for using the equity method (continued)

Investments accounted for using the equity method comprise:

	2009 £m	2008 £m
Box Television Ltd		
Carrying value at 1 January	28.6	30.4
Adjustment to goodwill	—	(0.2)
Share of post acquisition profits (net of income tax)	1.4	1.4
Amortisation	(1.2)	(1.2)
Share of dividends received	(1.5)	(1.8)
Total carrying value at 31 December	27.3	28.6

Taste of London Ltd

Carrying value at 1 January	1.6	1.7
Share of post acquisition profits (net of amortisation and income tax)	0.2	0.1
Share of dividends received	(0.3)	(0.2)
Total carrying value at 31 December	1.5	1.6

UK VOD LLP

Carrying value at 1 January	—	—
Reversal of impairment	1.9	—
Investments	—	6.4
Share of post acquisition losses (net of income tax)	—	(2.7)
Distribution	(1.9)	—
Impairment	—	(3.7)
Total carrying value at 31 December	—	—

Protagonist Pictures Ltd

Carrying value at 1 January	0.2	—
Investments	—	0.3
Share of post acquisition losses (net of income tax)	(0.1)	(0.1)
Total carrying value at 31 December	0.1	0.2

Galaxy New Media Ltd

Carrying value at 1 January	—	—
Investments	—	0.5
Share of post acquisition losses (net of income tax)	—	(0.4)
Impairment	—	(0.1)
Total carrying value at 31 December	—	—

The following of the group's joint ventures are not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. Contributions that the group makes to the funding requirements of these organisations are recognised in the appropriate line in the income statement in the period to which they relate.

Digital 3 and 4 Ltd

Channel 4 holds 1,000 A class ordinary £1 shares in Digital 3 and 4 Ltd, representing 50% of the share capital. ITV Network Ltd owns the other 50%. Digital 3 and 4 Ltd has been granted a licence by Ofcom to operate the Channel 3 and Channel 4 digital terrestrial multiplex. At 31 December 2009, Channel 4's share of the net assets of Digital 3 and 4 Ltd amounted to £1,000. The company acts as an agent for its shareholders.

Clearcast Ltd

Channel 4 holds one ordinary £1 share in Clearcast Ltd, representing 12.5% of the share capital. ITV Network Ltd, BSKyB plc, Channel 5 Broadcasting Ltd, GMTV Ltd, Viacom Brand Solutions Ltd, Turner Entertainment Networks International Ltd and Interactive Digital Sales Ltd own the remaining 87.5%. Clearcast Ltd is responsible for the pre-transmission examination and clearance of television advertisements.

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

DTV Services Ltd
Channel 4 holds 6,000 ordinary £1 shares in DTV Services Ltd, representing 20% of the share capital. The BBC, National Grid Wireless, BSkyB plc and ITV Network Ltd own the remaining 80%. DTV Services Ltd is the company responsible for marketing the Freeview digital terrestrial TV network.

Broadcasters' Audience Research Board Ltd (BARB)
BARB is a company limited by guarantee. Channel 4 is a joint member along with the BBC, ITV Network Ltd, Channel 5 Broadcasting Ltd, BSkyB plc and the IPA.

DTT Multiplex Operators Ltd (DMOL)
DMOL is a company limited by guarantee. The group is a member via its share in Digital 3 & 4 Ltd. The other members are the BBC, National Grid Wireless plc and SDN Ltd.

Thinkbox Ltd
Channel 4 holds 3,000 ordinary £1 shares representing 14% of the share capital. Channel 5 Broadcasting Ltd, GMTV Ltd, ITV plc, BSkyB plc, Turner Broadcasting and Viacom Brand Solutions Ltd hold the remainder of the shares. Thinkbox Ltd is the television marketing body for the main UK commercial broadcasters.

Parliamentary Broadcasting Unit Ltd
Channel 4 holds one share in the Parliamentary Broadcasting Unit Ltd, representing 11.1% of the share capital. The BBC owns four shares and ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd and Park Square (Leeds) Nominees Ltd each own one share.

9. Equity investments

Equity investments held comprise:

	2009 £m	2008 £m
At 1 January	2.2	2.1
Additions	0.5	0.1
Impairment	(0.2)	—
At 31 December	2.5	2.2

Espresso Broadband Ltd
£2.1 million of the equity investments held by the group at 31 December 2009 relate to a 10% equity holding in Espresso Broadband Ltd, a leading digital curriculum service, held since March 2007.

School of Everything Ltd
In February 2008, the group acquired a 7% stake in the ordinary share capital of School of Everything, a website promoting interactive learning opportunities, for £100,000. This was followed by a subsequent investment in January 2009 of 10,000 £10 preference shares representing 38% of the newly issued preference share capital, bringing the total investment in School of Everything Ltd to £0.2 million.

MyBuilder Ltd
In August 2009, the group acquired a minority stake in the ordinary share capital of MyBuilder Ltd, a website marketplace to find local builders and tradesmen, for £350,000.

Mobile IQ Ltd
A further investment is held in Mobile IQ Ltd. The value of the investment is less than £0.1 million.

Certain equity investments held by the group are made by 4iP, which places seed capital with start-up companies, amongst other things developing public service content online (page 72). The commercial returns from these investments may be uncertain and they are therefore subject to regular impairment reviews. As a result, £0.2 million has been provided at the balance sheet date.

There is no active market for the above investments. The members believe that valuation at cost less impairment charges is a reasonable approximation to fair value.

10. Property, plant and equipment

Group and Channel 4	Freehold land and building £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation			
At 1 January 2008	58.3	112.5	170.8
Additions	—	3.6	3.6
Disposals	—	—	—
Revaluation	(9.3)	—	(9.3)
At 31 December 2008	49.0	116.1	165.1
At 1 January 2009	49.0	116.1	165.1
Additions	—	1.7	1.7
Disposals	—	—	—
Revaluation	(7.0)	—	(7.0)
At 31 December 2009	42.0	117.8	159.8

Depreciation			
At 1 January 2008	—	96.0	96.0
Charge for the year	1.1	5.9	7.0
Impairment	—	1.8	1.8
Revaluation	(1.1)	—	(1.1)
At 31 December 2008	—	103.7	103.7
At 1 January 2009	—	103.7	103.7
Charge for the year	0.8	4.6	5.4
Impairment	—	1.4	1.4
Revaluation	(0.8)	—	(0.8)
At 31 December 2009	—	109.7	109.7

Net book value			
At 1 January 2008	58.3	16.5	74.8
At 31 December 2008	49.0	12.4	61.4
At 1 January 2009	49.0	12.4	61.4
At 31 December 2009	42.0	8.1	50.1

Commitments to purchase property, plant and equipment are detailed in note 19. There were no material assets held under finance leases at the balance sheet date. No assets have been pledged for security (2008: none).

The impairment of fixtures, fittings and equipment in 2009 principally relates to a number of assets written down in relation to certain onerous property rental agreements for which the depreciated historical cost value exceeded their recoverable amount, where recoverable amount is the higher of value in use and the fair value less costs to sell. As there is no active market for the assets impaired, value in use has been used to estimate the recoverable amount. The impairment has been charged to other operating expenditure within the income statement (note 2).

Valuation of freehold property
The freehold property, comprising the office and transmission centre at 124 Horseferry Road, London SW1P 2TX, was valued at 31 December 2009 by external valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the members believe approximates to current value.

The open market value for this property was £42.0 million (2008: £49.0 million). After depreciation charged on the open market value at 31 December 2008 (£0.8 million), £1.4 million of the impairment for the year has been taken directly to equity in the revaluation reserve. The remaining £4.8 million has been charged to the income statement (note 3).

Notes to the financial statements continued

10. 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:

	2009 £m	2008 £m
Cost	62.3	62.3
Accumulated depreciation	(15.5)	(14.7)
Impairment	(4.8)	—
Net book value	42.0	47.6

11. Intangible assets

	Channel 4 Developed software £m	Other Broadcasting licence £m	Group Total £m
Cost			
Balance as at 1 January 2008	15.6	4.6	20.2
Internally developed	2.2	—	2.2
At 31 December 2008	17.8	4.6	22.4
Balance as at 1 January 2009	17.8	4.6	22.4
Internally developed	0.8	—	0.8
At 31 December 2009	18.6	4.6	23.2
Amortisation			
Balance as at 1 January 2008	11.1	0.5	11.6
Amortisation for the year	1.1	0.8	1.9
Impairment	0.5	—	0.5
At 31 December 2008	12.7	1.3	14.0
Balance as at 1 January 2009	12.7	1.3	14.0
Amortisation for the year	1.4	0.8	2.2
At 31 December 2009	14.1	2.1	16.2
Carrying amount			
At 1 January 2008	4.5	4.1	8.6
At 31 December 2008	5.1	3.3	8.4
At 1 January 2009	5.1	3.3	8.4
At 31 December 2009	4.5	2.5	7.0

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 under IAS 38 'Intangible Assets'. Assets are amortised on a straight line basis over two to five years from the date the asset becomes available for use. The amortisation charge for developed software is recognised within depreciation and amortisation within the income statement (note 2).

The impairment charge in 2008 reflects the write-down of certain projects for which the expected benefits did not support their carrying value. The impairment was charged to other operating expenditure within the income statement (also note 2).

The Broadcasting licences acquired as part of the acquisition of Life One Broadcasting Ltd on 30 April 2007 (note 7) are considered to have a useful economic life of six years and are amortised on a straight line basis over this period. At the year end no indications of impairment of these assets were identified.

