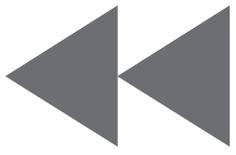
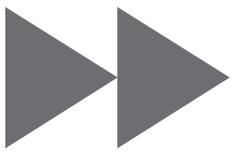




**Looking
back**



**Looking
forward**



Channel Four Television Corporation Report and Financial Statements 2010

Incorporating the Statement
of Media Content Policy

Key

 Invest in high-quality content
 Innovate
 Cultural diversity
 Distinctive
 Educational
 Nurture talent
 Stimulate debate
 Alternative views
 Inspire change
 Digital
 Partnership

Throughout this report readers will see frequent references to Channel 4's remit, as set out in the Communications Act 2003 and updated and extended in the Digital Economy Act 2010. Building on our original remit to be innovative, experimental and distinctive, the new remit recognises the role Channel 4 should play in the digital world, not just on the main channel but across our portfolio of services. It also introduces four purposes – to nurture talent, stimulate debate, promote alternative views and inspire change.

With the introduction of the new requirement to publish a Statement of Media Content Policy in the Digital Economy Act, this report is structured around the key genres through which Channel 4 delivers its remit, with a view to providing a better insight into how investment and commissioning decisions are made.

The component parts of the updated remit are summarised in the list to the left. Throughout the report, a series of 'icons' sit alongside the case studies and public value measures to highlight the parts of the remit that are being addressed.

A description of the remit, as well as the process for selecting the public value measures, can be found in the methodology document that accompanies this report (channel4.com/annualreport).

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Channel 4 is at its strongest when at its most independent

Delivering the remit

Lord Burns, Chairman

One of the attractions to the role of Chairman of Channel 4 is its unique blend of commercial discipline and public service objectives. This keeps us focused on investing as much as possible in content to fulfil our public service mission, and in 2010 this enabled many creative successes.

Our not-for-profit status guarantees our independence both from shareholders and Government so that we are able to fulfil our remit to be distinctive, challenging and provocative. I believe Channel 4 is at its strongest when at its most independent. Our approach is to concentrate on delivery of our remit to the best of our ability within our means, rather than to seek direct public subsidy.

In a General Election year, I was particularly pleased with our distinctive take on current events, from the first live televised debate between the would-be Chancellors, to the *Alternative Election Night's* wry take on Election night itself and Channel 4's characteristically in-depth news coverage.

Our research shows that we have largely maintained our reputation amongst audiences and met our remit, with a strong year for documentary, drama and new comedy, as well as some real successes with online content and in reaching younger audiences. It is encouraging to see that we continue to lead on measures that assess the audience's

response to us around the key aspects of our remit, although across a range of measures we saw a small narrowing in our lead over other broadcasters. As creative renewal speeds up, I look forward to seeing greater diversity and experimentation across our output. This should translate into increasing our reputation with audiences across the measures in 2011 and beyond.

David Abraham's arrival as Chief Executive in May marked the next phase in positioning Channel 4 creatively and structurally for a converged world. I would like to thank Anne Bulford for the tremendous job she did as Acting Chief Executive.

The second half of the year saw some encouraging signs of the resilience of TV advertising. As the market began to recover we were able to restore investment in content. However, the structural changes taking place in our industry mean that we must continue to evolve commercially. We have continued to invest in our digital and online activities, and to support the development of ventures such as YouView.

Parliament's update of Channel 4's remit in the Digital Economy Act was an important endorsement of Channel 4's ongoing role in the UK's cultural, social and economic life. It recognises the variety of ways in which Channel 4 delivers public value – no longer solely as a single channel, but also across our digital channels, online activities and in British film. The Act also incorporates four purposes into the remit: to nurture talent, to provide alternative views, to stimulate debate and to inspire change.

As we deliver our public service mission in more complex ways, it is vital that

we are accountable for our performance. We welcomed the inclusion in the Act of enhanced accountability arrangements, which require us to publish an annual Statement of Media Content Policy demonstrating fulfilment of the remit and setting out our future strategy.

The first Statement of Media Content Policy published here builds on the Public Impact Report that we have published at our own initiative for the last two years. Within a structure that aims to show how we have made content investment decisions in line with our remit, it incorporates a detailed set of objective measures to assess our performance. This includes extensive audience research on public attitudes to Channel 4. Throughout the report we aim to provide a robust assessment of the impact our content has had, together with indications of how particular activities and programmes have met the remit. It contains our overarching content strategy for the following year, which the Board has scrutinised rigorously. We have also discussed it with Ofcom under our new duty to consult with them in the report's preparation. We also look forward to scrutiny of our performance

at our annual appearance before the House of Commons Culture, Media and Sport Select Committee.

There were a number of Board changes during the year. I would like to thank Karren Brady and Andy Mollett for their contribution over a number of years, and to welcome our four new non-executive directors, Mark Price, Alicija Lesniak, Monica Burch and Richard Rivers.

There is much to do to steer Channel 4 through this next phase – I feel confident that across the organisation we have the people with the vision and skills to succeed.



2010 was characterised by transition

Preparing for creative renewal

David Abraham, CEO

When I joined Channel 4 I did so with a great sense of responsibility for the special role we are here to play. Channel 4 remains a vital source of the alternative and distinctive; a place that reflects the world around us, provokes debate and makes a difference. It is an enormous privilege to be leading the organisation into its next phase of change and renewal.

2010 was a year of transition: looking back at Channel 4's unique history, to prepare ourselves for the challenges and immense opportunities that lie ahead. We have put in place a new management team, set a significant period of creative renewal in train, and readied the business for convergence.

We said a fond farewell to the show that has been at the heart of Channel 4's schedule for 11 years. The decision to bring *Big Brother* and other long-running shows to an end has opened up space to experiment and innovate. Across the year there were many outstanding examples of Channel 4 at its best: fearless current affairs across *Dispatches* and *Unreported World*; documentaries that held a mirror up to society, from *One Born Every Minute* to *My Big Fat Gypsy Wedding*; drama that conveyed human stories – from *This is England '86* to *Any Human Heart*; and comedy ranging from the acerbic edge of Frankie Boyle to the antics of *The Inbetweeners*. Many ideas that have been in development behind the scenes during 2010 will reach the screen in 2011.

Such scope for experimentation inevitably means not everything met our ambitions. But it is important that having the freedom to fail informs our future creative success. While our output continues to resonate strongly with audiences, creative renewal provides the space to enhance our reputation for innovation and risk-taking. We hope to do more to inspire audiences and provide them with the tools to make changes to their lives; and with the creation of a new creative diversity department we hope to see our reputation amongst diverse audience groups strengthen.

It was a tribute to the talent of our commissioning teams and the producers we work with to see the things we got right recognised in myriad awards, including Channel 4 being named Channel of the Year at the Edinburgh TV Festival and E4 being awarded Channel of the Year at the Broadcast Awards.

While we will continue to adapt to the exciting opportunities of the digital world, television remains an extremely powerful medium. Audience share across the portfolio has remained broadly flat, with our digital channels increasing their share. Our predictions of modest market growth in 2010 translated into a much more significant lift in the TV advertising market. Overall revenues increased 12.6% to £935.2 million. Due to the late upturn in the market we were not able to invest this wholly in new content, leading to an increase in our operating cash of £49.5 million. These reserves can be used to invest in content and key strategic objectives in future years. We were able to invest more in content than planned, however, and I was particularly delighted to reinforce our role in

British film production by increasing Film4's budget to £15 million a year for five years from 2011.

One of my priorities was to put in place a leaner executive management team, reducing the size of the senior management group by 25%. We also reorganised the sales team to provide a more streamlined offer to clients.

I was delighted to appoint Jay Hunt to the new role of Chief Creative Officer, and I look forward to working closely with her through creative renewal and beyond. I would also like to thank Kevin Lygo and Julian Bellamy for their creative vision over the years. Bringing together television and online commissioning for the first time under Jay will align our overall content objectives and create new opportunities for our suppliers. This will build on our many digital innovations in 2010, from online content that engages audiences more directly to the growth of our online offer through 4oD. We have also continued to work with our partners to develop YouView and to ensure our content is widely available to consumers across various platforms.

At the start of the year we were thrilled to win the rights to the 2012 Paralympic Games.

This will be one of the biggest single projects in our history and goes to the heart of our mission to provide alternative perspectives, showcase diverse communities and bring about lasting change.

Nurturing new talent has always been a hallmark of Channel 4. We have continued to work with hundreds of companies across the UK and run numerous programmes that offer experience in the creative industries.

In my first year at Channel 4, we have put in place foundations to prepare us for the future. Our on-screen successes are testament to the thousands of talented people we work with in the independent sector and I would like to thank everyone who has contributed to our output. I would also like to thank the advertising community who have shown confidence in the enduring importance of television and of Channel 4. And finally, a special thank you to all the dedicated and talented staff across the organisation.

2011 promises to be a year where Channel 4's spirit of creativity, risk-taking and innovation will flourish.



Channel 4's model requires a distinctive approach that maximises public value within our commercial means

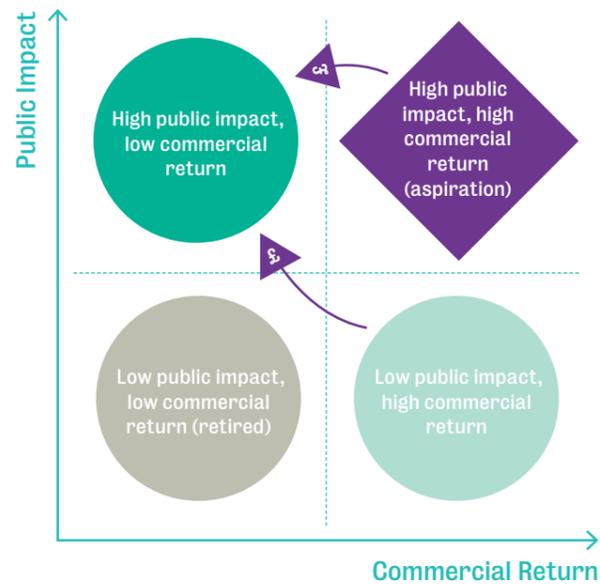
Investing in creativity

Channel 4 is unique. Publicly owned but commercially funded, our main priority is to fulfil our remit while funding our activities independently in the marketplace. This is an empowering model. It provides us with freedom from both Government and shareholder influence, enabling us to focus our energy and revenues on delivering our public purposes.

Our status requires a distinctive approach that maximises public value within our commercial means. In practice, this means a cross-subsidy model between different kinds of content (see graph). Put simply, the advertising income from some of our activities generates enough of a profit to support content that is more risky or less commercially focused. While our aspiration must be to find ideas that achieve high levels of both public and commercial value, our model enables us to continue providing challenging or specialist programming which is not commercially self-sustaining. Content that no longer delivers sufficient commercial or public value is retired.

Our reliance on commercial funding means that the amount we can invest in content depends directly on the revenues we can

How Channel 4's cross-subsidy model works



Creative Economy Impact

In addition to the public value delivered directly to audiences, Channel 4's considerable investment in television and digital media means we play a vital role in supporting the UK's creative industries. Oxford Economics estimates that Channel 4 contributed £1.1 billion to UK GDP in 2010 (vs £1.0 billion in 2009) and supported 28,000 jobs (vs 27,000 in 2009) through its own activities, procurement from its supply chain and increased consumer spending through the payment of wages.

generate in the market place. Channel 4's primary form of income remains advertising, driven primarily by our TV channels and increasingly from our online activities. With an advertising market that is highly responsive to fluctuations in the wider economy, as well as long commissioning lead times, setting a content budget is no easy feat. It demands that we take market forecasts into account alongside our overall content objectives.

In order to achieve the greatest impact, the scale of our investment in different services must reflect their reach. For this reason, the majority of our investment remains on the main channel, where audiences are significantly larger than for any other service. At the same time, in line with our enhanced remit in the Digital Economy Act, levels of investment in new content across digital channels and online are increasing.

Total content budget

Channel 4 spent a total of £578 million on content in 2010 across the main channel, digital TV channels and digital media. Despite unpromising market conditions at the start of the year, this was 5% more than was spent in 2009, and substantially higher than initial forecasts. This boost in our content spend was a consequence of an upturn in the advertising market in the second half of the year.

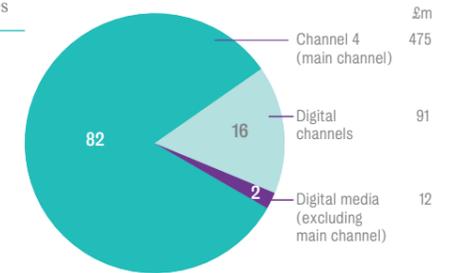
Any Human Heart



Investment in content

£578m
spent on content across all services
5% on last year

Expenditure across the Channel 4 network on programming and digital content in 2010, % of total



Source: Channel 4

Expenditure on originated content

£362m
spent on originated content across all services
3% on last year

Total expenditure across the Channel 4 network on originated content, £m

Year	Channel 4 (main channel)	Digital TV and online	Total (£m)
2010	322.6	39.0	361.6
2009	341.0	32.0	373.0

Legend: Channel 4 (main channel) (dark teal), Digital TV and online (light teal)

Digital TV and online expenditure on originated content, £m

Year	Digital TV channels	Digital media (excl. main channel)	Total (£m)
2010	27.0	12.0	39.0
2009	23.7	8.2	32.0

Legend: Digital TV channels (dark teal), Digital media (excl. main channel) (light teal)

Source: Channel 4

Rounding differences may occur. See methodology document for more details

Of this total investment, £566 million was on television programming across all our channels, including originated and acquired content. A further £12 million was invested in digital media – up 46% on 2009. This was largely driven by increased investment in cross-platform content, increasing audience engagement with our programming.

This is in line with an overall rise in the proportion of our investment in digital services. 18% of our total content spend was on digital channels and online content, compared to 15% in 2009. £91 million was spent on the digital TV channels, up 20% year-on-year, of which £27 million went on originated content – up 14% from 2009.

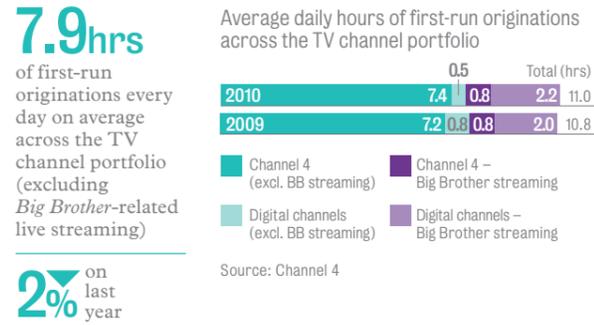
Investment in original content

Originations continued to account for the majority of our content spend, with £362 million invested in originated content across all services in 2010. This was down 3% from 2009. This reflects the amount of time it takes to get commissions on-screen, meaning that while we were able to invest in some fast

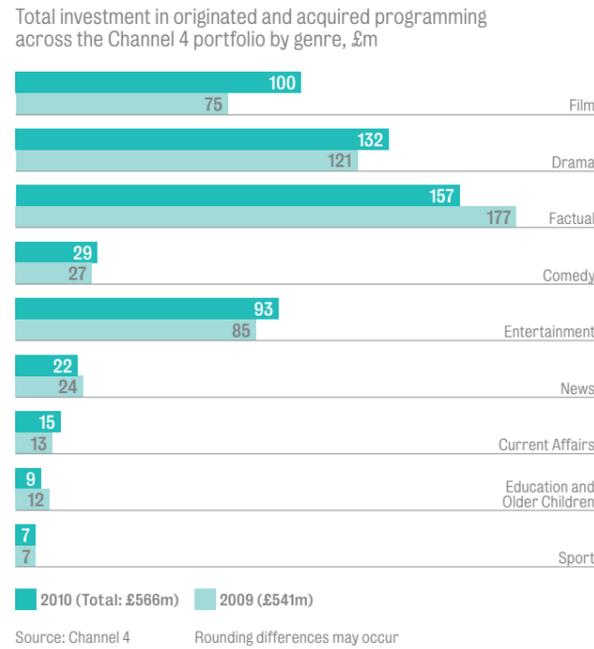
Kirstie's Homemade Home



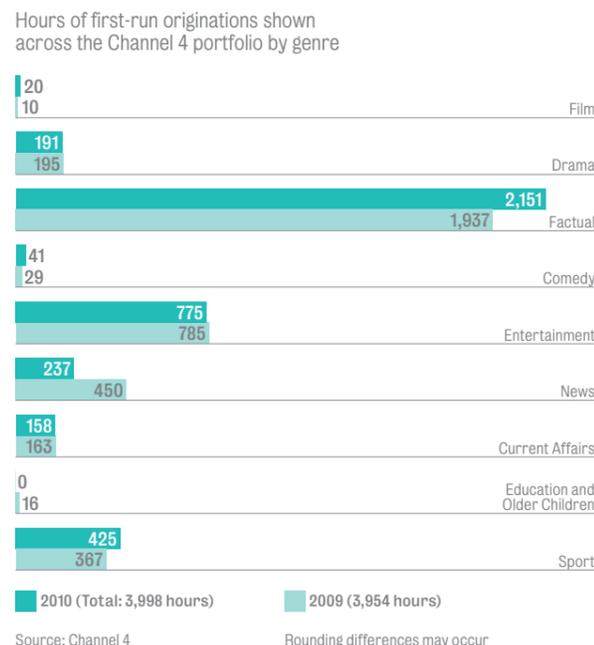
Volume of first-run originations



Investment in programming by genre



Volume of first-run originations by genre



turn-around programmes, such as the live shows *Million Pound Drop* and *One Born At Christmas*, a disproportionate amount of the overall increase in the content budget was spent on acquisitions (originally planned for 2011). This provides us with greater commissioning flexibility in 2011, allowing us to maximise our commitment to original content as we undergo creative renewal in earnest.

We were able to increase the hours of first-run originations on the main channel, as well as growing the proportion of first-run programming in peak-time on the main channel, as we sought to maximise the impact of our original commissions. While overall commissioning spend on the digital channels increased, the total number of first-run originated hours on these channels fell as a result of the ending of the high-volume *More4 News*. This meant that there was a slight fall in the average daily hours of first-run originations per day across the portfolio (excluding live streaming of *Big Brother*-related programmes).

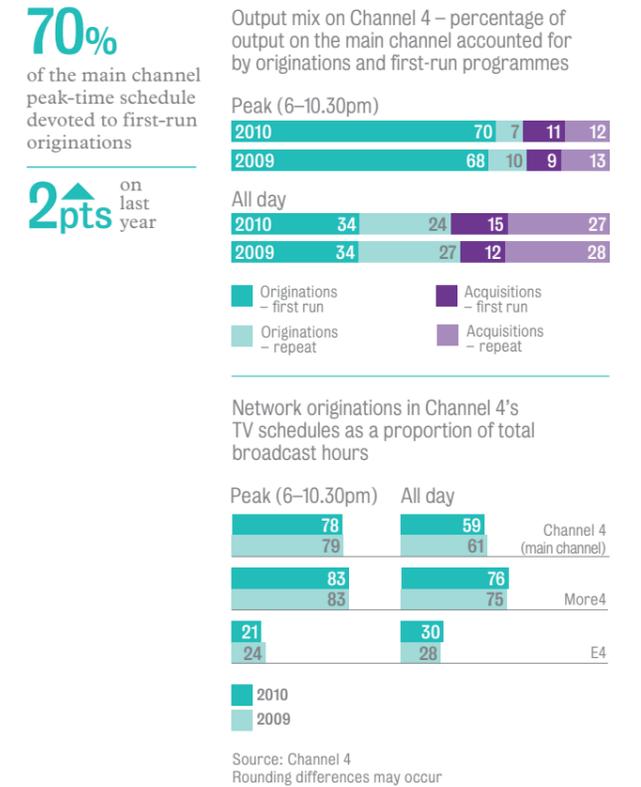
We broadly maintained a mix of genres, with increases in first-run originated hours for factual and comedy. The volume of news dropped following the decision to cut *More4 News* and scale back the lunchtime bulletins on the main channel, as we sought to prioritise the main *Channel 4 News* programme and investment in news online. As a result of our education commissions moving wholly online in 2010 (see page 62), there were no first-run television hours in the Education and Older Children category.

Across the main channel, E4 and More4 programmes commissioned by the network as a whole (“network originations”) accounted for 53% of all broadcast hours and 61% of all peak-time hours, broadly the same levels as in 2009. The breakdown for the individual channels is shown in the chart “Programming mix on the main channel”.

Licence requirements

We met all our quantitative licence requirements in 2010, exceeding our obligations in areas such as production in the nations and regions, originated hours in peak-time and audio description.

Programming mix on the main channel



Meeting Channel 4’s licence obligations

Average hours per week	Compliance Minimum	2010	2009
News			
in peak time (6–10.30pm)	4	4	4
Current Affairs			
overall	4	4	4
in peak time (6–10.30pm)	1.54	3	2
Hours per year			
Schools	0.5	21	377
Percentage			
Original production			
overall	56	58	60
in peak time (6–10.30pm)	70	77	79
Independent production			
European independent production	10	49	54
European origin	50	66	70
Subtitling for the deaf and hard of hearing	90	93	91
Audio description	10	14	12
Signing	5	5	5
Regional production			
Regional hours	35	39	37
Production in the nations	3	4.5	N/A

Source: Channel 4

To deliver our remit effectively we need to challenge, provoke and inspire

Making an impact

It is not enough for Channel 4 simply to commission and distribute content. To deliver our remit effectively, we need it to have impact – to be different, to be innovative, to challenge, provoke and inspire.

By playing to their various strengths, different genres enable us to fulfil our remit and have an impact both on the audience and the wider world. Documentaries, dramas and comedy can all provide intimate insights into complex subject matter, highlight important issues and stimulate debate. Digital media allows audiences to engage and interact with content in new ways. News and current affairs stimulates debate that can drive real-world change.

Throughout this report we look at the different ways in which we have delivered impact in 2010. In “*Doing things the Channel 4 way*”, we illustrate how our commissioning ethos ensures our content is innovative and diverse, as well as outlining our impact on the creative industries of the UK. Individual chapters on the main genres explain our editorial intentions, highlight key programmes, strands and digital media projects, and assess our impact in these areas.

The way in which we reach people with our content – both the general population and specific audiences – is assessed in “*Engaging the Audience*”.

Across all these chapters, we draw on a range of research to assess how audiences respond to and engage with our content. This includes industry data on TV viewing and online usage, and our ongoing audience tracking statements which measure our reputation relative to the other public service broadcasters. We also present the results of bespoke research commissioned by Channel 4 examining the impact of particular programmes and projects.

Key reputational values

In this section, we focus on our overall brand reputation – an essential way of understanding audience impact. Here, we present eight tracking statements drawn from our regular audience surveys, which reflect important elements of our remit. Through face-to-face interviews and an online panel, viewers are asked to state which of the five main public service channels (BBC One, BBC Two, ITV1, Channel 4 and Five) is best for a series of statements covering different kinds of output.

The results show that we have maintained a strong reputation for promoting alternative views and for being distinctive, stimulating and inspiring – with significant leads over the other broadcasters in all of these areas. While it is encouraging in a year of transition that

there are few significant changes year-on-year, we have seen a marginal decline in our performance across the measures. It is important that audiences feel we are delivering on our remit, and as we refresh the schedule and inject more creative risk-taking and ambition into our commissioning in the coming years, we aspire to strengthen our lead over other channels in these key measures.

To reflect our remit to stimulate debate, we ask audiences which channels make them stop and think, and which are the most provocative. We performed strongly on these measures in 2010, with 24% of respondents selecting Channel 4 as being the channel that is best for showing programmes that made them stop and think (2009: 25%). Our lead over the next highest channel, BBC Two, widened. We increased our already strong reputation for being ‘provocative’, 39%

of respondents selecting Channel 4 in 2010, 29 points above the next highest channel, BBC One. Our current affairs and documentary strands – such as *Dispatches* and *Cutting Edge* – in particular contributed to our reputation in this area, while other programmes cited by respondents included *Big Brother*, *Hollyoaks* and *Shameless*.

In line with our remit to promote alternative views and new perspectives, we ask viewers to state which channel most allows people an alternative point of view. 26% of respondents chose Channel 4, level with 2009. We maintained a lead on this measure over both the average for the other main PSB channels and over the next highest channel, BBC One – although both leads fell year-on-year. A wide range of programmes contributed to Channel 4’s reputation in this area, including news, documentaries and

Amish: World’s Squarest Teenagers



international current affairs strand *Unreported World*.

Channel 4 continued to rank the highest in our key indicators for inspiring change – with 18% of respondents selecting it as being the best channel for giving them new ideas, and 22% selecting it as being best for making them ‘think about things in new and different ways’. However, we saw a slight decline in both our overall performance and our lead over other channels in this area, which we will seek to improve upon through our creative renewal process.

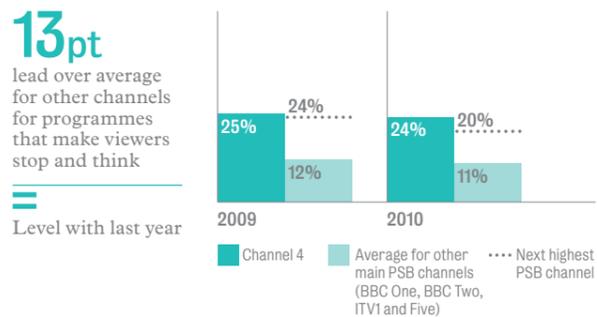
We broadly maintained our reputation for content that is distinctive – maintaining strong leads in all measures in this area. We strengthened our reputation for taking ‘a different approach to subjects compared to other channels’, with 33% of respondents selecting Channel 4 as being the best channel, 22 points above the next highest channel, BBC Two. 36% of people selected Channel 4 as being best for covering ‘ground that other channels wouldn’t’, level on 2009 and 23 points ahead of the closest competitor, Five.

Jamie's 30-Minute Meals

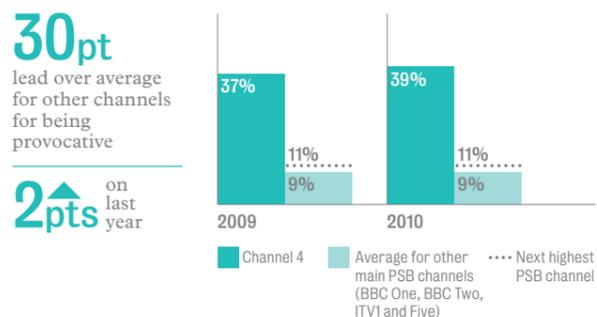


Channel reputations
People who believed Channel 4 is the channel to which the following statements most apply...

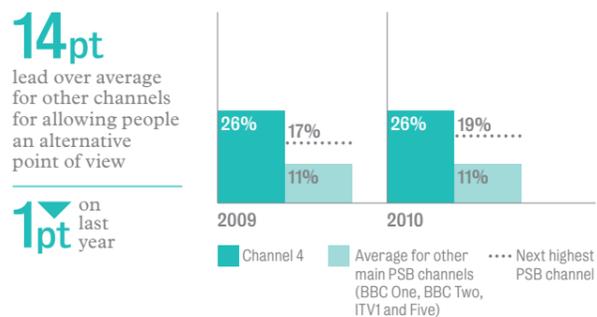
Shows programmes that make me stop and think



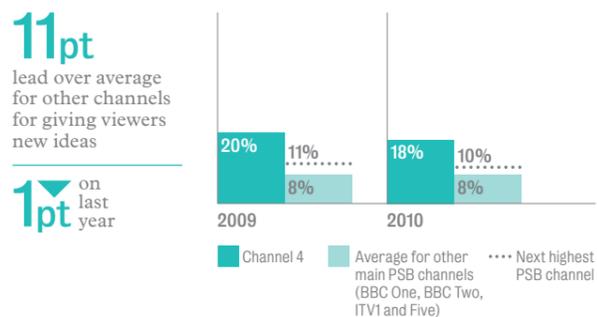
Is provocative



Allows people an alternative point of view



Gives me new ideas



Source: Ipsos MORI commissioned by Channel 4
Rounding differences may occur

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

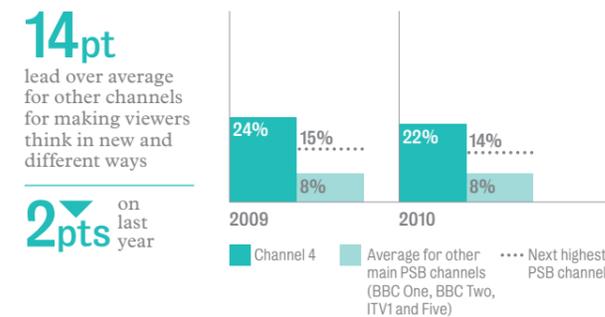
Our documentaries were strong drivers of our reputation in this area, with *Dispatches* and *Big Brother* also cited by respondents. As the main PSB channels find it particularly challenging to engage younger audiences with public service content, our reputation for being ‘youthful’ is also a key point of distinctiveness. 32% of people selected Channel 4 as being the most youthful of the main channels, slightly down on 2009 but still markedly ahead of the other channels. However, our leads on these latter two measures fell slightly. Creating content that feels unique will continue to be a priority in the years ahead as we look to improve upon these results.

Facejacker

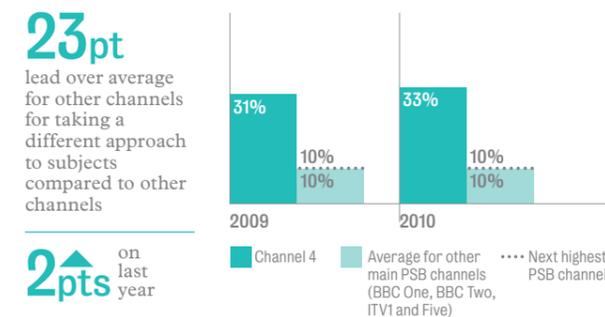


Channel reputations
People who believed Channel 4 is the channel to which the following statements most apply...

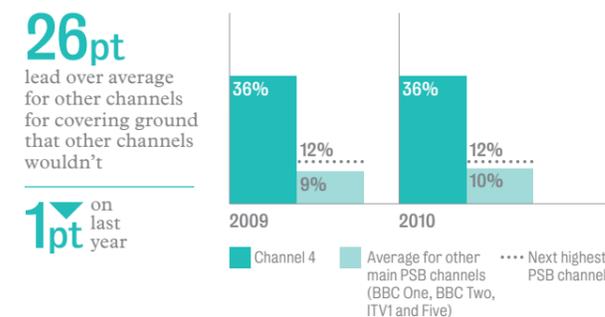
Makes me think about things in new and different ways



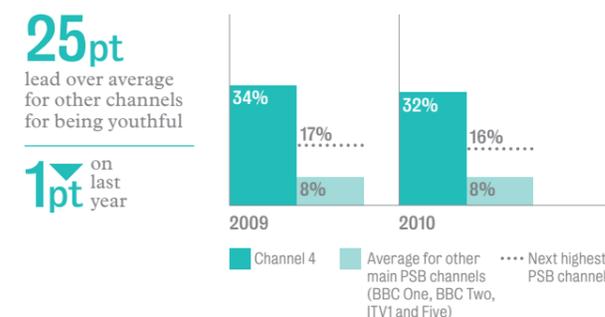
Takes a different approach to subjects compared to other channels



Covers ground other channels wouldn't



Is youthful



Source: Ipsos MORI commissioned by Channel 4
Rounding differences may occur

Channel 4 tracks audience perceptions of the main PSB channels using face-to-face and online interviews. The face-to-face interviews take place over five waves during the year. The online interviews, which take place over three waves during the year, have a larger sample size and enable the responses of people from different demographic groups to be examined.



Doing things the Channel 4 way

Channel 4 exists to offer something different – to surprise, to challenge established orthodoxies, to pioneer fresh approaches. In a world of increasing homogeneity we aim to bring originality and innovation, and breathe life into new ideas. Our distinctiveness on-screen stems from the ethos of creative diversity that lies at the heart of everything we do.



We can best achieve our creative ambitions by working with the broadest pool of talent, taking risks, partnering with a wide range of organisations, innovating in the form and distribution of creative ideas and representing the diversity of the UK. For Channel 4, diversity is not a question of ticking boxes. It is much more fundamental; it stems from the range of people we work with and the blend of content we commission, as well as the different groups we represent.

When we get this right, it is what makes us home to ideas and voices that would not be found anywhere else.

Diversity of supply

Creative diversity begins with diversity of supply: we aim to work with the widest possible mix of talent from across the UK and from a range of backgrounds. The broader the production base, the more wide-ranging the experience will be for viewers.

The main Channel 4 service invested £321 million in first-run external UK commissions in 2010 – a slight fall from 2009 (see pages 10–11). The latest industry data (for 2009) shows that we spent more on the external production sector than any other commercially funded public service broadcaster, and worked with more independent suppliers than any other broadcaster. Our own figures show that we commissioned programmes across the channel portfolio from 266 different companies in 2010, more than 10% of which

Broadcasters' investment in the production sector

£321m

investment in first-run external UK commissions on the main channel in 2010

5% on last year

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

Year	Main channels	Digital channels	Total (£m)	Broadcaster
2009	341	81	422	BBC
2008	304	82	386	BBC
2009	254	0	254	ITV1
2008	323	0	323	ITV1
2009	339	24	363	Channel 4
2008	389	32	421	Channel 4
2009	69	0	69	Five
2008	96	0	96	Five

Source: Channel 4, Ofcom (Other channels) 2010 data not available for other channels

Diversity of supply base

266

production companies supplying programming to the Channel 4 portfolio in 2010

9% on last year

Number of independent production companies supplying the PSBs

Year	Channel 4 Portfolio	Other digital channels (max)
2009	276	28
2008	289	28
2009	83	30
2008	69	28
2009	293	78
2008	318	97

Source: Channel 4, Broadcast (Other channels) 2010 data not available for other channels

were new to the organisation. We hope these numbers will increase in future years as the new Creative Diversity department works to broaden our supply base. In addition, we are also building relationships with a range of new digital companies. Across digital media we worked with 91 suppliers in 2010, commissioning many companies, such as Fish in A Bottle in the West Midlands and Tag Games in Scotland, for the first time.