12. Deferred tax assets and liabilities

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m	Net 2009 £m	Net 2008 £m
Property, plant and equipment	2.5	3.0	—	—	2.5	3.0
Intangible assets	—	—	(1.2)	(2.0)	(1.2)	(2.0)
Employee benefits	12.5	5.9	—	—	12.5	5.9
Other short-term timing differences	0.7	0.6	(0.1)	(0.7)	0.6	(0.1)
Channel 4 deferred tax assets/(liabilities)	15.7	9.5	(1.3)	(2.7)	14.4	6.8
Other short-term timing differences	0.3	0.5	(2.7)	(3.1)	(2.4)	(2.6)
Group deferred tax assets/(liabilities)	16.0	10.0	(4.0)	(5.8)	12.0	4.2

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2009 £m	2008 £m
Revaluation of freehold land and buildings	5.7	3.7
Carried forward capital losses	1.2	1.2
Carried forward trading losses	1.4	2.0
Unrecognised deferred tax assets	8.3	6.9

Unrecognised deferred tax assets include capital losses carried forward that the group is not yet able to utilise. A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised (either now or in later accounting periods).

Movements in temporary differences during the year

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

	Balance at 1 Jan 09 £m	Recognised in income £m	Recognised in equity £m	Balance at 31 Dec 09 £m
Property, plant and equipment	3.0	(0.5)	—	2.5
Intangible assets	(2.0)	0.8	—	(1.2)
Employee benefits	5.9	—	6.6	12.5
Other short-term timing differences	(0.1)	0.7	—	0.6
Channel 4 deferred tax assets	6.8	1.0	6.6	14.4
Other short-term timing differences	(2.6)	0.2	—	(2.4)
Group deferred tax assets	4.2	1.2	6.6	12.0

	Balance at 1 Jan 08 £m	Recognised in income £m	Recognised in equity £m	Balance at 31 Dec 08 £m
Property, plant and equipment	3.0	—	—	3.0
Intangible assets	(1.3)	(0.7)	—	(2.0)
Employee benefits	2.7	(0.6)	3.8	5.9
Other short-term timing differences	0.8	(0.9)	—	(0.1)
Channel 4 deferred tax assets/(liabilities)	5.2	(2.2)	3.8	6.8
Other short-term timing differences	(2.0)	(0.6)	—	(2.6)
Group deferred tax assets/(liabilities)	3.2	(2.8)	3.8	4.2

Notes to the financial statements continued

13. Programme and film rights and other inventories

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Programmes and films completed but not transmitted	81.4	74.5	79.6	69.8
Acquired programme and film rights	75.2	66.4	60.1	53.8
Programmes and films in the course of production	44.2	67.3	42.6	64.9
Other inventories	1.1	0.9	—	—
Programme and film rights and other inventories	201.9	209.1	182.3	188.5

Certain programme and film rights may not be utilised within one year.

Programme rights and other inventories to the value of £532.7 million were recognised as expenses in the year (2008: £585.4 million). Of this amount, obsolete programmes and developments written off totalled £28.0 million for the group (2008: £16.1 million) and £26.7 million for Channel 4 (2008: £15.2 million).

Other inventories represent amounts held within the 4Rights segment for DVDs related to Channel 4 programmes.

14. Trade and other receivables

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Trade receivables	106.5	90.4	79.1	70.8
Amounts due from subsidiaries	—	—	9.7	42.6
Prepayments and accrued income	33.1	20.2	26.1	17.4
Distribution and producer advances	5.0	4.2	—	—
Total trade and other receivables	144.6	114.8	114.9	130.8
Corporation tax	0.2	—	3.2	1.8
Current tax assets	0.2	—	3.2	1.8

Amounts due to Channel 4 from subsidiaries are unsecured and bear interest at the Bank of England base rate prevailing at the beginning of the year.

Trade receivables are shown net of impairment charges amounting to £0.1 million (2008: £0.2 million) recognised in the current year in relation to outstanding balances from customers, the receipt of which management view as unlikely.

15. Cash and cash equivalents and other financial assets

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Bank balances	55.0	1.3	55.0	0.2
Money market deposits maturing in less than three months	20.0	53.2	20.0	53.2
Money market funds*	126.9	99.4	126.9	99.4
Cash and cash equivalents	201.9	153.9	201.9	152.8
Money market deposits maturing after three months	10.0	50.0	10.0	50.0
Derivative financial instruments	0.4	2.5	0.4	2.5
Other financial assets	10.4	52.5	10.4	52.5

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

16. Trade and other payables and current tax liabilities

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Trade payables	7.7	7.1	7.7	7.1
National insurance	0.7	0.3	0.7	0.2
Other payables	3.7	4.0	2.7	3.9
Accruals	147.6	137.3	97.4	84.9
VAT	13.1	8.9	8.8	4.4
Total trade and other payables	172.8	157.6	117.3	100.5
Corporation tax	—	3.7	—	—
Current tax liabilities	—	3.7	—	—

The group supports the Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group (payontime.co.uk).

The group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Group Finance Director, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services other than programmes in 2009, as calculated using year end payable balances, was 13 for both the group and Channel 4 (2008: 10). Payments to suppliers of programmes are excluded from this calculation as the members believe that to include them would result in a distortion of the underlying average.

Notes to the financial statements continued

17. Provisions

	Channel 4		Other	Group
	Onerous contracts £m	Restructuring costs £m	Restructuring costs Total £m	Total £m
At 1 January 2008	10.1	6.3	16.4	16.4
Utilised in the year	(7.1)	(1.0)	(8.1)	(8.1)
Released in the year	—	(2.2)	(2.2)	(2.2)
Charged to income statement	5.3	6.2	11.5	12.0
Unwinding of discount rate	1.0	—	1.0	1.0
At 31 December 2008	9.3	9.3	18.6	19.1
At 1 January 2009	9.3	9.3	18.6	19.1
Utilised in the year	(5.1)	(6.6)	(11.7)	(12.2)
Charged to income statement	16.0	0.5	16.5	16.5
Unwinding of discount rate	1.6	—	1.6	1.6
At 31 December 2009	21.8	3.2	25.0	25.0

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

	2009 Group £m	2008 Group £m	2009 Channel 4 £m	2008 Channel 4 £m
Current	17.7	17.2	17.7	16.7
Non-current	7.3	1.9	7.3	1.9
	25.0	19.1	25.0	18.6

Onerous contracts

The provision relates to rental deficits on four buildings which are surplus to requirements and certain content agreements with contracted commitments at the balance sheet date. Utilisations of the provision and additions to the provision are recorded in other operating expenditure and programme and other content costs within the income statement (note 2). The property rental agreements are set to expire in 2014 and 2020 and the content agreements expire in 2010.

Restructuring costs

The restructuring provision at 31 December 2008 related to costs associated with initiatives to increase the operational efficiency of the group, through the outsourcing of the group's broadcast and transmission services and a headcount restructuring programme. During 2009 the headcount restructuring programme provision was fully utilised. The remaining provision held at the balance sheet date relates to the outsourcing of broadcast and transmission services and is expected to be fully utilised in 2010 as the migration of services to Red Bee Ltd premises at White City is completed.

Utilisations and additions during the year have been included within other operating expenditure within the income statement. Where applicable, the amounts charged to the income statement have been allocated to Channel 4 and Other in accordance with employees' responsibilities within the group.

Where the effect is material, provisions relating to content agreements have been discounted at a nominal rate of 11%, which reflects a risk-free rate of 4%, an equity risk premium of 7% and a beta of 1. Other provisions are discounted at a real rate of 8.5% where amounts have not been adjusted for the expected impact of inflation.

Contingent liabilities

The members are not aware of any significant legal or arbitration proceedings, pending or threatened, against any member of the group which may result in a contingent liability.

18. Derivatives and other financial instruments

In accordance with IFRS 7 'Financial Instruments: Disclosures', Channel 4 is required to provide disclosures about the nature and extent of risks arising from financial instruments.

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 Board is responsible for approving the treasury policy for the group. The group's treasury and funding activities are undertaken by a treasury function which reports to the Group Finance Director. Its primary activities are to manage the group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates. The group's policy is to ensure that adequate liquidity and financial resource is available to support the group's continuing activities and growth whilst managing these risks. The group's policy is not to engage in speculative financial transactions. The group does not seek to apply hedge accounting. Group treasury operates within clearly defined objectives and controls and is subject to periodic review by the business assurance function (page 127).

Foreign currency risk

The group is exposed to currency risk on sales and purchases that are denominated in currencies other than Sterling. The currencies that give rise to this risk are US Dollars and Euros. The group uses forward exchange contracts and currency cash receipts to hedge its currency risk. Changes in the fair value of exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the change in the fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financial income (note 5). The group does not have any foreign subsidiaries and as a result is not exposed to foreign currency risk in this regard. The group is exposed to currency movements on foreign cash holdings. Amounts held by currency are detailed below within the analysis of the group's and Channel 4's cash and deposits.

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 profit before tax would have been £0.1 million lower/higher (2008: £0.1 million).

Interest rate risk and exposure

The group invests surplus cash in fixed rate money market deposits and variable rate money market funds. Funds are invested only with an agreed list of organisations 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 0.1% lower/higher throughout the year, with all other variables held constant the group's profit before tax would have been £0.2 million lower/higher (2008: £0.2 million).

The group does not have any debt and as such is not exposed to fluctuations in interest rates in this regard.