To broaden our supply base, we look for talented suppliers across the country. This benefits the creative economy whilst enabling us to better represent life in different parts of the UK on-screen. In 2010 we increased both the value and volume of first-run originated content on the main channel that comes from the nations and regions of the UK. Across the channel portfolio, we spent £125 million on companies based outside London. A particular priority was to expand supply from Scotland, Wales and Northern Ireland. Thanks to major commissions including *4thought.tv* (Belfast), *That Paralympics Show* (Cardiff) and *Frankie Boyle's Tramadol Nights* (Glasgow) our expenditure in the Nations accounted for 4.5% of our first-run originated spend on the main channel (exceeding our 3% quota) and 11% of our portfolio spend outside London. This was a significant increase from 2009 – with an additional £4.4 million spent across the portfolio on projects in Scotland alone. We have also looked to broaden the spread of our digital commissioning, including projects in Bath, Dundee and Sheffield. From 2011, we have committed to spending at least 35% of our digital media commissioning budget outside London.

Our desire to broaden our supply base extends to communities that are under-represented in the industry. In 2010 we worked with production companies such as Maroon Productions and Juniper Communications, which draw their talent from diverse ethnic backgrounds, as well as placing a special emphasis through our online education projects on working with female writers and developers, a group still under-represented in the digital media sector. We also developed initiatives, such as the Production Trainee Scheme, giving talent from marginalised backgrounds experience in the industry.

At the culmination of two years in which Channel 4 chaired the Cultural Diversity

Channel 4's investment in the nations and regions

Output from suppliers based outside London:

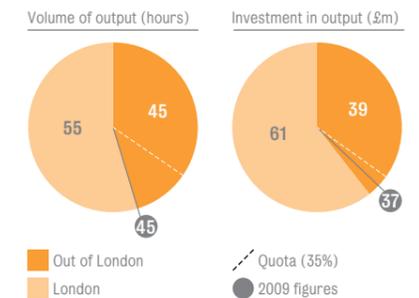
45% of first-run originated programme hours

1pt on last year

39% of the value of first-run originations

3pts on last year

Proportion of Channel 4's first-run originated output and spend on the main channel made in the nations and regions in 2010



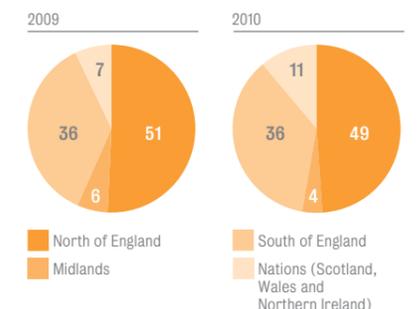
Source: Channel 4 Rounding differences may occur

Channel 4's investment in the production sector outside London

£125m spent on production companies based outside London

Level with last year

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



Source: Channel 4

The data presented in this chart represents spend outside London for all channels in the Channel 4 portfolio; 2009 data has been restated to include the digital channels

'It's all about backing creative teams and people, and Channel 4 certainly put their money where their mouth was'

Shane Meadows, Director

Network, 280 production companies had signed the CDN Pledge to improve diversity within the broadcasting industry.

Diverse voices

Channel 4 has a specific remit to cater to diverse audiences. We deliver this not by relegating cultural diversity to the niche but bringing it into our mainstream output in imaginative and compelling ways. In 2010 we increased the volume of originated programming on the main channel that addressed religion, multiculturalism, disability or sexuality, and significantly increased hours in peak-time – up 23% from 2009. Our tracker statements recognised our distinctiveness in this area, with significant leads over other channels for showing different kinds of cultures and opinions and challenging prejudice. As outlined below, we are also substantially ahead of other channels for reflecting the viewpoints of gays and lesbians, different ethnic groups and disabled people. However, despite the increase in output, in all these cases both our overall performance and our leads over other channels were down. In 2011 and beyond we will continue to reflect and cater to diverse groups, and will seek to understand and improve audience perceptions of our work in this area.

We sought to reflect diverse cultures and perspectives in every part of the schedule in 2010, from *My Big Fat Gypsy Wedding's* portrayal of a misunderstood community to *I Am Slave's* story of a Sudanese domestic slave in modern Britain and *The Family's* in-depth insight into a black British home. In our tracker statements, we continued to have a significant lead over other PSB channels for showing the views of different ethnic groups. This was stronger still amongst Black and Minority Ethnic (BAME)



The Family

This BAFTA-nominated observational documentary strand returned for its third series in 2010, filming the Nigerian-born Adesinas around the clock over eight weeks. The series continued our commitment to show, in peak time, the diverse cultures of Britain, documenting the trials and tribulations of family life in Britain's Black African community and the impact of changing values between the generations.



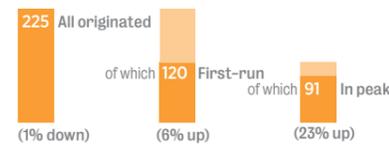
Diversity output on the main channel

120hrs

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

6% on last year

Total hours of programming covering diversity issues shown on the main channel (2010 with trends relative to 2009)



Source: Channel 4

Channel reputations

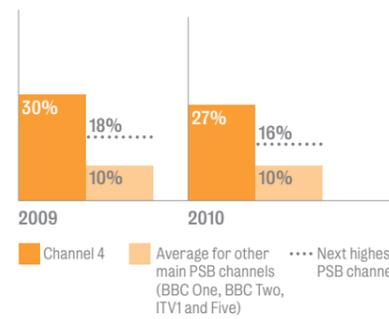
People who believed Channel 4 is the channel to which the following statements most apply...

Shows different kinds of cultures and opinions

17pt

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

2pts on last year

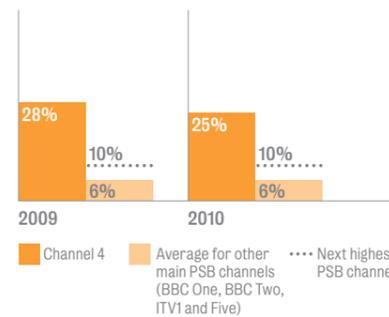


Challenges prejudice

19pt

lead over average for other channels for challenging prejudice

3pts on last year



Source: Ipsos MORI commissioned by Channel 4
Rounding differences may occur

respondents – with a 23 point lead over the average for other PSB channels compared to a 16 point lead across all respondents.

At the start of 2010 Channel 4 won the television rights to the London 2012 Paralympic Games – a unique opportunity to transform the way disability sport and disability itself is perceived in the UK. We kicked off the build-up to 2012 with several Paralympics-related programmes, such as *Inside Incredible Athletes*, and a nation-wide search for disabled presenters and reporters. Our goal is for people with a disability to provide more than 50% of the reporting team for the Games themselves and build careers in front of the camera beyond 2012.

Our vision for the Paralympics reflects our long-running commitment to bringing disability into the mainstream. In 2010, participants with disabilities contributed to some of our most popular peak-time series, including a student with cerebral palsy in *Location Location Location* and three women with physical disabilities in the series *How To Look Good Naked...With A Difference*. This series attracted a large mainstream audience and succeeded in challenging preconceptions: reaching a peak audience of 2.6 million viewers, and 45% of respondents to a bespoke survey saying that it changed the way they think about disabled people. Our ongoing tracking survey showed that viewers still believed Channel 4 was the best of the main



4thought.tv

Provocative, powerful and moving, *4thought.tv* provides a platform for religious believers and sceptics to reflect on religious and ethical issues. It offers viewpoints from different faiths and cultures on issues ranging from abortion, sexuality, marriage and euthanasia. A true cross-platform initiative, it represents creative diversity in action, with the television content made by a Belfast production company, Waddell Media, and the online elements, supported by Northern Ireland Screen, provided by two other Northern Ireland companies, neither of which had previously worked with a UK broadcaster.



Channel reputations

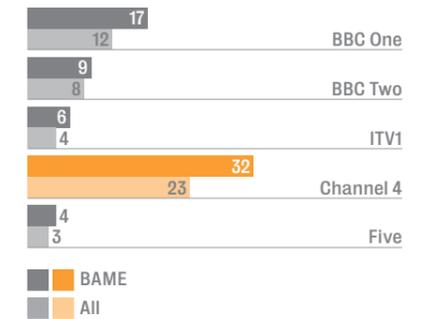
People who believed Channel 4 is the channel to which the following statements most apply...

Shows the viewpoints of different ethnic groups

16pt

lead over average for other channels for showing the viewpoints of different ethnic groups

2pts on last year

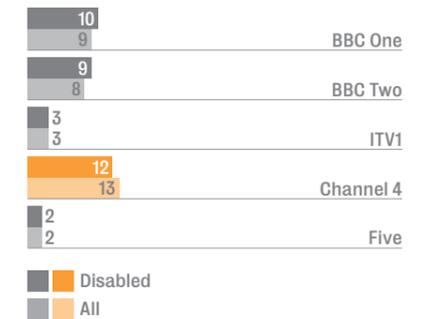


Shows the viewpoints of disabled people

8pt

lead over average for other channels for showing the viewpoints of disabled people

2pts on last year



Source: Ipsos MORI commissioned by Channel 4
Rounding differences may occur

Shows the viewpoints of gays and lesbians

20pt

lead over average for other channels for showing the viewpoints of gays and lesbians

5pts on last year



public service channels for showing the viewpoints of disabled people. The narrowing of this lead from 2009 highlights the challenge we face to make more of a noise about disability.

Channel 4 has by far the strongest reputation of any broadcaster for portrayal of the lesbian and gay community. This was shown in our own tracking survey and reflected in two external reports published in 2010 (by the BBC and Stonewall). Teen sexuality was a priority area for us: *Skins* continued to develop a lesbian storyline, *Hollyoaks* featured the arrival of a transgender teenager and *Sexperience* gave frank insights into the challenges of coming out. Our tracking survey showed that Channel 4's lead over the other main PSB channels for showing the viewpoints of gays and lesbians fell in 2010 back to 2008 levels, after a particularly strong year editorially in 2009.

New and one-off programmes

230

new or one-off programmes shown on Channel 4 between 6pm and midnight

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

Channel	2010	2009
BBC One	155	185
BBC Two	268	293
ITV1	107	126
Channel 4	230	272
Five	58	88

15% on last year

Source: Attentional commissioned by Channel 4

Innovation

Innovation is a central element of Channel 4's remit and our commitment to trying new things was evident in much of our output, whether in format or new approaches to technology. *Blitz Street* and *Inside Nature's Giants* brought bold new approaches to the traditional genres of history and science. *One Born Every Minute* explored the potential of fixed cameras to provide unprecedented intimacy to an observational documentary, and in *Seven Days* we sought to push the boundaries of reality itself, enabling viewers to influence real-life events using interactive tools. Overall we showed 230 new and one-off programmes in 2010 – fewer than BBC Two but a higher volume than either BBC One or the commercial public service channels. The 15% decline year on year was largely due to the replacement of *3 Minute Wonder*, which contributed a large volume of individual one-off programmes, with the *4thought.tv* strand.

2010 also saw further developments in digital innovation, with a range of dedicated digital projects. This included *The Curfew*, an immersive educational game about civil liberties, and *Such Tweet Sorrow* – a critically acclaimed partnership with the Royal Shakespeare Company and the Birmingham-based digital agency Mudlark, which retold the story of Romeo and Juliet through the medium of Twitter. These and other digital projects brought Channel 4 an impressive 37 nominations at the British Interactive Media Awards.

Channel reputations

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

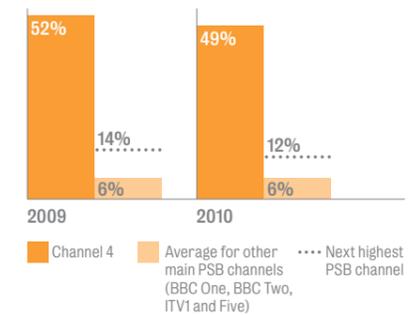


Takes risks with programmes that others wouldn't

44pt

lead over average for other channels for taking risks that others wouldn't

2pts on last year

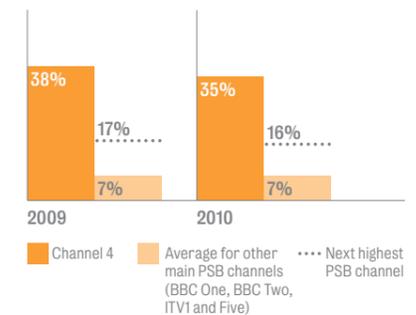


Is experimental

28pt

lead over average for other channels for being experimental

3pts on last year

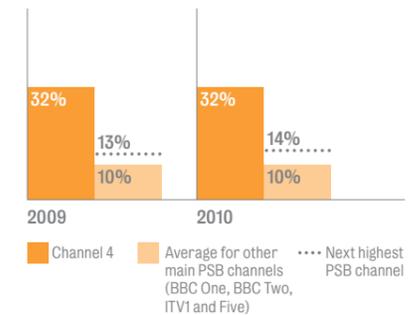


Always trying something new

22pt

lead over average for other channels for always trying something new

1pt on last year

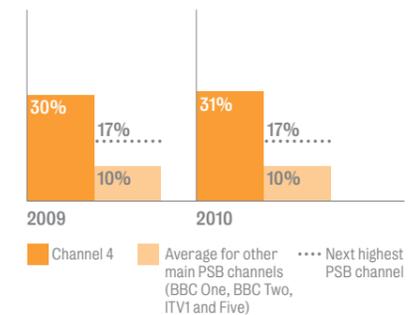


Trend-setting

20pt

lead over average for other channels for being trend-setting

Level with last year



Source: Ipsos MORI commissioned by Channel 4. Rounding differences may occur.



Inside Incredible Athletes

Inside Incredible Athletes formed the centre piece of Channel 4's programmes to introduce viewers to the Paralympic Games. Using state-of-the-art scientific testing and cinematography it revealed the inside story of how Paralympic athletes achieve sporting excellence. The programme showed viewers how the bodies of these elite athletes can adapt to their disabilities, enabling them to achieve extraordinary levels of performance. Nine out of ten viewers surveyed by us agreed that the programme opened their eyes to the talents of disabled athletes, as well as the challenges they face, while two out of three said that it had changed their perception of disability sport.

'Smashes though preconceptions about disabled athletes to deliver a portrait that is visually beautiful and scientifically fascinating'

The Sunday Telegraph

Audiences recognise and appreciate Channel 4's commitment to innovation. In our ongoing tracker survey, we maintained significant leads in 2010 over the other main public service channels for taking 'risks with programmes that others wouldn't', for 'always trying something new', and for being 'trend-setting' and 'experimental'. However there was a small decline in our lead on several of these statements, a trend we hope to reverse in coming years as we introduce more risk-taking and experimentation to our commissioning.

Next generation of creative talent

Channel 4 works with creative talent throughout their careers, whether giving established voices the opportunity to try something new, or providing newcomers with their first break. In 2010, we commissioned producer Phil Bowker to write and direct his first series, *PhoneShop*, while *The IT Crowd*'s Richard Ayoade worked with Film4 to direct his first feature film *Submarine*. We also gave emerging comedian Morgana Robinson a debut solo show on the strength of her audition tape.

We dedicated 21 hours of first-run originated programming on the main channel to new talent. This is a fall of 51% from 2009, largely due to our replacement of the long-running talent strand *3 Minute Wonder*. This decision enabled us to prioritise investment in strands such as *First Cut*, that give more extended opportunities to emerging film-makers, while also enabling us to refresh the slot with the introduction of the faith, ethics and opinion strand *4thought.tv*. This provided a vital new platform for diverse voices and through-provoking ideas. We continued to nurture

New talent strands on Channel 4

21hrs
of first-run
originations in
strands dedicated
to new talent

51% on
last
year

Strands dedicated to new talent across Channel 4's television network (2010)

New talent strand	Slots	Hours
Channel 4 (main channel)		
<i>3 Minute Wonder</i>	36	3
<i>First Cut</i>	18	8
<i>Coming Up</i>	7	4
<i>Comedy Labs</i>	7	4
<i>The Morgana Show</i>	5	3
Total first-run	73	21

Corresponding 2009 Totals 245 43

Source: Channel 4
Rounding differences may occur



Submarine



'PhoneShop is modern, fresh, and doesn't sound like too much else on mainstream TV'

Broadcast

new writers and directors with schemes such as *Cinema Extreme* (with WarpX) and *Future Perfect* (with Paines Plough Theatre). We also added to our long-running pilot series *Comedy Lab* with online comedy project *This Just In*, which put a spotlight on new comedians and their writers, helping them prepare for a first foray into television.

Off-screen, a variety of training and work-related learning programmes gave opportunities to those already working in the sector and to young people at the very beginning of their careers who may not otherwise consider a career in the media. These included several award-winning learning initiatives and work experience placements for students. A partnership with the Media Trust invited 16–25 year olds to make their own short films in celebration of Black History Month and offered mentoring advice to the winning contributors. We continued to support the wider development of training and skills in the industry through our funding of the National Film and Television School, The Research Centre and Skillset. We also worked with partners across the industry – from the Channel 4 BRITDOC Foundation to regional screen agencies – to identify and support creative talent from all over the UK.



Dundee games

Two companies from Dundee's vibrant digital games sector, Tag Games and Dynamo, were commissioned to make apps for the hit television series *Peep Show* and *Come Dine With Me*, and for a new online game, *Beauty Town*. This investment typifies Channel 4's approach to creative diversity by expanding the online presence of some of our key television programmes, working with partner organisation Creative Scotland and, at the same time, helping to grow innovative companies in the UK's Nations.

'I owe the channel virtually my entire career and feel incredibly fortunate to have worked with such amazing people'

Jack Thorne, co-writer, This Is England '86

£233m

Film and Drama spend on originations and acquisitions broadcast in 2010

Film & Drama



Good storytelling is one of the most powerful tools for Channel 4 to deliver its social purpose. Great film and drama engages audiences emotionally with stories that entertain, provoke, inspire and prompt reflection. With our films and dramas, we encourage writers, directors and actors to push the boundaries – whether they are pillars of the creative landscape or completely untested voices.

2010 was a pivotal year for film at Channel 4. For the first time ever, investing in and screening film was introduced into our public service remit and we celebrated this with a lift to Film4's budget, announced as two of its films – *Never Let Me Go* and *127 Hours* – were selected to open and close the London Film Festival. Since our birth we have been one of the most creative and successful champions of British film because we have always believed in backing the most exciting creative talent, the most distinctive ideas and the most contemporary themes and issues. As well as investing in film production, we continued to be a showcase for independent cinema – with the best of British and international film-making on the Film4 channel and on-demand.

In drama we sought to back dynamic, distinctively authored pieces that offered viewers new angles on British life. *Mo* and *This Is England '86* broke viewing records for drama on Channel 4, and we punched above our weight in terms of reputation – maintaining our lead for distinctive drama despite commissioning less than the BBC and ITV. E4 continued to provide a home for dramas that captivate young audiences on-air and go on to build dedicated communities of fans, and we continued to experiment with new ways of engaging with these younger audiences (see pages 42–43).

Distinctive voices

Channel 4 has long standing relationships with some of Britain's most original and idiosyncratic storytellers, directors, producers and actors. Our readiness to take risks and back new ideas gives creative people the space and freedom to realise their vision. In 2010 Shane Meadows made his TV debut with *This Is England '86* and Film4 supported many television stars to make their feature debuts, from *Brass Eye*'s Chris Morris to *The IT Crowd*'s Richard Ayoade and *The Adam and Joe Show*'s Joe Cornish. The Film4 channel continued this support, with retrospectives of some of Channel 4's most celebrated and distinctive directors, including Danny Boyle and Mike Leigh.

We also maintained our commitment to finding the talent that we believe will be worthy of retrospectives in twenty years' time. Our *Coming Up* strand is a compelling way to find new writers and directors. 2010 saw the release of the *Scouting Book for Boys* – a Film4 production written by two graduates of the scheme, Jack Thorne and Tom Harper. In November we also launched 4Screenwriting, aimed at giving emerging writers experience in television drama.



This is England '86

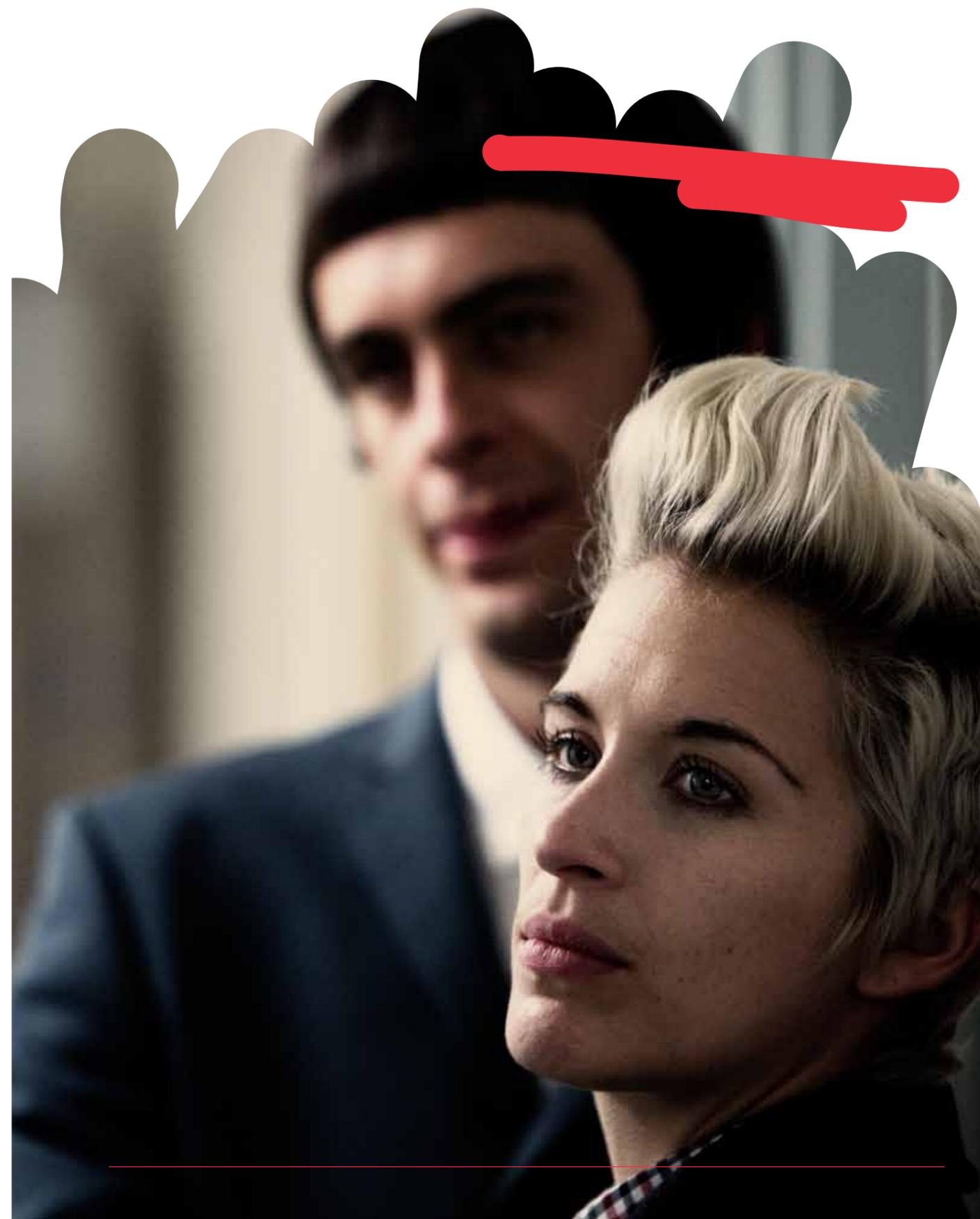
With his eagerly awaited follow up to the BAFTA-winning film *This Is England* (2007), Shane Meadows broke the boundaries of how television drama usually feels. His four-part *This Is England '86* series had the kind of hard-hitting plot lines and cinematography rarely seen on the small screen. With his co-writers and co-directors Jack Thorne (*The Scouting Book for Boys*, *Skins*, *Shameless*) and Tom Harper (*The Scouting Book for Boys*, *Misfits*), Shane exemplifies Channel 4's commitment to developing and nurturing talent, from his films *Once upon a Time in The Midlands* (2002), to *Dead Man's Shoes* (2004) and *This Is England*. Funded in partnership with Screen Yorkshire, the distinctive Sheffield location of the series also demonstrated our commitment to reflecting regional voices. Most importantly, the audience loved it and it proved to be Channel 4's most successful original drama launch ever, averaging 3.2 million television viewers per episode. On-demand, the series totalled 2.7 million views.

16x uplift

Film4's early involvement helped to attract total funding worth 16 times its own investment for feature films released in 2010

'Delicate, finely wrought film-making and the best drama on British television this year'

The Observer



'Channel 4's support and investment, along with some leaps of faith from some brave commissioners has been invaluable'

Tom Harper, co-director, *This Is England '86*



“...will undoubtedly ruffle some feathers but in making the modern bogeyman a figure of fun he may yet redress an imbalance in our collective attitude’

The Times

Returning audiences

Long-running returning drama series are often crucial to defining a channel brand. They build loyal audiences and can play a vital commercial role. For Channel 4 they provide a balance to the overall tone of the drama slate, with heavy-hitting single dramas complemented by series that are lighter and more mischievous in tone. In 2010 our returning series had mixed success. In its seventh series, *Shameless* equalled its biggest ever audience, and *Misfits* grew its audience by 86% from its launch in 2009. But viewers to *Hollyoaks* declined, leading to a dramatic revamp of the series with new branding, producers, cast members and storylines. Long-running series may be reliable, but they must be constantly re-invented and re-energised to keep them popular, relevant and distinctive.



Four Lions

Featuring a wealth of British talent including Kayvan Novak (*Facejacker*) and Riz Ahmed (*Britz, Road to Guantánamo*), Chris Morris’ directorial debut *Four Lions* brilliantly and brutally satirised the distorted world view of some very amateur Jihadists. By alternately mocking and humanising the confused and incompetent members of the wannabe terrorist cell, the film broke almost every taboo in the book. Made by Warp Films with the support of Film4 at every stage of production and distribution, *Four Lions* became a critical and commercial hit, winning Chris Morris a BAFTA for Outstanding Debut and earning close to £3 million at the UK box office.

£11.6m

invested in feature film production and development in 2010

Reflecting society and challenging taboos

Fiction can be just as powerful as investigative journalism in revealing truths about the modern world, by telling stories that stimulate curiosity about contemporary Britain and beyond. In 2010 the BAFTA-winning drama *Mo* gave a double insight into Mo Mowlam’s private life and her public role as Secretary of State for Northern Ireland during the peace negotiations that led to the Good Friday Agreement. *Any Human Heart* charted the history of the 20th century through the eyes of one man and *I Am Slave* examined domestic slavery. *Shameless* and *Four Lions* demonstrated that even such sober and weighty issues as poverty and terrorism can be illuminated by the power of comedy.

Elsewhere, the Film4 channel brought viewers the work of acclaimed film-makers from around the world. Highlights included *The British Connection*, a season of independent British films in primetime slots. Films from further afield included three classics from the Japanese director Yasujiro Ozu, the award-winning Greek film *Dogtooth*, which was seen by more people on Film4 than saw it in UK cinemas, and undiscovered gems from such far-flung places as Kazakhstan. Overall the Film4 channel showed 704 hours of films from countries other than the UK and the US in 2010, up 4% year-on-year (see pages 66–67).

Innovating with distribution

In addition to our investment in film development and production, Channel 4’s TV channels offer showcases for independent cinema. Dedicated monthly seasons on the Film4 channel helped to create a sense of occasion around the schedule and contributed to an impressive growth of 25%

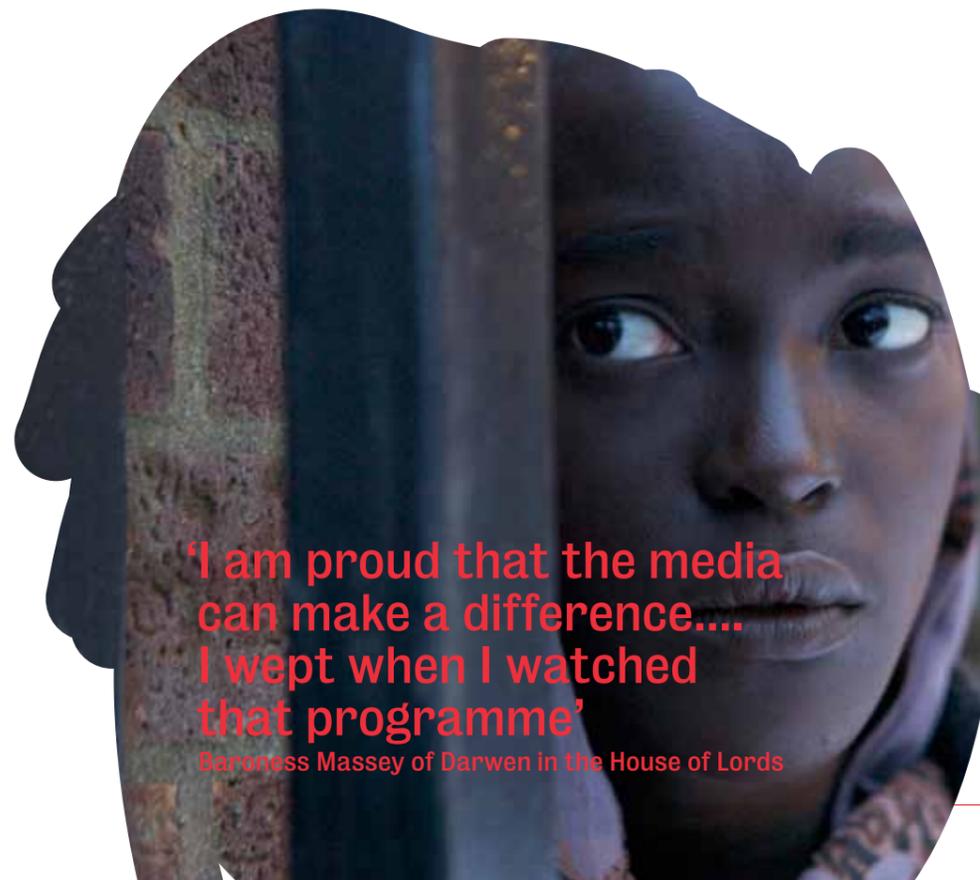


Any Human Heart



I Am Slave

The Home Office estimate that there may be as many as 5,000 people trafficked into the UK as slaves. This shocking statistic was the starting point of the film *I Am Slave* which told the harrowing story of a Sudanese woman forced into domestic slavery in modern day Britain. Filmed on location in Africa and the UK, it reflected Channel 4’s commitment to tackling difficult subject matter and putting little-talked about issues on the public agenda. The film triggered several press investigations into domestic slavery and was praised in the House of Lords during a debate on international trafficking. Another example of our commitment to partnership and creative talent, the film was funded in partnership with the UK Film Council and the Film Agency for Wales, directed by Gabriel Range (*Death Of A President*) and written and produced by the team behind Film4’s Oscar-winning *The Last King of Scotland*.



‘I am proud that the media can make a difference.... I wept when I watched that programme’

Baroness Massey of Darwen in the House of Lords



'I can't imagine how my life would have been without Film4. And it gets better and better – ever friendlier, more supportive and above all, warm and loving'

Mike Leigh, Director, *Another Year*

in the channel's share during 2010. Tie-ins with retailers helped reach wider audiences; for example Film4's *World Cinema New Horizons* season, which highlighted classic international youth films such as *Y Tu Mamá También* and *City of God*, was promoted across HMV's 279 UK stores.

As part of our remit to innovate with new forms of distribution, we updated the Film4 website and launched an online on-demand film rental service with Filmflex. More than 500 films were available to view at launch, including the latest Hollywood releases, British classics and cult independent and foreign-language films. The service reflects our aim to develop new commercial business models whilst also maintaining a commitment to making independent film accessible.



Another Year

Following the success of the Oscar-nominated *Happy-Go-Lucky*, Film4 continued its long relationship with director Mike Leigh with *Another Year*, a film touching on the universal themes of family, friendship and ageing. Premiered in the UK at the London Film Festival, it won great critical acclaim – nominated for the Palme D'Or in Cannes as well as receiving Academy Award and BAFTA nominations.

Key data

Our key measures show that audiences valued our distinctive approach to film and drama in 2010.

In drama, Channel 4's output is distinct in terms of its subject matter and its appeal to younger audiences. Our audience tracking survey showed that the proportion of viewers choosing Channel 4 as being 'best for drama programmes that are different from other channels' was 8 points higher than the average for the other main PSB channels. Channel 4 was chosen by more people than chose BBC One or ITV1, even though they commission more output in this genre. 16–34 year olds

accounted for a substantially higher proportion of viewing to Channel 4's peak-time dramas than to those on the other main PSB channels.

In film, countering the market focus towards US studio movies, almost 40% of the Film4 channel schedule was devoted to British, other European and international films in 2010. This eclectic approach is matched across Channel 4's portfolio – 33% of respondents claimed that the main channel is 'best for modern independent film', substantially more than chose any other channel.