Notes to the financial statements continued

18. Derivatives and other financial instruments (continued)

The interest rate profile of the group’s and Channel 4’s cash and deposits at 31 December 2009 and 31 December 2008 is set out below:

Interest rate risk	Group		Channel 4	
	Effective interest rate	Total	Effective interest rate	Total
	%	£m	%	£m
2009				
Cash and cash equivalents				
Interest bearing deposits maturing in less than three months held in Sterling	0.6	200.8	0.6	200.8
Interest bearing deposits maturing in less than three months held in US Dollars	0.1	0.1	0.1	0.1
Interest bearing deposits maturing in less than three months held in Euros	0.4	1.0	0.4	1.0
	0.6	201.9	0.6	201.9

	Group		Channel 4	
	Effective interest rate	Total	Effective interest rate	Total
	%	£m	%	£m
2008				
Cash and cash equivalents				
Interest bearing deposits maturing in less than three months held in Sterling	3.3	151.2	3.3	151.2
Interest bearing deposits maturing in less than three months held in US Dollars	1.2	1.3	1.2	1.3
Interest bearing deposits maturing in less than three months held in Euros	3.0	0.1	3.0	0.1
Non-interest bearing assets held in Sterling	—	1.3	—	0.2
	3.2	153.9	3.2	152.8

	Group		Channel 4	
	Effective interest rate	Total	Effective interest rate	Total
	%	£m	%	£m
2009				
Other financial assets				
Money market deposits maturing after three months held in Sterling	2.0	10.0	2.0	10.0

	Group		Channel 4	
	Effective interest rate	Total	Effective interest rate	Total
	%	£m	%	£m
2008				
Other financial assets				
Money market deposits maturing after three months held in Sterling	5.5	50.0	5.5	50.0

18. Derivatives and other financial instruments (continued)

Liquidity risk
Liquidity risk is the risk that the group fails to meet its financial obligations as they fall due. The management of operational liquidity risk aims primarily to ensure that the group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the group’s reputation. The cash balances held by the group are considered to be adequate to support the group’s medium-term funding requirements.

Trade and other payables are shown in note 16. The value of trade and other payables at 31 December 2009 was £172.8 million for the group (2008: £157.6 million) and £117.3 million for Channel 4 (2008: £100.5 million). The fair value of these financial liabilities equals their book values. The contractual cash flows are equal to the carrying amount and are classified as payable within 6 months or less at 31 December 2009 and 2008.

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. A risk strategy exists to protect against exposure to advertising sales receivables working to approved terms of reference including insurance for most customers. Exposure is monitored and reviewed on a weekly basis, and any issues are formally reported to an executive committee chaired by the Group Finance Director. Based on credit evaluation and discussions with both the committee and insurers, customers may be required to provide security in order to trade with the group.

The group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as agencies must settle their debts before advertising transmissions are broadcast.

(ii) Counterparty
See Interest rate risk exposure on page 117.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure at the balance sheet date in relation to trade receivables, net of allowance for impairment, was £106.5 million for the group (2008: £90.4 million) and £79.1 million for Channel 4 (2008: £70.8 million), with £10.4 million of other financial assets for both the group and Channel 4 (2008: £52.5 million) and cash and cash equivalents of £201.9 million for the group (2008: £153.9 million) and £201.9 million for Channel 4 (2008: £152.8 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £105.0 million for the group (2008: £88.8 million) and £77.6 million for Channel 4 (2008: £69.2 million). The maximum exposure to credit risk for trade receivables for other regions for both the group and Channel 4 was £1.5 million (2008: £1.6 million).

Trade receivables of £106.4 million for the group (2008: £90.3 million) and £79.0 million for Channel 4 (2008: £70.7 million) were aged under six months, with the remainder of less than £0.1 million for both the group and Channel 4 aged between six and twelve months (2008: £0.1 million). Included in receivables due under six months are receivables of £97.7 million for both the group and Channel 4 which were not yet due under standard credit terms at the balance sheet date (2008: £87.3 million). £77.3 million of the receivables of the group and £74.6 million of the receivables of Channel 4 were insured at the balance sheet date and £100.0 million and £77.9 million have been subsequently collected by the group and Channel 4 since the balance sheet date.

There was no significant movement in the allowance for impairment of trade receivables of £0.1 million (2008: £0.2 million) and there were no significant individual impairments of trade receivables.

Capital structure and management
Channel 4 is a statutory corporation without shareholders. Whilst returns to shareholders are therefore not relevant, the group maintains cash reserves to help protect against short term fluctuations in revenue and meet its business objectives in a timely and efficient manner. The group is committed to efficient utilisation of the cash resources at its disposal to generate an appropriate return taking into account the liquidity needs of the business and the scope of treasury policy.

Notes to the financial statements continued

18. Derivatives and other financial instruments (continued)

Derivative financial instruments

At 31 December 2009, the total value of forward contracts used as economic hedges of monetary liabilities was £14.8 million (2008: £16.2 million). This represents sixteen Euro forward purchase contracts, of which £12.7 million had a fixed maturity date with settlement within twelve months from the balance sheet date and £2.1 million within one to two years from the balance sheet date. At the 2009 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £0.3 million has been recognised in the income statement (note 5) and the associated asset of £0.4 million has been included in other financial assets in the balance sheet (note 15).

Fair values

The table below sets out a comparison of book values and corresponding fair values of all the group's financial instruments by class:

	2009 Book value £m	2009 Fair value £m	2008 Book value £m	2008 Fair value £m
Financial assets				
Cash and cash equivalents (note 15)	201.9	201.9	153.9	153.9
Other financial assets (note 15)	10.4	10.4	52.5	52.5
Trade and other receivables (note 14)	144.6	144.6	114.8	114.8
Investments accounted for using the equity method (note 8)	28.9	28.9	30.4	30.4
Equity investments (note 9)	2.5	2.5	2.2	2.2
	388.3	388.3	353.8	353.8
Financial liabilities				
Trade and other payables	(172.8)	(172.8)	(157.6)	(157.6)
	(172.8)	(172.8)	(157.6)	(157.6)

As there is no publicly traded market for the equity investments held, the members believe that valuation at cost is a reasonable approximation of fair value. The group does not intend to dispose of its equity investments in the foreseeable future.

The major methods and assumptions used in estimating the fair values of the group's financial instruments are summarised below.

Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

Trade and other receivables/payables

For trade and other receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value

The group's cost of capital at the reporting date is used to discount future cash flows to determine the fair value of financial assets and liabilities.

Except where otherwise stated, the disclosures in respect of derivatives and other financial instruments for Channel 4 are the same as for the group.

19. Commitments

a) Programme and film commitments

At 31 December, committed future expenditure for programmes and films due for payment was as follows:

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Within one year	322.2	368.5	275.4	316.3
After one year	239.7	367.6	208.3	322.1
	561.9	736.1	483.7	638.4

b) Digital 3 and 4 Ltd commitments

Under the terms of the shareholder agreement for Digital 3 and 4 Ltd, Channel 4 is committed to meeting its share of contracted costs entered into by the company. Digital 3 and 4 Ltd's exact annual monetary commitment will be dependent upon the time and extent of the roll-out of the digital transmission network.

Channel 4's share of Digital 3 and 4 Ltd's committed payments is estimated to amount to £14 million in 2010, rising to an anticipated £20 million in 2012. Digital 3 and 4 Ltd has entered into long-term distribution contracts that expire in 2022 and 2034 and Channel 4 is committed to funding its contractual share.

Channel 4's share of Digital 3 and 4 Ltd's contracted costs is net of fees charged to S4C for carriage of the S4C service on Channel 4's share of the Digital 3 and 4 multiplex. These fees are estimated to amount to £0.5 million in 2010.

c) Operating lease commitments

At 31 December, the group had total commitments under non-cancellable operating leases, all of which were for land and buildings, as set out below:

	2009 £m	2008 £m
Operating leases which expire:		
Within two to five years	1.9	0.4
After five years	27.4	29.8
	29.3	30.2

The group leases office space in four properties in London under operating leases expiring in 2014 and 2020. Annual rentals of £1.2 million were charged to the income statement in 2009 with the remainder offset by the utilisation of onerous contract provisions. The total future rental commitment amounts to £28.8 million. Office space in three of the properties has been sublet by the group, with the minimum future payments amounting to £10.3 million on sub-leases expiring between 2011 and 2020.

In addition, the group leases office space in Glasgow and Manchester under operating leases expiring between 2013 and 2015. Annual rentals of £0.1 million were charged to the income statement in 2009 and the total commitment under the leases amounts to £0.5 million.

d) Capital commitments

At 31 December, the group had contracted commitments, as set out below:

	2009 £m	2008 £m
Property, plant and equipment:		
Contracted but not provided in the financial statements	0.1	0.5

Notes to the financial statements continued

20. Employee benefits – pensions

The group operates a defined benefit pension scheme – the Channel Four Television Staff Pension Plan (the Plan), providing benefits based on final salary for employees.

The amounts recognised in the group and Channel 4 balance sheets are as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of funded obligations	(220.6)	(170.4)	(176.2)	(168.1)	(165.4)
Fair value of plan assets	175.7	149.3	166.8	153.2	133.3
Recognised liability for defined benefit obligations	(44.9)	(21.1)	(9.4)	(14.9)	(32.1)

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets at 1 January	149.3	166.8	153.2	133.3	104.3
Expected return on plan assets	9.1	11.5	10.5	9.4	7.4
Benefits paid	(2.7)	(3.0)	(3.0)	(1.9)	(2.7)
Employer contributions net of charges*	4.7	5.4	6.2	10.5	9.4
Employee contributions net of charges	1.4	1.6	1.3	1.3	1.6
Actuarial gain/(loss) on plan assets	13.9	(33.0)	(1.4)	0.6	13.3
Fair value of scheme assets at 31 December	175.7	149.3	166.8	153.2	133.3

* Employer contributions include an additional contribution of £5.7 million paid in March 2006.

The fair value of the plan assets and the return on those assets were as follows:

	2009 Actual return £m	2008 Actual return £m	2007 Actual return £m	2006 Actual return £m	2005 Actual return £m	2009 Actual return %	2008 Actual return %	2007 Actual return %	2006 Actual return %	2005 Actual return %	2009 Fair value £m	2008 Fair value £m	2007 Fair value £m	2006 Fair value £m	2005 Fair value £m
Equities	20.4	(28.4)	7.7	9.9	18.1	28.5	(26.3)	7.6	10.7	21.7	98.4	76.6	105.3	105.6	81.4
Bonds	2.6	7.0	1.4	0.1	2.6	2.5	11.2	5.1	0.3	10.6	74.1	69.3	58.0	43.5	43.2
Other	—	—	—	—	—	—	—	5.3	3.0	4.0	3.2	3.4	3.5	4.1	8.7
	23.0	(21.4)	9.1	10.0	20.7						175.7	149.3	166.8	153.2	133.3

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of scheme liabilities at 1 January	170.4	176.2	168.1	165.4	129.8
Current service cost	3.5	5.7	6.1	6.1	5.3
Gain on curtailments	—	(0.9)	—	—	—
Employee contributions net of charges	1.4	1.6	1.3	1.3	1.6
Interest costs	10.4	10.1	9.1	8.3	7.2
Benefits paid	(2.7)	(3.0)	(3.0)	(1.9)	(2.7)
Actuarial loss/(gain) on plan liabilities	37.6	(19.3)	(5.4)	(11.1)	24.2
Present value of scheme liabilities at 31 December	220.6	170.4	176.2	168.1	165.4

20. Employee benefits – pensions (continued)

Expense recognised in the income statement:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Current service cost	3.5	5.7	6.1	6.1	5.3
Gain on curtailments	—	(0.9)	—	—	—
Interest on pension scheme liabilities	10.4	10.1	9.1	8.3	7.2
Expected return on plan assets	(9.1)	(11.5)	(10.5)	(9.4)	(7.4)
Net charge to income statement	4.8	3.4	4.7	5.0	5.1

The expense has been recognised in the following lines in the income statement:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Cost of transmission and sales	2.8	3.9	4.0	4.1	3.8
Other operating expenditure	0.7	0.9	2.1	2.0	1.5
Net financial expense/(income)	1.3	(1.4)	(1.4)	(1.1)	(0.2)
Net charge to income statement	4.8	3.4	4.7	5.0	5.1

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience (loss)/gain on plan liabilities	(37.6)	19.3	5.4	11.1	(24.2)
Experience gain/(loss) on plan assets	13.9	(33.0)	(1.4)	0.6	13.3
Actuarial (loss)/gain	(23.7)	(13.7)	4.0	11.7	(10.9)

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income since transition to IFRS is £40.6 million.

Principal actuarial assumptions at the balance sheet date

	2009 %	2008 %	2007 %	2006 %	2005 %
Discount rate	5.75	6.00	5.60	5.25	4.85
Rate of increase in salaries	4.50	3.65	3.45	3.30	3.00
Rate of increase in pensions	3.60	2.75	3.20	3.05	2.75
Inflation	3.60	2.75	3.20	3.05	2.75
Expected return on plan assets – equities	8.40	7.00	7.50	7.60	8.00
Expected return on plan assets – bonds	5.00	5.00	5.70	5.10	4.10
Expected return on plan assets – cash	1.00	3.00	5.50	5.25	4.00

	2009 years	2008 years	2007 years	2006 years	2005 years
Life expectancy from 60 (now aged 40) – male	28.3	28.3	26.6	26.6	26.6
Life expectancy from 60 (now aged 40) – female	29.2	29.1	29.4	29.4	29.4
Life expectancy from 60 (now aged 60) – male	26.7	26.6	26.6	24.5	24.5
Life expectancy from 60 (now aged 60) – female	28.1	28.0	29.4	27.5	27.5

Notes to the financial statements continued

20. Employee benefits – pensions (continued)

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.

Contribution rates 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 1 January 2009 and this valuation was subsequently updated at 1 January 2010. The results of the valuation at 1 January 2010 showed that the scheme’s assets represented 85% of the benefits that had accrued to members, reflecting a deficit of £29.7 million.

Following the valuation and discussions with the Actuary to the Plan, the Trustees and the Board have agreed to pay an additional monthly contribution of £238,000 from 1 April 2010 in addition to the current £56,000 per month payable from 1 January 2007 to reduce the Plan’s funding deficit.

The estimated employer contributions in 2010 are £6.8 million.

There was no material impact on the financial statements from the adoption of IFRIC 14 ‘The time limit on a defined benefit asset, minimum funding requirements and their interaction’ in 2009.

21. Related party transactions

Details of transactions in which members have an interest are disclosed on page 87. Details of members’ remuneration are shown in the remuneration report on pages 132-135.

Subsidiary undertakings

Channel 4 purchased creative design and production and interactive services from 4 Ventures Ltd totalling £9.3 million (2008: £13.9 million). At 31 December 2009, the total due to Channel 4 from subsidiary undertakings was £9.7 million (2008: £42.6 million). Also during 2009, 4 Ventures Ltd purchased £0.1 million worth of film rights from Film Four Ltd.

Channel 4 received a dividend of £0.4 million on the winding up of 4 Digital Group Ltd.

Joint Ventures

During 2009, Channel 4 received a dividend of £1.5 million from Box Television Ltd (2008: £1.8 million), a dividend of £0.3 million from Taste of London Ltd (2008: £0.2 million), brand royalty income of £0.3 million from Box Television Ltd (2008: £0.1 million), and £1.9 million redistribution of capital from UK VOD LLP. Box Television Ltd received £2.0 million of marketing, finance and other support services from Channel 4 (2008: £1.8 million). In respect of these services, Box Television Ltd owed £2.2 million to Channel 4 at 31 December 2009 (2008: £0.4 million). Channel 4 also paid £0.3 million to Protagonist Pictures Ltd for agency sales and film acquisition services and received £0.1 million for support services. No amounts were due at 31 December 2009.

Channel 4 paid £0.7 million of funding to Clearcast Ltd (2008: £0.7 million), £0.1 million of funding to Parliamentary Broadcasting Unit Ltd (2008: £0.1 million), £9.1 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2008: £8.9 million), £1.4 million to BARB for research services (2008: £1.4 million), £0.9 million to Thinkbox TV Ltd for marketing services (2008: £0.9 million) and £1.7 million to DTV Services Ltd for marketing services (2008: £1.2 million). No amounts were due from these companies at 31 December 2009.

Channel 4 also recognised equal revenue and expense of £1.6 million with DTV Services Ltd (2008: £2.0 million) and £0.5 million with Thinkbox TV Ltd (2008: £nil) reflecting the group’s contribution of promotional airtime in respect of marketing services with these companies. No amounts were due from or owed to these companies at 31 December 2009.

Equity investments

During 2009, Channel 4 received £0.2 million brand fee income from Espresso Education Ltd (2008: £0.2 million). No amounts were due to Channel 4 at 31 December 2009 (2008: £nil).

Also during 2009, Channel 4 paid £0.1 million to Mobile IQ Ltd to support the Channel 4 mobile portal (2008: £0.2 million). There were no amounts due to Mobile IQ Ltd at 31 December 2009 (2008: £nil).

Corporate governance

The Board is committed to high standards of corporate governance. The members have decided to prepare voluntarily a Corporate Governance Statement as if the Channel were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters, and comply with relevant corporate governance good practice.

Channel 4’s status as a statutory corporation without shareholders means those provisions concerning relations with shareholders are not directly applicable. Also, instead of a nominations committee, there are formal nominations procedures which are described on page 126.

Statement of members’ responsibilities

Channel 4 is required by its governing legislation to keep proper accounting records and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year in a form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury.

The members are therefore responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Channel 4 and the group. The members are also responsible for preparing the Annual Report and the group and Channel 4 financial statements in compliance, to the extent applicable, with the provisions of the Companies Act 2006, and accounting standards currently in force that give a true and fair view of the state of affairs of the group and Channel 4 as at the end of the financial year and of the profit or loss and cashflow for the group and Channel 4 for that year.

The members have voluntarily decided, where applicable, to comply with the disclosure provisions of the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Services Authority. The members prepare the group and Channel 4 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;

- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business; and
- take reasonable steps to safeguard assets of the group and to prevent and detect fraud and other irregularities.

The members have decided voluntarily to include a Report on members’ remuneration in accordance with Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410), as if those requirements were to apply to Channel 4.

The members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003. The members are responsible for the maintenance and integrity of the corporate and financial information included on the Channel 4 website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board

Channel Four Television Corporation is controlled through its Board of members. The Board’s main roles are to provide entrepreneurial leadership of the group, to approve the group’s strategic objectives and to ensure that Channel 4’s responsibilities including the fulfilment of its statutory functions and public service remit are discharged in accordance with all applicable laws and regulations.

The Board, which meets at least 10 times a year, has a schedule of matters reserved for its approval. The following matters must be referred to the full Board:

- Channel 4’s annual budget (programme and non-programme)
- the appointment and re-appointment of the Chief Executive
- confirmation of the appointment and re-appointment of the other executive members nominated by the Chief Executive and the Chairman acting jointly
- banking arrangements and loan facilities

- any significant proposal outside the ordinary course of Channel 4’s business
- the appointment and re-appointment of the Corporation Secretary
- the appointment and re-appointment of auditors
- the audited accounts of Channel 4 presented by the audit committee
- the establishment, purchase or acquisition of any qualifying company and the approval or variation of terms of reference for any subsidiary
- approval of any significant new business investment
- significant proposed changes to Channel 4’s headcount
- such other matters as the Board may from time to time resolve to review or decide upon.

In addition, as part of its overall responsibility to ensure the fulfilment of Channel 4’s statutory duties and functions, the Board continues to focus on ensuring the successful delivery of Channel 4’s remit and other public service responsibilities. Current programming output and plans for future investment of the programming budget are regularly discussed as part of the overall Board agenda, as are regular updates on audience reactions to Channel 4’s programmes. The Board also approves Channel 4’s proposed Statement of Programme Policy prior to publication, the annual review of performance against the Statement and the Channel 4 Public Impact Report.