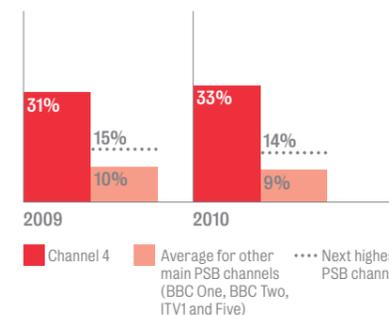
Channel reputations

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

! Is best for modern independent film

23pt

lead over average for other channels for being the best for modern independent film



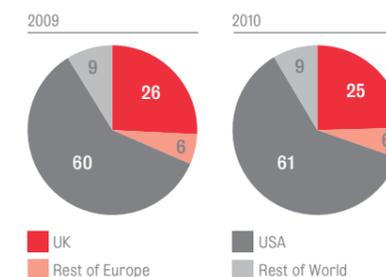
2pts on last year



Diversity of Film4 channel schedule

39% of output on the Film4 channel devoted to British, other European and international films

Percentage of output on Film4 channel by region of origin



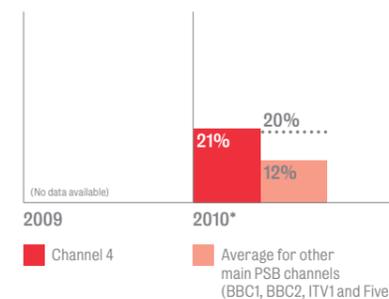
1pt on last year

Source: Channel 4
Rounding differences may occur

! Is best for drama programmes that are different from other channels

8pt

lead over average for other channels for being the best for drama programmes that are different from other channels



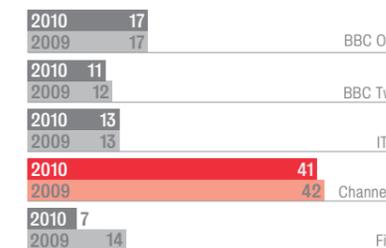
Source: Ipsos MORI commissioned by Channel 4
Rounding differences may occur
*New tracker statement for 2010. Data represents one wave of research only. No prior year data is available



Drama viewing by young audiences

41% of viewing to originated drama programmes on Channel 4 between 6pm and midnight accounted for by 16–34 year olds

Percentage of viewing to originated drama programmes on the main PSB channels between 6pm and midnight accounted for by viewers aged 16–34



Source: BARB

'A stunning documentary into a way of life that is almost totally unknown to outsiders'

Daily Express

£157m

Factual spend on originations and acquisitions broadcast in 2010

Factual



Channel 4's factual content goes beyond the topical headlines of current affairs and reflects everyday life, finding the extraordinary in the ordinary. It seeks not just to reflect contemporary life in Britain and elsewhere, but also to help shape it – inspiring change, challenging established points of view and creating a lasting legacy in the world beyond the programme.

Our factual output makes a vital contribution to Channel 4's public value and to our commercial success, with brand-defining hits that also help deliver our obligations to inform, challenge and inspire audiences. Where some other channels rely more heavily on entertainment and drama, factual programming is at the heart of what we do, representing the majority of our original commissioning spend and featuring prominently in our peak-time schedule.

From traditional documentaries to innovative formatted programming, our factual output in 2010 was dedicated to exploring what makes society tick – through intimate portraits of family life, history, public institutions and the world beyond Britain. We also aimed to bring subjects to life with engaging formats and groundbreaking online content, such as the Emmy-nominated online show *Embarrassing Bodies Live*. This approach has enabled us to reach an elusive young adult audience with content that has a social and educative purpose.

2010 was a fruitful year for piloting and experimentation, with several outstanding single films providing the blueprint for longer-running television series in 2011.



One Born Every Minute

One Born Every Minute gave audiences unprecedented access to the highs and lows of childbirth, from the perspectives of soon-to-be parents and hospital staff. As well as insights into differing styles of parenting and the modern family it gave a fascinating eyewitness view of life in the NHS. It was hugely popular, averaging 3.8 million viewers across its 8 episodes. It was also a great critical success, winning the 2010 BAFTA for Best Factual Series. A dedicated website supported the series with exclusive clips and expert advice.



'A superb programme that makes you feel smarter for just having watched it'

The Times

'...raw, unadorned humanity on display ...it was tremendous'

The Daily Telegraph



Reflecting modern Britain

Across the year we aimed to give audiences a wide-ranging view of the values and institutions of contemporary Britain. Revolutionary camera techniques provided fresh perspectives on life in all its complexities – from the hospital ward (*One Born Every Minute* and *The Hospital*) to the police station (*Coppers*) and the family home (*The Family* and *Seven Days*). As is inevitable with pioneering ideas, not all these shows fulfilled our ambitions. For example, while *Seven Days* broke new ground by giving viewers direct influence over the series through social media, it proved less successful as a programme format. This provided a lesson for future attempts at integrating television and digital tools – viewers are drawn to the new and the experimental, but still want storylines and characters that can engage and entertain in traditional ways.

Elsewhere in the schedule, *Titanic: The Mission*, *Genius of British Art* and *Genius of Britain* opened up significant moments in Britain's past. *4thought.tv* and *The Family* explored the diverse make-up of modern British society. *How The Other Half Live* and *Tower Block of Commons* looked at the reality of poverty and its social consequences, while the impact of unemployment during a recession was the subject of *The Fairy Jobmother*.



Genius of Britain

In this landmark series, leading scientific figures told the stories of British scientists and inventors who have helped shape our modern world. Experts of the stature of Stephen Hawking and David Attenborough introduced viewers to the people behind the development of the steam engine, the splitting of the atom, the theory of evolution and the invention of the world-wide web. The series had a considerable educational impact – with 81% of respondents to a bespoke survey on the programme agreeing that they learned a lot about scientific discoveries from it, and 66% agreeing that it had made them more interested in science.

9 out of 10

viewers surveyed by Channel 4 agreed that *Genius of Britain* was entertaining as well as educational.

'A fascinating bout of myth-busting and enlightening science'

The Mail On Sunday



Bringing learning to life

Much of Channel 4's factual content has an educational dimension running through it – from informing people about what goes into the food they buy to providing new ways of making specialist subjects in history, science and the arts more accessible. 2010 was no exception. We sought to bring original perspectives to what are usually regarded as dry topics – for example, biology in *Inside Nature's Giants*, or history in *Bloody Foreigners*. We used real explosives and innovative technology to conjure up the reality of war in *Blitz Street*. This proved to be an engaging experience for viewers, with 52% of respondents to a survey commissioned for Channel 4 saying the programme had made them think about history in a new way.



Inside Nature's Giants

The BAFTA-winning *Inside Nature's Giants* returned for a second series in 2010. Scientists took their dissection tools to a great white shark, a Burmese python, a lion, a tiger and a giant squid, unravelling how these animals hunt, eat and breed. The series has generated a legacy of ambitious research for the scientific community, while giving viewers an opportunity to observe natural history with a rare immediacy.

Alternative perspectives

Channel 4 seeks to give space to opinions and cultures that seldom surface in mainstream media. *Amish: World's Squairest Teenagers* explored diverse values and faiths, and *My Big Fat Gypsy Wedding*, one of our highest-rating programmes of the year, took a vastly entertaining and informative approach to the values and rituals of one of Britain's least understood and most maligned communities, winning a Cultural Diversity Network award in the process. Much of our programming shares a similar ambition to challenge preconceived ideas, as demonstrated by programmes on disability and a variety of series that probed some of society's most sensitive social taboos. *The Sex Education Show* examined pornography, underage sex and the intimate relationships of disabled and older people. Angus Macqueen's polemical *War on Drugs* questioned the entrenched positions that underpin public policies on drugs.

Making a difference

From Jamie Oliver and Sarah Beeny to Gok Wan and Dr Pixie McKenna, Channel 4's factual presenters are experts in their respective fields, giving trusted advice and inspiring ideas on anything from the food we eat to the homes we live in. Audience research shows that viewers strongly associate Channel 4 with programmes that inspire change; for example, almost a third of the viewers of *Supersize vs Superskinny* said it made them think about changing something in their lives. 65% of viewers to *Jo Frost's Extreme Parental Guidance* said that they learnt something new about parenting and bringing up children. The website for *Embarrassing Bodies* continued to feature comments on how its open and honest advice had prompted people to seek potentially life-saving medical advice.

68%

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



Amish: World's Squairest Teenagers

This series followed five young Amish people as they left their closed communities in the USA to spend time with young people in Britain whose views and values were radically different from their own. As much as it afforded a window onto a little-known faith community, the series also provided an unusual prism through which to view the faith, morality and values of young people in contemporary Britain. The result was a fascinating cultural exchange, for participants and audiences alike. Both the Amish and the British participants said they learnt from each other and found the experience eye-opening and informative, while one viewer wrote in to tell us "it turned my understanding of how the Amish live upside down".



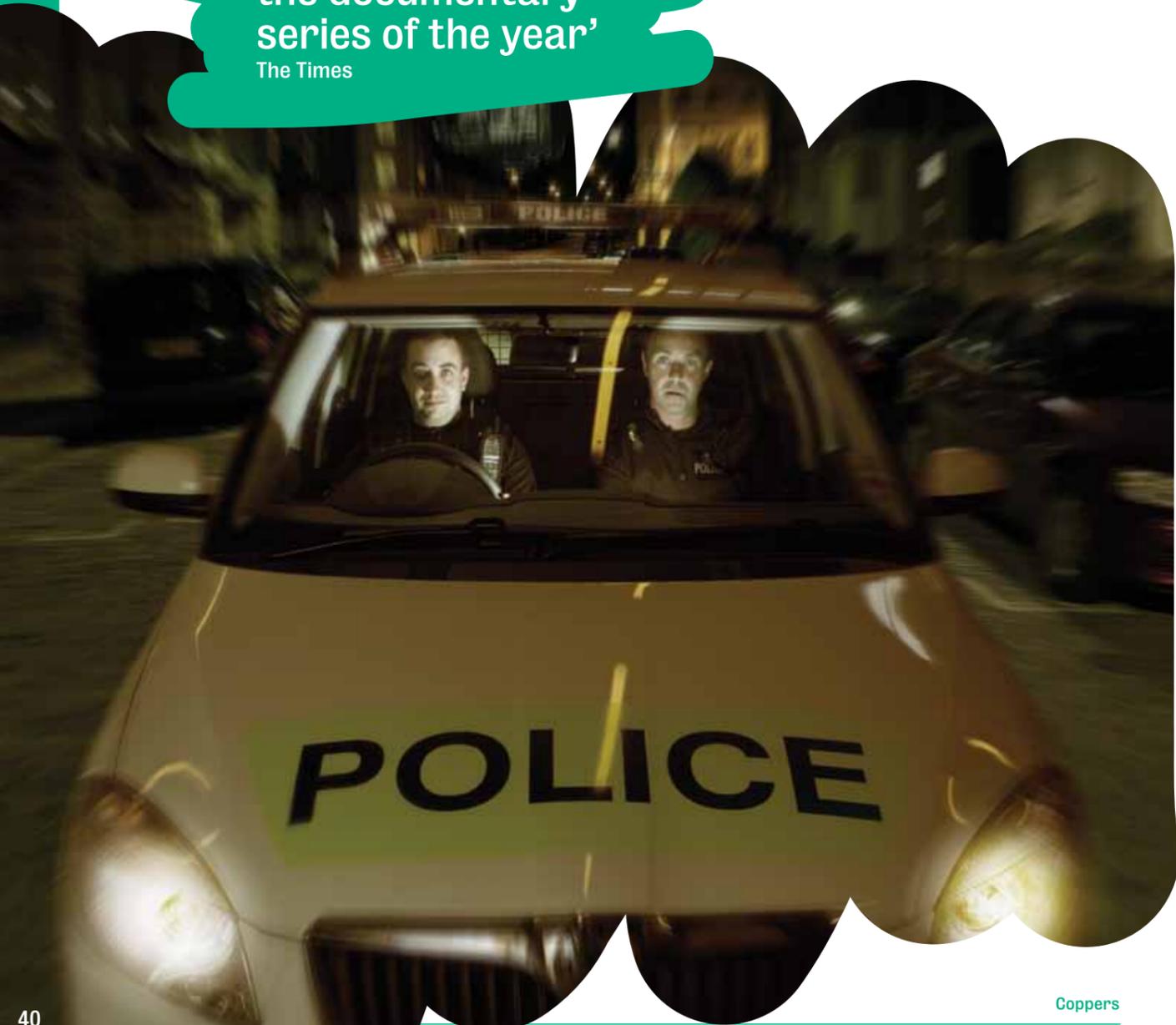
How to Look Good Naked ...With A Difference

As well as inspiring change in individuals, many Channel 4 programmes look to make a broader social impact. In 2010 we gave a platform to a range of campaigns, from Gok Wan's efforts to get body image lessons on the national curriculum in *How To Look Good Naked* to David Bond's critique of the surveillance society in *Erasing David*. We harnessed the potential of digital media to bring people together, with Hugh Fearnley-Whittingstall's *Landshare* continuing to link food-growers with available open spaces. Other programmes aimed to leave an academic legacy – with shows such as *Time Team* and *Inside Nature's Giants* investing in ground-breaking historical and scientific research that nobody else in the world is doing.



Channel 4 BRITDOC Foundation
Channel 4 is the founding sponsor of the Channel 4 BRITDOC Foundation, an innovative organisation for documentary film-makers with something important to say. In 2010 we showed several of the foundation's award-winning feature films, including Grierson winner *Moving to Mars*, Berlin Film Festival winner *The Yes Men Fix The World* and the privacy campaign film *Erasing David*. In September we also pledged our support for the Foundation's new Puma Creative Catalyst Awards, a development fund to support international documentary ideas that highlight social justice, peace or environmental issues. Research on the social impact of 2009 Sundance hit *End of the Line* detailed the significant impact the film has had both on consumer behaviour and public policy.

'Might well be the documentary series of the year'
The Times



Key data

Channel 4's factual output aspires to be distinctive, challenging and inspiring. Our tracker statements show that audiences appreciated Channel 4's points of difference in these areas in 2010.

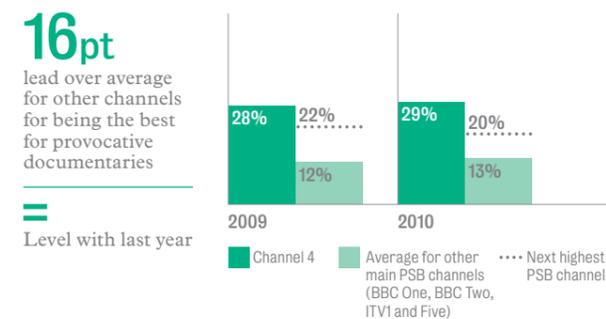
29% of respondents cited Channel 4 as being best for provocative documentaries in 2010, substantially more than chose any of the other main PSB channels (BBC Two, in second place, scored 20%). In a new statement, 25% also said that Channel 4 was best for documentaries that present alternative views, ahead of BBC Two (22%) and 12 points ahead of the average for the main PSB channels.

Channel 4 seeks to inspire change through programmes covering leisure, life-skills and hobbies. The main channel showed 253 hours in these genres between 6pm and midnight in 2010, a 5% fall from 2009 but still more than any of the other main PSB channels. New audience research showed that Channel 4's factual programmes inspired 68% of respondents to think differently, try something new, seek more information or talk about the programme to others. As we refresh the schedule with new series that seek to inspire and challenge our audiences, we hope this will increase in future years.

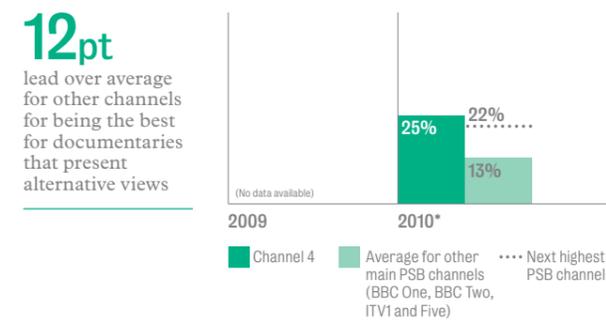
Channel reputations

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

Is best for provocative documentaries



Is best for documentaries that present alternative views



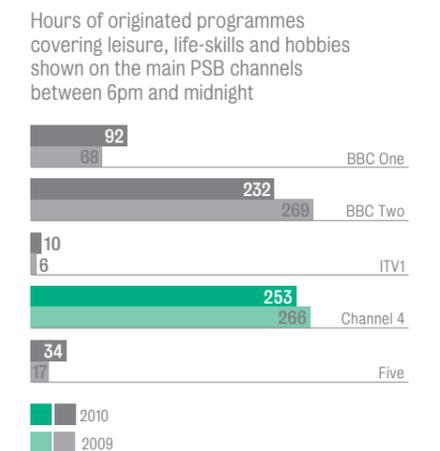
Source: Ipsos MORI commissioned by Channel 4
Rounding differences may occur

*New tracker statement for 2010. Data represents one wave of research only. No prior year data is available

Programmes covering leisure, life-skills and hobbies

253hrs
of programmes covering leisure interests, life-skills and hobbies shown on Channel 4 between 6pm and midnight

5% on last year

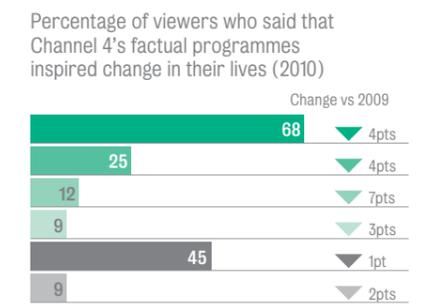


Source: Attentional commissioned by Channel 4

Inspiring change through factual programming

68%
of viewers said that Channel 4's factual programmes inspired change in their lives

4pts on last year



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

Source: Ipsos MORI commissioned by Channel 4

Spotlight on:



E4 plays an important commercial and creative role within Channel 4's portfolio. It is the home of some of our most exciting new comedy and drama, and is a favourite with the most elusive and fickle of all television audiences: 16–34 year olds. Despite an increasingly competitive market for young people's attention, 2010 was a record-breaking year for E4. It increased its overall share, remained the most popular digital channel amongst 16–34 year old viewers, won a raft of awards, including channel of the year at the Broadcast Awards and the Freesat Awards, and was responsible for some of the most talked about programmes on UK television – from *The Inbetweeners* to *Glee*.

E4's success stems in large part from its original commissions. These prove that young people have not lost interest in television – they just want content that they feel is relevant to

them. Despite a limited budget compared to the main channel, in 2010 we increased E4's hours of originations by 36% and the channel punched well above its weight in terms of impact. It remained the most popular digital channel for younger viewers, with audience share amongst 16–34 year old viewers ahead of any other digital channel and Five, with the gap closing on BBC Two.

The home for young comedy

In 2010 E4 strengthened its impressive reputation for new comedies, with series such as *PhoneShop* and *The Inbetweeners* attracting young audiences (see pages 49 and 50).

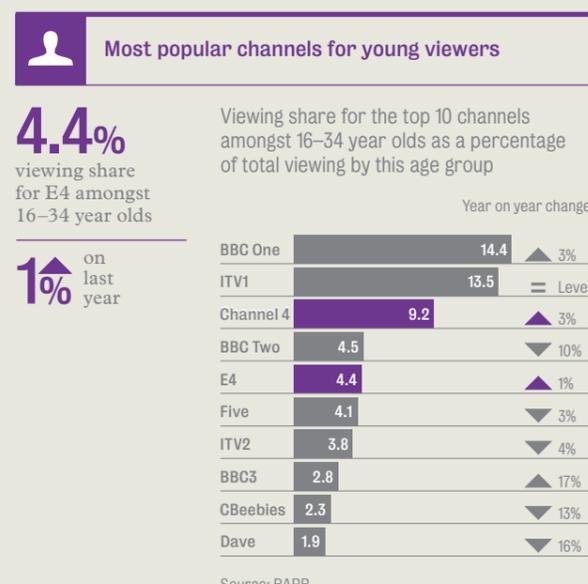
Contemporary teen drama

E4 has proved to be a successful launchpad for new ideas as well as demonstrating an ability to continually re-invent and re-energise



Glee

Glee followed up its success in the US by quickly becoming a UK cultural phenomenon. It regularly beat both digital and terrestrial competitors, with its highest-rating episode averaging 2.6 million viewers. As with many of E4's shows, its online relationship with fans was as important as its on-air relationship, with 6.8 million catch-up views on 4oD, a website that attracted 4.2 million visits, hundreds of viewer comments from viewers on E4.com and thousands more across Twitter and Facebook. Audience research revealed that viewers identified strongly with *Glee*'s themes of social acceptance and that they found the series original and inspiring.



long-running drama series to keep them relevant and topical. The hugely popular *Skins* returned with a new series, tackling major social and personal issues such as mental illness and sexuality without sacrificing its sense of style and humour. *Hollyoaks* remained a high-profile show, premiering episodes from the main series as well as developing exclusive spin-offs – including an online drama, *Hollyoaks Freshers*, and late-night show *Hollyoaks Later*. Fans of E4 shows could also enjoy exclusive online content, video and games. The *Skins* site attracted a remarkable 55 million page views and 5 million video views in 2010 – with more than 2 million fans on its official Facebook page.

The best of US acquisitions

In addition to long-running US series such as *Scrubs*, *Big Bang Theory* and *One Tree Hill*, E4 brought British viewers the best new hits from America. This included *The Cleveland Show*, an animation that launched with great success in early 2010 and the musical drama *Glee*.

'E4 has been a trail-blazer... consistently entertaining, daring and different'
Broadcast

16–34 year olds

E4 is the digital channel 16–34 year olds feel closest to.

When asked to rate how close they feel to each channel, E4 is the digital channel 16–34 year olds feel closest to, based on a quantitative survey



The Inbetweeners

The third series of *The Inbetweeners* led to record-breaking audiences for E4 with an average audience of 4.1 million for every episode. The final episode was the channel's highest-rated show ever, averaging 4.2 million viewers, and the series helped E4's daily share amongst 16–34 year olds exceed 8% for the first time. The series won a string of awards in 2010, including the Rose d'Or for Best Sitcom, and is now being developed as a feature film.

Misfits

The BAFTA-winning series *Misfits* returned for a highly successful second series in autumn 2010, following the adventures of a group of ASBO teens as they came to terms with their superpowers. The comedy-drama doubled its first series audience and continued to explore innovative online approaches to storytelling – with new games, videos, Facebook and Twitter applications released every week to enable its fans to find out more about the characters and upcoming plot twists. A live Twitter interview with one of the characters became a UK trending topic. There were more than 10 million page views of the website on E4.com across the run of the second series and 280,000 plays of its immersive online game across the year.



‘Channel 4 nurtures and takes a chance on young, bright talent and I am honoured to be part of its family’

Morgana Robinson

£122m

Comedy and Entertainment spend on originations and acquisitions broadcast in 2010

Comedy & Entertainment



Entertaining the nation is a serious matter for Channel 4. Hit comedy and entertainment shows are a vital part of defining our brand and our values, and provide some of our best-known faces. As with so much else we do, success in this area is about being distinctive – pioneering new formats, experimenting with new technology, finding and nurturing new talent, and taking the creative risks that other channels shy away from.



Our ambition is nothing less than to define comedy for a new generation. In 2010 this has meant investing significantly in new series, alongside the return of our four BAFTA-winning sitcoms and sketch shows. Commissioners spent much of the year piloting new ideas and developing new relationships with suppliers, and towards the end of the year a late upturn in advertising revenue meant we could bring forward the launch of several new comedy and entertainment titles. This included satire and sketch shows as well as entertainment 'event' formats that provide exciting ways for the digitally savvy to have fun online.

Comedy and entertainment will continue to be key areas of re-investment and renewal in 2011. While we will continue to be a home for distinctive 'cult' hits with dedicated communities of fans, we see part of our purpose as being to develop programmes that have the potential to break out and reach mainstream audiences.



Frankie Boyle's *Tramadol Nights*

The first solo series from the Glaswegian comic blended acerbic stand-up with absurdist sketches. Tackling social taboos in the realms of politics, disability and religion, the series set out to provoke and entertain in equal measure. While it polarised the audience, the first-night launch averaged more than 1.5 million viewers, demonstrating an appetite for comedy with the confidence to take risks. Made by a Scottish-based producer The Comedy Unit, and featuring one of Scotland's leading comedic talents, the programme also reflected our commitment to creative diversity.



'The Alternative Election Night really did have fresh policies to offer'

The Independent



Alternative Election Night

Channel 4's Election coverage featured a special four-hour programme, hosted by David Mitchell, Jimmy Carr, Lauren Laverne and Charlie Brooker, which sought to give viewers an irreverent twist on the traditional results coverage on the BBC and ITV. Co-commissioned by the Comedy and Current affairs departments with the aim of engaging younger audiences with a political format, the programme enlivened the discussion of unfolding election results with comic perspectives. It proved to be a winning formula, peaking at 2.8 million viewers and beating ITV's more conventional coverage of the night's events. The programme proved especially successful in connecting with young people, with 45% of the audience aged 16-34, disproving the view that the young are disaffected with mainstream politics. We are developing this idea in 2011 with the launch of *10 O'Clock Live*, a 15-part weekly satire show made by the same team.

Alternative voices and breaking taboos

Comedy allows us to provoke debate and represent alternative views in different ways. Channel 4 has a long history of iconic, taboo-breaking shows, dating back to *Brass Eye* and *The 11 O'Clock Show*. In 2010 we set about re-asserting and refreshing our mischievous reputation, with Frankie Boyle's first solo series and *Alternative Election Night*, which offered satirical relief to viewers watching the General Election results.

Audience engagement and digital innovation

Digital innovation enables us to build audience participation into our programmes in new ways. The Entertainment department was one of the first in Channel 4 to integrate online commissioning, with highlights including Facebook games for *The IT Crowd* and *Pete Versus Life*. Digital media has helped us to revitalise live formats, allowing audiences to interact with programmes, and each other, as they watch. *Million Pound Drop* was a striking example of this kind of two-screen experience, which will continue to be a focus for innovation in 2011.

Comedy and entertainment programmes were also responsible for a significant amount of our on-demand viewing, with record-breaking audiences in 2010 for *The Inbetweeners*, *The IT Crowd* and *Facejacker*. We have experimented with ways of providing the fan communities of these comedies with more opportunities to access the programmes they love – with exclusive online premieres ahead of transmission (see page 72).

995,776

plays of *Million Pound Drop* game in second series



Million Pound Drop

A brand new entertainment format, *Million Pound Drop* was a live game show stripped across several nights. The series became a considerable hit, with a peak audience of 3.4 million viewers for its second series and the title becoming a number one global trending topic on Twitter. Retaining many traditional game show attributes, the live element, with questions based on events that had taken place on the day of each show, gave it a topical feel. An accompanying game became one of Channel 4's most successful online projects ever, with the second series attracting nearly 1 million individual players, and at its peak, more than 100,000 players a day. 7% of the programme's TV audience in October went online, compared with an average for that month of 3%. Few other broadcasters are combining online and television experiences in this way, and further two-screen experiments will be an important part of our future entertainment strategy.



Pete Versus Life



'It had me laughing out loud, frequently in fact'
The Independent

Launching careers

Channel 4 has launched the careers of many of UK television's most famous faces, and we are passionate about finding the next generation of comedy and entertainment stars. We have more talent schemes dedicated to comedy than to any other genre, with *Comedy Lab* trying out new emerging talent and *Comedy Showcase* providing a test-bed for new ideas. Beyond these schemes we gave new female comic Morgana Robinson her first solo series and *Comedy Gala* and *Stand Up for The Week* provided further opportunities for new and established stand-up talent to break through to new audiences.

We also provide well-known Channel 4 comedy faces with new opportunities across our schedule; for example, reinventing the identity of the BAFTA-winning *Fonejacker* in *Facejacker* and tripling its audience in the process. We are developing a feature film from *The Inbetweeners* television series and, as outlined on page 30, Film4 gave *Brass Eye*'s Chris Morris his directorial debut, with a script co-authored by yet more Channel 4 television talent, the writers of *Peep Show*.



Comedy Showcase

Channel 4's Comedy Showcase is a series of one-off comedy pilots aimed at pioneering new ideas and formats for Channel 4. In 2010 it found new series for Channel 4 (*Pete Versus Life*), E4 (*PhoneShop*) and the first ever comedy series for More4 (*The Increasingly Poor Decisions of Todd Margaret*), as well as the forthcoming *Campus* in 2011. *PhoneShop* is from a first-time writer and starred a talented but unknown cast. Set in a mobile phone shop in Sutton, this proved to be a cult hit amongst young audiences, with more than half of its viewers aged 16-34, and has been commissioned for a further series. *Pete Versus Life*, the story of a man whose every move is analysed by sports commentators, has also been re-commissioned and its star Rafe Spall has been cast to star alongside Anne Hathaway in Film4's *One Day*.



'the funniest sitcom on television'

The Daily Telegraph on Peep Show

Nurturing hits

Developing hit series and talent not only requires investment in new formats, but sometimes patience with existing ones. Our commitment to allowing a series the time and space to grow so it can build an audience, is proving successful. *Peep Show* started slowly but by 2010 had doubled its audience from its first series, and *The Inbetweeners* grew from an average audience of 500,000 in its first series to 4.1 million viewers for its third series in 2010. Other returning entertainment formats have continued to perform strongly, with *Alan Carr: Chatty Man* growing its audience in season four.



Key data

Channel 4's desire to do things differently is reflected in its comedy and entertainment output. Our audience tracker statements show audiences appreciated Channel 4's unique approach in 2010, while our focus on engaging younger audiences was reflected in the viewing profile of programmes in these genres.

24% of respondents chose the main channel as being 'best for cult comedy' in 2010, significantly ahead of all the other main PSB channels (BBC Two came second with 15%). 24% also regarded Channel 4 as being 'best for entertainment programmes you wouldn't see on other channels'. This again was significantly ahead of the average for the other

main PSB channels, and marginally ahead of the next highest channel, ITV1.

16-34 year olds accounted for a markedly higher proportion of viewing to entertainment and comedy programmes on Channel 4's main channel in peak-time than to corresponding programmes on the other main PSB channels.

As it seeks to encourage audience interaction online, Channel 4 was particularly successful in driving TV audiences for programmes in these genres to their websites (compared to its other genres). The conversion rate from TV audiences to programme websites rose by 65% year-on-year.

Channel reputations

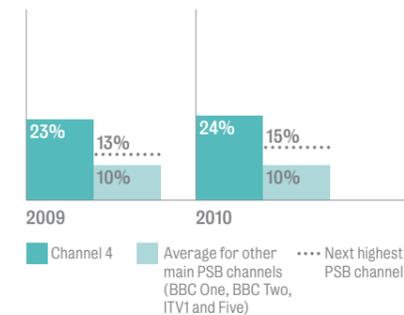
People who believed Channel 4 is the channel to which the following statements most apply...

! Is best for cult comedy

14pt

lead over average for other channels for being the best for cult comedy

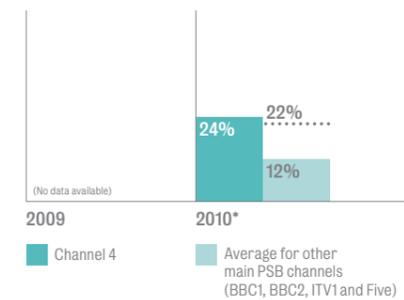
2pts on last year



! Is best for entertainment programmes you wouldn't see on other channels

12pt

lead over average for other channels for being the best for entertainment programmes you wouldn't see on other channels



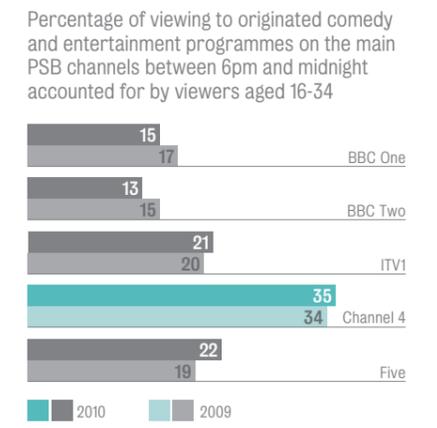
Source: Ipsos MORI commissioned by Channel 4. Rounding differences may occur.

*New tracker statement for 2010. Data represents one wave of research only. No prior year data is available.

Comedy and entertainment viewing by young audiences

35% of viewing to originated comedy and entertainment programmes on Channel 4 between 6pm and midnight accounted for by viewers aged 16-34

1pt on last year



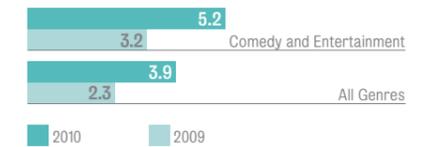
Source: BARB

Online engagement with Channel 4's comedy and entertainment content

5.2% average conversion from TV to online across comedy and entertainment programmes on Channel 4

65% on last year

Conversion rate from TV audience to website visits in the comedy and entertainment genre compared to all Channel 4 programmes, %



Source: Channel 4

'Thank God for Channel 4 News
... utterly invaluable'

Time Out

£38m

News and Current Affairs
spend on originations and
acquisitions broadcast in 2010

News & Current Affairs

A commitment to fearless, challenging news and current affairs is central to fulfilling our remit to stimulate debate and provide a window on the wider world. With in-depth and challenging analysis of the biggest issues of the day and stories on important subjects that nobody else is covering, our journalism aims to deepen understanding of the modern world, give voice to those who would otherwise not be heard and inspire tangible change.



Channel 4 offers a distinctive approach to news and current affairs – with a greater focus on international stories, a willingness to challenge established views, and in-depth coverage of issues other broadcasters do not cover. In 2010 we set out to punch above our weight in terms of impact – with fewer, bigger current affairs films and more focus on powerful stories that herald real change. We regularly set the news agenda with our stories and garnered more RTS Journalism nominations than any other broadcaster.

With a long-established reputation for international news, we sought to strengthen our domestic output with more investigative journalism. This included penetrating analysis of the economic crisis, and investigations into some of the country's power elites, from politicians to media barons. We targeted new audiences, beyond the committed news-watchers, through programmes such as *Alternative Election Night*, a co-commission with our Comedy team. We increased our investment online, so that viewers could engage more actively with the news agenda and dig deeper into the issues they felt were most relevant to them.

Investigating the truth about contemporary Britain

Challenging established views and stimulating debate is a vital part of Channel 4's remit. In 2010 we increased investment in the kind of investigative journalism that goes beyond mere reportage to demand real responses from those in power. We presented exclusive stories about illegal workers in the NHS and exposed flaws in Ofsted reporting on allegations of child abuse. *Britain's Trillion Pound Horror Story* took a polemical look at the country's finances, and *What The Green Movement Got Wrong* challenged the conventional wisdom on how to respond to the big environmental issues of the day. *Dispatches* held politicians up to scrutiny and Jon Snow took Zac Goldsmith to task over his campaign expenses in a much talked-about interview on *Channel 4 News*.