The Board has delegated authority for certain other activities to a number of sub-committees and groups.

The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined as described below.

The Chairman has the responsibility of leading the Board in setting the values and standards of Channel 4 and of maintaining a relationship of trust with and between the executive and non-executive members. The Chairman is responsible for, among other things:

Corporate governance continued

- leadership of the Board, ensuring its effectiveness on all aspects of its role including the setting of the agenda
- ensuring that all members receive accurate, timely and clear information
- ensuring that all members continually update their skills and the knowledge and familiarity with Channel 4 required to fulfil their role both on the Board and on committees
- facilitating the effective contribution of non-executive members and ensuring constructive relations between executive and non-executive members.

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board, to implement the policies and strategy agreed by the Board, and to communicate with Ofcom and other key stakeholders.

During the year, Andy Duncan resigned as Chief Executive of Channel 4. Since his departure on 17 November 2009 Anne Bulford, Group Finance Director, is currently Interim Chief Executive. Subsequent to the year end, David Abraham has been appointed as Chief Executive of Channel 4.

Also since the year end, Luke Johnson’s appointment as Chairman expired. Lord Terry Burns was appointed as Chairman in November 2009 and his appointment became effective from 27 January 2010.

Senior independent member

Lord Puttnam acted as Deputy Chairman and senior independent member throughout the year.

Members and members’ independence

During most of 2009 the Board comprised the Chairman, eight non-executive members and five executive members. The names of the members, together with brief biographies, are set out on page 131.

The non-executive members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge, and experience to the Board’s deliberations. The non-executive members are of sufficient calibre and number that their views carry significant weight in the Board’s decision making. The members are given access to independent professional advice at the group’s expense when the members deem it is necessary in order for them to carry out their responsibilities. Details of the Chairman’s professional commitments are included in the Chairman’s biography. These do not impact on his role with Channel 4.

The Board considers all its non-executive members to be independent in character and judgement. At the time of this report, no non-executive member:

- has been an employee of the group within the past five years
- has, or has had within the past three years, a material business relationship with the group
- receives remuneration other than their member’s fee (although attention is drawn to the related party transactions in note 21)
- has close family ties with any of the group’s advisers, members or senior employees
- holds cross-directorships or has significant links with other members through involvement in other companies or bodies
- has served on the Board for more than six years from the date of their first election.

Board member and executive nominations

Given its constitution, Channel 4 does not have a formal nomination committee. However, the following formal nomination procedures are in place:

- non-executive members are appointed for fixed terms by Ofcom following consultation with Channel 4’s Chairman and the approval of the Secretary of State for Culture, Media and Sport

- the Chief Executive is appointed by the Board
- other executive members are appointed to the Board after nomination by the Chief Executive and the Chairman acting jointly.

Professional development

On appointment, the members take part in an induction programme when they receive information about the group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and management committees, and the powers delegated to those committees, the group’s corporate governance practices and procedures, including the powers reserved to the group’s most senior executives, and the latest financial information about the group. This is supplemented by meetings with members of the senior management team. On appointment, all members are advised that they have access to advice and the services of the Corporation Secretary. Throughout their period in office the members are continually updated on the group’s business and environment and other changes affecting the group and the industry it operates in as a whole, by written briefings and meetings with senior executives.

The Corporation Secretary

The Corporation Secretary’s responsibilities include ensuring an effective flow of information within the Board and its committees and between senior management and non-executive members, and assisting with professional development as required. The Corporation Secretary is responsible for advising the Board through the Chairman on all governance matters.

The Corporation Secretary is available to provide advice and services to all members, to ensure compliance with Board procedures.

Nick Swimer was Corporation Secretary during 2009.

Board meetings

The number of full Board meetings and committee meetings attended by each member during the year is shown in the table opposite:

Information

Regular reports and papers are circulated to the members in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the members from time to time. Each executive member circulates a report in advance of each Board meeting, and provides a review of performance, together with comments on future plans and outlook.

Internal control

In accordance with good corporate governance practice the Board of members:

- is responsible for the company’s system of internal control
- sets appropriate policies on internal control
- seeks regular assurance and receives regular reports that enables it to satisfy itself that the system is functioning effectively
- ensures that the system of internal control is effective in managing risks in the manner which it has approved.

Control environment
Clear management responsibilities are established for the executive members. These are set out in the group’s terms of reference manual.

Risk management
In addition to its requirements under Schedule 9 of the Communications Act 2003 set out on page 129, the Board and management have a clear responsibility for the identification of risks facing the business and for putting in place procedures to monitor and mitigate such risks. The Board operates a process for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. This business risk evaluation process accords with the Combined Code’s guidance on internal controls. The Executive has an established strategic and operational risk management framework in place, including regular risk reports which include a summary of risks and the corresponding action taken to mitigate those risks.

	Appointed/ Resigned	Number of meetings attended		
		Board	Audit Committee	Remuneration Committee
Executives				
Andy Duncan	Resigned 17 November 2009	9(9)	3(3)	1(1)
Andy Barnes		11(11)		
Anne Bulford		11(11)	3(3)	1(1)
Kevin Lygo		11(11)		
Jon Gisby		11(11)		
Nathalie Schwarz	Resigned 26 March 2009	0(3)		
Non-executives				
Luke Johnson	Resigned 27 January 2010	11(11)	3(3)	1(1)
Lord Puttnam		11(11)		
Sue Ashtiany	Resigned 30 June 2009	5(6)	2(2)	
Karren Brady		10(11)	2(3)	1(1)
Tony Hall		9(11)		1(1)
Andy Mollett		11(11)	3(3)	
Stephen Hill		9(11)		
Martha Lane Fox		11(11)		1(1)

Figures in brackets indicate the maximum number of meetings in the period in which the individual was a Board/committee member.

A summary of the key risks that the group faces, together with how those risks are mitigated, is presented in the Business review of the members on page 87.

Management systems
Detailed annual budgets and business plans are prepared for each area of the business, and are approved by the budget committee and the Board. Detailed monthly management reports are produced, comparing actual income and expenditure with budget and prior year. Full year forecasts are prepared throughout the year. These reports are monitored by the members, and explanations are provided for all significant variances.

Control procedures
All expenditure has to be authorised in line with a delegations framework. An electronic invoice authorisation system is used to further enhance the control environment. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate. The financial controls are monitored by management review and by the audit committee.

Internal audit
During 2009, the business assurance function has undertaken a number of specific projects to provide assurance that control processes are appropriate and working effectively and where necessary recommend improvements.

The members have continued to review and improve the effectiveness of the group’s system of financial and non-financial controls, including operational and compliance controls, risk management and the group’s high-level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by:

- reports from management
- reports from the external auditors and Schedule 9 auditors on matters identified in the course of their statutory audit work
- reports from the business assurance function.

Corporate governance continued

Remuneration committee

During 2009 the remuneration committee comprised Karren Brady (Chair), Martha Lane Fox and Tony Hall. The remuneration committee met once during the year.

All the members of the committee are independent non-executive members. Luke Johnson, Andy Duncan and Anne Bulford attended meetings as appropriate. No executive member attends meetings of the remuneration committee at times when any aspect of his or her remuneration or terms of employment is being discussed.

The committee’s principal responsibilities are:

- to approve the level of any annual salary increases, corporate bonuses payable where applicable and the structure of remuneration for executive members and senior management
- to approve significant merit or market increases for individuals or posts above the general award
- to approve Channel 4’s vehicle policy
- to review any other significant change in Channel 4’s remuneration package
- Channel 4’s pension fund arrangements and related employee benefits. In particular, the remuneration committee considers the pension consequences and associated costs to Channel 4 of basic salary increases and any other changes in pensionable remuneration, especially for members close to retirement.

Further details concerning members’ remuneration are shown in the report on members’ remuneration on pages 132-135.

Audit committee

During 2009 the audit committee comprised Andy Mollett (Chair), Sue Ashtiany and Karren Brady. The audit committee met three times during the year.

All the members of the committee are independent non-executive members. At the committee Chairman’s invitation, Luke Johnson, Andy Duncan, Anne Bulford, the KPMG LLP external audit partner and the Channel’s Head of Business Assurance attended meetings of the committee.

The external audit partner and Head of Business Assurance have direct access to the Chairman of the audit committee as required. The committee has at least one member possessing recent and relevant experience. Andy Mollett, a chartered accountant, is Chief Financial Officer of Chrysalis plc. Other members of the committee bring to it a wide range of experience from positions at the highest level.

The audit committee’s key responsibilities are:

- to monitor the integrity of the financial statements of Channel 4 and any formal announcements relating to Channel 4’s financial performance, reviewing significant financial reporting judgements contained in them
- to review Channel 4’s internal financial controls and Channel 4’s internal control and risk management systems
- to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors
- to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements

- to develop and implement policy on the engagement of the external auditors to supply non-audit services taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken
- to regularly update the Board about the audit committee’s activities and make appropriate recommendations
- to ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business
- to monitor and review the effectiveness of Channel 4’s business assurance function and activities
- to make recommendations regarding the Schedule 9 audit.

If necessary, the audit committee can instigate special investigations and, if appropriate, engage special counsel or experts to assist. The committee meets with the executive members and management and the Chairman of the audit committee meets privately with the external auditors and Head of Business Assurance.

In 2009 the audit committee discharged its responsibilities by:

- reviewing the group’s draft financial statements prior to Board review and approval and reviewing the external auditors’ detailed reports thereon
- reviewing the appropriateness of the group’s accounting policies
- reviewing regularly the potential impact in the group’s financial statements of certain matters such as asset impairments
- reviewing and approving the audit fee and reviewing non-audit fees payable to the group’s external auditors

- reviewing the external auditors’ plan for the audit of the group’s accounts, key risks on the accounts, confirmations of auditors’ independence and the proposed audit fee
- reviewing the findings of business assurance reports
- reviewing the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003
- reviewing the Public Impact Report prior to Board review and approval.

Channel 4 will not use its external auditors to provide other services unless it is efficient and effective to do so. A summary of the fees earned by KPMG LLP in respect of services provided in 2009 is shown in note 3 to the financial statements. KPMG LLP also makes an annual statement to the audit committee to confirm its independence.

The audit committee also monitors the group’s whistle-blowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, and with suitable subsequent follow-up action. Mechanisms are in place to allow employees to report perceived wrongdoing.

Budget committee

During 2009 the budget committee comprised Luke Johnson (Chair), Martha Lane Fox, Andy Mollett, Andy Duncan and Anne Bulford and met twice in the year. The role of the budget committee is to review the group’s annual detailed budget and any other significant financial matters which the Board refers to the budget committee for detailed consideration.

Content committee

The role of the content committee is to determine and review programme policy and standards at Channel 4, and to ensure the effective delivery of Channel 4’s public service remit. The content committee meets quarterly and is chaired by Tony Hall. The other members of the content committee in 2009 were Lord Puttnam, Stephen Hill, Andy Duncan, Kevin Lygo and Anne Bulford.

Digital and new business committee

When necessary, the digital and new business committee assists the Channel 4 Board by scrutinising, reviewing and agreeing upon significant commercial digital and new business investment proposals before they are referred to the Corporation Board. The committee did not meet in 2009.

Pension plan

There are six trustees of the Channel Four Television Staff Pension Plan who meet several times each year, and with the Plan’s investment managers, Legal & General Assurance (Pensions Management) Ltd, Henderson Global Investors Ltd, JP Morgan Life Ltd and F&C Fund Management Ltd at least once a year. During the year the trustees were Luke Johnson (trustees’ Chairman); an independent member, Louise Botting; two of Channel 4’s executives, Anne Bulford and Diane Herbert (Director of Human Resources); and two member-nominated trustees, Julie Kortens (Head of Facilities Management) and Neil Pepin (Deputy Head of Legal and Compliance).

Third party verification statement

The Channel’s Ofcom broadcast licence requires us to appoint an independent party to review and report on our procedures in relation to the provision of Premium Rate Telephony Services. PricewaterhouseCoopers were appointed to be the independent party to review the Channel’s procedures. Reviews were conducted of all processes and procedures in relation to Celebrity Big Brother 6 and Big Brother 10. The directors are satisfied that the Channel has in place suitable procedures to fulfil the requirements of paragraph 3b of the Licence.

Requirements of Schedule 9 of the Communications Act 2003 (the Act)

The Act requires Channel 4 to submit proposals to Ofcom detailing the arrangements under which it proposes to secure, so far as reasonably practicable, that all significant risks to the primary function are identified, evaluated and properly managed. These proposals are referred to as the Arrangements.

In addition, the Arrangements must include proposals which Channel 4 considers appropriate for securing the transparency objectives as set out in the Act, namely:

- an appropriate financial and organisational separation between the activities of Channel 4 that relate to the carrying out of their primary functions and their other activities; and
- an appropriate degree of transparency in financial and other reporting where resources are shared between separated activities or where there is some other financial or practical connection between otherwise separated activities.

The Act sets out the matters to which the submitted Arrangements may relate. These include the procedures and other practices to be followed by Channel 4 in the case of the initiation and management of new ventures, the exercise of particular powers, the assessment of risks, the imposition of charges and the keeping of records.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance with the Arrangements to be checked regularly by a person (other than Channel 4’s auditor) appointed in accordance with that provision.

Channel 4 has appointed Deloitte LLP to review compliance with the Arrangements and their report is shown on page 130. Copies of the Arrangements are available from the Corporation Secretary and at channel4.com.

Corporate governance continued

Independent reporting accountants’ report to Channel Four Television Corporation (‘the Corporation’) and the Office of Communications (‘Ofcom’)

We have performed a review of the Corporation’s compliance during the year ended 31 December 2009 with the arrangements agreed between the Corporation and the Office of Communications (‘Ofcom’) under section 2 of schedule 9 of the Communications Act 2003.

This report is made solely to Channel Four Television Corporation and Ofcom in accordance with our letter of engagement dated 10 March 2010 and in order to (a) allow the Corporation to meet its obligations under the Licence and Schedule 9 of the Communications Act 2003 to procure such reports and (b) to facilitate the carrying out by Ofcom of its regulatory functions. Our work has been undertaken so that we might state to the Corporation and Ofcom those matters we are required to state to them in a reporting accountant’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and Ofcom (in accordance with our contract with Ofcom dated 10 March 2010), for our work, for this report, or for the opinions we have formed.

Respective responsibilities of Channel Four Television Corporation and Reporting Accountants

The Corporation has agreed arrangements with Ofcom to secure the following objectives (‘the Objectives’) as set out in Schedule 9 of the Communications Act 2003:

- So far as reasonably practicable, secure that all significant risks that their other activities will have an adverse effect on the carrying out, during the relevant licence period, of their primary functions are:
 - a) identified;
 - b) evaluated; and
 - c) properly managed.
- The transparency objectives of securing:
 - a) an appropriate financial and organisational separation between the activities of the Corporation that relate to the carrying out of their primary functions and their other activities; and
 - b) an appropriate degree of transparency in financial and other reporting where resources are shared between separate activities or where there is some other financial or practical connection between otherwise separated activities.

The arrangements agreed between the Corporation and Ofcom are available from http://www.channel4.com/about4/pdf/C4_arrangements.pdf. The responsibility of the Corporation in terms of Schedule 9 of the Communications Act 2003 is to act in accordance with these arrangements throughout the review period.

Our responsibility is to check whether the Corporation has complied with these arrangements during the year ended 31 December 2009 and report to you our independent conclusion as to whether they have done so.

Basis of opinion

We carried out our work in accordance with International Standard on Assurance Engagements 3000 Assurance Engagements. Our work consisted of:

- confirming our understanding of the Corporation and the internal procedures and controls in place made to comply with the arrangements made under Schedule 9 of the Communications Act 2003 through enquiry of senior management and other appropriate personnel; and
- testing the operation of the relevant internal procedures and controls and examining the financial records relating to the above.

Our work was carried out based on the internal procedures and controls in place to comply with the arrangements during the year ended 31 December 2009. We are not responsible for concluding whether the arrangements are sufficient and appropriate to achieve the objectives set out above. Any system of internal control can only give reasonable, not absolute assurance, that the objectives will be met.

Opinion

In our opinion, the Corporation has complied with the arrangements under Schedule 9 of the Communications Act 2003, in all material respects, for the year ended 31 December 2009.

Deloitte LLP

Chartered Accountants
London
24 March 2010

Members

Non-executive members

Retiring Chairman

Luke Johnson

Appointed Chairman in January 2004, his appointment ran until 27 January 2010. He is Chairman of Risk Capital Partners. He was previously Chairman of Pizza Express plc and is currently Chairman of Giraffe Restaurants, Patisserie Valerie and Seafood Holdings.

Incoming Chairman

Lord Burns GCB^A^R

Lord Burns, 65, is Chairman of Santander UK plc and Glas Cymru Ltd (Welsh Water). He is a non-executive director of Banco Santander SA and Pearson Group. He is also Chairman of the Governing Board of the Royal Academy of Music.

Terry Burns began his career in 1965 at the London Business School, becoming Professor of Economics in 1979. In 1980, he was appointed Chief Economic Advisor to the Treasury and Head of the Government Economic Service. In 1991 he became Permanent Secretary to the Treasury, a post he held until 1998, when he was appointed a life peer.

His current professional roles include President of the Society of Business Economists, President of the National Institute of Economic and Social Research and Vice-President of the Royal Economic Society.

Previous appointments include: Chairman of Marks and Spencer plc; and a non-executive director of The British Land Company plc and Legal & General plc.

Deputy Chairman

Lord Puttnam

Joined the Board as Deputy Chairman in February 2006. His previous appointment ran until 31 January 2009 and has been extended to 31 January 2011. After 30 years as an independent film producer, David now focuses on his interests in education, and has been President of UNICEF UK since 2002. He was awarded a CBE in 1982, knighted in 1995 and appointed to the House of Lords in 1997.

Sue Ashtiany^A

Joined the Board in July 2003. Her appointment ran until 30 June 2009. She is a solicitor and a partner in the city firm of Nabarro Nathanson. She is also a Commissioner for the Equal Opportunities Commission, a member of the Court of Oxford Brookes University and an Honorary Fellow of Harris Manchester College, Oxford.

Karren Brady^A^R

Joined the Board in July 2004. Her appointment runs until 18 July 2010. She is Vice Chairman of West Ham Football Club, a non-executive Director of Mothercare plc, a non-executive Director of Sport England and Chairman of the Mothercare Foundation.

Tony Hall^R

Appointed to the Board on 1 April 2005. His appointment runs until 31 March 2011. He is Chief Executive of the Royal Opera House and a former Chief Executive of BBC News.

Stephen Hill

Joined the Board in January 2006. His previous appointment ran until 31 December 2008 and has been extended to 31 December 2010. From 2003 to 2005, Stephen was Chief Executive of Betfair Ltd. Previously he worked at Pearson plc, including six years as Chief Executive of the Financial Times Media Group, and was also closely involved in setting up BSB and its subsequent merger with Sky.

Martha Lane Fox^R

Joined the Board in February 2006. Her previous appointment ran until 31 January 2009 and has been extended until 31 January 2011. Martha co-founded lastminute.com in 1998, floating the company in 2000 and remaining on its board until its sale in 2005 to Sabre Holdings. It is still Europe’s largest travel and leisure website. Martha is now founder and chairman of Lucky Voice and Antigone.org.uk, her own grant-giving foundation. She is a non-executive director of Marks and Spencer plc and mydeco.com and is also a founding trustee of Reprieve.