'There's no doubting *Dispatches* is on a complete roll'

Sunday Express

17.4m

people watched *Dispatches* in 2010 for at least 15 consecutive minutes



Dispatches

2010 was an outstanding year for investigations into UK domestic issues by flagship current affairs strand *Dispatches*. The decision to focus its budget on fewer, bigger films (from 38 first-run films in 2009 to 32 in 2010) enabled it to increase its investigative impact, with stories that regularly hit the headlines and shaped the news agenda. *Politicians for Hire* exposed inappropriate conduct by former Government ministers, a story that dominated the news agenda and led to two of the MPs involved being rebuked by the Commons Standards and Privileges Committee. *Dispatches* also explored some of the most sensitive areas of life in multicultural Britain, with a bold film on politics in Tower Hamlets, *Britain's Islamic Republic*, an exposé of inter-cousin marriage in the British Pakistani community in *When Cousins Marry*, and an undercover investigation of the plight of children in Britain's African communities in *Britain's Witch Children*. *Dispatches* stimulated audience debate, generating nearly 10,000 comments on channel4.com across the year. We harnessed viewer engagement with supporting online content – for example, our season on numeracy, *Kids Don't Count*, featured an online maths quiz that compared players' ability with that expected of an 11 year old pupil. The quiz was played more than 200,000 times after the first programme and led to heated debate about teaching methods on Mumsnet and other internet forums.

Dispatches: Britain's Witch Children





‘The first big social-media event of the election campaign’

Rory Cellan-Jones, BBC

Unpacking the economy

The British economy dominated the news agenda in 2010, and Channel 4 responded with a series of innovative live studio programmes that put the audience at the heart of the debate. *Ask the Chancellors* saw the three men hoping to be in charge of the nation’s purse strings set out their differences in the first televised debate of the Election campaign. This inspired considerable audience reaction, becoming a global trending topic on Twitter. Just before polling day we provided viewers with the facts behind the party leaders’ claims on spending cuts in *What They’ll Never Tell You* and, as Chancellor Osborne announced his spending review plans, we invited the audience to make their ‘virtual’ spending cuts on an interactive programme *How to Save £100 Billion Live*. Viewers at home played along online in a specially devised game, *Chop or Not*, and the results were fed live into the televised debate.

‘Channel 4’s current affairs output is often the best on British television’

The Daily Telegraph



Channel 4 News: Sri Lanka

For the second year running, *Channel 4 News* won the Amnesty Award for Television for its coverage of Sri Lanka’s 30 year civil war. Despite being deported and banned from the country, the *Channel 4 News* team continued to pursue undercover investigations, with powerful testimony to the crimes allegedly committed by Government forces in the conduct of the war. A horrifying video that appeared to show Sri Lankan soldiers executing Tamils that had been broadcast by Channel 4 in 2009 and denounced by the Sri Lankan government as fake was declared, after extensive investigations by the UN, to be authentic. *Channel 4 News* subsequently obtained a longer uncut version of the film, which provided further information on the location and time of the incident and the names of those involved. This evidence, and the reports that followed it, have been instrumental in the establishment of a United Nations panel to gather evidence of possible war crimes in Sri Lanka.

Putting the world in focus

Channel 4 is renowned for its commitment to international stories, giving prominence to voices that are too often unheard in mainstream British media. Our *Unreported World* strand epitomises this approach and *Dispatches* also featured several award-winning international films in 2010, including *Afghanistan Behind Enemy Lines*, *Children of Gaza* and *Pakistan: City of Fear*. *The Slumdog Children of Mumbai* won a Rory Peck Professional Impact Award, having inspired viewers to send donations to the Mumbai charity it depicted, as well as money to support some of the orphans who were featured in the film.

Channel 4 News enhanced its reputation for international news stories with an investigation into the civil war in Sri Lanka and a special investigation into abduction and trafficking of women in Mexico, which prompted an investigation by US authorities. It also provided acclaimed coverage of Haiti in the aftermath of the earthquake.



Unreported World

The *Unreported World* strand gives British viewers the chance to find out about the millions of people around the world who live without basic human rights. It brings an alternative perspective to familiar news stories – such as Palestine and Afghanistan – and provides an insight into countries and societies that are neglected by mainstream journalism and utterly unfamiliar to most viewers. Its 20 films across the year included reports on child labour, the American exit from Iraq, overpopulation and witchcraft. In *Malawi’s Child Tobacco Workers* and *Afghanistan’s Child Drug Addicts* we looked at the plight of vulnerable children. *Zimbabwe’s Blood Diamonds* revealed how Robert Mugabe’s Zanu PF party uses gems from the world’s biggest diamond fields to buy the military’s loyalty. Increased investment gave *Unreported World* a strong online presence, with exclusive clips and behind the scenes interviews on the main Channel 4 site as well as a presence on Facebook.

‘Compelling brave film-making’

The Daily Telegraph



Unreported World: Pakistan’s Terror Central

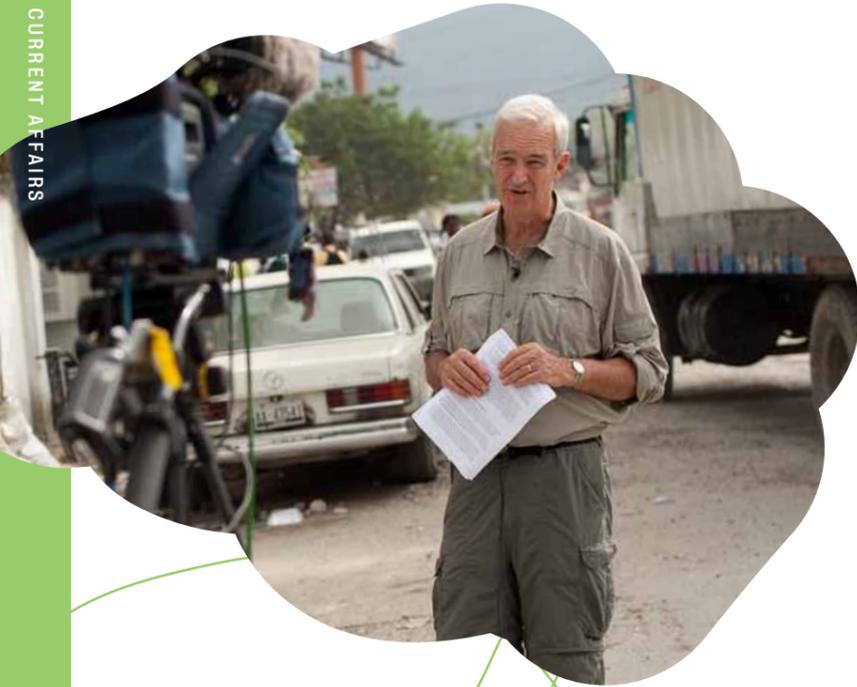
Engaging audiences online

In recognition of the particular social impact and immediacy of online journalism, Channel 4 invested more of its online budget in news and current affairs in 2010 than in any other genre. As well as providing a forum for online comment on its programming, *Channel 4 News* launched an improved website, increased the use of social media and promoted key investigative online brands such as FactCheck. News video was made available on mobile platforms, iPads and other tablets.



Channel 4 News Online

The *Channel 4 News* website was relaunched in September 2010, with a sharper focus on the expertise and experience of the *Channel 4 News* team, particularly in the field of international affairs. As well as special online reports and in-depth analysis of key issues, we sought to give the audience a stronger, more personal relationship with the programme and its presenters through use of blogs and social media. Around 30,000 people follow the main *Channel 4 News* Twitter account and Factcheck doubled its audience in 2010 as a result of its relaunch as a blog. It achieved some significant successes, for example forcing Prime Minister Gordon Brown to admit he had quoted a wrong figure for the defence budget at the Iraq Inquiry after the site investigated his claim. The service was noted by the House of Commons library as a useful resource for political statistics and research. The relaunch of the overall site proved highly successful – with visits in the final quarter of the year up 41% from 2009 and video views up 273%.



9,792

viewer comments on channel4.com for Dispatches

'Factcheck... is an invaluable service'
Evening Standard



Key data

Channel 4 News was watched (for at least 15 consecutive minutes) by an average of 11.2 million people each month in 2010. It was disproportionately popular amongst young and Black, Asian and Minority Ethnic news viewers. Annual viewing trends showed a mixed pattern: viewing fell by 2% overall. While the proportion of the *Channel 4 News* audience represented by young people rose by 5 points, there was a 2 point decline in the proportion of BAME audiences.

According to regular viewers to each of the main news bulletins, *Channel 4 News* continued to be regarded as more independent – from the Government and from the influence of big businesses – than the other main providers of TV news in 2010.

Extended running times enable topical issues to be covered in greater depth. Across the year, Channel 4 showed 279 "long-form" news and current affairs programmes – defined as those running for more than 45 minutes – in peak time (6–10.30pm), more than the combined number on the other main PSB channels. The number of these programmes rose by 9% in 2010, with new series such as *Coppers* and *Tower Block of Commons* more than offsetting a small decline in the number of editions of *Dispatches*.

Independence of TV news

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

Percentage of regular viewers to TV news programmes in 2010 who agree with the following statements:

Statement	Channel 4 News	Year on year change
'It is independent from the Government'	83	▲ 1pt
BBC News	63	▲ 2pts
ITV News	69	▼ 2pts
Five News	69	▼ 1pt
Sky News	77	= Level

'It is independent from the influence of big businesses'

Statement	Channel 4 News	Year on year change
'It is independent from the influence of big businesses'	72	▼ 2pts
BBC News	68	▼ 1pt
ITV News	59	▼ 1pt
Five News	57	= Level
Sky News	60	▼ 1pt

Source: Ipsos MORI commissioned by Channel 4. Rounding differences may occur

Audience reach of *Channel 4 News*

11.2m people watched *Channel 4 News* each month

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

Year	Percentage	Category
2010	25	All news viewers
2009	26	All news viewers
2010	27	News viewers aged 16–34
2009	26	News viewers aged 16–34
2010	30	BAME news viewers
2009	33	BAME news viewers

2% on last year

Source: BARB

Viewing to National News

23% of viewing to *Channel 4 News* programmes on the main channel in 2010 accounted for by viewers aged 16–34

Percentage of viewing to national news programmes on the main PSB channels in 2010 accounted for by viewers aged 16–34 and BAME viewers

Channel	Percentage	Year on year change
BBC One	10	= Level
BBC Two	14	▲ 2pts
ITV1	11	▼ 1pt
Channel 4	23	▲ 5pts
Five	12	▲ 1pt

5pts on last year

Channel	Percentage	Year on year change
BBC One	4	= Level
BBC Two	7	▼ 1pt
ITV1	4	▼ 1pt
Channel 4	10	▼ 2pts
Five	5	▼ 3pts

Source: BARB

Commitment to long-form journalism

279 long-form news and current affairs programmes in peak

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

Year	Channel 4	BBC One	BBC Two	ITV1	Channel 4 (Internal)	Five
2010	279	114	133	14	280	141
2009	257	87	46	14	265	74

Legend: Peak (6–10.30pm), Post-peak (10.30pm–midnight)

Source: Channel 4, BARB (other channels)

'The Channel 4 Education slate consists of imaginative and engaging games and web projects... and highlights some of the UK's best indie games and creative talent'
The Guardian

£9m

2010 spend including online projects and broadcast schools programming

Education & Older Children



Alongside the compelling educational content shown across the schedule, we have a special responsibility to provide educational and schools-related material for teenagers. From 2010 we also have a new remit to cater for older children and young adults. We aim to connect with these audiences by wrapping educational subjects – from Second World War history to sexual health advice – within entertaining, playful and immersive formats that feel relevant to young people.

Online games, video and websites formed the focus of our 2010 investment in educational and schools-related projects for 14–19 year olds, addressing issues that affect young people’s lives and using participative tools to inspire and promote life-skills.

In recognition that a linear morning schools schedule is not always the most effective way to reach young people, agreement was reached with Ofcom that the schools quota applying to the main channel should be reduced to a nominal level, with investment for 2010 focused on digital projects across a range of platforms.

The year also marked the introduction of a new remit to cater to older children and young adults, recognising that this group is particularly underserved with high-quality UK content. We decided to integrate this responsibility into one department, as we believe the 10–14 year old age group faces similar issues and consumes media in similar ways to the older teenagers we already cater for.

Our Education team also played an important role in bringing new digital talent to Channel 4 – by giving emerging digital developers their first national network commissions, and by working with groups who are currently under-represented in the digital media sector, including women and those from minority ethnic backgrounds.

Making education relevant

As with our specialist factual programming outlined earlier in the report, Channel 4’s online education projects sought to make specialist educational subjects engaging and relevant. The web game *303 Squadron* was based on the diary entries of the Polish soldiers who fought for Britain in the Second World War. The game, which was complemented by a primetime documentary, *The Untold Battle of Britain*, presented wartime history in a way designed to appeal to younger audiences.

There was also a greater focus this year on informal learning, with projects exploring issues that affect young people’s lives, in particular the transition from teenager to adulthood. Promoting life-skills was a major theme, with a project to help young people gain emotional resilience, *SuperMe*, and an online comic *Alien Ink* (a first-time commission from Pressure Comics) which featured storylines about real-life pressures experienced by teens today, from relationships and parents to sex and alcohol. *The Curfew*, a groundbreaking game set in a fictional modern Security State, aimed to introduce young people to issues of privacy and civil liberties. The game won two British Interactive Media Awards, including Best Educational Project.

62%

of users surveyed said that they learned something new from *SuperMe*



SuperMe

An interactive format exploring mental health and resilience, *SuperMe* uses quizzes, videos, celebrity interviews and games to teach young people about emotional resilience and the best ways of dealing with challenges that life may throw at you. Audience research demonstrated both the popularity and impact of the project – with 62% of users surveyed saying that they learned something new from *SuperMe*, 73% saying that they would recommend it and 75% saying that the quizzes on the site made them think about their actions.

‘SuperMe breaks down barriers and shows teenagers that it is ok to talk about their emotions’

Sarah Brennan, YoungMinds



Privates

Privates was a downloadable sex education game designed to educate users about STIs and contraception. A first-time commission from Liverpool-based games developer Zombie Cow, the game was specifically targeted at post-pubescent boys, a group that is notoriously hard to reach with educational content, and particularly medical information, but who are active users of computer games. Channel 4 gave copies of *Privates* away with gaming magazine PC Gamer, enabling us to reach users that educational providers may not otherwise reach. Online the game attracted more than 85,000 downloads and also won a BIMA for Best Game.

Empowering young people

Using interactive media to turn viewers into active participants has remained a vital element of our strategy in 2010 – with projects such as *Battlefront* aimed at harnessing the power of digital tools to inspire action and tangible social change.

Reaching new audiences

Channel 4’s authenticity of voice and its commitment to tackling difficult subjects enables it to connect with young people in particularly effective ways. Engaging audiences that formal education providers may find hard to reach was a central objective in 2010 – whether it was commissioning projects for older children, targeting boys with sexual health advice or engaging ‘reluctant readers’.

‘Battlefront is fronted by a range of spirited young enthusiasts, each with a different passion’

The Daily Telegraph



Battlefront

The award-winning political participation project returned for a second season, following 12 teenagers as they campaigned on issues close to their heart – from our attitudes towards disability to bullying in schools. Highlights included getting celebrity backing for a campaign against airbrushing and several campaigners meeting the Prime Minister at Number 10.

The project featured a dedicated online hub that tracked the progress of the campaigners, including blogs, videos (which generated over 90,000 views in 2010), Facebook and Twitter activity. The site also gave the audience a platform to set up their own campaigns, including advice on how to make the most impact. Qualitative research on the project showed it can be effective at making people think about things differently, with 16 out of 20 respondents strongly agreeing that “*Battlefront* has helped me realise that there are lots of things that young people care about”. 11 out of 20 strongly agreed that “as a result of visiting *Battlefront* I’ve become more interested in certain causes or issues”. As the project evolves it will seek fresh ways of maximising its impact and extending its reach, including through television exposure.

We will continue to seek new ways for our education projects to reach new groups, including harnessing the power and reputation of the Channel 4 brand amongst young people, in order to increase impact. We will be tying more commissions in with our programming themes and will look to partner with brands such as *T4* and *Hollyoaks* that already have a strong presence with the teen audience.



Older children

The Digital Economy Act has for the first time given Channel 4 a remit to provide content to older children, who are broadly underserved with high-quality UK content. We define this group as those within the 10-14 year old age group. In 2010 we commissioned research into the habits and pastimes of this group discovering, that, as with older teens, we can engage them effectively through games and online activity. In 2010 we started to commission educational formats for this younger audience. The results will mostly be seen in 2011, but the media literacy game *Cover Girl* was an early example - launching at the end of the year and allowing young girls to explore for themselves the way photographs and adverts in magazines are airbrushed and adjusted. Players were invited to 'enhance' photos for a fictional fashion magazine, encouraging a better understanding of the methods used by magazines and advertisers to sell beauty products.

'Channel 4 have been completely amazing... There's pretty much free reign to be as blisteringly creative as you like'

Dan Marshall, Founder, Zombie Cow Studios



Key data

Reflecting Channel 4's focus on delivering its Education commitments for young people through digital media, we have developed new measures that assess engagement with these online projects. In 2010, eight new Education projects were launched, and a further eight from previous years continued to be available. The number of unique UK visitors, summed across these projects, was just over 828,000, a 51% increase on the corresponding 2009 figure. This substantial rise was due both to the larger number of projects (just four were launched in 2009, with another four available from 2008) and to a 26% rise in the average number of UK visitors per project.

"Dwell time" measures how long visitors spent online for those projects that had websites (all projects other than *Privates*, which was a game offered as a download). In 2010, the average dwell time for the Education projects exceeded 15 minutes per visit, 9% higher than the 2009 figure.

Evolving the way we assess and understand our online impact will be an area of focus for Channel 4 going forward. We hope to develop additional Education measures as part of this work.

Note: the key measures exclude a 2008 project, *Bow Street Runner*, for which complete and reliable data are not available.

Reach of education content online

828k

UK visitors* to Channel 4's education projects online

Number of UK visitors* to education projects online, 000s



Source: Google Analytics

51% on last year

*Number of unique UK visitors to each project, summed across all active projects

Engagement with education content online

15.3mins

spent on Channel 4's education sites on an average visit

Average time spent on Channel 4's education sites by UK visitors, minutes per visit



Source: Google Analytics

9% on last year

Spotlight on:

International

Channel 4's new remit includes a responsibility to reflect the wider world. Most prominently we do this through our news and current affairs programming, which brings British viewers coverage of the most pressing international issues. This includes our daily *Channel 4 News* programme and around 60 hard-hitting documentaries in *Unreported World* and *True Stories*. Channel 4 aims to do more than just report from international battlegrounds, though – we want to examine and celebrate foreign cultures in all of their diversity, and stimulate curiosity about the wider world across the whole of our schedule.

In 2010 our output included original drama commissions such as *I Am Slave*, engaging factual entertainment formats such as *Gordon's Great Escape* and *My Family's Crazy Gap Year*, and the best of international cinema showcased on the Film4 channel. We increased our output of first-run international programmes in 2010, showing 65 hours of first-run programmes covering international topics on the main channel and 71 hours of *True Stories* on More4 – a combined total of 136 hours of first-run originated programmes across Channel 4 and More4, in addition to an extensive range of feature films on Film4.

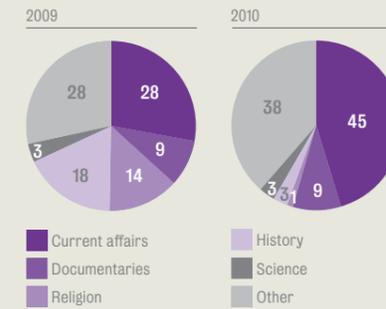
Range of international programming

136hrs

of first-run programmes covering international topics on Channel 4 (excluding news) and *True Stories* on More4

3% on last year

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



Source: Channel 4
Rounding differences may occur

Key:

- Film and drama
- Factual
- News & Current Affairs (excluding daily news)



Haiti coverage



The devastation of the massive Haitian earthquake was covered not just by *Channel 4 News* but also by stand-alone documentaries, ranging from the plight of Landina, discovered miraculously alive in the award-winning *The Miracle Baby of Haiti* to the science behind the quake itself in *Haiti's Killer Quake: Why it Happened*.



Film4: World Cinema
The Film4 channel's commitment to world cinema was demonstrated this year with award-winning international films and a regular slot highlighting the world's greatest auteurs – including classics from Jean Renoir, Ingmar Bergman and Yasujiro Ozu. Across the schedule the channel featured films from countries as diverse as Japan, Russia, Mali, South Korea, Argentina, Greece and Kazakhstan.



Indian winter season

In a season that sought to explore India, we brought together film, news & current affairs and factual programming, examining its rich culture, culinary traditions and the human stories that shape one of the world's most diverse and captivating countries. In a survey commissioned by Channel 4, 66% of season viewers agreed that Channel 4 is the leading TV channel for raising awareness of global issues.

True Stories
Mugabe and the White African



The *True Stories* strand on More4 showcases the best of international documentaries, 52 weeks a year. 2010 saw the strand increase its audience by 21% and show a range of critically acclaimed films. This included multi-award winning *Mugabe and the White African*, which followed one brave family's attempt to protect their farm and workers during Mugabe's violent 'Land Reform' programme.

My Family's Crazy Gap Year
Six ordinary British families uproot to travel the globe in search of life-changing experiences. From Nepal to South Africa, Cambodia to Australia, this observational series captured their travels on camera as they swapped the day-to-day grind and conventional routines for treks and adventures in exotic and remote corners of the world.

Our audience is at the centre of everything we do. We aim to produce high-quality public service content with a broad appeal, while also catering to diverse groups within society. Across the year we sought to extend our impact on all our audiences and across all platforms, with digital channels and new online services affording viewers a chance to engage with us, and each other, in new ways.

ENGAGING THE AUDIENCE

ENGAGING THE AUDIENCE



Engaging the audience

We measure audience engagement with Channel 4's content in a variety of ways, from the big picture figures of TV viewing and online visits, to the personal feedback we get from individual viewers and the audience research outlined in this report.

Television

Television remains a hugely powerful and popular medium, and Channel 4 continues to be important to its viewers. Total TV viewing was resilient in 2010, and Channel 4 remained the third most viewed broadcaster in the UK after the BBC and ITV.

Almost 90% of television households watched Channel 4's TV channels every month in 2010 (for at least 15 consecutive minutes of viewing) and average daily viewing of Channel 4's programmes rose slightly year-on-year.

But as digital switchover increased competition for viewer attention, our overall portfolio share fell slightly to 11.4% – down from 11.5% in 2009. It was an especially challenging year for the main channel, which saw a 6% decline in viewing share, reflecting

'What a brilliant, powerful story'

Viewer comment on *Mo*



Audience Reach

87.8%

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

0.3pts on last year

Average monthly reach of public service broadcasters' TV portfolios

Year	Reach (%)	Broadcaster
2010	95.8	BBC
2009	95.5	
2010	92.0	ITV
2009	91.8	
2010	87.8	Channel 4
2009	87.5	
2010	71.1	Five
2009	69.4	

Percentage reach of individual TV channels in Channel 4 portfolio

Year	Reach (%)	Channel
2010	82.1	Channel 4
2009	81.8	(main channel)
2010	38.8	E4
2009	35.1	
2010	36.4	More4
2009	35.0	
2010	31.7	Film4
2009	28.2	
2010	10.3	4Music
2009	10.0	

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

Channel 4 (main channel) includes Channel 4 +1 but excludes S4C. In all charts sourced from BARB in this section, figures prior to 2010 have been restated to exclude S4C

TV viewing share

11.4%

viewing share across the TV channel portfolio

1% on last year

Channel 4 portfolio share as a percentage of total TV viewing

Year	Channel 4 (main channel) (%)	Digital channels (%)	Total (%)
2010	7.0	4.4	11.4
2009	7.4	4.1	11.5
2008	8.1	3.7	11.8
2007	8.6	3.1	11.7
2006	9.6	2.3	11.9

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

Year	E4 (%)	More4 (%)	Film4 (%)	4Music/The Hits (%)	Total (%)
2010	1.8	1.1	1.2	0.3	4.4
2009	1.7	1.1	1.0	0.3	4.1
2008	1.6	0.9	0.9	0.3	3.7
2007	1.5	0.7	0.8	0.1	3.1
2006	1.5	0.5	0.4		2.3

Source: BARB

Data for Channel 4 includes Channel 4+1 and excludes S4C (see note above)

Rounding differences in the charts are due to reporting of channel shares and totals to one decimal place



Shameless

declining audiences to some of our longer-running series as well as the challenges faced by all other terrestrial channels from multi-channel competition.

Our digital channels grew their share by 8% in 2010. Film4 had a particularly strong year: its eclectic mix of films is especially popular on Freeview, contributing to a 25% growth in viewing. E4 also enjoyed significant growth, of 6%, although the 1% rise in viewing to More4 was not as strong as in previous years.

Medium-term trends show the important role played by the digital channels, with Channel 4 the only public service broadcaster to have grown its portfolio share over the five years up to 2010.

Channel 4's distinctiveness is derived in large part from our original content. The highest-rated shows in 2010 reflect the diversity of our original output, including entertainment programmes such as *Big Brother*, dramas such as *Shameless* and *Mo*, and factual content such as *My Big Fat Gypsy Wedding*, *Embarrassing Bodies* and *One Born Every Minute*. Original content commissioned by the network filled 53% of the hours on the main Channel 4 service, E4 and More4 and accounted for a disproportionately high 66% of total viewing across these channels.

Average daily television viewing

28mins

average daily viewing of Channel 4's TV channels

2mins on last year

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

Year	Viewing (mins)	Difference*
2010	47	▼ 41% less BBC
2009	80	
2010	35	▼ 36% less ITV
2009	55	
2010	31	▲ 13% more Channel 4
2009	28	
2010	10	▼ 29% less Five
2009	14	

Viewers aged 16-34 (upper bars)
All viewers (lower bars)

Source: BARB

*Viewing by 16-34 year olds compared to viewing by all viewers

Data for Channel 4 includes Channel 4+1 and excludes S4C (see note on Page 70)

Medium-term viewing trends

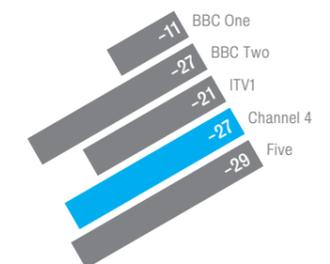
5%

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

Percentage change in viewing to the public service broadcasters' channel portfolios between 2005 and 2010



Percentage decline in viewing to main PSB channels between 2005 and 2010



Source: BARB

Data for Channel 4 includes Channel 4+1 and excludes S4C (see note on Page 70)

Viewing to network originations

66%

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

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

Year	Main channel (%)	Digital channels (%)	Total (%)		
2010	5.1	1.5	1.9	2.9	11.4
2009	5.4	1.4	2.0	2.6	11.5

Network originations: Main channel, Digital channels
Acquisitions (non-commissions): Main channel, Digital channels

Source: Channel 4, BARB

In the chart, the digital channels are E4, More4, Film4 and 4Music. The main 66% figure is based on viewing to the main channel, E4 and More4 and excludes viewing to Film4 and 4Music

Data for Channel 4 includes Channel 4+1 and excludes S4C (see note on Page 70)

'A big thank you for broadcasting this wonderful, thought-provoking documentary'

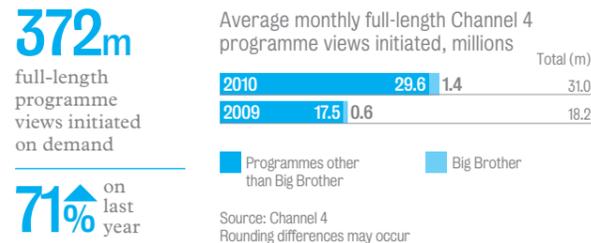
Viewer comment on Amish: World's Squarest Teenagers

Digital media

Online viewing of our programmes rose significantly in 2010, as we continued to offer more ways to allow audiences to watch what they want, when they want. We extended the availability of our programming onto two new platforms in 2010, SeeSaw and PS3, alongside the likes of YouTube and channel4.com. Across all platforms, 31 million streams of full-length Channel 4 programmes were initiated each month on average in 2010; a total of 372 million views over the year. This was a remarkable 71% increase on 2009. The most popular programmes on our 4oD service were series aimed at younger audiences – *The Inbetweeners*, *Hollyoaks*, *Big Brother*, *Skins* and *Glee*. The latest series of *The Inbetweeners* achieved nearly 8 million views on channel4.com alone across the year, and broke our record for the number of on-demand views of a single episode in a single day. 4oD also proved to be a valuable way of engaging loyal audiences with their favourite content in new ways (see right).

Our online strategy is about much more than providing new ways of delivering television programmes. We also invest in exclusive online content to enhance our programmes and provide a range of specialist sites tailored to the interests of our viewers. Engagement online increased significantly in 2010 – with our websites attracting more than 30 million visits each month on average, equivalent to 360 million visits across the year; a 56% increase on 2009. Page views were up 34% on 2009, with an average of 136 million page views each month. We generated 652,000 comments on channel4.com and E4.com and the conversion rate from TV audiences to website visits averaged 19% – up 6 points from

Making Channel 4 programmes available on demand



4oD and The IT Crowd

Viewers of *The IT Crowd* were given the opportunity to view an exclusive online premiere of the first episode of the new series before it was broadcast on Channel 4. 168,000 people registered to view it, with a remarkable 69% of these "superfans" stating that they watched the episode again when it was broadcast. Experimenting with online premieres enables Channel 4 to build anticipation around key series and reward fan loyalty, and later in the year we launched new series of *PhoneShop* and *Peep Show* in a similar way. By asking viewers to register to watch the previews, we also gain insights into who they are and how we may be able to engage with them further. Developing this in-depth understanding of our viewers will be a strategic priority for Channel 4 in the future.

2009. *Skins* had the highest conversion rate in 2010 – with 40% of the television audience going on to visit the website.

Our online investment in 2010 prioritised multiplatform content. From *Million Pound Drop* to *Seven Days*, we gave users the opportunity to immerse themselves in the lives of characters, connect with other viewers, share information and contribute ideas. We added to the quality of viewers' experiences with exclusive online material, including videos, interviews, music and games.

Digital innovation fund 4iP commissioned a range of critically acclaimed projects, including *Such Tweet Sorrow* and *Papa Sangre*. In 2010 we announced moves to integrate Channel 4's online activities more closely with content commissioning, to maximise our impact across platforms. As part of this, Channel 4 merged 4iP into the wider online team at the end of 2010. We believe these changes will allow us to deliver greater impact with our digital content.

Catering to diverse audiences

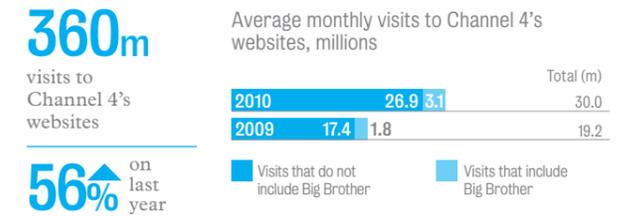
Channel 4's remit requires it to commission content that specifically appeals to the tastes and interests of a culturally diverse society. Across the year we sought to reflect the lives and interests of people from different backgrounds, but in ways that also engage a wider audience. Our output in 2010 included a range of programming aimed at hard-to-reach groups including young adults, ethnic minorities and disabled people.

Ethnic minorities tend to be particularly high consumers of digital TV channels. As a result, viewing by BAME audiences to the public service broadcasters' channels is less than the viewing levels to those channels by the general population. In 2010 there was a smaller fall-off in viewing amongst BAME audiences to Channel 4's portfolio

'watching #millionpounddrop on Channel4, what a great quiz show. Playing along in tandem online is fun too'

Twitter comment on Million Pound Drop

Engagement with Channel 4 content online



Average monthly page views, millions

Year	Sites other than Big Brother (m)	Big Brother (m)	Total (m)
2010	119	18	136
2009	92	10	102

Source: Channel 4

Data for 2009 has been restated to include 4music.com and film4.com. Rounding differences may occur

Data for Channel 4 includes Channel 4+1 and excludes S4C (see note on Page 70)

Engaging Channel 4 viewers online



*Only 9 months of data available for 2009 so full year-on-year comparison not possible



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

*Visits per TV viewer per transmission. Not directly comparable with data in 2009 report; see methodology document for more details



than those of the other public service broadcasters. However, the main channel's share did fall from 2009, and going forward we hope to improve our share by developing engaging ways of reaching different ethnic groups, as we discuss on pages 19–20.

We also sought to cater to viewers with disabilities – both by creating programming that explored their lives and interests, as well as ensuring that our programming is as accessible as possible to the hearing and visually impaired. Beyond our formal quotas, Channel 4 made a voluntary commitment to provide subtitling on 100% of programmes on all channels by the beginning of 2011; and to provide audio description on 20% of programmes on all channels (compared to a statutory quota of 10%).

We retained our strong relationship with young audiences, a group that is traditionally hard-to-reach with public service content. We were the only public service broadcaster whose channels were viewed more by 16–34 year olds than by the general population, and we were the only public service broadcaster to have grown our share of that audience over the last five years across our whole portfolio of channels.

Overall, viewers regard Channel 4 as the lead broadcaster catering for audiences that other channels don't: in tracking studies conducted over the course of 2010, Channel 4 was 14 points ahead of the average for the other PSB channels and 11 points ahead of the nearest competitor, Five.

Reflecting audience opinion

During the year, our Viewer Enquires Centre was contacted 170,000 times, the majority being requests for further information. The remainder were a mixture of complaints (17,669) and appreciative comments (4,362). The single most praised programme was a *Channel 4 News* report on threats to Ahmadi

'Thank you for Gok Wan's programme; helping disabled people learn to love themselves again'

Viewer comment on *How To Look Good Naked...* With A Difference

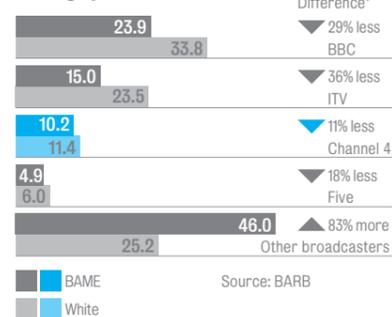
Viewing by ethnicity

10.2%

portfolio viewing share amongst BAME audiences

8% on last year

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



Data for Channel 4 includes Channel 4+1 and excludes S4C (see note on Page 70)

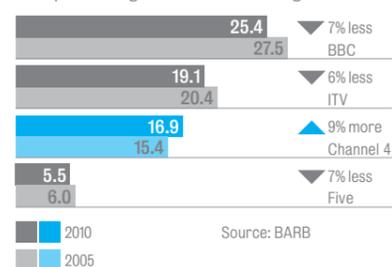
*Viewing by BAME audiences compared to viewing by white audiences

Medium-term trends in viewing amongst young audiences

9%

growth in portfolio viewing share amongst 16–34 year olds over the last five years

16–34 year olds' viewing share of the public service broadcasters' channel portfolios as a percentage of total TV viewing



Data for Channel 4 includes Channel 4+1 and excludes S4C (see note on Page 70)

Channel reputations

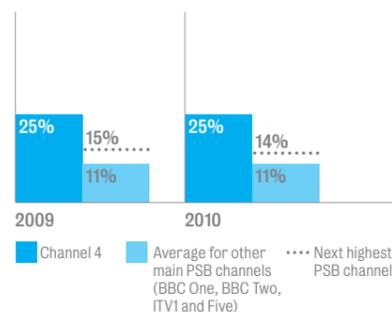
People who believed Channel 4 is the channel to which the following statements most apply...