Andy Mollett^A ACA

Joined the Board in July 2004. His appointment runs until 18 July 2010. He is Chief Financial Officer of Chrysalis plc and was formerly the Chief Financial Officer of EMI Music Publishing Ltd and Virgin Radio Ltd.

Executive members

Andy Duncan

Appointed Chief Executive in July 2004. Prior to this he was the Director of Marketing, Communications and Audiences at the BBC and a member of the BBC’s Executive Board. He also led the project to launch Freeview and was Chairman of the joint venture with BBC, Sky and Crown Castle for its first two years. Before that he worked at Unilever for more than 16 years. Andy is also Chairman of the Media Trust and on 13 March 2009 was appointed a non-executive director of HMV Group plc. Andy resigned from the Board on 17 November 2009.

Anne Bulford FCA

Appointed Group Finance Director in July 2005 and currently Interim Chief Executive. Before joining Channel 4, Anne spent three years with the Royal Opera House as Director of Finance and Business Affairs, prior to which she was Finance Director at Carlton Productions. Anne also worked at the BBC as Finance Director of BBC Productions and Head of Internal Audit. She is a lay member of the council of University College London and Honorary Treasurer, and is also a non-executive member of the Ministry of Justice’s Corporate Management Board and Chair of the Audit Committee.

Andy Barnes

Sales Director since October 2002, having been Commercial Director since July 1997. He is a Director of Broadcasters’ Audience Research Board Ltd (BARB). He is also Chairman of Thinkbox, the television marketing body, and a member of the Advertising Association’s council. He joined Channel 4 in 1991 as Head of Advertising Sales.

Kevin Lygo

Director of Television since November 2003. Prior to joining Channel 4 he was Director of Programmes at Five. He had worked for Channel 4 as Head of Entertainment from 1998 to 2001, and prior to that, at the BBC.

Jon Gisby

Joined the Board in December 2007 as Director of Future Media. Before joining Channel 4, Jon was Vice President of Media at Yahoo Europe and Managing Director of Yahoo UK. Prior to this he was a Managing Director of portals at Freeserve and a Senior Advisor within the BBC’s Corporate Strategy team. Jon is also a non-executive director of Artichoke Productions.

Nathalie Schwarz

Appointed to the Board in February 2008 as New Business Director. Prior to joining Channel 4 in 2005 she was Strategy and Development Director and an Executive Board Director at Capital Radio plc. She is a non-executive Director of Amiad Filtration Systems Ltd. Nathalie Schwarz resigned from the Board on 26 March 2009 but remains at Channel 4 as Commercial and Corporate Development Director.

Corporation Secretary

Nick Swimer

^A Member of the audit committee

^R Member of the remuneration committee

Report on members’ remuneration

Remuneration policy for executive members of the Board

The remuneration of executive Board members is determined by the remuneration committee, the membership and terms of reference of which are detailed on page 128. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the Combined Code.

The group continues to aim to attract, motivate and retain high calibre staff and executive Board members by rewarding them with competitive salary and benefit packages, including participation in bonus schemes and in certain cases participation in long-term incentive schemes. These are established by reference to those salaries and benefit packages prevailing for executives of comparable status in the television and the wider media industry, but without any of the share option schemes available to executives at most of Channel 4’s commercial competitors.

Any bonus payments made to executives are based on performance and recommended and approved by the remuneration committee. Andy Barnes participates in the Advertising Sales Bonus Scheme, which is linked to advertising revenue targets and is paid quarterly throughout the year based on performance. The maximum bonus payable under that scheme is 75% of salary. The other executive members participate in the Channel 4 Executive Bonus Scheme, which in 2009 as in previous years set the maximum bonus payable at 30% of salary. Additionally, long-term incentive scheme payments are subject to the achievement of a range of corporate and strategic commercial measures which typically include viewing share, revenue and profit.

Following the difficult economic circumstances, a pay freeze was implemented in 2009. Andy Duncan and Kevin Lygo volunteered reductions to their remuneration during the year. This was accepted by the Remuneration Committee and is reflected in the members’ remuneration table opposite.

In 2010 the Remuneration Committee once again gave serious consideration to what form of bonus should be paid in respect of 2009 performance. The majority of key performance targets were met and so after careful review the Remuneration Committee decided that bonuses should be paid according to the scheme objectives agreed for the year.

In view of the continuing difficult advertising market the Remuneration Committee additionally decided that a pay review for 2010 would only be awarded to more junior staff.

Service contracts

The service contracts of all the executive members are subject to notice periods of one year or less. At the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office.

Taxable benefits

Executive members are eligible for a range of taxable benefits which include the provision of a company car and payment of its operating expenses, and membership of a private medical insurance scheme which is open to all staff. These benefits are not pensionable. In line with the group’s expenses policy, no expenses claimed by executive members were chargeable to UK income tax.

Remuneration policy for non-executive members of the Board

Ofcom appoints non-executive Board members for fixed terms and determines their fees. They are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board meetings. The service contracts are subject to a maximum of three years or less.

Members’ remuneration

	Salary and fees £000	Bonus £000	Benefits £000	LTIP payments £000	Pay in lieu of Notice £000	2009 Total £000	2008 Total £000
Executive Members							
Andy Duncan (resigned 17 November 2009)	514	—	11	225	731	1,481	684
Andy Barnes	400	100	13	—	—	513	512
Anne Bulford	338	99	13	—	—	450	335
Kevin Lygo	644	128	13	—	—	785	1,136
Jon Gisby	250	55	13	—	—	318	263
Nathalie Schwarz (resigned 26 March 2009)	58	10	2	—	—	70	254
Non-Executive Members							
Luke Johnson	77	—	—	—	—	77	73
Lord Puttnam	31	—	—	—	—	31	29
Sue Ashtiany (until 30 June 2009)	11	—	—	—	—	11	22
Karren Brady	23	—	—	—	—	23	22
Tony Hall	23	—	—	—	—	23	22
Stephen Hill	23	—	—	—	—	23	22
Martha Lane Fox	23	—	—	—	—	23	22
Andy Mollett	23	—	—	—	—	23	22
Total	2,438	392	65	225	731	3,851	3,418

In 2009, Anne Bulford also earned £7,821 in fees for services from the Ministry of Justice in respect of her roles as member of the Corporate Management Board and Chair of the Audit Committee.

Andy Duncan received total payments in lieu of notice of £731,000 reflecting his base salary and contractual benefits for the outstanding part of his notice period.

Long-term incentive schemes

	Balance at 31 December 2008 £000	Recognised in income statement £000	Paid during the year £000	Balance at 31 December 2009 £000
Andy Duncan (resigned 17 November 2009)	169	56	(225)	—
Andy Barnes	64	33	—	97
Anne Bulford	152	154	—	306
Jon Gisby	40	33	—	73
Total	425	276	(225)	476

A proportion of Andy Duncan’s salary was deferred in the form of a long-term loyalty scheme. This scheme required Andy to remain with Channel 4 from 1 July 2007 to 30 June 2009 and meet certain performance criteria, and accrued at a rate of £225,000 per annum to a maximum of £450,000 which became payable on 1 July 2009. In early 2009, Andy offered to waive 50% of his entitlement to his long-term loyalty scheme payment due and this offer was accepted by the Remuneration Committee. He received his reduced payment of £225,000 during the year.

Andy Barnes joined a long-term incentive scheme linked to Corporation performance from 2007 to 2009 based on performance against stated Corporation objectives, up to a maximum of 33% of value of his advertising sales scheme bonus. The 2009 financial statements include a provision for Andy’s accrued entitlement at the balance sheet date of £97,000.

Anne Bulford joined a long-term incentive scheme linked to Corporation performance from 2007 to 2009. Under the scheme, Anne can accrue up to 30% of her salary each year based on performance against stated Corporation objectives, up to a maximum of 90% over 3 years. The scheme requires her to remain at Channel 4 until April 2010. The 2009 financial statements include provision for Anne’s accrued entitlement (£306,000) at the balance sheet date.

Report on members’ remuneration continued

Long-term incentive schemes continued

Jon Gisby joined a long-term incentive scheme linked to Corporation performance from 2008 to 2010. Under the scheme, Jon can accrue up to 20% of his salary each year based on performance against stated Corporation objectives, up to a maximum of 60% over 3 years. The scheme requires him to remain at Channel 4 until April 2011. The 2009 financial statements include provision for his accrued entitlement (£73,000) at the balance sheet date.

Payments made under long-term incentive schemes are not pensionable.

Pension

Executive members are eligible for membership of the Channel Four Television Staff Pension Plan on the same basis as all other members of staff. The plan is contributory, at 7.5% of pensionable salary, and provides members with a pension based on 1/50th of final pensionable pay for each year of service up to a maximum of two-thirds of final pensionable earnings.

Non-executive members are not eligible for membership of the Channel Four Television Staff Pension Plan. The executive members of the plan during 2009 were as follows:

	Increase in accrued pension entitlement during 2009 £000	Total accrued pension entitlement at 31 December 2009 £000	Transfer value of increase in accrued pension entitlement less members' contributions £000	Transfer value at 1 January 2009 £000	Increase in transfer value less members' contributions £000	Members' contributions during 2009 £000	Transfer value at 31 December 2009 £000
Andy Duncan	4	12	41	104	41	11	156
Andy Barnes	4	133	57	2,201	112	13	2,326
Anne Bulford	4	10	46	82	52	13	147
Kevin Lygo	5	32	69	435	75	13	523
Nathalie Schwarz	5	9	33	42	27	13	82

- the total accrued pension entitlement shown is that which would be paid annually on retirement from the age of 60 but based on service to the end of 2009.
- the accrued benefits for all members have been restricted as a result of the impact of HMRC's earnings cap.
- members who are not subject to the earnings cap have the option to pay Additional Voluntary Contributions (AVCs) to a separate scheme. Neither the AVCs made nor the resulting benefits accrued have been included in the above table.
- all transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- they do not represent sums payable to individual members.