Caters for audiences other channels don't cater for

14pt

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

1pt on last year



Muslims, while the most criticised was an advertisement for the Marie Stopes Clinic.

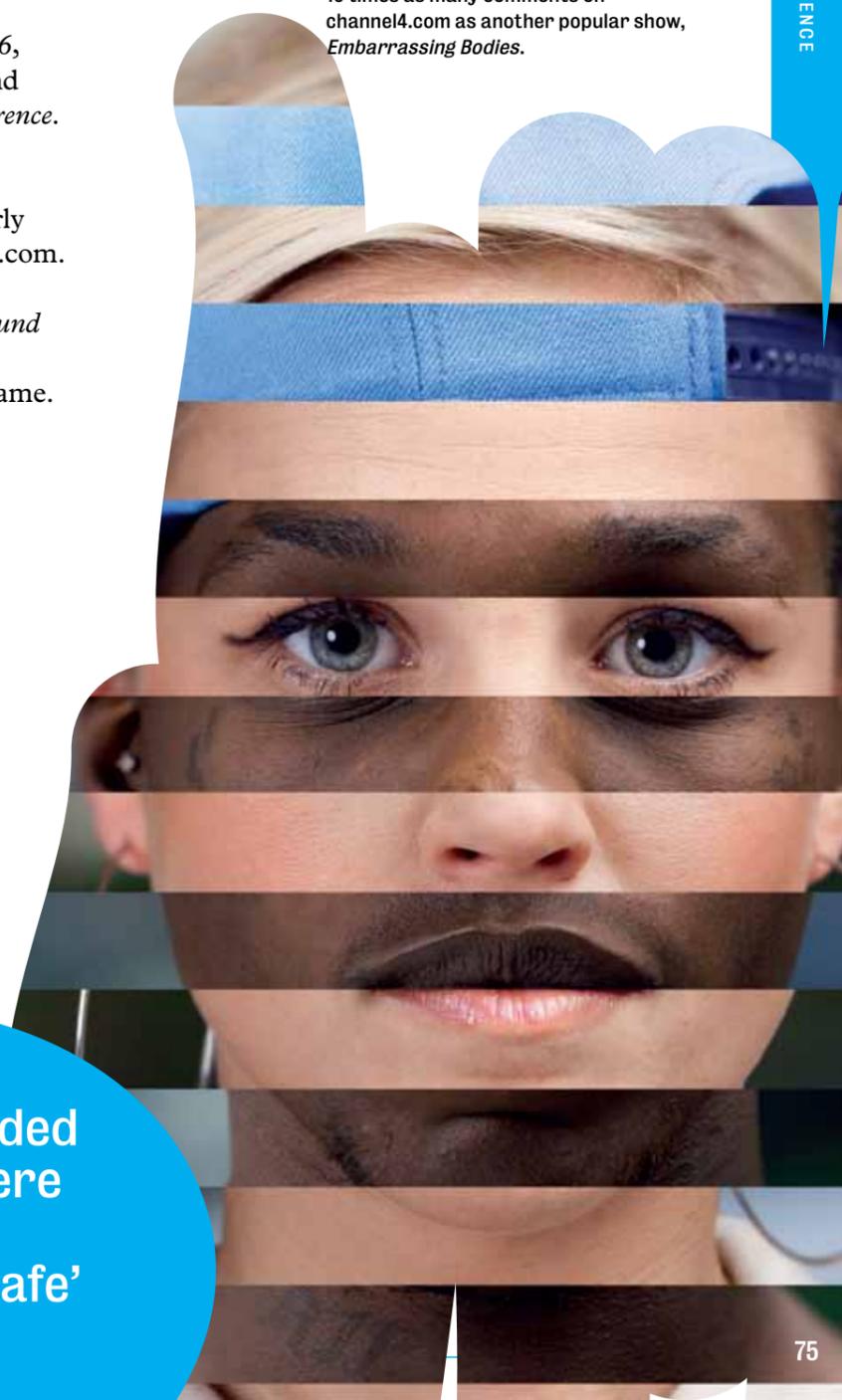
Dispatches: The Children of Gaza attracted over 100 appreciative comments, while *Britain's Islamic Republic* prompted 50 positive comments and 833 complaints. *Frankie Boyle's Tramadol Nights* saw 56 viewers contacting us to express their appreciation and 701 to do the opposite. Other programmes and issues that received significant numbers of complaints included *The Godfather III* (following a technical hitch), the decision not to continue with the daily version of *The Daily Show*, and *The Taking of Prince Harry* (for which the majority were received before the programme transmitted). Notably appreciated programmes included *This is England '86, Mo, Amish: World's Squarest Teenagers* and *How to Look Good Naked... With a Difference*.

We also monitor audience comment on social media. *Big Brother, Skins*, and *Embarrassing Bodies* generated particularly high volumes of comments on channel4.com. Channel 4 programmes were also active on Twitter during 2010, with *Million Pound Drop* seeing nearly 50,000 tweets as the audience played along with the online game. *Misfits, Big Brother, Seven Days* and *The Inbetweeners* also inspired high levels of discussion on the platform.



Seven Days

Seven Days sought to break down the wall between television and its audience, using social media to allow viewers to interact with, and influence, the programme's real-life participants. These interactions were then reflected back into the programme itself. This approach inspired high levels of online engagement, with viewers enjoying the opportunity to discuss and become part of the lives of the people they were watching. More than 8% of the television audience went online to the programme's website and during its run, the series was one of the most talked about Channel 4 programmes on Twitter. Over one week the programme attracted 10 times as many comments on channel4.com as another popular show, *Embarrassing Bodies*.



'C4 should be applauded for taking a risk where other broadcasters perpetually play it safe'
Broadcast

Awards

Television

Amnesty International Media Awards

Channel 4 News (ITN Ltd)
Gaby Rado Memorial Award
Jamal Osman

The End of Sri Lanka's War (Channel 4 News / ITN)
Television News Award

Burma VJ (Magic Hour Films ApS)
Joint Winner
Television Documentary and Docu-Drama

Dispatches – Afghanistan's Dirty War (October Films)
Joint Winner
Television Documentary and Docu-Drama

The Unloved (Revolution Films)
Single Drama

Misfits (Clerkenwell Films)
Drama Series

One Born Every Minute (Dragonfly Productions)
Factual Series

Inside Nature's Giants (Windfall Films Ltd)
Specialist Factual

Dispatches – Terror in Mumbai (Quicksilver Media)
Current Affairs

The Inbetweeners (BWark Productions Ltd)
YouTube Audience Award

Misfits (E4) (Clerkenwell Films)
Best Multichannel Programme

Cutting Edge – Katie: My Beautiful Face (Mentorn Media)
Best Documentary Programme

Misfits (Clerkenwell Films)
Best New Programme

Undercover Boss (All3Media International)
International Programme

My Big Fat Gypsy Wedding (Firecracker Films)
Highly Commended

Exit Through the Gift Shop (Paranoid Pictures Film Company Ltd)
Most Entertaining Documentary

Harold Wincott Business Awards

Dispatches – Crash! How Long Will It Last? (Quicksilver Media)
Business News/Current Affairs Programme Award

MediaGuardian Edinburgh International Television Festival

Channel 4
Terrestrial Channel of the Year Award

The Inbetweeners (Bwark Productions Ltd)
Best Non-Terrestrial Programme of the Year

Misfits (Clerkenwell Films)
Best Network and Fast Track Programme

National Television Awards

The Inbetweeners (Bwark Productions Ltd)
Digital Choice Award

One World Media Media Awards

Dispatches – Orphans of Burma's Cyclone (Quicksilver Media)
Children's Rights Award

Dispatches – Afghanistan: Behind Enemy Lines (Clover Films)
Television Documentary Award

End of the Line (The Fish Film Company)
Environmental Award

Last Train Home (EyeSteelFilms)
Features Documentary Award

Association for International Broadcasting Awards

Dispatches – Afghanistan: Behind Enemy Lines (Clover Films)
Best Current Affairs Documentary

Dancing Boys of Afghanistan (Clover Films)
Best Investigative Documentary

BAFTA Television Awards

Mo (ITV Studios)
Actress
Julie Walters

Red Riding 1974 (Revolution Films)
Supporting Actress
Rebecca Hall

British Comedy Awards

The Inbetweeners (BWark Productions Ltd)
Best Situation Comedy

Four Lions (Warp Films)
Best British Comedy Performance in a Film
Kayvan Novak

Broadcast Awards

E4
Channel of the Year

Our War, Their War: Afghanistan (ITN Ltd)
Best News Programme

Embarrassing Bodies (Maverick Television)
Best Popular Factual Programme

Grierson Awards

The Force (Oxford Film and Television)
Best Documentary

Mugabe and the White African (Arturi Films Ltd)
Best Cinema Documentary

Endgame (Daybreak Pictures)
Best Drama Documentary

Race and Intelligence: Science's Last Taboo (Windfall Films)
Best Science Documentary

Moving to Mars (Coded Pictures)
Best Documentary on a Contemporary Issue

Rory Peck Awards

Dispatches – Afghanistan: Behind Enemy Lines (Clover Films)
Features Award
Najibullah Quaraishi

Dispatches – The Slumdog Children of Mumbai (True Vision)
Sony Professional Impact Award
Nick Read

RTS Journalism Awards

Channel 4 News (ITN Ltd)
Presenter of the Year
Jon Snow

Channel 4 News (ITN Ltd)
The Independent Award
Baby Landina, Inigo Gilmore

Channel 4 News (ITN Ltd)
Specialist Journalist
Gary Gibbon

RTS Programme Awards

Come Dine With Me (ITV Studios)
Daytime Award

Inside Nature's Giants (Windfall Films Ltd)
Science & Natural History

Heston's Feasts (Optomen)
Features

The Inbetweeners (Bwark Productions Ltd)
Writer Comedy

Sandford St Martin Religious Broadcasting Awards

The Bible: A History (Pioneer Productions)
Premier Award

The South Bank Awards

This is England '86 (Warp Films)
Best Television Drama

TV Choice Awards

Alan Carr: Chatty Man (Open Mike Productions)
Best Entertainment

Come Dine With Me (ITV Studios)
Best Lifestyle Show

Glee (Twentieth Century Fox Television Ltd)
Best New Drama

Skins (Company Pictures)
Best Actor
Jack O'Connell

Gordon Ramsay's F Word (Optomen)
Best Food Show

TV Collective Awards

The Family (Dragonfly)
Best Factual Programme

Come Dine With Me (ITV Studios)
Best Entertainment Programme

Angela Ferreira Channel 4 – Daytime Editor
Best Entertainment Talent

The Bible: A History (Pioneer Productions)
Best TV Personality
Dr Robert Beckford

Angela Jain – Head of E4
Outstanding Achievement Award

Film

Academy of Science Fiction, Fantasy & Horror Films, USA

The Lovely Bones (Dreamworks Pictures)
Saturn Award
– Best Performance by a Younger Actor
Saoirse Ronan

BAFTA Film Awards

Four Lions (Warp Films)
Outstanding Debut by a British Writer, Director or Producer
Chris Morris

London Critics Choice Award

Another Year (Thin Man Films)
British Actress of the Year
Lesley Manville

NEDS (Blue Light)
Young British Actor
Conor McCarron

Edinburgh International Film Festival

Baby Daniel Mulloy
Best British Short

Empire Film Awards

Nowhere Boy (Ecosse Films)
Best Newcomer
Aaron Johnson

Evening Standard British Film Awards

NEDS (Blue Light)
Best Film

Never Let Me Go (DNA Films)
Best Actor
Andrew Garfield

The Arbor (Artangel and UK Film Council)
Best Screenplay
Clio Barnard

British Independent Film Awards

Baby Daniel Mulloy
Best British Short

Never Let Me Go (DNA Films)
Best Actress
Carey Mulligan

Enemies of the People (Old Street Films)
Best Documentary

The Arbor (Artangel and UK Film Council)
Best New Director
Clio Barnard

BFI London Film Festival

The Arbor (Artangel and UK Film Council)
Best Newcomer
Clio Barnard

The Arbor (Artangel and UK Film Council)
Sutherland Award

Armadillo (Fridthjof Film)
Grierson Award

Palm Springs International Film Festival

Never Let Me Go (DNA Films)
Breakthrough Performance
Carey Mulligan

Phoenix Film Critics Society Awards

Never Let Me Go (DNA Films)
The Overlooked Film of the Year

San Diego Film Critics Society 2010 Awards

Four Lions (Warp Films)
Best Original Screenplay
Jesse Armstrong, Sam Bain and Chris Morris

Another Year (Thin Man Films)
Best Supporting Actress
Lesley Manville

Never Let Me Go (DNA Films)
Best Score
Rachel Portman

San Sebastian Film Festival

NEDS (Blue Light)
Golden Shell
Best film
Silver Shell
Best Actor
Conor McCarron

Sundance Film Festival

Tyrannosaur (Warp Films and Inflammable Films)
Directing Award
Paddy Considine
Special Jury Prize
Olivia Colman and Peter Mullan

Hell and Back Again (Roast Beef TV)
World Cinema Cinematography Award:
Documentary
Danfung Dennis

United Nations Association Film Festival

Dancing Boys of Afghanistan (Clover Films)
UNAFF Grand Jury Award for the Best Documentary

Craft

BAFTA Television Craft Awards

The Hospital/Katie: My Beautiful Face (North One Productions, Mentorn Media)
Break-through talent
Jessie Versluys – Director

Red Riding 1974 (Revolution Films)
Costume Design
Natalie Ward

The Force (Oxford Film and Television)
Director: Factual
Patrick Forbes

‘Compelling, providing a unique perspective – the whole team was prepared to take a risk to deliver outstanding television’

The judges of AIB Awards,
Dispatches – Afghanistan: Behind Enemy Lines

Mo (ITV Studios)

Director: Fiction
Philip Martin
Editing: Fiction
Kristina Hetherington
Makeup & Hair Design
Chrissie Baker

Red Riding 1983

(Revolution Films)
Photography & Lighting:
Fiction
David Higgs

Embarrassing Bodies/
Embarrassing Bodies Live
(Maverick Interactive
Creative Contribution)

RTS Craft and Design Awards

Misfits (Clerkenwell Films)
Sound Drama
Special Effects

Mo (ITV Studios)
Make Up Design – Drama

Facejacker
(Hat Trick Productions)
Make Up Design –
Entertainment and
Non-Drama
Costume Design –
Entertainment & Non Drama

Pete Versus Life
(Objective Productions)
Tape and Film Editing –
Entertainment and Situation
Comedy

Maverick New Media Team
Design & Craft Innovation

Diversity

Ability Media Awards

Big Brother (Endemol)
Factual/Reality Award

*How to Look Good Naked...
With A Difference*
(Maverick TV)
Features Award

Into That Good Night
(True Vision)
Documentary Award

The IT Crowd
(Talkback Thames)
Champion Award
Ash Attala

Cultural Diversity Network Awards

Inbetweeners
(BWark Productions)

Company of the Year
BWark Productions

Cast Offs (Eleven Film)
Best On-screen Performance
Victoria Wright

My Big Fat Gypsy Wedding
(Firecracker Films)
Most Groundbreaking
Programme

Mind Mental Health Media Awards

Shameless – Series 7
(Company Pictures)
Drama Award

Radar People of the Year Awards (Radar Disability Network)

Cast Offs (Eleven Film)
Fictional Media Award

*How To Look Good Naked...
With A Difference*
(Maverick TV)
Factual Media Award

Digital Media

BIMA Awards

The Curfew
(Littleloud Studios)
Best Educational Project
Special Award
– Motion Graphics

Privates
(Zombie Cow Studios)
Best Game

Battlefront
(Raw Television/Airlock)
Best Social Media

Misfits (Six to Start)
Best Multiplatform

The Newspaper Club
(Newspaper Club)
Special Award for Technical
Achievement

Broadcast Digital Awards

E4
Winner – Channel of the Year

E4
Winner – Entertainment
Channel of the Year

E4

Winner – Best Channel
Marketing

Surgery Live (Windfall Films)
Best Multiplatform project

Embarrassing Bodies Live
(Maverick)
Best Use of Interactive

Routes (Oil Productions)
Best Content Partnership

Misfits (Clerkenwell Films)
Best Scripted Programme

Green Web Awards

River Cottage 'Landshare'
(KEO Digital & Mint Digital)
Best Use of Mobile Apps &
Technologies

MediaGuardian Innovation Awards

4iP's Scaperwiki
(Scaperwiki/4iP)
Best Technology

MirrorMe (Ideonic/4iP)
Best Application and Gadgets

*O2 Load and Go prepay credit
card campaign* (O2 &
ZenithOptimedia / Channel 4
/ The Outfit) Best Launch

New Media Effectiveness Awards

4Food (Zone)
Best Media Award

South by Southwest Interactive Awards

Smokescreen (Six to Start)
Best Game

1066: the Game (Preloaded)
Best educational resource

International

duPont-Columbia Awards

*Dispatches – Afghanistan:
Behind Enemy Lines*
(Clover Films)
Excellence in Broadcast
Journalism

The Emmy Awards (News and Documentary)

Dispatches
– *Pakistan's Taliban Generation*
(October Films Ltd)
Current Affairs Award

Peabody Awards

Endgame (Daybreak Pictures)

Thriller in Manila (Darlow
Smithson Productions)

Prix Italia

The First Movie
(Connect Films)
Music & Arts Documentary

Mugabe and the White African
(Arturi Films Ltd)
Signis Prize

Kevin McCloud's Grand Tour
(Silver River Productions)
Italy Through the Eyes of the
World Award

Rose D'Or

The Inbetweeners
(BWark Productions Ltd)
Best Sitcom

Marketing

ANNAs

Ask The Chancellors
(Channel 4 / 4Creative)
Winner Newspaper Ad of the
Month (March)

BTTA

Jamie's American Road Trip
(Channel 4 / 4Creative)
Diploma – Over 30 and up to
60 sec commercial

Alan Carr: Chatty Man
Diploma – Series

Campaign Photo Awards

Adoption Season (Channel 4 /
4Creative)
Media & Entertainment
(Silver Award)

Great British Food Fight
(Channel 4 / 4Creative)
Media & Entertainment
(Silver Award)

Jamie's America
(Channel 4 / 4Creative)
Media & Entertainment
(Silver Award)
Highly Commended

Cannes Lions

Britain's Forgotten Children
(Channel 4 / 4Creative)
Finalist – Product & Service:
Publications & Media
Finalist – Film Lions

Creative Circle Awards

Alan Carr: Chatty Man
(Channel 4 / 4Creative)
Gold – Best Special Effects or
Computer Graphics
Bronze – Best TV Commercial
Bronze – Best Idea
in 20 seconds
Bronze – Best Idea
in 30 seconds

Skins 3 (E4 / 4Creative)
Gold – Best Cinematography
Gold – Best Direction
Bronze – Best Editing

D&AD

Alan Carr: Chatty Man
(Channel 4 / 4Creative)
Yellow Pencil – TV & Cinema
Communications / TV
Promotions, Stings and
Programme Junctions

Freesat Awards

E4
Winner – Channel of the Year

NMA Awards

Misfits (E4)
Best Use of Search
– Commendation

Promax Awards

Channel 4
Bronze – Channel of the Year

This is England '86 (moshpit)
(Channel 4 / 4Creative)
Gold – Best drama promo:
originated

Alternative Election Night
(Channel 4 / 4Creative)
Bronze – Best entertainment
promo: originated

True Stories (generic)
(More 4 / 4Creative)
Bronze – Best factual/news
& current affairs promo
– clip based

Frightfest Continues
(Film4 / 4Creative)
Gold – Best film promo
Bronze – Best use of music

Frightfest Launch
(Channel 4 / 4Creative)
Winner – The people's
choice 2010
Bronze – Best themed

Incredibles Season
(Film4 / 4Creative)
Silver – Best film promo

Action Season
(Film4 / 4Creative)
Bronze – Best editor
Bronze – Best use of sound
design

ePad (E4) (E4 / 4Creative)
Silver – Best use of humour
Silver – Best script / copywriter

E4 Airways (E4 / 4Creative)
Bronze – Best use of humour

*Sainsbury's sponsor the
Paralympic Games* (Channel 4 /
4Creative)
Silver – Best sponsor's credits

Race and Science
(Channel 4 / 4Creative)
Gold – Best print and poster
Gold – Best use of photography

Big Brother RIP
(Channel 4 / 4Creative)
Bronze – Best print and poster

The Family, Season 2
(Channel 4 / 4Creative)
Silver – Best typography

War Season (Film4 / 4Creative)
Bronze – Best typography

Skins 4 Mash up
(E4 / 4Creative)
Silver – Best design

Love the 80's
(Film4 / 4Creative)
Silver – Best themed

*Ramsay's Best Restaurant –
Crying* (Channel 4 / 4Creative)
Gold – Best Leisure and
Lifestyle

Revolution Awards

Misfits (E4 / Profero)
Best Use of Search
Highly Commended

Revolution Online Effectiveness Awards

Skins Character Map (E4)
Best Use of Social Networking
Skins Status Bombs (E4)
Special Award for Innovation

Sony Radio Academy Awards

Skins Radio Show (E4 / NME)
Best Use of Branded Content

Thinkbox TV Planning

Great Adaptations (Film4)
Winner Best Use of
Sponsorship or Content

Other

Brit Insurance Design of the Year

The Newspaper Club
(Newspaper Club)
Best Graphics Award

Chortle Awards

*Rhod Gilbert and Award
Winning Mince Pie* (4dvd)
Best DVD Award

Civic Trust Awards

*The Big Art Landmark
Sculpture 'Dream'*
Special Award for
Community Engagement

Guild of Food Writers Awards

Landshare (KEO Digital
& Mint Digital)
New Media Award

Healthcare Engagement Strategy Awards

*Embarrassing Bodies
Multiplatform* (Maverick)
Unlocking Public Health
Award

Observer Ethical Awards

Landshare (KEO Digital
& Mint Digital)
Campaigner of the Year

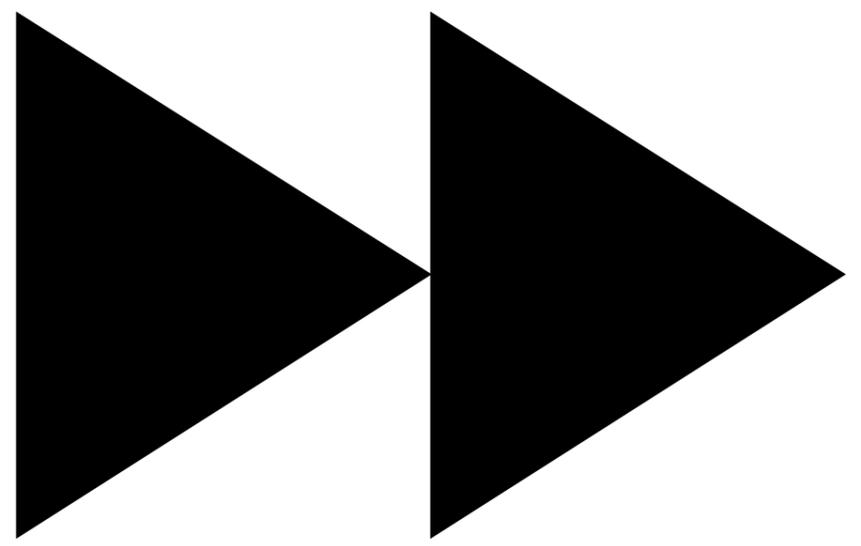
**'A strong line-up of shows,
clarity of vision and the
confidence to take risks'**
Judge of Broadcast Digital Awards, E4

Mo (Channel 4 / 4Creative)
Bronze – Best drama promo:
clip-based

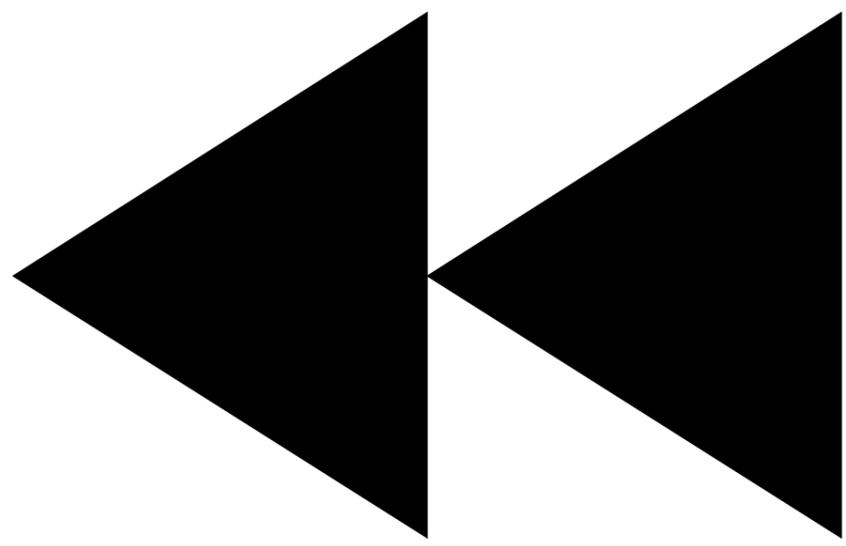
The Inbetweeners series 3 launch
(E4 / 4Creative)
Gold – Best entertainment
promo: originated

Films worth talking about 2010
(Film4 / 4Creative)
Silver – Best ident/branding
device

E4 Christmas idents
(E4 / 4Creative)
Bronze – Best ident/branding
device



Looking forward



Looking back

Renewing our purpose

2011 is set to be a landmark year for Channel 4, with the first schedule in over a decade without *Big Brother* and a new, integrated creative team combining television and online commissioning for the first time. This provides us with an extraordinary opportunity to redefine Channel 4's values and creative ambitions.



Channel 4 is renowned for commissioning provocative content – it is a key point of distinctiveness relative to other broadcasters. Having made significant impact with much of our 2010 output, we will seek to evolve this vital cultural role, with content that has an even stronger contemporary resonance and which can provoke debate about modern Britain. Across current affairs, factual, drama and comedy we will seek to strengthen our reputation for content that challenges orthodoxies, inspires change and reflects diverse cultures and communities.



2010 saw small declines in performance against reputational statements covering various aspects of our remit. We will seek to reverse these declines through our creative renewal. With a greater focus on innovation and experimentation, 2011 will see the schedule revitalised as we seek to find the next generation of ideas that can define Channel 4 going forward. Promoting a culture of risk-taking will be paramount to these ambitions – crucially, we must not be afraid to fail.



As a public service broadcaster we are committed to catering to the tastes and interests of a wide range of people. Post-*Big Brother*, we will aim to strengthen our relationship with the 16–34 year old audience and ensure they remain connected with public service content that is both entertaining and educational. This in turn will enable us to continue investing in programmes designed to appeal to wider audiences.



Behind the scenes, we want producers to feel like Channel 4 is the most creative place to work in British broadcasting. We want to support the widest range of talent possible, take more risks than anyone else and give our suppliers the freedom and opportunity to create content that is different to anything else on air.



The viewing experience will begin to see considerable change in 2011, with split screen viewing, non-linear content, apps and social conversation around our programming becoming increasingly popular. Channel 4 will seek to respond to and help shape these changes – finding new ways to interact with audiences and strengthen our relationship with them. We will continue to innovate on all digital platforms, and will refocus our online strategy to ensure it is more tightly linked to Channel 4's overall editorial ambitions. We will also seek to be more rigorous in defining and assessing impact.

Total content budget

We have set a prudent content budget that balances our public service remit with our need to generate revenue from the advertising market. The total content budget is forecast to stay broadly flat in 2011, based on forecasts for the advertising market, which continue to be uncertain. Content investment commitments are phased across the year, and we will continue to review market forecasts and adapt our investment plans accordingly.

2011's budget will reallocate the money that has previously been spent on *Big Brother* – creating a significant increase in the resources available to spend on new titles. This investment will be targeted across our key genre areas, with significant increases for comedy, entertainment, current affairs, drama and documentaries. The production and development budget for Film4 will also be increased to £15 million a year.

This increased investment will enable us to strengthen our reputation in areas where audience perception weakened in 2010 and maintain it in genres where we already perform strongly. While the reality of life in a post-*Big Brother* world will mean 2011 will be a challenging year for Channel 4, we also hope this period of creative renewal will enable us to maintain the main channel's overall viewing share and further improve the performance of the digital channels.

Creative Renewal Commissioning Priorities

Where the money is saved	Where the money is spent
Big Brother	Comedy & Entertainment
	Factual
Acquisitions	Other
	Drama
	News & Current Affairs
	Online

Investing in creativity

2011 will bring Channel 4's most diverse schedule for years, as approximately £100 million is released from retired titles to invest in dozens of new projects across our portfolio.

Breakdown by platform

We will continue to deliver a mixed schedule on the main Channel 4 service, with compelling and original content across genres. There will be a significant increase in the numbers of new commissions, but with a greater focus on series rather than 'one-off' titles (which often have difficulty in achieving cut-through to audiences) as part of a strategy to develop more popular programming brands that can achieve long-term brand resonance.

E4 will have a slightly reduced overall programming spend following the end of *Big Brother* in 2010 and *Friends* later in the year. However it will have a larger budget to spend on new titles, and we hope this will ensure it remains the channel of choice for the 16-34 year old demographic. We will seek to maintain E4's reputation for creative and commercial success, with a range of new entertainment, comedy and drama commissions sitting alongside high quality US acquisitions.

More4's budget will be held constant in 2011. While its strategy will remain broadly similar – offering viewers opportunities to catch up with some of the most popular Channel 4 shows alongside some brand-defining commissions – we will also seek ways to increase the overall impact of the channel.

The budget for the Film4 channel will decrease slightly. The channel will aim to maintain its share after a successful 2010 and will offer a broadly similar mix of mainstream and alternative films.

Our online spend, including multi-platform commissioning, education and our specialist sites will stay flat. However, the newly integrated Online department will have a clearer editorial focus to ensure it complements Channel 4's creative ambitions more effectively. The new strategy involves ensuring all commissions contribute to the following set of objectives: increasing overall consumption of television programming; generating financial or public value for Channel 4; deepening relationships with audiences; and developing future 'convergent' formats. To accelerate this last objective we will launch a new Convergent Formats Fund worth £2 million to invest in ideas, apps and creative concepts for converged platforms such as the IPTV service YouView.

Creative ambitions

CREATIVE AMBITIONS

CREATIVE AMBITIONS

Film & Drama

With its ability to deliver brand-defining returnable series that can deliver significant impact, drama will be a major recipient of the reallocated content budget.

A focus will be on developing potentially long-running comedy dramas that bring a more youthful and entertaining tone to the schedule; *Fresh Meat* will follow the lives of six university freshers sharing a house in Manchester, *Naked Apes* will take a comic look at modern relationships from the jaded perspective of paramedics in Leeds and *Beaver Falls*, a new series for E4, will follow three British students working at a US summer camp.

We will continue to show challenging drama that explores contemporary social issues. In addition to Debbie Tucker Green's hard-hitting *Random*, this includes a new thriller series, *Top Boy*, about gang members in East London and Peter Kosminsky's serial *The Promise*, exploring the modern day Israel-Palestine conflict through the prism of history. We have also commissioned Shane Meadows to build on the huge success of *This Is England '86* with a further instalment set two years on.

Alongside these new titles, we will review and refresh our longer-running series to ensure they remain relevant to audiences, as well as acquiring more high-quality dramas from the US and developing innovative ways of enhancing stories with interactive media. This will include exclusive online content for fans in between series as well as encouraging online discussion around popular shows.

We are significantly increasing our investment in film production to £15 million a year, enabling Film4 to strengthen its role at the heart of the UK's independent film industry. 2011 sees a strong season of cinematic releases that showcase the best of British film-making talent – with Danny Boyle's visually arresting *127 Hours*, the historical epic *Eagle* from Kevin MacDonald, and a chilling adaptation of *Never Let Me Go*, in which Mark Romanek directs a cast of brilliant young British talent. Peter Mullan returns to Channel 4 with his Glasgow-based *NEDS* and Ben Wheatley will premiere his second feature at South by South West. The year will also see the release of several films from female directors, including Andrea Arnold's *Wuthering Heights*, Lone Scherfig's *One Day* and Phyllida Lloyd's *Iron Lady*.

We will continue to work closely with commissioners across Channel 4 to find and nurture new film-makers – with several debut films from people who have built their careers with Channel 4. These include comedians Joe Cornish, Richard Ayoade, *The Inbetweeners* writers Damon Beesley and Iain Morris, actor Paddy Considine and producer Bart Layton. We will also be developing and producing new films from original Channel 4 talent such as Chris Morris and Steve McQueen.

We will experiment with new ways of reaching audiences using new technologies and distribution models, and will continue to show a diverse range of British and international films on the Film4 channel.

Commissioning values

Experimentation will be at the heart of the 2011 schedule. In an age of ever-increasing choice, we want to be the home for creative risk-taking – uncovering new and distinctive voices, questioning the consensus, exploring new ideas and expanding the diversity of our supply base. This means investing significantly in new companies, pilot projects and creative development, launching new formats and titles in all genres and developing new ways of engaging audiences. Not all of these experiments will work, and only a few can be expected to become successful long-running brands. But greater flexibility in the schedule provides us with a hugely important opportunity to test out new ideas, and we intend to make the most of it.

Across the schedule we will aim to be the home for people and ideas that are not normally found in mainstream media. Major series such as *Big Fat Gypsy Weddings* will uncover the values of little-known communities, reflecting the diversity of life across the UK. 2010 saw a slight drop in audience perception of our coverage of ethnic minorities, gays and lesbians and disabled people, and so we will seek to strengthen our reputation in these areas. This will include shows such as *Katie's Beautiful Friends* and *Beauty and the Beast*, which challenge perceptions of those with facial disfigurements, and a season of documentaries about the *Paralympic* athletes which will increase awareness and understanding of disability sport as we lead up to 2012. Series such as *Top Boy* will continue our commitment to telling stories from the diverse cultures of contemporary Britain, and *The Joy of Teen Sex* will be a bold look at sexuality in all its different forms. We have also made a commitment to improve our engagement with the transgender community, with activity on and off screen.

We will be more open than ever to new and diverse voices. Therefore 2011 will see the launch of the Alpha Fund, a £2 million annual development fund devoted to supporting grassroots creativity across television, film and digital media. We will increase new and regional companies' access to commissioners, helping us achieve our aim of working with a more diverse supply base. We will run targeted schemes aimed at giving new entrants their first break in the industry, as well as funding industry training organisations and running on-screen strands and series that provide a platform to new writers and directors (such as the forthcoming drama *Fresh Meat*, in which *Peep Show*'s Jesse Armstrong and Sam Bain will lead a team of young writers). Black playwright Debbie Tucker Green will make her TV directorial debut with a hard-hitting drama based on her stage play *Random* – continuing Channel 4's relationship with both Tucker Green and producers HillBilly Films, who first worked together as writers and producers on the 2007 *Coming Up* strand.

Comedy & Entertainment

Our aim in 2011 is to strengthen our reputation for distinctive comedy. Our investment in this genre has doubled since 2009, enabling us to significantly increase the volume and range of comedy output. In 2010 this will include sitcoms, satire, sketch, stand-up, panel and prank shows.

Our ambitions are symbolised by our acquisition of the British Comedy Awards, which we will re-launch in January as an exciting Channel 4 brand. We will offer new sitcoms for both Channel 4 and E4 alongside returning series such as *The IT Crowd*, *PhoneShop*, *Facejacker* and *Pete Versus Life*. New commissions will include *Friday Night Dinner*, *Campus* from *Green Wing* creator Victoria Pile and Noel Fielding's debut solo show *Luxury Comedy*.

We will continue to identify new comic voices, from the biannual *Comedy Showcase* season to *Show and Tell* featuring three up-and-coming comedians every week, as well as experimenting with ways of using online media as a forum to test out new voices. We will also encourage existing talents to take risks and try out new opportunities – with David Mitchell, Charlie Brooker, Jimmy Carr and Lauren Laverne moving into political satire in *10 O'Clock Live* and new sitcom *Chickens* starring Simon Bird and Joe Thomas from *The Inbetweeners*.

Entertainment will see a major period of experimentation, as we develop Channel 4's role post *Big Brother*. Our goal is to refresh and grow our entertainment slate on Friday nights, as well as investing in younger-skewing shows for the 10pm slot. We will also try new formats, particularly in late night slots.

The scale, appeal and playfulness of entertainment programmes makes the genre a particularly ripe area for audience interaction. Building on the success of *Million Pound Drop*, we will continue to integrate television and online ideas to provide viewers with compelling two-screen formats. This will be a particular focus as we invest in more live shows, in which the online conversations and interactions that take place during transmission become part of the show itself.

Factual

We will try to increase the popularity and relevance of factual content with an increased focus on contemporary themes. We will aim to maintain our already strong reputation for being provocative and distinctive, and develop new series that can resonate with and inspire audiences. Building on the success of projects such as *Embarrassing Bodies* we will develop new online formats, but with a tighter focus on areas where multiplatform support can clearly add value.

In documentary we will continue to use fixed-rig cameras to reveal intimate insights into modern life; against a backdrop of major Government cuts, *24 Hours in A&E* and *Nurses* will reveal stories from the front-line of the NHS. *Murder Trial* will provide unprecedented access to the Scottish courts. We will also commission projects that appeal to a younger demographic, with *Glassmates* following the lives of a group of 16 year olds.

We will bring a dynamic and distinctive approach to traditional subjects such as history, religion and science, highlighting themes with contemporary resonance. There will be a greater emphasis on science and technology, as well as historical series that inform our understanding of the modern day – such as Niall Ferguson's *Civilization: Is The West History?* The unique legacy of our projects will be an important theme – with a new series of *Inside Nature's Giants* and *Rome Wasn't Built In A Day* reconstructing an authentic Roman villa using ancient tools and techniques. Made in partnership with English Heritage, the series will create an exciting educational resource that visitors will be able to explore for generations.

A new dedicated arts commissioner will work across television and interactive media for the first time. 2011 will see an updated and refreshed arts slate focused on reflecting Britain's dynamic contemporary arts scene, including a unique season on Street Art. This will celebrate the arts of contemporary urban Britain, with programmes on hip-hop, street dance, graffiti and spoken word poetry. Stripped across 10 days, there will also be a strong multiplatform element to the season, using social media to invite viewer contributions as well as exclusive online content on channel4.com.

We will aim to stay ahead of the curve in terms of reflecting social trends and consumer interests – interrogating bold new themes as well as bringing new twists to food, property and beauty. We will also look to further strengthen our reputation for content that inspires audiences with programmes that have a campaigning focus. Jamie Oliver will tackle schools policy in *Jamie's Dream School*, in which some of Britain's best known experts will be brought in to teach under-achieving young people and encourage them to give education another chance. *The Big Fish Fight* season will bring Channel 4's top chefs together to champion sustainable seafood and Mary Portas will challenge high street stores to prioritise customer services in *Secret Shopper*. Expert presenters that audiences trust and are inspired by will remain at the heart of our factual entertainment programming, with new faces such as Katie Piper joining the team.

News & Current Affairs

We will continue to pursue high-quality, fearless journalism in news and current affairs – holding power to account, provoking debate and covering subjects other broadcasters would not. Our aim in 2011 will be to increase the appeal and relevance of our content, while maintaining our high standards and values.

2011 will see a reshaping of the *Channel 4 News* format, with the introduction of a third presenter, new science, environment and social affairs reporters and improvements to the navigation and structure of the programme.

While the online budget will fall slightly following 2010's upgrade to the *Channel 4 News* website, using digital media to connect with audiences in new ways will remain a priority. This will include harnessing social media to enable viewers to shape and participate in the news agenda more directly and developing applications for converged devices such as the iPad.

We will aim to increase the impact of our key current affairs strands. *Dispatches* will continue to tackle daring and provocative stories about Britain and the wider world, with a greater focus on investigative journalism. We will also seek to increase the profile of international strand *Unreported World*, and experiment with ways of using social media to connect the strand with younger audiences.

We will experiment with new types of current affairs programming. *10 O'Clock Live*, a co-commission with comedy and entertainment, will see comedians interrogating the main political issues of the day.

Education & Older Children

Channel 4 commissions educational content across numerous genres and slots, whether it is taking a new approach to science, informing viewers about life in Roman Britain or inspiring them to try new recipes.

Across the schedule, we will promote 'life-long learning' for all age-groups with content that is both engaging and distinctive, by balancing a portfolio of educational commissions that includes television, the web and games.

For 14–19 year olds, a major focus in 2011 will be ethics, social responsibility and life-skills – with key themes including financial literacy, sexual and mental health, the environment and ethical fashion. We will continue to provide the tools and support for young people to learn skills that are not necessarily part of their curricular studies, with *Battlefront* continuing to provide young people with the support to lead their own campaigns, around subjects as diverse as autism, knife crime and cyber bullying. We will also explore ways of using our key brands in the linear schedule to drive engagement online.

The Education team will respond to our new remit to develop bespoke projects for older children. We will invest an additional £1 million in new projects tailored specifically to the interests and behaviours of this audience, including several projects aimed at 10–14 year old girls.

Audience Engagement

Social media and converged technology have created a transformational opportunity for broadcasting, enabling us to have a more in-depth insight into the behaviour and tastes of our viewers.

In 2011, we will explore new ways to engage with and use this data – helping us to both enhance viewer experiences and develop new business models. A new Director of Audience Technologies and Insight will be responsible for transforming the way Channel 4 collates information on viewer behaviour and opinion, and identifying how this insight can inform new commercial and creative opportunities.

This role will lead the creation of a new integrated database, which will help collate all the insight and analysis needed to drive Channel 4 into the next decade. Our ambition is to be the best informed broadcaster in the business – as the better we know our viewers, the better we can serve them. We will use the knowledge we collect to make it easier, cheaper and more convenient for viewers to watch the programmes they love.

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

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

Channel 4 engaged KPMG LLP (UK) to provide limited assurance over their key charts on pages 9, 10, 11, 14, 15, 18, 19, 20, 21, 22, 23, 24, 33, 41, 42, 51, 59, 65, 67, 70, 71, 72, 73 and 74 of their Statement of Media Content Policy identified hereafter as 'the key charts'.

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 Statement of Media Content Policy Methodology, the 2010 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 Statement of Media Content Policy Methodology for reporting. The statement on the Channel 4 website and the detail within the Statement of Media Content Policy 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 Statement of Media Content Policy 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 2010 Annual Report and the year-on-year trends, as defined in the Statement of Media Content Policy Methodology.

The primary focus of our work was measures for the year ended 31 December 2010 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 2010 data was not yet available, we have examined the information for the years ended 31 December 2009 and 2008 found on page 18;
- we have checked the extraction of TV viewing share from BARB from 2006 to 2010 found on page 70; and
- we have checked the calculations compiled to report the medium-term viewing trend key measures between 2005 and 2010 found on page 71.

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 online 3rd party data service providers:

- Most submitted comments on channel4.com and e4.com (on page 73);
- Channel 4 programmes with the highest conversion rate from TV audience to website visits (on page 73);
- Conversion rate from TV audience to website visits in the comedy and entertainment genre compared to all Channel 4 programmes, % (on page 51)
- Average monthly number full length programmes views initiated (on page 72);
- Average monthly visits to Channel 4's websites (on page 73);
- Average monthly page views (on page 73);
- Number of UK visitors to education projects online (on page 65); and
- Average time spent on Channel 4's education sites by UK visitors (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 Statement of Media Content Policy 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 key charts;
- Examining and testing of the systems and processes in place to generate, aggregate and report key charts;
- Assessing the completeness and accuracy of the key charts 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 charts;
 - testing the documentation which supports the measurement, calculation and estimation of the key charts;
 - assessing and testing the source information used to generate the key charts; and
- Examining the presentation of key charts 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 3rd party data 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.

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 2010 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 2009 and the comparison with the immediate prior year are not fairly stated;
- the medium-term viewing trends key measure for the period 2005 to 2010, and the TV viewing share from 2006 to 2010 are not fairly stated.

Hugh Green for and on behalf of KPMG LLP
Chartered Accountants
United Kingdom
30 March 2011

Financial report and statements

Report of the members

The members present their report and the audited financial statements for the year ended 31 December 2010.

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 unique organisation: a public service broadcaster with a distinctive creative remit, funded within the marketplace, existing to provide a range of distinctive, challenging and provocative content. In order to fulfil our public service remit – to innovate and experiment in television and appeal to the tastes and interests of a culturally diverse society – whilst optimising commercial returns, we continue to focus on a strong core Channel 4 alongside our digital channels and online.

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 as amended by the Communications Act 2003, the Digital Economy Act 2010 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.

Channel 4 welcomes the Digital Economy Act 2010, which incorporates four purposes into the remit to nurture talent, provide alternative views, stimulate debate and inspire change, and extends our remit into three new areas – Film, Digital Content and Content for Older Children – reflecting our ability to deliver public value across our portfolio of television channels and digital media in addition to the core public service channel.

Core Channel 4 is available on both analogue and the main digital broadcast platforms, and in high definition on Freeview, Sky and Virgin. As well as being available on digital platforms, E4 HD is available on Sky and Virgin, and Film4 HD on Virgin. Our content including archive programming is made available on the 4oD service on channel4.com, and selected content is also syndicated to a number of digital platforms and devices including Virgin Media, BT Vision, Talk Talk, YouTube, SeeSaw and Sony PlayStation 3. In 2010 we continued to participate in the YouView project (formerly Project Canvas), the internet connected set top box, which will offer viewers a programme guide that goes seven days back in time. We also launched Film 4oD, a partnership with Film Flex, for our Film 4 content. In addition, plans are advanced to extend our reach further to the Freesat platform.

The Chairman and Chief Executive present their statements on pages 4-5 and 6-7 respectively.

A review of the group, outlining its development and performance during the financial year together with its position at 31 December 2010, is provided in the business review on the following pages. This also outlines the principal risks and uncertainties facing Channel 4.

The group's financial statements are set out on pages 104 to 140.

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 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. E4 is the leading digital channel for 16-34s and the third most popular digital channel in the UK. E4 has also been available on a new high definition service, E4HD, on Sky since December 2009, and on Virgin since April 2010, and is also available on E4+1
- 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. Film4 has also been available in high definition on the Virgin platform since July 2010

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 to develop new commercial opportunities and 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 free, advertising-funded catch-up video on demand for the majority of key shows and more archive content than any other UK broadcaster
- Cross platform commissioning exploiting and enhancing content across online distribution channels
- Video on demand syndication deals with online content aggregators such as YouTube

Other

Other includes the provision of creative design and production services.

Report of the members continued

Key performance indicators

The primary purpose of core Channel 4, the Corporation's only channel licensed by Ofcom as a public service channel, is the fulfilment of its public service remit as defined in the Communications Act 2003. 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'.

Core Channel 4 remains subject to the Communications Act 2003 and is the only channel to which specific public service obligations as a condition of our public service broadcasting licence apply. Under the Digital Economy Act 2010, Channel 4 as a whole, across all our activities, must

- 'support the development of people with creative talent, in particular
 - (i) people at the beginning of their careers in relevant media content or films, and
 - (ii) people involved in the making of innovative content and films;
- support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views;
- promote alternative voices and new perspectives; and
- provide access to material that is intended to inspire people to make changes in their lives'.

Channel 4 must further participate in the making of relevant media content that appeals to the tastes and interests of older children and young adults, the broadcasting or distribution of feature films that reflect cultural activity in the United Kingdom (including third party films), and the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks.

In 2008 and 2009, the Channel 4 Annual Report presented a new framework to measure the public value that Channel 4 provides, reflecting Channel 4's ambitions to operate as a public service network, covering core Channel 4, the digital channels and online services. In 2010 these public value measures have been published for a third year. 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.

In 2010 the presentation of the measures builds on the work done in the previous two years. It is structured around the key genres through which we fulfil the remit across our operating segments and incorporates our enhanced regulatory obligations to Ofcom under the Digital Economy Act 2010 to publish a Statement of Media Content Policy demonstrating fulfilment of our remit across all of our activities and setting out our future strategy.

The key performance indicators used to monitor the commercial 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. Channel 4 audience share

In the period 2005-2010, the group's portfolio audience share held up better than any other terrestrial broadcaster. In 2010, portfolio audience share was 11.4% (2009: 11.5%), showing the mitigating effects of the digital channels strategy on our total viewing share.

A key measure of how we are delivering on our remit is the impact of core Channel 4's programming, which we measure in terms of our share of audience. In 2010, the core channel's share of audience was 7.0% (2009: 7.4 % excluding S4C) in another year in which all of the main terrestrial channels lost audiences to multi-channel television as a result of digital switchover.

2. Digital channel audience 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. In 2010 our digital channels grew their share of viewing by 0.3% points (2009: 0.4% points) to 4.4% (2009: 4.1%).

3. Ofcom requirements

As a public service broadcaster, core Channel 4 is set various licence obligations by Ofcom, the delivery of which is central to our public service role. Targets are set for a range of production and transmission measures. These targets are set out on page 155. In 2010 and 2009 we met or exceeded all our licence requirements.

During 2010 the core channel achieved 58% overall of hours of originated programmes (target: 56%) and 77% in peak hours (target: 70%). We also exceeded our target of 35% of programme production outside London with 39% (£117.5 million) of Channel 4's originated programming excluding the News 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 enables the delivery of our remit. Our commercial performance is dependent on delivering valuable airtime to advertisers, which in 2010 accounted for 85% (2009: 85%) of total revenue.

Report of the members continued

Although core Channel 4 contributes the majority of our advertising revenues, our digital channels continue to generate additional value that allows us to invest more in public service content. Overall in 2010, television advertising revenues grew by £87.5 million, comprised of £63.4 million on core Channel 4, £23.2 million on the digital channels and £0.9 million on TV video on demand. All the channels benefited from the market recovery in television advertising in early 2010.

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 £49.3 million (2009: £3.9 million) are explained below.

Financial Review

Despite the underlying pressures of digital migration and some strong competition, better market conditions than anticipated in 2010 enabled us to reinvest more into content and content delivery across our portfolio and deliver a surplus ahead of target. The group generated revenues of £935.2 million (2009: £830.3 million) and a surplus before tax of £54.0 million (2009: £2.2 million), which also led to an increase in cash and funds on deposit of £49.3 million in the year (2009: £8.0 million). At the end of 2010 this robust performance is reflected in a strong balance sheet, with an increase in reserves to provide funds for future investment and additional contingency against future advertising volatility.

As well as focusing on our longer term performance through initiatives such as the launch of C4 HD on Freeview in March 2010 and our ongoing support for the YouView venture, a key priority in 2010 was to hold core Channel 4 audience share as far as possible. Defending the audience share of core Channel 4 will continue to be our principal focus in 2011 alongside maximising the contribution from the digital channels and video on demand services and developing innovation in advertising sales and viewer relationships.

In January 2010, it was announced by the London Organising Committee for the Olympic Games that Channel 4 had been awarded the UK television rights for the London 2012 Paralympic Games. In addition to over 150 hours of coverage of the Paralympic Games, Channel 4 will deliver content showcasing key disability sport and sporting events in the two years leading up to the Games.

Also in January 2010, Channel 4 commenced advertising sales representation for Box Television Ltd ('Box'). The operation transferred from Sky to Channel 4 following the expiry of the contract Box previously held with Sky. The additional costs and revenues from ad sales representation for Box are recognised within the Channel 4 segment as the members consider that representation improves the efficiency of the ad sales operation.

In March 2010, Channel 4 HD launched on Freeview HD, a free-to-air television service that offers HD channels using a set top box.

In May 2010, David Abraham joined Channel 4 as Chief Executive. Following David's arrival, the executive team and senior management group were restructured leading to a reduction in the size of the senior team. All content commissioning – television and online – was brought together under a single Chief Creative Officer; the ad sales team was restructured to deliver sales to clients across all platforms; marketing and communications were also brought together into a single team; and a new post, the Director of Audiences, Technology and Insight, was created to develop and lead our plans for viewer relationship management using technology and analytical tools, with the ambition of making Channel 4 the UK's most viewer-centric broadcaster.

In September 2010, Channel 4 entered into a shareholding agreement with a number of other parties (see page 125) to acquire shares in YouView TV Ltd, the company responsible for developing the YouView platform. The agreement provides for each of the seven shareholders to hold an equal share in the company, which expects to launch its internet-connected set top box in 2012.

In October 2010, Channel 4 announced that following the restructure of its content commissioning team, 4iP – the pilot scheme for nurturing emerging digital talent – would no longer seek new submissions and proposals. All new digital media ideas will be developed by the multi-platform commissioning team.

From January 2011, Channel 4 expanded its advertising sales portfolio to include representation for UKTV, the joint venture between BBC Worldwide and Virgin Media.

Trading in 2011 continues in an uncertain advertising market. Once again we have set a prudent and phased budget to manage the uncertainties in the television sector and beyond. The 2011 budget seeks to meet the requirements of our public service remit through continuing to invest in core Channel 4 creative renewal following the decommissioning of Big Brother and prepares the way for transformation of our organisation to meet the challenges of technological convergence. Commitments are phased, and alternate plans are in place to manage budgetary risk. Overall, we seek to balance risk and opportunity in order to continue to maximise our investment in content and core Channel 4 share to sustain the long term viability of the organisation, whilst targeting a pre-tax surplus.

Average headcount for the year rose slightly above 2009 levels at 727 (2009: 696), mainly to service our advertising sales representation deal for Box, expand the online sales team and build research and insight capability (note 4). Closing headcount for the year was 731 (2009: 694).

Average headcount in 2011 is expected to rise compared with 2010. New headcount is principally focused on revenue-generating activities (including UKTV advertising representation), and viewer relationship management.

Report of the members continued

Financial performance

As shown in the table below, our revenues increased by 12.6% from 2009 (2009: decline of 8.5%). Our operating profit was £49.3 million (2009: £3.9 million).

	TV advertising revenue £m	Other revenue £m	Total revenue £m	Operating profit/(loss) £m
2010				
Channel 4	598.5	43.1	641.6	(7.7)
4Channels	193.9	10.7	204.6	54.0
4Rights	—	47.8	47.8	7.4
Future Media*	1.8	42.5	44.3	(3.8)
Other	—	5.9	5.9	(0.6)
Eliminations	—	(9.0)	(9.0)	—
	794.2	141.0	935.2	49.3
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	32.2	33.1	(2.3)
Other	—	6.1	6.1	0.6
Eliminations	—	(10.1)	(10.1)	—
	706.7	123.6	830.3	3.9

* 2009 results for Future Media are restated to include the costs of cross platform and 4iP activities.

Channel 4

Revenues increased by £66.5 million to £641.6 million in 2010, driven mostly by the recovery in the advertising market of 14.7% during the year. Given the improvement in market conditions, we were able to reinvest additional funds into programming and marketing to support our commercial impact performance and future years' advertising sales. We also invested in the launch of Channel 4 HD on Freeview. The resulting core channel operating loss was £7.7 million (2009: £59.4 million).

4Channels

Revenues grew year on year by £23.3 million from £181.3 million in 2009 to £204.6 million in 2010, driven by the market recovery and underlying growth in audience share. 4Channels generated operating profits of £54.0 million in 2010 (2009: £53.5 million), principally as a result of advertising revenue growth reinvested back into programme content and higher distribution costs as digital services expand.

4Rights

Revenues increased by £3.0 million from £44.8 million in 2009 to £47.8 million in 2010. 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), which reflected the success of key titles and growth in market share despite a slight decline in the overall DVD market. 4Rights generated operating profits of £7.4 million in 2010 (2009: £11.5 million) reflecting the pressure on margins and the hits driven nature of the business, which resulted in a review of the carrying value and subsequent write-down of certain development and producer advances.

Future Media

Future Media revenues were £44.3 million in 2010, representing growth of 34% on 2009 (£33.1 million). The increase is mainly the result of increased inventory on 4oD and new syndication deals with YouTube and SeeSaw. The operating loss was £3.8 million (2009: £2.3 million loss after restating to include cross platform and 4iP investments in digital public service media), after greater investment into cross platform commissioning in 2010. This follows the combination of all online activities under a single multi-platform commissioning team in 2010.

Other

Other revenues included creative design and production services. A significant proportion of these revenues was eliminated on group consolidation.

Finance costs

Net finance income was £1.8 million in 2010 compared with £2.0 million net finance costs in 2009. The increase was principally due to the reversal of discounts on the unwinding of provisions.

Net interest receivable on short term deposits in 2010 was slightly lower than in 2009 despite the increase in cash and cash equivalents during the year (notes 5 and 15). This was due to some term deposits at more favourable rates contracted during 2008 and expiring during 2009.

Financial position

The balance sheet on page 106 of the financial statements shows that the net assets of the group increased in the year as a result of the operating surplus of £49.3 million, partly offset by the corporation tax charge for the year (note 6).

Report of the members continued

Cashflow

As shown in the group cashflow statement on page 107, the profit before tax for the year of £54.0 million resulted in a £49.5 million net operating cash inflow (2009: profit before tax of £2.2 million and net operating cash inflow of £5.2 million). Net cash outflows from financing activities were at £99.0 million as term deposits were extended in 2010 (2009: net cash inflows of £40.0 million). Group cash and cash equivalents were £152.2 million at 31 December 2010 (2009: £201.9 million) with a further £109.0 million held on deposit for three months or longer (2009: £10.0 million) (note 15).

Pension

The assets and liabilities of the Channel Four Television Staff Pension Plan have been valued at 31 December 2010 in accordance with IAS 19 'Employee Benefits' and the net accounting deficit of £35.4 million has been recorded in the year end balance sheet (2009: £44.9 million) (note 20). The deficit has reduced in 2010 as a result of additional employer contributions including a contribution of £2.9 million made in December 2010 and better than expected returns on plan assets held in equities.

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 108-113 of this report.

Risks

Outlined below are the key risks that the group faces, and the key steps taken to mitigate them. Further details of our governance structure are provided in the Corporate Governance section on pages 141-147.

1. Dependence on advertising revenues

85% of Channel 4's revenue is derived from television advertising. This dependency upon one form of revenue means that the group 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 costs are fixed within a year which limits our 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 phases commitments and seeks a flexible cost base. Channel 4 also maintains cash reserves. The Treasury Risk Committee regularly reviews the group's cashflow forecast and requirements for cash.

Following recent experience, internal expectations and industry forecasts, our budgeted 2011 revenue assumptions assume modest growth in TV advertising. As these conditions can change quickly, the Board monitors forecasts each month and ongoing trends in order to respond to market conditions as soon as possible.

2. Ofcom Licence Obligations

A significant risk to Channel 4 would be any failure to fulfil the statutory responsibilities governing delivery of our remit.

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.

Revised licence quotas were agreed for some of Channel 4's obligations in 2010 and are published on page 155 of this report.

Report of the members continued

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. Under the enhanced accountability arrangements introduced by the Digital Economy Act 2010, Channel 4 is required to publish an annual Statement of Media Content Policy containing a retrospective review of performance of the previous year and our strategy for the next year. This Statement is compiled in accordance with Ofcom guidelines and in consultation with Ofcom, and is published in the front section of this Annual Report. The Statement of Media Content Policy incorporates the Statement of Programme Policy also required by current legislation.

3. Legal and Regulatory Obligations

There are three significant risks in relation to the publication of content by Channel 4:

- Breach of regulatory codes, including in particular 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 these risks are identified and appropriately managed. These procedures are mandatory for all relevant staff. At the heart of these procedures is Channel 4's Editorial Referral-Up Process which is set out in the Independent Producer Handbook. The referral-up process involves senior editorial staff and ultimately the Chief Creative Officer and the Chief Executive as Editor-in Chief. 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 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 staff, content 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 pages 148-149. Since 1 January 2010, the following members have been appointed or have resigned:

Lord Terry Burns (Chairman) was appointed on 28 January 2010. Lord Burns replaced Luke Johnson, whose appointment ended on 27 January 2010.

Anne Bulford acted as Interim Chief Executive between 17 November 2009 and 4 May 2010, when David Abraham joined Channel 4 as Chief Executive.

Kevin Lygo and Jon Gisby resigned from the Board on 30 April 2010 and 19 July 2010 respectively.

Karren Brady and Andy Mollett's appointments both ended on 30 September 2010.

Alicja Lesniak, Monica Burch, Mark Price and Richard Rivers were all appointed to the Board on 1 October 2010.

Subsequent to the year end, on 10 January 2011 Jay Hunt joined Channel 4 as Chief Creative Officer.

Also subsequent to the year end, on 30 March 2011 Andy Barnes resigned from the Board.

Details of members' remuneration are contained within the report on members' remuneration on pages 150-153.

Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members' interests. During 2010, members, in addition to their salaries, benefits and/or fees as disclosed on pages 151-153, were interested in the following contracts negotiated at arm's length on normal commercial terms with the group:

Andy Barnes is also a member of the Advertising Association's council. Channel 4 paid the Advertising Association £96,208 during 2010 in respect of membership fees and funding. No amounts were accrued or due at 31 December 2010.

Lord Burns is also Chairman of Santander UK plc. Santander advertises its services on Channel 4.

Mark Price is also Managing Director of Waitrose. Waitrose is a sponsor of programming on Channel 4. Where the members have an interest in an advertising or sponsorship client of the group, the amounts paid or payable are not disclosed as they are negotiated and transacted via media buying agencies (page 114).

Report of the members continued

Corporate Responsibility

Channel 4's role goes beyond creating powerful television. Our operating model has always required us to strike a balance between public service and commercial content. The aim of our Corporate Responsibility ('CR') strategy is to fulfil our public service remit in a responsible manner. To this end, our CR mission is to promote social, environmental and personal change. In order to achieve our mission, we continue to develop our strategy around five impact areas: People, Accountability, Suppliers, Community and Environment.

People

Our belief is that diversity contributes to the fulfilment of our public service remit and to being the best that we can creatively be. We aim to nurture and develop talent within our business and across the media industry in order to work with the most diverse range of people across the UK.

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. Figures continue to be monitored regularly on all aspects of diversity of employees. The representation of ethnic minorities amongst permanent staff in 2010 was 13% (2009: 12%). Women continue to form the majority of staff at 57% (2009: 55%).

Breaking down barriers to entry

We employ varied strategies in order to break down barriers in our industry, ranging from online and social networking tools and face to face mentoring to structured new entrant programmes. During 2010, our programmes won two external awards – Best Work Experience Provider New Placement Schemes (NCWE), and a Work Inspiration Award (BITC). In the last two years our programmes have engaged with over 2000 young people with face to face activity, with over 50% of participants across the programme coming from a diverse background, above the national average for this type of engagement. These programmes have also delivered hard progression results with 43% of participants gaining further work experience and 17% of over 18 year olds securing employment. In 2011 we will expand to include a structured internship programme and a new apprenticeship scheme.

Cultural Diversity Network

As Chair of the Cultural Diversity Network (CDN) for 2009/10 we launched the Diversity Pledge in April 2009. The Pledge aims to encourage broadcasters and independent producers to reflect British society more closely both on and off-screen. The CDN committed to signing up 250 independent production companies (as well as in-house producers and suppliers) by December 2010, a target that was exceeded by 12%. After inaugurating the CDN Diversity Awards in November 2009 to celebrate diversity practice in the media, Channel 4 hosted a second ceremony in November 2010. In 2010 Channel 4 also ran the CDN mentoring scheme which has strengthened diverse talent in the industry.

Staff development

We understand that the success of our organisation depends upon recruiting, developing and retaining the best people. In 2010, we expanded our learning and development strategy to link both creative renewal and our business drivers. To support this strategy, we launched a dedicated tool integrating objective setting, personal development planning, 360 degree feedback and learning and development opportunities.

We support development through a range of activities including formal and informal learning, bite size sessions, coaching and mentoring schemes, half and full day training courses and lunchtime and evening events. In 2010, over 550 of our people attended some form of learning and development activity.

Health and wellbeing

We are committed to providing a working environment and practices that promote staff wellbeing and good health, and we aim to give our employees the information they need to help them adopt and maintain a healthy lifestyle outside work. An on-site Occupational Health Nurse supports staff in being fit at work through confidential, impartial support and advice. Employees are offered free annual flu vaccinations and mini health checks including blood pressure checks, cholesterol checks, a body mass index and a body impedance test, and advice based on the results.

All staff receive Private Medical Insurance as part of our flexible benefits package and we also provide an Employee Assistance Programme offering 24 hour confidential personal support, counselling and advice. In addition, staff can purchase other benefits such as health screens comprising extensive health tests, a Bike to Work scheme that provides loans for purchasing bicycles, skin screening, breast screening to women under 40 and critical illness insurance. Staff are also provided with a dedicated wellbeing service on our intranet with regular newsletters featuring health and wellbeing tips.

Accountability

We aim to promote responsible behaviour. Our Board and executive team have committed to promoting the highest standards of responsible corporate behaviour and are ultimately accountable for this. In support of this, we have a Corporate Code of Conduct and a suite of other policies and procedures providing a framework for accountability. To ensure we continue to develop our CR strategy in an enlightened and informed manner, we are members of Business in the Community, the Media CSR Forum and the Corporate Responsibility Group. Membership of these groups and forums enable us to share good practice and methods in order to overcome common obstacles.

We have reported on our approach to CR and our performance in our Annual Reports and Accounts since 2004. In 2011, we will continue to develop our internal and external reporting.

Report of the members continued

Suppliers

Where applicable, we aim to promote responsible behaviour in the supply chain. To progress our work in this area, we are developing a sustainable procurement strategy.

Community

We continue to play a responsible role in the community. In addition to the community engagements achieved through our diversity programmes, we also work in partnership with our suppliers and a variety of charitable organisations to play a responsible role in the community. To formalise our approach, we are currently developing a charitable strategy.

Charitable donations

During 2010, the group donated £1.4 million to charities (2009: £1.1 million). Of this amount, £1.1 million (2009: £1.0 million) was paid to charities to provide training to improve the overall expertise of television staff in the industry. Once again in 2010, a charity payment was made for each vote cast during Big Brother with charity donations for the final series totalling £0.3 million paid to four charities (2009: £0.1 million)

Big4 art project

The Big 4 is a 50-foot-high metal '4' outside our London headquarters. Since its inception in 2007, a variety of artists, both internationally renowned and emerging talent, have created 'skins' for the 4. The project has evolved into a regular competition for art and design students and recent graduates, with the winning design chosen by a panel of art and design experts. The 2010 'skin' was created by Stephanie Imbeau and was entitled Shelter. The Big 4's 2011 skin has been awarded to Hannah Gourley, a Fashion & Textile Graduate, for Time to Breathe.

Open House

In 2010, we opened the doors of our London headquarters at Horseferry Road to support a number of community and charitable initiatives, including Open House London, one of London's largest cultural festivals. Open House was set up to enable people to learn about and advocate for the value of good design in every London neighbourhood through first-hand experience of excellent architectural design. Over the years, more than 10,000 people have had the opportunity to explore our architectural award-winning headquarters. In 2010, we also opened the doors at Horseferry Road to almost 100 school children as part of Open-City's Architecture in Schools programme, helping to enable over 2000 students across London to encounter, explore and understand exemplary architecture in their city.

In 2010, for the second year running, we supported Maggie's Cancer Caring Centres and opened our doors to around 2,000 people taking part in The London Night Hike, providing building tours, snacks and entertainment. The hike succeeded in raising over £0.6 million for the charity.

Environment

We are committed to minimising any adverse effects of our operations on the natural environment and finite resources. We have an established environmental policy and during 2010 started implementing an environmental management system, which provides a framework for helping us better understand and describe our environmental impacts, and manage, evaluate and improve our performance in a verifiable way. In 2011, we will be setting reduction targets in relation to energy, business travel, waste and water.