Pension continued

From 1 September 2009 the scheme was closed to new members. The benefits provided to the members of the Channel Four Television Staff Pension Plan (the Plan) are as follows:

- normal retirement age is 60 (65 on benefits accrued from 2010).
- there is a spouse's pension of one-half of a scheme member's pension in the event of death in retirement and of one-half of a scheme member's present expected pension in the event of death in service. There is an additional benefit equal to one-half of the benefit payable to the spouse in respect of each child up to the age of 18, or 23 if in full-time education, subject to a maximum of two children.
- pensions in the course of payment, in excess of the Guaranteed Minimum Pension, increase at 5% per annum compound, or the increase in the retail prices index if lower.
- scheme members who leave within two years of joining the Plan receive a refund of their own contributions.
- scheme members who leave after being in the Plan for two years receive a benefit from normal retirement date preserved within the scheme, calculated as above, but relating to pensionable service and pensionable earnings up to the date of leaving.
- an early retirement option exists from the age of 50. Any scheme member taking an early retirement option receives a pension at a discounted rate.
- there are provisions for a member to exchange part of the retirement pension for cash.
- from 1 May 2003, new employees were required to complete two years' continuous service with Channel 4 before they can join the Plan. During the two-year waiting period employees were covered for death in service benefits.

Jon Gisby is a member of the Channel 4 Defined Contribution Scheme. Employer contributions towards Jon's pension scheme were £22,500 in the year.

Auditable information

The information in the remuneration and pension tables have been audited by Channel 4's auditors, KPMG LLP, in accordance with Schedule 8 of the Companies Act 2006 as if those requirements were to apply to Channel 4.

By Order of the Board

Lord Burns
Chairman
24 March 2010

Programmes and the licence

Sources of Programmes

Channel 4
Channel 4 commissions programmes from independent producers and the ITV companies and purchases programmes in the international markets. The source and cost of the programmes transmitted on the main Channel 4 service in 2009 are shown in the table below:

	2009 Hours	2008 Hours	2009 £m	2008 £m
Originated				
Independents	4,183	4,400	291.6	331.2
Other	1,088	1,048	49.4	59.2
	5,271	5,448	341.0	390.4
Acquired	3,489	3,336	123.7	118.5
Programmes total	8,760	8,784	464.7	508.9
Other direct programme costs			7.2	7.4
Total programme and other content			471.9	516.3
All hours	Hours	Hours	%	%
Originated	5,271	5,448	60	62
Acquired	3,489	3,336	40	38
	8,760	8,784	100	100
Peak hours	Hours	Hours	%	%
Originated	1,290	1,248	79	76
Acquired	353	399	21	24
	1,643	1,647	100	100

Independent production companies are the most important source of originated programmes. 275 independent companies provided programmes transmitted on Channel 4 in 2009 (2008: 300).

Other direct programme costs reflect access services such as subtitling and sign-language services and amounts payable to music royalty collection societies.

Production outside London

Channel 4 is keen to encourage film and television production throughout the Nations and Regions of the United Kingdom and has a number of schemes to achieve that objective. The total cost of originated programming supplied by production companies outside the M25 in 2009 amounted to £117.0 million (2008: £115.4 million).

Programme transmissions

Channel 4
The main Channel 4 service broadcast 8,760 hours in 2009 (2008: 8,784) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows:

	2009 Hours	2008 Hours	2009 £m	2008 £m
Entertainment	1,625	1,561	90.6	114.2
Drama	986	1,006	98.0	99.1
Education	1,928	1,677	81.9	81.2
Sport	653	810	6.9	8.3
Feature films	1,106	1,140	55.8	51.3
Other factual	888	952	66.8	76.7
News	318	313	22.4	23.2
Documentaries	143	198	11.0	16.8
Current affairs	217	215	11.6	13.1
Quiz and gameshows	346	357	5.5	6.8
Arts and music	501	506	11.6	14.9
Religion	49	49	2.6	3.3
	8,760	8,784	464.7	508.9

E4, More4 and Film4

The E4 channels broadcast for a total of 17,520 hours in 2009 (2008: 17,568 hours) with 78% of these hours being subtitled (2008: 63%). The More4 channels broadcast for 13,678 hours (2008: 13,605 hours) with 90% of these hours being subtitled (2008: 85%). The Film4 channels broadcast for 11,295 hours (2008: 10,938 hours) with 78% of these hours being subtitled (2008: 76%).

Ofcom

Ofcom monitors compliance with broadcasters' licence obligations (including compliance with its Broadcasting Code) and deals with complaints concerning standards in programmes and complaints of unfair treatment and/or infringement of privacy. Ofcom will consider a matter to have been resolved where the broadcaster has taken appropriate action in response to an issue.

Channel 4

Ofcom recorded five breaches of its Code on standards in programmes by the main Channel 4 service in 2009 (2008: two), none of which were judged serious enough to merit a statutory sanction (2008: none). In 2009 two complaints about fairness/privacy in Channel 4's programmes were upheld (2008: five); one of these breaches was upheld in part only (2008: four). Four complaints were not upheld (2008: ten) and three complaints were treated as resolved (2008: none).

E4, More4 and Film4

No recorded breaches of the Code on standards in programmes were noted against E4, More4 or Film 4 in 2009 (2008: none) and no complaints were treated as resolved (2008: one). In 2009 no complaints about fairness/privacy on E4, More4 or Film4 programmes were upheld (2008: none) and no complaints were treated as resolved (2008: none).

The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. Channel 4 takes pride and pleasure in the challenge of fulfilling it in different ways each year. Our licence from Ofcom, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

	Compliance minimum	2009	2008
Average hours per week			
News			
— in peak-time (6 pm to 10.30 pm)	4	4	4
Current affairs			
— overall	4	4	4
— in peak-time (6 pm to 10.30 pm)	1.54	2	2
Hours per year			
Schools	330	377	370
Percentage			
Original production			
— overall	60	60	62
— in peaktime (6 pm to 10.30 pm)	70	79	76
Independent production*	25	85	88
European independent production*	10	54	56
European origin	50	70	70
Subtitling for the deaf and hard-of-hearing	89	91	90
Audio description	10	12	11
Signing	5	5	5
Regional Production	30	37	32
Regional hours	30	45	41

The 2009 Ofcom licence disclosure reflects Channel 4's Digital Replacement Licence (DRL) which came into force on 28 December 2004. This encompasses the requirements set out in the Communications Act 2003.

* There are material differences in the definitions contained in the European and UK legislation for qualifying independent production.

Several of the measures reflected in this section of the report are discussed in more detail on pages 68-71 of the Public Impact Report.

Historical Record

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
Consolidated results:								
Revenue	766.9	769.6	841.4	894.3	936.9	944.9	906.1	830.3
Operating profit/(loss)	28.9	55.6	59.8	56.9	14.0	(8.8)	(0.5)	3.9
Share of (loss)/profit in joint venture	(9.9)	(10.5)	—	—	—	0.4	(3.3)	0.3
Operating profit	19.0	45.1	59.8	56.9	14.0	(8.4)	(3.8)	4.2
Net financial (expense)/income	(2.5)	0.2	3.9	9.9	7.3	10.0	13.7	(2.0)
Profit before income tax	16.5	45.3	63.7	66.8	21.3	1.6	9.9	2.2
Income tax expense	(6.3)	(11.0)	(19.1)	(18.3)	(6.8)	(1.1)	(8.1)	(1.9)
Profit for the year	10.2	34.3	44.6	48.5	14.5	0.5	1.8	0.3

Figures for 2002 to 2003 are shown under UK GAAP in force at the time. Figures for 2004 to 2009 are shown under Adopted IFRS.

Advertising revenue (portfolio)

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
Channel 4	655.2	662.4	720.2	769.3	777.1	825.2	789.7	706.7
	%	%	%	%	%	%	%	%
Channel 4	21.2	20.8	21.1	22.1	23.5	24.0	24.1	24.5

Audience share (portfolio)

	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %
BBC (ten channels)	38.8	38.3	36.6	35.2	34.5	34.0	33.5	32.7
ITV (six channels)	24.8	24.6	24.1	24.0	22.9	23.1	23.2	23.2
Channel 4 and S4C (seven channels)	10.8	10.4	10.5	11.0	12.1	11.9	11.9	11.5
Five (three channels)	6.3	6.5	6.6	6.4	5.9	6.0	6.0	6.1
Other (>350 channels)	19.3	20.2	22.2	23.4	24.6	25.0	25.4	26.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The figures in brackets indicated the number of channels in that portfolio at 31 December 2009.

Source: BARB all individuals

Audience share

	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %
BBC 1	26.2	25.6	24.7	23.3	22.8	22.0	21.8	20.9
BBC 2	11.4	11.0	10.0	9.4	8.8	8.6	7.8	7.5
ITV and GMTV	24.1	23.7	22.8	21.5	19.6	19.2	18.4	17.9
Channel 4 and S4C	10.0	9.6	9.7	9.7	9.8	8.7	8.2	7.5
Five	6.3	6.5	6.6	6.4	5.7	5.2	5.0	4.9
Digital, satellite and cable	22.0	23.6	26.2	29.7	33.3	36.3	38.8	41.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BARB all individuals

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Channel 4
Television Corporation
124 Horseferry Road
London SW1P 2TX

Telephone 020 7396 4444
channel4.com