During 2010, we carried out a large-scale refurbishment of the lower ground floor and toilet and shower facilities at our Horseferry Road property. We took this opportunity to optimise our space, and simultaneously improve the building's energy and water efficiency. We also used naturally sourced, re-used or recycled materials throughout the design where possible.

Carbon footprint

In 2010, we developed an in-house carbon reporting framework, aligned with government greenhouse gas (GHG) emission reporting guidance. Using this framework, our carbon footprint (based on a scope limited to direct emissions emitted at the point of combustion of fuels and indirect emissions from the consumption of purchased electricity) has reduced by over 15% against our 2009 baseline. This reduction is attributed to outsourcing some activities; the accommodation refurbishment project at Horseferry Road; improving the efficiencies of our servers; investing in our building control systems and energy efficient plant; and carrying out awareness campaigns. In 2011, we will focus on continuing to identify and implement energy efficiency measures, in addition to developing the reporting system for our indirect emissions, including transport-related activities.

Waste

Over 40% of the office and kitchen waste generated from our main London offices was recycled during 2010, with the remainder being recovered for materials or energy. Over 60% of our IT waste was re-used with the remainder being recycled into re-useable materials. In 2010, we introduced separate food/biodegradable waste disposal, with the aim of improving our recycling rates. In 2011, we will focus on reducing the amount of waste we produce through awareness campaigns and extend the scope of our reporting.

Water

In 2010, we carried out a baseline assessment of our water consumption at our main London offices, estimating this to be 14,000m³. In order to effectively target and monitor consumption, we are investing in smart metering solutions. In 2011, we will continue to identify and implement other efficiency measures and carry out awareness campaigns in order to reduce overall water consumption.

Biodiversity

During 2010, we engaged the London Wildlife Trust to carry out replanting of a section of our landscaped area, in order to attract more biodiversity, in particular invertebrates. Other initiatives we will be investigating in 2011 include installing bird and bat boxes at Horseferry Road.

Report of the members continued

Development

The group devotes substantial resources to the development of scripts for possible commissioning. Research and development expenditure charged to the income statement in 2010 amounted to £10.3 million (2009: £5.3 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 19, 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'.

Through strict adherence to the policies, cash and other financial asset deposits were spread across a number of financial institutions, all of which were either AA-rated or backed by the UK Government.

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.

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

The group's business activities, the factors likely to affect its future development and performance, the financial position of the group and its cash flows are set out in the Report of the members (pages 92-97). In addition, note 18 to the financial statements includes the group's approach to financial risk management, including its financial instruments and hedging activities and its exposures to liquidity and credit risks.

The group has considerable financial resources and based on normal business planning and control procedures, the members believe that the group is well placed to manage its business risks. The members have a reasonable expectation that the group will continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By Order of the Board:

David Abraham
Chief Executive
30 March 2011

Report of the auditors

Independent auditor's report to the members of Channel Four Television Corporation (the 'Corporation')

We have audited the financial statements of the Corporation for the year ended 31 December 2010 set out on pages 104-140. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with the provisions of the Companies Act 2006 as if that Act applied to the Corporation.

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 as if the Corporation were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

This report is made solely to the Corporation's members, as a body, in accordance with the Broadcasting Act 1990 and the terms of our engagement, and, in respect of the separate opinion in relation to the Members' Remuneration Report and reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to the members those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 141, the members are responsible for the preparation of the financial statements which are intended by them to give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Corporation and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Corporation's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Corporation financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 as if that Act applied to the Corporation;
- the financial statements have been prepared in accordance with the Companies Act 2006, as if that Act applied to the Corporation.

Opinion on other matters prescribed under the terms of our engagement

In our opinion:

- the part of the Members' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as if those requirements were to apply to the Corporation;
- the information given in the Members' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the auditors continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the terms of our engagement we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the Corporation's individual financial statements and the part of the Members' Remuneration Report to be audited are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition to our audit of the financial statements, the members have engaged us to review their Corporate Governance Statement as if the Corporation 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. Under the terms of our engagement we are required to review:

- the members' statement, set out on page 100, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 141-146 relating to the Corporation's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Hugh Green
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 March 2011

Consolidated income statement for the year ended 31 December

	Note	Group 2010 £m	Group 2009 £m
Revenue	1	935.2	830.3
Cost of transmission and sales	2	(849.9)	(778.7)
Gross profit		85.3	51.6
Other operating expenditure	2	(36.0)	(47.7)
Operating profit	3	49.3	3.9
Financial income	5	17.4	11.1
Financial expense	5	(15.6)	(13.1)
Net finance income/(expense)		1.8	(2.0)
Share of profit of investments accounted for using the equity method, net of income tax	8	2.9	0.3
Profit before tax		54.0	2.2
Income tax expense	6	(15.4)	(1.9)
Profit for the year		38.6	0.3

Statement of comprehensive income for the year ended 31 December

	Note	Group 2010 £m	Group 2009 £m
Profit for the year		38.6	0.3
Net actuarial gains/(losses) on pension scheme	20	4.6	(23.7)
Deferred tax on pension scheme recognised directly in other comprehensive income	12	(1.7)	6.6
Revaluation of freehold land and buildings	10	—	(1.4)
Other comprehensive income/(cost) for the year		2.9	(18.5)
Total comprehensive income/(cost) for the year		41.5	(18.2)

Statement of changes in equity for the year ended 31 December

	Channel 4	Other	Group	Channel 4	Attributable to non- controlling interest	Total equity £m
	Retained earnings £m	Retained earnings £m	Retained earnings total £m	Revaluation reserve £m		
At 1 January 2009	458.1	(24.5)	433.6	1.4	0.4	435.4
(Loss)/profit 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
At 1 January 2010	394.5	22.3	416.8	—	—	416.8
(Loss)/profit for the year	(5.7)	44.3	38.6	—	—	38.6
Other comprehensive income for the year	2.9	—	2.9	—	—	2.9
Total comprehensive (cost)/income for the year	(2.8)	44.3	41.5	—	—	41.5
At 31 December 2010	391.7	66.6	458.3	—	—	458.3

Balance sheets as at 31 December

	Note	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Assets					
Investments in subsidiaries	7	—	—	—	—
Investments accounted for using the equity method	8	27.6	28.9	—	—
Equity investments	9	1.6	2.5	—	—
Freehold land and buildings	10	40.5	42.0	40.5	42.0
Fixtures, fittings and equipment	10	7.1	8.1	5.8	8.1
Intangible assets	11	4.8	7.0	3.1	4.5
Deferred tax assets	12	12.0	16.0	11.8	15.7
Total non-current assets		93.6	104.5	61.2	70.3
Programme and film rights and other inventories	13	206.0	201.9	187.0	182.3
Trade and other receivables	14	156.8	144.6	116.0	114.9
Current tax assets	14	—	0.2	0.8	3.2
Other financial assets	15	109.0	10.4	109.0	10.4
Cash and cash equivalents	15	152.2	201.9	152.2	201.9
Total current assets		624.0	559.0	565.0	512.7
Total assets		717.6	663.5	626.2	583.0
Liabilities					
Employee benefits – pensions	20	(35.4)	(44.9)	(35.4)	(44.9)
Provisions	17	(3.1)	(7.3)	(3.1)	(7.3)
Deferred tax liabilities	12	(2.7)	(4.0)	(0.8)	(1.3)
Other financial liabilities	18	(0.1)	—	(0.1)	—
Total non-current liabilities		(41.3)	(56.2)	(39.4)	(53.5)
Trade and other payables	16	(207.7)	(172.8)	(191.2)	(117.3)
Current tax liabilities	16	(6.4)	—	—	—
Provisions	17	(3.9)	(17.7)	(3.9)	(17.7)
Total current liabilities		(218.0)	(190.5)	(195.1)	(135.0)
Total liabilities		(259.3)	(246.7)	(234.5)	(188.5)
Net assets		458.3	416.8	391.7	394.5
Retained earnings		458.3	416.8	391.7	394.5
Total equity		458.3	416.8	391.7	394.5

The financial statements on pages 104 to 140 were approved by the Board of members on 30 March 2011 and were signed off on its behalf by:

Lord Burns
Chairman

David Abraham
Chief Executive

The notes on pages 114 to 140 form part of these financial statements.

Cashflow statements for the year ended 31 December

	Note	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Cashflow from operating activities					
Profit/(loss) for the year		38.6	0.3	(5.7)	(46.5)
Adjustments for:					
Income tax expense/(credit)	6	15.4	1.9	(0.8)	(15.1)
Depreciation	10	4.2	5.4	3.6	5.4
Amortisation of intangibles	11	2.3	2.2	1.5	1.4
Net finance (income)/expense	5	(1.8)	2.0	(1.2)	2.2
Share of (profit)/loss from investments accounted for using the equity method, net of income tax	8	(2.9)	0.3	—	—
Impairment of property, plant and equipment and developed software	10, 11	2.1	6.2	1.9	6.2
Impairment of equity investments	9	1.0	0.2	—	—
Reversal of impairment in UK VOD LLP	8	—	(1.9)	—	—
Operating cashflow before changes in working capital and provisions		58.9	16.6	(0.7)	(46.4)
Changes in working capital:					
(Increase)/decrease in programme and film rights and other inventories	13	(4.1)	7.2	(4.7)	6.2
(Increase)/decrease in trade and other receivables		(12.2)	(31.1)	(1.1)	25.2
Increase in trade and other payables		30.8	15.4	73.0	16.9
(Decrease)/increase in provisions, excluding unwinding of discounts	17	(16.2)	4.3	(16.2)	4.8
Cash generated from operations		57.2	12.4	50.3	6.7
Tax (paid)/repaid		(7.7)	(7.2)	2.4	2.8
Net cashflow from operating activities		49.5	5.2	52.7	9.5
Cashflow from investing activities					
Repayment of loan and shares by equity investments	8	0.2	—	—	—
Acquisition of equity investments	9	—	(0.5)	—	—
Purchase of property, plant and equipment	10	(5.0)	(1.7)	(4.2)	(1.7)
Investment in internally developed software	11	(0.8)	(0.8)	(0.8)	(0.8)
Interest received		1.7	2.3	1.7	2.3
Dividends received	8	3.8	1.8	—	—
Distribution from UK VOD LLP	8	—	1.9	—	—
Net cashflow from investing activities		(0.1)	3.0	(3.3)	(0.2)
Cashflow from financing activities					
(Increase)/decrease in other financial assets*	15	(99.0)	40.0	(99.0)	40.0
Net cashflow from financing activities		(99.0)	40.0	(99.0)	40.0
Net (decrease)/increase in cash and cash equivalents		(49.6)	48.2	(49.6)	49.3
Cash and cash equivalents at 1 January		201.9	153.9	201.9	152.8
Effect of exchange rates on cash held	5	(0.1)	(0.2)	(0.1)	(0.2)
Cash and cash equivalents at 31 December		152.2	201.9	152.2	201.9

* Amounts invested in term deposits of three months or longer.

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 2010 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 own 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 30 March 2011. 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 as if those provisions were to apply 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 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 may be 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 when the programmes and films are scheduled for transmission and the contracted sales price and projected costs to complete for programmes in production. Programmes which, taking into account viewing expectations, in management's judgement are unlikely to be transmitted in their originally intended slot 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.

Going concern

The group's business activities, the factors likely to affect its future development and performance, the financial position of the group and its cash flows are set out in the Report of the members (pages 92-97). In addition, note 18 to the financial statements includes the group's approach to financial risk management, including its financial instruments and hedging activities and its exposures to liquidity and credit risks.

The group has considerable financial resources and based on normal business planning and control procedures, the members believe that the group is well placed to manage its business risks. The members have a reasonable expectation that the group will continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Significant accounting policies continued

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, interpretations and amendments, effective for the first time from 1 January 2010, have not had a material effect on the financial statements:

- Revised IFRS 3 – Business Combinations
- Amendments to IAS 27 – Consolidated and Separate Financial Statements
- Amendments to IAS 39 and IFRS 7 – Financial Instruments
- Amendments to IAS 39 and IFRIC 9 – Embedded Derivatives
- Improvements to IFRS (issued by IASB April 2009)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011 and have not been applied in preparing consolidated financial statements. None of these are expected to have a significant effect on the consolidated 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 statement 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.

Commission earned from advertising representation for parties outside the group is recognised on transmission of the related advertisements in line with contractual arrangements. Sales generated on behalf of entities outside the group are not recognised in turnover.

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.

Significant accounting policies continued

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 are similar and where the segments have similar economic characteristics.

Broadcasting spectrum

As noted on page 92, Channel 4 receives free spectrum in return for fulfilling public service obligations. As such, there are no imputed costs in the financial statements in respect of the use of this broadcasting spectrum.

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 other comprehensive income, in which case it is also recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary timing differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and 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.

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 other comprehensive income, unless the gain reverses an impairment of the same asset previously recognised in the income statement, in which case it is also recognised in the income statement. Any loss arising from a change in fair value is charged directly to other comprehensive income to the extent of any credit balance existing in the revaluation surplus of that asset. Otherwise, the loss is recognised in the income statement.

Significant accounting policies continued

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.

Under IAS 27 revised from 1 January 2010 no goodwill on acquisitions of associates and jointly controlled entities is recognised (page 109). The group had no such acquisitions during the year.

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.

Significant accounting policies continued

Reversal of impairments

An impairment charge in respect of freehold land and buildings is reversed in the event of a subsequent increase in fair value. Such a gain is recognised in the income statement or revaluation reserve if reversing previous impairments.

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, sports rights and certain acquired series, the costs of which are written off over more than one transmission in line with expected revenue or other benefits.

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.

Significant accounting policies continued

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 property, plant and equipment and depreciation is charged accordingly. The capital elements of future obligations are recorded as liabilities. Interest is charged to the income statement over the period of the lease in proportion to the capital outstanding.

All other leases are treated as operating leases. The rental costs arising from operating leases are charged to the income statement in the year in which they are incurred.

Employee benefits – pensions

Defined benefit scheme

The group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine 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 other comprehensive income 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'. The segments are measured in a manner consistent with the management reports reviewed by the Board, which is considered the Chief Operating Decision-maker (pages 148-149). 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 92, 93 and 95.

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 146). All costs and revenues are fully allocated across the segments.

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 two individual external customers each comprising more than 10% of the group's revenues in 2010 were £100 million and £99 million (2009: £97 million and £95 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 (2009: 2%) 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 2010	Channel 4 £m	4Channels £m	4Rights £m	Future Media* £m	Other £m	Eliminations £m	Group £m
Revenue							
External sales	641.6	204.6	46.7	38.6	3.7	—	935.2
Inter-segment sales	—	—	1.1	5.7	2.2	(9.0)	—
Total revenue	641.6	204.6	47.8	44.3	5.9	(9.0)	935.2
Gross profit	19.9	55.7	7.9	—	1.8	—	85.3
Other operating expenditure	(27.6)	(1.7)	(0.5)	(3.8)	(2.4)	—	(36.0)
Operating profit/(loss)	(7.7)	54.0	7.4	(3.8)	(0.6)	—	49.3
Financial income	16.7	0.3	0.3	—	0.1	—	17.4
Financial expense	(15.5)	—	—	(0.1)	—	—	(15.6)
Net financial income/(expense)	1.2	0.3	0.3	(0.1)	0.1	—	1.8
Share of profit of investments accounted for using the equity method net of tax	—	—	—	—	2.9	—	2.9
Profit/(loss) before tax	(6.5)	54.3	7.7	(3.9)	2.4	—	54.0
Income tax expense	—	—	—	—	—	—	(15.4)
Profit for the year							38.6

Other information

Capital additions (notes 10 and 11)	5.0	—	—	0.8	—	—	5.8
Depreciation (note 10)	3.6	—	—	0.3	0.3	—	4.2
Amortisation (note 11)	1.5	—	—	—	0.8	—	2.3
Impairments (notes 9, 10 and 11)	1.9	—	—	—	1.2	—	3.1

As at 31 December 2010	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
Balance sheet							
Segment assets	626.2	75.6	76.1	9.5	129.5	(199.3)	717.6
Segment liabilities	(234.5)	(28.7)	(31.0)	(31.0)	(133.4)	199.3	(259.3)
Net assets/(liabilities)	391.7	46.9	45.1	(21.5)	(3.9)	—	458.3

Notes to the financial statements continued

1. Segment reporting (continued)

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	26.1	3.9	—	830.3
Inter-segment sales	—	—	0.9	7.0	2.2	(10.1)	—
Total revenue	575.1	181.3	44.8	33.1	6.1	(10.1)	830.3
Gross profit/(loss)	(15.6)	54.2	11.7	0.7	0.6	—	51.6
Other operating expenditure	(43.8)	(0.7)	(0.2)	(3.0)	—	—	(47.7)
Operating profit/(loss)	(59.4)	53.5	11.5	(2.3)	0.6	—	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 income/(expense)	(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 tax	—	—	—	—	0.3	—	0.3
Profit/(loss) before tax	(61.6)	53.4	11.8	(2.5)	1.1	—	2.2
Income tax expense	—	—	—	—	—	—	(1.9)
Profit for the year							0.3

Other information

Capital additions (notes 10 and 11)	2.5	—	—	—	—	—	2.5
Depreciation (notes 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	5.3	59.3	(85.4)	663.5
Segment liabilities	(188.5)	(31.3)	(22.3)	(26.7)	(63.3)	85.4	(246.7)
Net assets/(liabilities)	394.5	8.1	39.6	(21.4)	(4.0)	—	416.8

* Programme and other content expenditures on 4iP and cross platform activities which exploit and enhance programme and content across online distribution channels were reclassified from 'Other' to 'Future Media' in 2010. The 2009 results have been restated on a consistent basis to reflect the revised basis on which the business is managed and monitored.

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				
2010							
Channel 4	481.2	13.5	48.8	21.8	26.4	30.0	621.7
4Channels	93.9	—	37.5	4.0	6.5	7.0	148.9
4Rights	—	—	—	0.5	36.7	2.7	39.9
Future Media*	11.6	—	1.8	16.9	12.2	1.8	44.3
Other	—	—	—	—	4.1	—	4.1
Eliminations	(6.8)	—	—	—	(2.2)	—	(9.0)
Group continuing operations	579.9	13.5	88.1	43.2	83.7	41.5	849.9
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*	6.1	—	0.9	14.9	9.2	1.3	32.4
Other	—	—	0.3	0.2	4.4	0.6	5.5
Eliminations	(7.9)	—	—	—	(2.2)	—	(10.1)
Group continuing operations	548.3	18.8	69.7	41.8	67.8	32.3	778.7

* Programme and other content expenditures on 4iP and cross platform activities which exploit and enhance programme and content across online distribution channels were reclassified from 'Other' to 'Future Media' in 2010. The 2009 results have been restated on a consistent basis to reflect the revised basis on which the business is managed and monitored.

Other operating expenditure

	2010 £m	2009 £m
Restructuring costs	(2.6)	(2.1)
Depreciation and amortisation (notes 10 and 11)	(6.5)	(7.6)
Impairments (notes 9, 10 and 11)	(3.1)	(6.4)
Reversal of impairment of investment in UK VOD LLP (note 8)	—	1.9
Charge for doubtful debts	(0.7)	—
Net movements in provisions for onerous property leases	3.4	(6.2)
Other administrative expenses	(26.5)	(27.3)
	(36.0)	(47.7)

Restructuring costs reflect the restructuring initiatives undertaken during the year to improve the operational efficiency of the group. In 2010 these costs principally reflected the costs of reducing the senior management group.

Notes to the financial statements continued

3. Operating profit

Other operating expenditure includes:

	2010 £m	2009 £m
Depreciation of property, plant and equipment (note 10)	4.2	5.4
Amortisation of intangible assets (note 11)	2.3	2.2
Impairment of investments (notes 9)	1.0	0.2
Impairment of freehold land and building (note 10)	0.8	4.8
Impairment of fixtures, fittings and equipment and internally developed software (notes 10 and 11)	1.3	1.4
Reversal of impairment of investment in UK VOD LLP (note 8)	—	(1.9)
Net movements in provisions for onerous contracts (note 17)	(16.2)	4.3
Restructuring costs	2.6	2.1
Research and development (page 100)	10.3	5.3
Members' remuneration (page 151)	3.0	3.9
Operating lease rentals (note 19)	0.9	1.3

Consistent with the exemption provided by section 408 of the Companies Act 2006 Channel 4 has not presented its own income statement. Within the profit for the year of £38.6 million (2009: £0.3 million) recorded in the consolidated income statement, a loss of £5.7 million (2009: £46.5 million) results from Channel 4.

Auditors' remuneration

Fees in respect of services provided by the auditors were:

	2010 £000	2009 £000
Audit of these financial statements	72	67
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	73	82
Total audit and assurance	208	212
Other services relating to taxation	54	64
Services relating to corporate finance transactions	146	201
All other services	86	27
Total other services	286	292
Auditors' remuneration	494	504

In addition to the above services £21,300 (2009: £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 150-153.

The direct costs of all employees, including members, appear below:

	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Aggregate gross salaries	49.9	47.3	36.5	34.2
Employer's national insurance contributions	5.5	5.0	3.7	3.3
Employer's defined benefit pension contributions (note 20)	4.4	4.9	4.0	4.6
Employer's defined contribution pension contributions (note 20)	0.5	0.3	0.4	0.3
Total direct costs of employment	60.3	57.5	44.6	42.4

In addition to the above, in 2010 £2.6 million costs were expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the group (2009: £2.1 million).

The average number of employees, including executive members, was as follows:

	2010 Number	2009 Number
Channel 4		
Programme commissioning	138	146
Transmission and engineering	16	17
Corporate affairs and press office	29	29
Advertising and sponsorship sales	108	97
Corporate and strategy	24	24
Information systems	29	28
Marketing and insight	37	28
Finance, human resources and facilities management	51	51
	432	420
4Channels	109	106
Future Media	132	112
4Rights	22	23
Other	32	35
	295	276
Group total	727	696
Permanent employees	671	664
Contract staff	56	32
	727	696
Male	316	313
Female	411	383
	727	696

Closing headcount for the year was 731 (2009: 694).

Notes to the financial statements continued

4. Employee expenses and information (continued)

Travel, subsistence and hospitality expenditure was as follows:

	2010 £000	2009 £000
Members	60	63
Other employees:		
Channel 4	1,708	1,663
Other businesses	189	175
	1,957	1,901

Staff loans outstanding at 31 December were as follows:

	2010 £000	2009 £000
Season ticket loans	229	200

There were no loans to members.

5. Net finance income/(expense)

Net finance income recognised in the year comprised:

	2010 £m	2009 £m
Interest receivable on short term deposits	1.8	2.0
Reversal of unwinding of discount on provisions (note 17)	3.8	—
Expected return on plan assets (note 20)	11.8	9.1
Financial income	17.4	11.1
Unwinding of discount on provisions (note 17)	(2.0)	(1.6)
Interest on pension scheme liabilities (note 20)	(12.8)	(10.4)
Change in fair value of financial assets	(0.5)	(0.3)
Foreign exchange loss	(0.1)	(0.2)
Financing costs	(0.2)	(0.6)
Financial expense	(15.6)	(13.1)

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:

	2010 £m	2009 £m
Current tax:		
Current year	14.4	3.5
Adjustment for prior years	(0.2)	(0.4)
	14.2	3.1
Deferred tax: origination and reversal of temporary differences		
Current year	1.0	(1.3)
Prior year	0.2	0.1
Income tax expense	15.4	1.9
Share of income tax of investments accounted for using the equity method	1.6	0.8
Total income tax expense	17.0	2.7

Corporation tax is charged at the standard UK rate of 28.0% for the year (2009: 28.0%).

Reconciliation of effective tax rate

	2010 %	2010 £m	2009 %	2009 £m
Profit after tax		38.6		0.3
Income tax expense		15.4		1.9
		54.0		2.2
Income tax of investments accounted for using the equity method		1.6		0.8
Profit excluding income tax		55.6		3.0
Income tax using the domestic corporation tax rate	28.0	15.6	28.0	0.8
Effects of:				
Non-deductible expenses		1.4		2.8
Non-taxable distribution		—		(0.6)
(Over)/under provided in prior periods		—		(0.3)
Income tax expense	30.6	17.0	89.5	2.7

Current tax assets and liabilities

The current tax liability of £6.4 million (2009: current tax asset of £0.2 million) represents the amount of income tax payable in respect of current and prior periods (notes 14 and 16).

Deferred tax recognised directly in other comprehensive income

The following movement in deferred tax has been recognised directly in other comprehensive income and is shown in the statement of comprehensive income:

	2010 £m	2009 £m
Relating to employee benefits	(1.7)	6.6
Deferred tax recognised in other comprehensive income	(1.7)	6.6

Notes to the financial statements continued

7. Investments in subsidiaries

Subsidiaries

The cost of investments at 31 December was:

	Channel 4 2010 £000	Channel 4 2009 £000
4 Ventures Limited	1	1

4 Ventures Ltd is a 100% owned subsidiary of Channel 4. Its principal activities include the activities of the 4Channels, 4Rights and Future Media segments (page 95).

At the balance sheet date 4 Ventures 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

FilmFour Ltd sells rights from its film library to Protagonist Pictures Ltd (note 9).

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 (note 11).

As Channel 4 Radio Ltd and Channel 4 Radio Services Ltd are not trading, it is the members' intention to wind up these entities.

Notes to the financial statements continued

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 investment in Box are carried out annually or if indications arise of a possible impairment. The recoverable amounts of the goodwill and intangible assets in Box are determined based on their value in use.

An impairment review was carried out by estimating the future expected cashflows for Box until 2015, using a pre-tax discount rate of 10% (2009: 11%) reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 3.5% (2009: 4.2%), an equity risk premium of 6.5% (2009: 7.0%) and a beta of 1 (2009: 1), and a growth rate of 0.3% (2009: 2.5%) after five years to perpetuity, reflecting management's cautious view of the long term potential in music viewing on commercial television. The present value of the cash flows accruing to the group was then compared to the carrying value of the investment held on the balance sheet. No impairment was required as a result.

Management has approved the forecast on which the cashflow analysis has been based and believes that there are currently no likely changes in revenues or discount rate which would reduce the value in use for Box down to a level where an impairment would arise.

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.

UK VOD LLP

Kangaroo, the online video on demand service jointly developed by BBC Worldwide, ITV plc and Channel 4, was prohibited by the Competition Commission in 2008. During 2009 UK VOD LLP, the joint venture developing the technology platform for Kangaroo, sold its assets to Arqiva Ltd. The limited liability partnership was dissolved on 11 January 2011.

Big Freeze Ltd

The investment reflects 25 ordinary shares of £1, representing 25% of the share capital of Big Freeze Ltd, a venture formed to develop, produce and exploit snow sport and music events. The other shareholders are Sports Vision (International) Ltd, which holds 50% of the shares, and Boomerang Plus Plc, which holds 25% of the shares.

Popworld Ltd

The group holds 29% of the share capital of Popworld Ltd. This investment was fully provided for in 2008 following the transfer of the assets and liabilities of the company to 19 Entertainment Ltd.

Protagonist Pictures Ltd

The group's investment in Protagonist Pictures Ltd was reclassified to *Equity Investments* following the partial buyback of shares and redemption of loan notes by Protagonist during the year (note 9).

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

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
2010						
Box Television Ltd	14.4	0.6	(8.1)	—	35.5	(23.5)
Taste of London Ltd	1.3	0.1	(1.1)	—	3.0	(2.2)
Big Freeze Ltd	0.2	—	(0.2)	(0.2)	1.3	(1.3)
	15.9	0.7	(9.4)	(0.2)	39.8	(27.0)
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)

The broadcast licence acquired as part of the investment in Box Television Ltd is amortised over the duration of the licence (eight years). This amount is 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.

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

Investments accounted for using the equity method comprise:

	2010 £m	2009 £m
Box Television Ltd		
Carrying value at 1 January	27.3	28.6
Share of post acquisition profits, net of income tax	4.4	1.4
Amortisation	(1.8)	(1.2)
Share of dividends received	(3.6)	(1.5)
Total carrying value at 31 December	26.3	27.3
Taste of London Ltd		
Carrying value at 1 January	1.5	1.6
Share of post acquisition profits, net of income tax and amortisation	—	0.2
Share of dividends received	(0.2)	(0.3)
Total carrying value at 31 December	1.3	1.5
UKVOD LLP		
Carrying value at 1 January	—	—
Reversal of impairment	—	1.9
Distribution	—	(1.9)
Total carrying value at 31 December	—	—
Protagonist Pictures Ltd		
Carrying value at 1 January	0.1	0.2
Repayment of loan and shares	(0.2)	—
Reversal of losses	0.2	—
Share of post acquisition losses, net of income tax	—	(0.1)
Reclassification to equity investments	(0.1)	—
Total carrying value at 31 December	—	0.1

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

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 2010, 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.

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.

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.

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.

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.

Clearcast Ltd

Channel 4 holds one ordinary £1 share in Clearcast Ltd, representing 16.7% of the share capital. ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd, GMTV Ltd and Turner Entertainment Networks International Ltd own the remaining 83.3%. Clearcast Ltd is responsible for the pre-transmission examination and clearance of television advertisements.

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.

In addition, the group contributed towards the operating costs of the following joint venture. Service fees payable to this joint venture under the terms of the shareholder agreement are also recognised in the income statement in the period to which they relate.

YouView TV Ltd

On 9 September 2010, Channel 4 Television Corporation acquired a 14.3% equity stake in YouView TV Ltd (formerly Canvas Pro Tem Ltd), a joint venture incorporated to develop, support and promote a set of software standards and enabling technologies, based on a convergence of DTT and IPTV technologies, which allow for the development of competing TV platforms. The value of the investment was less than £0.1 million representing 600 shares of £0.01 each. The other shareholders are the BBC, ITV Broadcasting Ltd, Channel 5 Broadcasting Ltd, BT plc, Talk Talk Telecom Group plc and Arqiva Ltd.

Notes to the financial statements continued

9. Equity investments

Equity investments held comprise:

	2010 £m	2009 £m
At 1 January	2.5	2.2
Additions	—	0.5
Reclassification from investments accounted for using the equity method	0.1	—
Impairment	(1.0)	(0.2)
At 31 December	1.6	2.5

Espresso Broadband Ltd

£2.1 million of the equity investments held by the group at 31 December 2009 related to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007.

During 2010, certain institutional shareholders sold their stake in Espresso to other shareholders at a price below the carrying value. As a result, the group's equity investment in Espresso was considered to be impaired by £0.6 million to £1.5 million, which is considered to represent fair value.

Protagonist Pictures Ltd

£0.1 million of the equity investments held by the group reflect 59,064 ordinary shares of £1, representing 15% of the share capital of Protagonist Pictures Ltd. The other shareholders are Vertigo Holdings Ltd, Ingenious Media Services Ltd (each 15%) and Nandv Media (Ireland) Ltd (55%).

The group's investment in Protagonist was previously held in *Investments accounted for using the equity method*. On 10 August 2010, Protagonist bought back 72,186 shares from each of its shareholders (Vertigo Holdings Ltd, Ingenious Media Services Ltd and 4 Ventures Ltd) and re-issued 216,579 shares to Nandv Media (Ireland) Limited. At the same time, Protagonist also redeemed £82,500 of the loan notes from each of its three original shareholders. As a result of the share buyback, a small gain was recognised in 4 Ventures Ltd and the remaining 15% investment held by the group was reclassified to *Equity investments*.

Other

The group further holds investments in School of Everything Ltd, MyBuilder Ltd, AudioBoo Ltd and Mobile IQ Ltd. Certain equity investments held by the group were made by 4iP, Channel 4's digital innovation fund, which was closed to new submissions during the year. Following the closure of the fund, the investments held have been written down in full, giving rise to a £0.4 million impairment charge.

Notes to the financial statements continued

10. Property, plant and equipment

	Channel 4	Channel 4	Channel 4	Other	Group
	Freehold land and building £m	Fixtures, fittings and equipment £m	Total £m	Fixtures, fittings and equipment Total £m	£m
Cost or valuation					
At 1 January 2009	49.0	116.1	165.1	—	165.1
Additions	—	1.7	1.7	—	1.7
Revaluation	(7.0)	—	(7.0)	—	(7.0)
At 31 December 2009	42.0	117.8	159.8	—	159.8
At 1 January 2010	42.0	117.8	159.8	—	159.8
Additions	—	4.2	4.2	0.8	5.0
Transfer of assets	—	(16.4)	(16.4)	16.4	—
Disposals	—	(10.7)	(10.7)	(7.2)	(17.9)
Revaluation	(1.5)	—	(1.5)	—	(1.5)
At 31 December 2010	40.5	94.9	135.4	10.0	145.4
Depreciation					
At 1 January 2009	—	103.7	103.7	—	103.7
Charge for the year	0.8	4.6	5.4	—	5.4
Impairment	—	1.4	1.4	—	1.4
Revaluation	(0.8)	—	(0.8)	—	(0.8)
At 31 December 2009	—	109.7	109.7	—	109.7
At 1 January 2010	—	109.7	109.7	—	109.7
Charge for the year	0.7	2.9	3.6	0.6	4.2
Transfer of assets	—	(15.1)	(15.1)	15.1	—
Impairment	—	0.4	0.4	0.2	0.6
Disposals	—	(8.8)	(8.8)	(7.2)	(16.0)
Revaluation	(0.7)	—	(0.7)	—	(0.7)
At 31 December 2010	—	89.1	89.1	8.7	97.8
Net book value					
At 1 January 2009	49.0	12.4	61.4	—	61.4
At 31 December 2009	42.0	8.1	50.1	—	50.1
At 1 January 2010	42.0	8.1	50.1	—	50.1
At 31 December 2010	40.5	5.8	46.3	1.3	47.6

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 (2009: none).

The impairment of fixtures, fittings and equipment in 2010 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).

During 2010 assets were transferred from Channel 4 to 4 Ventures Limited at book value.

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 2010 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 £40.5 million (2009: £42.0 million). After depreciation charged on the open market value at 31 December 2009 (£0.7 million), a further £0.8 million impairment 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:

	2010 £m	2009 £m
Cost	62.3	62.3
Accumulated depreciation	(16.2)	(15.5)
Impairment	(5.6)	(4.8)
Net book value based on cost	40.5	42.0

11. Intangible assets

	Channel 4	Other	Other	Group
	Developed software £m	Developed software £m	Broadcasting licence £m	Total £m
Cost				
Balance as at 1 January 2009	17.8	—	4.6	22.4
Internally developed	0.8	—	—	0.8
Balance as at 31 December 2009	18.6	—	4.6	23.2
Balance as at 1 January 2010	18.6	—	4.6	23.2
Transfer	(0.6)	0.6	—	—
Internally developed	0.8	—	—	0.8
Balance as at 31 December 2010	18.8	0.6	4.6	24.0
Amortisation				
Balance as at 1 January 2009	12.7	—	1.3	14.0
Amortisation for the year	1.4	—	0.8	2.2
Impairment	—	—	—	—
Balance at 31 December 2009	14.1	—	2.1	16.2
Balance as at 1 January 2010	14.1	—	2.1	16.2
Transfer	(0.6)	0.6	—	—
Amortisation for the year	1.5	—	0.8	2.3
Impairment	0.7	—	—	0.7
Balance at 31 December 2010	15.7	0.6	2.9	19.2
Carrying amount				
At 1 January 2009	5.1	—	3.3	8.4
At 31 December 2009	4.5	—	2.5	7.0
At 1 January 2010	4.5	—	2.5	7.0
At 31 December 2010	3.1	—	1.7	4.8

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 2010 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.

Notes to the financial statements continued

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 27% (2009: 28%). The change in rate reflects the change in the corporation tax rate to 27% with effect from 1 April 2011.

During the year, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 2010). Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. Therefore, at 31 December 2010, deferred tax assets and liabilities have been calculated based on a rate of 27%, where the temporary difference is expected to reverse after 1 April 2011. The effect of the remeasurement has had no material impact on the profit for the year. No account will be taken of the further 3% reduction in tax rates until substantive enactment of these changes, however it is estimated that this will not have a material impact on the group.

Subsequent to the year end, the UK Government announced a further 1% reduction in the main UK corporation tax rate effective from 1 April 2011. No account has been taken of this change as the reduction was not substantially enacted by the end of the reporting period.

	Assets 2010 £m	Assets 2009 £m	Liabilities 2010 £m	Liabilities 2009 £m	Net 2010 £m	Net 2009 £m
Property, plant and equipment	2.2	2.5	—	—	2.2	2.5
Intangible assets – internally developed software	—	—	(0.8)	(1.2)	(0.8)	(1.2)
Employee benefits	9.4	12.5	—	—	9.4	12.5
Other short term timing differences	0.2	0.7	—	(0.1)	0.2	0.6
Channel 4 deferred tax assets/(liabilities)	11.8	15.7	(0.8)	(1.3)	11.0	14.4
Other short term timing differences	0.2	0.3	(1.9)	(2.7)	(1.7)	(2.4)
Group deferred tax assets/(liabilities)	12.0	16.0	(2.7)	(4.0)	9.3	12.0

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2010 £m	2009 £m
Valuation of freehold land and buildings	5.9	5.7
Carried forward capital losses	1.1	1.2
Carried forward trading losses	1.3	1.4
Tax assets	8.3	8.3

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 10 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised in joint ventures £m	Balance at 31 Dec 10 £m
Property, plant and equipment	2.5	(0.3)	—	—	2.2
Intangible assets – internally developed software	(1.2)	0.4	—	—	(0.8)
Employee benefits	12.5	(1.4)	(1.7)	—	9.4
Other short term timing differences	0.6	(0.4)	—	—	0.2
Channel 4 deferred tax assets/(liabilities)	14.4	(1.7)	(1.7)	—	11.0
Other short term timing differences	(2.4)	0.5	—	0.2	(1.7)
Group deferred tax assets/(liabilities)	12.0	(1.2)	(1.7)	0.2	9.3

The movement includes a reduction in the deferred tax asset of £0.4 million as a result of the change in the deferred tax rate.

Notes to the financial statements continued

12. Deferred tax assets and liabilities (continued)

	Balance at 1 Jan 09 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised in joint ventures £m	Balance at 31 Dec 09 £m
Property, plant and equipment	3.0	(0.5)	—	—	2.5
Intangible assets – internally developed software	(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

13. Programme and film rights and other inventories

	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Programmes and films completed but not transmitted	69.9	81.4	67.6	79.6
Acquired programme and film rights	57.7	75.2	45.1	60.1
Programmes and films in the course of production	77.0	44.2	74.3	42.6
Other inventories	1.4	1.1	—	—
	206.0	201.9	187.0	182.3

Certain programme and film rights may not be utilised within one year.

Programme rights and other inventories to the value of £559.3 million were recognised as expenses in the year (2009: £532.7 million). Of this amount, obsolete programmes and developments written off totalled £33.5 million for the group (2009: £28.0 million) and £30.3 million for Channel 4 (2009: £26.7 million).

Other inventories represent amounts held within the 4Rights segment for DVDs related to Channel 4 programmes.

14. Trade and other receivables

	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Trade receivables	131.6	106.5	95.5	79.1
Amounts due from subsidiaries	—	—	—	9.7
Prepayments and accrued income	22.8	33.1	20.5	26.1
Distribution and producer advances	2.4	5.0	—	—
Total trade and other receivables	156.8	144.6	116.0	114.9
Corporation tax	—	0.2	0.8	3.2

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 £0.8 million (2009: £0.1 million) recognised in the current year in relation to outstanding balances from customers, the receipt of which management view as unlikely.

Distribution and producer advances are shown net of impairment charges amounting to £4.3 million (2009: £1.2 million) recognised in the current year in relation to advances paid on DVD development deals, which management consider are unlikely to be recouped through future sales.

Notes to the financial statements continued

15. Cash and cash equivalents and other financial assets

	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Bank balances	56.5	55.0	56.5	55.0
Money market funds*	95.7	126.9	95.7	126.9
Money market deposits maturing in less than three months	—	20.0	—	20.0
Cash and cash equivalents	152.2	201.9	152.2	201.9
Money market deposits maturing after three months	109.0	10.0	109.0	10.0
Derivative financial instruments	—	0.4	—	0.4
Other financial assets	109.0	10.4	109.0	10.4

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

16. Trade and other payables and current tax liabilities

	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Trade payables	24.6	7.7	24.6	7.7
National insurance	0.6	0.7	0.6	0.7
Other creditors	3.8	3.7	3.7	2.7
Amounts due to subsidiaries	—	—	50.1	—
Accruals	163.1	147.6	103.0	97.4
VAT	15.6	13.1	9.2	8.8
Total trade and other payables	207.7	172.8	191.2	117.3
Corporation tax	6.4	—	—	—
Current tax liabilities	6.4	—	—	—

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 Director of Finance, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services in 2010, as calculated using average payable balances, was 6 for both the group and Channel 4 (2009: 6). This is significantly lower than the group's standard payment terms of 30 days due to the payment arrangements required for programme and transmission costs.

Notes to the financial statements continued

17. Provisions

	Channel 4		Other	Group	
	Onerous Restructuring Contracts £m	costs £m	Total £m	Costs £m	Total £m
At 1 January 2009	9.3	9.3	18.6	0.5	19.1
Utilised in the year	(5.1)	(6.6)	(11.7)	(0.5)	(12.2)
Charged to income statement	16.0	0.5	16.5	—	16.5
Unwinding of discount	1.6	—	1.6	—	1.6
At 31 December 2009	21.8	3.2	25.0	—	25.0
At 1 January 2010	21.8	3.2	25.0	—	25.0
Utilised in the year	(9.8)	(2.4)	(12.2)	—	(12.2)
Released in the year	(6.1)	(0.7)	(6.8)	—	(6.8)
Charged to income statement	2.8	—	2.8	—	2.8
Unwinding of discount	2.0	—	2.0	—	2.0
Reversal of unwinding of discount	(3.8)	—	(3.8)	—	(3.8)
At 31 December 2010	6.9	0.1	7.0	—	7.0

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

	2010 Group £m	2009 Group £m	2010 Channel 4 £m	2009 Channel 4 £m
Current	3.9	17.7	3.9	17.7
Non-current	3.1	7.3	3.1	7.3
	7.0	25.0	7.0	25.0

Onerous contracts

The provision relates to rental deficits on three buildings which are surplus to requirements and certain content agreements with contracted commitments at the balance sheet date. Utilisations and releases of the provision and additions to the provision are recorded in programme and other content costs and other operating expenditure within the income statement (note 2). The property rental agreements are set to expire in 2014 and 2020 and the content agreements expire in 2011.

A £9.9 million credit in respect of deficits on two properties and certain content agreements, and reflected as provision releases of £6.1 million and reversal of unwinding of discounts of £3.8 million, was recognised during the year. This credit arises as a result of several factors including the conclusion of one content agreement, the successful renegotiation of one long term property lease, and a change in estimate of year end occupancy at a second property.

Restructuring costs

The restructuring provision at 31 December 2009 related the outsourcing of broadcast and transmission services. During 2010 the migration of services to Red Bee Limited premises at White City was completed and the majority of the provision utilised. Utilisations and releases during the year have been included within other operating expenditure within the income statement.

Where the effect is material, provisions have been discounted at a nominal rate of 10%, which reflects a risk-free rate of 3.5%, an equity risk premium of 6.5% and a beta of 1 (2009: nominal rate of 11%).

Contingent liabilities

The members are not aware of any legal or arbitration proceedings, pending or threatened, against any member of the group which gives rise to a significant contingent liability.

Notes to the financial statements continued

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 Director of Finance. 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 144).

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 (2009: £0.1 million).

Interest rate risk and exposure

The group invests surplus cash in fixed rate money market deposits, high interest bank accounts 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 (2009: £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 2010 and 31 December 2009 is set out below:

Interest rate risk

	Group and Channel 4	
	Effective interest rate %	Total £m
2010		
Cash and cash equivalents		
Interest bearing deposits maturing in less than three months held in Sterling	0.7	136.5
Interest bearing deposits maturing in less than three months held in US Dollars	0.1	0.1
Interest bearing deposits maturing in less than three months held in Euros	0.8	0.1
Non-interest bearing assets held in Sterling	0.0	15.5
	0.7	152.2

	Group and Channel 4	
	Effective interest rate %	Total £m
2009		
Cash and cash equivalents		
Interest bearing deposits maturing in less than three months held in Sterling	0.6	200.8
Interest bearing deposits maturing in less than three months held in US Dollars	0.1	0.1
Interest bearing deposits maturing in less than three months held in Euros	0.4	1.0
	0.6	201.9

	Group and Channel 4	
	Effective interest rate %	Total £m
2010		
Other financial assets		
Money market deposits maturing after three months held in Sterling	1.1	109.0

	Group and Channel 4	
	Effective interest rate %	Total £m
2009		
Other financial assets		
Money market deposits maturing after three months held in Sterling	2.0	10.0

Notes to the financial statements continued

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 2010 was £207.7 million for the group (2009: £172.8 million) and £191.2 million for Channel 4 (2009: £117.3 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 2010 and 2009.

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 Director of Finance. 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 133.

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 £131.6 million for the group (2009: £106.5 million) and £95.5 million for Channel 4 (2009: £79.1 million), with £109.0 million of other financial assets for both the group and Channel 4 (2009: £10.4 million) and cash and cash equivalents for both the group and Channel 4 of £152.2 million (2009: £201.9 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £130.7 million for the group (2009: £105.0 million) and £94.8 million for Channel 4 (2009: £77.6 million). The maximum exposure to credit risk for trade receivables for other regions for the group was £0.9 million (2009: £1.5 million) and £0.7 million for Channel 4 (2009: £1.5 million).

Trade receivables of £131.5 million for the group (2009: £106.4 million) and £95.4 million for Channel 4 (2009: £79.0 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 (2009: £0.1 million). Included in receivables due under six months are receivables of £121.7 million for the group (2009: £97.7 million) and £90.6 million for Channel 4 which were not yet due under standard credit terms at the balance sheet date (2009: £76.7 million). £93.1 million of the receivables of the group and £88.8 million of the receivables of Channel 4 were insured at the balance sheet date and £123.4 million and £92.6 million have been subsequently collected by the group and Channel 4 since the balance sheet date.

The allowance for impairment of trade receivables was £0.8 million at the balance sheet date (2009: £0.1 million).

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 2010, the total value of forward contracts used as economic hedges of monetary liabilities was £10.8 million (2009: £14.8 million). This represents thirteen Euro forward purchase contracts, of which all £10.8 million had a fixed maturity date with settlement within twelve months from the balance sheet date. At the 2010 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £0.5 million has been recognised in the income statement (note 5) and the associated liability of £0.1 million is included below:

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:

Other financial liabilities

Other financial liabilities comprise:

Group and Channel 4	2010	2009
	£m	£m
Derivative financial instrument	(0.1)	—
	(0.1)	—

	2010	2010	2009	2009
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m

Financial assets

Cash and cash equivalents (note 15)	152.2	152.2	201.9	201.9
Other financial assets (note 15)	109.0	109.0	10.4	10.4
Trade and other receivables (note 14)	156.8	156.8	144.6	144.6
Investments accounted for using equity method (note 8)	27.6	27.6	28.9	28.9
Equity investments (note 9)	1.6	1.6	2.5	2.5
	447.2	447.2	388.3	388.3

Financial liabilities

Trade and other payables (note 16)	207.7	207.7	172.8	172.8
	207.7	207.7	172.8	172.8

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.

Notes to the financial statements continued

19. Commitments

a) Programme and film commitments

At 31 December, committed future expenditure for programmes and films due for payment was as follows:

	Group 2010 £m	Group 2009 £m	Channel 4 2010 £m	Channel 4 2009 £m
Within one year	290.1	322.2	247.6	275.4
After one year	227.3	239.7	198.0	208.3
	517.4	561.9	445.6	483.7

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 that company. Digital 3 and 4 Ltd's exact annual monetary commitment is dependent upon the timing 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 £17 million in 2011 and £19 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 £0.6 million in 2011.

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:

	2010 £m	2009 £m
Operating leases which expire:		
Within one year	0.3	—
Within two to five years	1.6	1.9
After five years	21.9	27.4
	23.8	29.3

The group leases office space in four properties in London under operating leases expiring in 2014 and 2020. Annual rentals of £0.8 million were charged to the income statement in 2010 with the remainder offset by the utilisation of onerous contract provisions. The total future rental commitment amounts to £23.5 million. Office space in all four properties has been sublet by the group, with the minimum future payments receivable amounting to £13.7 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 2010 and the total commitment under the leases amounts to £0.3 million.

d) Capital commitments

At 31 December, the group had contracted commitments, as set out below:

	2010 £m	2009 £m
Property, plant and equipment:		
Contracted but not provided in the financial statements	0.8	0.1

e) Other commitments

Under the terms of the shareholder agreement for YouView TV Ltd (note 8), Channel 4 is committed to meeting its share of contracted costs entered into by that company. Channel 4's share of YouView's committed payments between 2011 and 2014 has not been disclosed as the members believe this would be to disclose commercially sensitive information.

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:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of funded obligations	(237.6)	(220.6)	(170.4)	(176.2)	(168.1)
Fair value of plan assets	202.2	175.7	149.3	166.8	153.2
Recognised liability for defined benefit obligations	(35.4)	(44.9)	(21.1)	(9.4)	(14.9)

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets at 1 January	175.7	149.3	166.8	153.2	133.3
Expected return on plan assets	11.8	9.1	11.5	10.5	9.4
Benefits paid	(9.1)	(2.7)	(3.0)	(3.0)	(1.9)
Employer contributions net of charges*	9.7	4.7	5.4	6.2	10.5
Employee contributions net of charges	1.2	1.4	1.6	1.3	1.3
Actuarial gain/(loss) on plan assets	12.9	13.9	(33.0)	(1.4)	0.6
Fair value of scheme assets at 31 December	202.2	175.7	149.3	166.8	153.2

* Employer contributions include an additional contribution of £2.9 million paid in December 2010 and £5.7 million paid in March 2006.

The fair value of the plan assets and the return on those assets were as follows:

	2010 Actual return £m	2009 Actual return £m	2008 Actual return £m	2007 Actual return £m	2006 Actual return £m	2010 Actual return %	2009 Actual return %	2008 Actual return %	2007 Actual return %	2006 Actual return %	2010 Fair value £m	2009 Fair value £m	2008 Fair value £m	2007 Fair value £m	2006 Fair value £m
Equities	16.9	20.4	(28.4)	7.7	9.9	19.5	28.5	(26.3)	7.6	10.7	101.9	98.4	76.6	105.3	105.6
Bonds	7.8	2.6	7.0	1.4	0.1	9.0	2.5	11.2	5.1	0.3	93.7	74.1	69.3	58.0	43.5
Other	—	—	—	—	—	—	—	—	5.3	3.0	6.6	3.2	3.4	3.5	4.1
	24.7	23.0	(21.4)	9.1	10.0						202.2	175.7	149.3	166.8	153.2

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of scheme liabilities at 1 January	220.6	170.4	176.2	168.1	165.4
Current service cost	5.1	3.5	5.7	6.1	6.1
Gain on settlements	(1.3)	—	(0.9)	—	—
Employee contributions net of charges	1.2	1.4	1.6	1.3	1.3
Interest costs	12.8	10.4	10.1	9.1	8.3
Benefits paid	(9.1)	(2.7)	(3.0)	(3.0)	(1.9)
Actuarial loss/(gain) on plan liabilities	8.3	37.6	(19.3)	(5.4)	(11.1)
Present value of scheme liabilities at 31 December	237.6	220.6	170.4	176.2	168.1

Notes to the financial statements continued

20. Employee benefits – pensions (continued)

Expense recognised in the income statement:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Current service cost	5.1	3.5	5.7	6.1	6.1
Gain on settlements	(1.3)	—	(0.9)	—	—
Interest on pension scheme liabilities	12.8	10.4	10.1	9.1	8.3
Expected return on plan assets	(11.8)	(9.1)	(11.5)	(10.5)	(9.4)
Net charge to income statement	4.8	4.8	3.4	4.7	5.0

The expense has been recognised in the following lines in the income statement:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Cost of transmission and sales	3.1	2.8	3.9	4.0	4.1
Other operating expenditure	0.7	0.7	0.9	2.1	2.0
Net financial income	1.0	1.3	(1.4)	(1.4)	(1.1)
Net charge to income statement	4.8	4.8	3.4	4.7	5.0

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience (loss)/gain on plan liabilities	(8.3)	(37.6)	19.3	5.4	11.1
Experience gain/(loss) on plan assets	12.9	13.9	(33.0)	(1.4)	0.6
Actuarial gain/(loss)	4.6	(23.7)	(13.7)	4.0	11.7

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income since transition to IFRS is £36.0 million.

Principal actuarial assumptions at the balance sheet date

	2010 %	2009 %	2008 %	2007 %	2006 %
Discount rate	5.42	5.75	6.00	5.60	5.25
Rate of increase in salaries	4.00	4.50	3.65	3.45	3.30
Rate of increase in pensions	3.50	3.60	2.75	3.20	3.05
Inflation	3.50	3.60	2.75	3.20	3.05
Expected return on plan assets – equities	8.20	8.40	7.00	7.50	7.60
Expected return on plan assets – bonds	4.80	5.00	5.00	5.70	5.10
Expected return on plan assets – cash	2.00	1.00	3.00	5.50	5.25

	2010 years	2009 years	2008 years	2007 years	2006 years
Life expectancy from 60 (now aged 40) – male	28.4	28.3	28.3	26.6	26.6
Life expectancy from 60 (now aged 40) – female	29.2	29.2	29.1	29.4	29.4
Life expectancy from 60 (now aged 60) – male	26.8	26.7	26.6	26.6	24.5
Life expectancy from 60 (now aged 60) – female	28.1	28.1	28.0	29.4	27.5

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.

Notes to the financial statements continued

20. Employee benefits – pensions (continued)

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 2010. The results 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 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. In addition to the deficit funding noted above the Board agreed to pay a one off contribution of £2.9 million in December 2010.

The estimated employer contributions in 2011 are £7.4 million.

21. Related party transactions

Details of transactions in which members have an interest are disclosed on page 97. Details of members' remuneration are shown in the remuneration report on pages 150-153.

Subsidiary undertakings

Channel 4 purchased creative design and production and interactive services from 4 Ventures Ltd totalling £8.0 million (2009: £9.3 million). At 31 December 2010 Channel 4 owed subsidiary undertakings £50.1 million (2009: £9.7 million owed by subsidiary undertakings to Channel 4).

Joint Ventures

During 2011, Channel 4 received a dividend of £3.6 million from Box Television Ltd (2009: £1.5 million), a dividend of £0.2 million from Taste of London Ltd (2009: £0.3 million) and brand royalty income of £0.5 million from Box Television Ltd (2009: £0.3 million). Channel 4 also supplied £1.7 million of marketing, finance and other support to Box Television Ltd (2009: £2.0 million). In respect of these services, Box Television Ltd owed £0.2 million to Channel 4 at 31 December 2010 (2009: £2.2 million).

Channel 4 paid £0.1 million to Protagonist Pictures Ltd for agency sales and film acquisition services. No amounts were due at 31 December 2010.

Channel 4 paid £0.7 million of funding to Clearcast Ltd (2009: £0.7 million), £0.1 million of funding to Parliamentary Broadcasting Unit Ltd (2009: £0.1 million), £13.5 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2009: £9.1 million), £1.7 million to BARB for research services (2009: £1.4 million), £1.1 million to Thinkbox TV Ltd for marketing services (2009: £0.9 million) and £1.9 million to DTV Services Ltd for marketing services (2009: £1.7 million). No amounts were due from or owed to these companies at 31 December 2010.

Channel 4 recognised equal revenue and expense of £5.3 million with DTV Services Ltd (2009: £1.6 million) and £0.6 million with Thinkbox TV Ltd (2009: £0.5 million) 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 2010.

Channel 4 paid £4.3 million in respect of service fees to YouView TV Ltd (2009: £nil). No amounts were owed to YouView TV Ltd at 31 December 2010.

Equity investments

During 2010, Channel 4 received £0.3 million brand fee income from Espresso Education Ltd (2009: £0.2 million). No amounts were due to Channel 4 at 31 December 2010 (2009: £nil).

Channel 4 paid £0.1 million to Mobile IQ Ltd to support the Channel 4 mobile portal (2009: £0.1 million). No amounts were due to Mobile IQ Ltd at 31 December 2010 (2009: £nil).

Corporate governance

The Board is committed to high standards of corporate governance. The members have decided to prepare voluntarily a Corporate Governance Statement to demonstrate compliance with the main principles, where relevant, of the UK Combined Code on Corporate Governance and the disclosure and transparency provisions of the Listing Rules of the Financial Services Authority.

The Board considers that, throughout the year, it was compliant with the relevant provisions of the Combined Code issued by the Financial Reporting Council (FRC) in 2008. The Board will report in the 2011 Annual Report on its compliance with the UK Corporate Governance Code issued by the FRC in June 2010.

Channel 4's status as a statutory corporation without shareholders' interests means those provisions concerning shareholders' interests are not directly applicable. Also, instead of a nominations committee, there are formal nominations procedures which are described on page 143.

Statement of members' responsibilities in respect of the Annual Report and the Financial Statements of Channel Four Television Corporation (the 'Corporation')

The members are responsible for preparing the Annual Report and the group and Corporation's financial statements in accordance with applicable law and regulations.

The Corporation is required by its governing legislation (the Broadcasting Act 1990) to keep proper accounts and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year. Under that law the members have elected to prepare the financial statements of the group and the Corporation in accordance with IFRSs as adopted by the EU and the requirements of Chapter 4 of Part 15 of the Companies Act 2006 as if the Corporation were a company incorporated under that Act.

The members accept responsibility for approving the financial statements only after they are satisfied that they give a true and fair view of the state of affairs of the group and Corporation and of their profit or loss for that period. In preparing each of the group and Corporation financial statements, the members:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Corporation will continue in business.

The members have accepted responsibility for keeping proper accounting records that are sufficient to show and explain the Corporation's transactions and disclose with reasonable accuracy at any time the financial position of the Corporation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The members have decided to prepare voluntarily a Members' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, made under the Companies Act 2006, as if those requirements were to apply to the Corporation.

The members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003, as set out on page 146.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Corporation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board

Channel Four Television Corporation is controlled through its Board of members. The Board's main role is to discharge Channel 4's statutory functions and ensure the fulfilment of the public service remit (as amended by the Digital Economy Act 2010) in accordance with all applicable laws and regulations.

The Board, which meets at least nine 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 (content and non-content)
- 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 the statutory auditors
- the audited accounts of Channel 4 presented by the audit committee

Corporate governance continued

- 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. Content output and plans for future investment of the content budget are regularly discussed as part of the overall Board agenda, as are regular updates on audience reactions to Channel 4's content. The Board also approves Channel 4's proposed Statement of Media Content Policy (incorporating the Statement of Programme Policy and Review) prior to publication.

The Board has an established audit committee and remuneration committee to assist with the discharge of its functions.

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:

- leadership of the Board, ensuring its effectiveness on all aspects of its role including the setting of the agenda
- ensuring that all members receive accurate, timely and clear information
- ensuring that all members continually update their skills and the knowledge and familiarity with Channel 4 required to fulfil their role both on the Board and on committees
- facilitating the effective contribution of non-executive members and ensuring constructive relations between executive and non-executive members
- undertaking an annual evaluation of Board and committee performance.

Lord (Terry) Burns was appointed as Chairman in November 2009 and his appointment became effective from 28 January 2010.

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.

Anne Bulford (the then Group Finance Director) acted as Interim Chief Executive from November 2009 until May 2010, when David Abraham joined as Chief Executive.

Senior independent member

Lord Puttnam was Deputy Chairman and senior independent member throughout the year.

Members and members' independence

The names of the 2010 Board members, together with their brief biographies, are set out on pages 148-149.

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 his biography. These do not adversely affect his role with Channel 4.

The Board considers all its non-executive members to be independent in character and judgement. At the time of this report, no non-executive member:

- has been an employee of the group within the past five years
- has, or has had within the past three years, a material business relationship with the group
- receives remuneration other than their member's fee (although attention is drawn to the related party transactions on page 97)
- 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.

Corporate governance continued

Board member and executive nominations

Given its constitution and specific statutory provisions regarding the appointment of members, Channel 4 does not have a formal nominations committee. 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 Chairman also conducted a Board evaluation exercise.

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 2010.

Board meetings

The number of full Board meetings and committee meetings attended by each member during the year is shown in the table below:

	Appointed/ resigned	Number of meetings attended		
		Board	Audit committee	Remuneration committee
Executives				
David Abraham	Appointed 4 May 2010	6 (6)	2 (2)	
Anne Bulford		10 (10)	3 (3)	2 (2)
Andy Barnes	Resigned 30 March 2011	10 (10)		
Jon Gisby	Resigned 19 July 2010	5 (6)		
Kevin Lygo	Resigned 30 April 2010	4 (4)		
Non-Executives				
Lord Burns	Appointed 28 January 2010	10 (10)	2 (3)	2 (2)
Lord Puttnam		9 (10)		
Martha Lane Fox		8 (10)		2 (2)
Stephen Hill		10 (10)		1 (2)
Andy Mollett	Resigned 30 September 2010	8 (8)	3 (3)	
Lord Hall		7 (10)		1 (2)
Karren Brady	Resigned 30 September 2010	5 (8)	2 (3)	2 (2)
Monica Burch	Appointed 1 October 2010	2 (2)		
Alicja Lesniak	Appointed 1 October 2010	2 (2)		
Richard Rivers	Appointed 1 October 2010	2 (2)		
Mark Price	Appointed 1 October 2010	1 (2)		

Figures in brackets indicate the maximum number of meetings in the period in which the individual was a Board/committee member.

Corporate governance continued

Information

Regular reports and papers are circulated to the members before Board and committee meetings. These papers are supplemented by information specifically requested by the members from time to time. Each Executive circulates a report before each Board meeting in which they provide a review of performance, together with comments on future plans and outlook.

Internal control

In accordance with good corporate governance practice the Board:

- is responsible for the company's system of internal control
- sets appropriate policies on internal control
- seeks regular assurance and receives regular reports that enable it to satisfy itself that the system is functioning effectively
- ensures that the system of internal control is effective in identifying key risks and reporting on the adequacy of actions to respond to and manage those risks
- is responsible for the group's process for the preparation of the consolidated accounts.

Control environment

Clear management responsibilities are established for the executive members. These are set out in the group's terms of reference manual.

The Corporation has a Code of Conduct and a suite of policies and procedures which encompass ethical behaviour, conduct and internal controls.

Risk management

In addition to its requirements under Schedule 9 of the Communications Act 2003 set out on page 146, the Board and management have a clear responsibility for the identification of risks facing the Corporation and for putting in place procedures to monitor and mitigate such risks. The Board and Executive operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. This framework has been developed in accordance with relevant good practice guidance on internal controls and risk management.

A summary of the key risks that the group faces, together with how those risks are mitigated, is presented in the Business review of the members on pages 96-97.

Editorial and compliance

There are strong editorial and compliance systems and controls in place over the content commissioned by Channel 4. These include specific guidance and protocols contained with the Independent Producer Handbook together with training which encompasses the Ofcom Broadcasting Code and other relevant regulations. The Commissioning team works in close collaboration with the Legal and Compliance department on all significant commissions.

Management systems

Detailed annual budgets and business plans are prepared for each area of the business, and are approved by 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 is authorised in line with a delegated authorities framework. An electronic invoice authorisation system is used to further enhance the control environment. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate. Financial controls are monitored by management review and by the audit committee.

Internal audit

During 2010, the business assurance function undertook a number of specific projects to provide assurance that control processes were appropriate and working effectively, and where necessary recommend improvements.

The audit committee reviews the output and performance of business assurance and reports these to the Board.

Corporate governance continued

Remuneration committee

During 2010 the remuneration committee comprised Karren Brady (Chair), Martha Lane Fox and Lord Hall. The remuneration committee met twice during the year.

All the members of the committee are independent non-executive members. The Chairman of the Board, the Chief Executive and the Chief Operating Officer amongst others attend 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 150-153.

Audit committee

During 2010 the audit committee comprised Andy Mollett (Chair) 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, the Chairman of the Board, the Chief Executive, the Chief Operating Officer, Director of Finance, the KPMG LLP external audit partner and the Channel's Head of Business Assurance (amongst others) 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. In 2010 the committee had 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 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 2010 the 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

Corporate governance continued

- 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 and approving the annual business assurance plan and findings of business assurance reviews
- reviewed the effectiveness of Channel 4's risk management framework and internal controls framework
- reviewing the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003

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 2010 is shown in note 3 to the financial statements. KPMG also makes an annual statement to the audit committee to confirm its independence within the meaning of regulatory and professional requirements.

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.

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, resigned 27 January 2010); an independent member, Louise Botting (appointed trustees' Chairman 28 January 2010) and Terry Burns (appointed trustee 28 January 2010); 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).

Since the year end Terry Burns resigned as a trustee (effective date 2 February 2011) and Alicja Lesniat was appointed as a trustee (effective date 3 February 2011).

Third party verification statement

The Channel's Ofcom Digital Replacement Licence requires it to appoint an independent party to review and report on 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 Series 7 and Big Brother Series 11. The members are satisfied that Channel 4 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 147. 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 2010 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 3 March 2011 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 15 March 2011), 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 2010 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 of 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 2010. 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 2010.

Deloitte LLP

Chartered Accountants
London
30 March 2011

Members

Non-executive members

Current

Lord Burns GCB

Appointed Chairman designate in November 2009, he replaced Luke Johnson as Chairman on 28 January 2010. His appointment runs until January 2013.

Lord Burns is Chairman of Santander UK plc and a non-executive director of Banco Santander SA. He is also Chairman of the Governing Board of the Royal Academy of Music, 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.

He 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.

Deputy Chairman

Lord Puttnam

Joined the Board as Deputy Chairman in February 2006. His previous appointment ran until 31 January 2011 and has been extended to 31 January 2012. After 30 years as an independent film producer, David now focuses on his interests in education and is the Chancellor of the Open University. He was awarded a CBE in 1982, knighted in 1995 and appointed to the House of Lords in 1997.

Lord Hall^R

Appointed to the Board on 1 April 2005, his appointment runs until 31 March 2014. He is Chief Executive of the Royal Opera House, the Chair of the Cultural Olympiad, a Trustee of the British Council and a former Chief Executive of BBC News. On 22 March 2010 he became a crossbench member of the House of Lords.

Stephen Hill

Joined the Board in January 2006. His previous appointment ran until 31 December 2010 and has been extended to 31 December 2011. 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 closely involved in setting up the BSB consortium and its subsequent merger with Sky. Stephen is also Chairman and Chief Executive of The Harbour Group, a private investment company, and Treasurer and Trustee of RNID, the Royal National Institute for Deaf People.

Martha Lane Fox^{A, R}

Joined the Board in February 2006. Her previous appointment ran until 31 January 2011 and has been extended until 31 January 2012. As the UK Government's Digital Champion, Martha Lane Fox chairs the Race Online 2012 campaign and sits on the Cabinet Office's Efficiency and Reform Board. She is also non-executive director at Marks & Spencer and MyDeco.com. In 1998, with Brent Hoberman, she founded lastminute.com,

Europe's largest travel and leisure website. In 2000 they floated the business and Martha remained on the board until its sale. In 2005 she co-founded Lucky Voice, a karaoke business with five venues and a growing online business. In 2007 she launched a grant-giving foundation, Antigone.

Monica Burch^A

Joined the Board on 1 October 2010. Her appointment runs until 30 September 2013. Monica is Senior Partner at Addleshaw Goddard LLP and head of the firm's intellectual property litigation practice having qualified as a solicitor with them. Monica also heads the firm's consumer practice.

Alicja Lesniak^A

Joined the Board on 1 October 2010. Alicja is also a non-executive Director and Chair of the Remuneration Committee of DTZ Holdings plc, and a non-executive Director of SThree plc, a specialist permanent and contract staffing business. Until 2009 Alicja was Chief Financial Officer of Aegis plc. Prior to this she was Chief Financial Officer of BBDO EMEA, Chief Financial Officer of Ogilvy and Mather Worldwide, and Managing Director of J Walter Thompson.

Mark Price

Joined the Board on 1 October 2010, he is Managing Director of Waitrose and on the Board of the John Lewis Partnership. Mark is also Chair of Business in the Community and The Prince's Countryside Fund and a Board member of the Consumer Goods Forum.

Richard Rivers

Joined the Board on 1 October 2010. Richard is also a non-executive director of Mothercare Plc and a member of the marketing council at the British Museum. Richard was previously Chief of Staff and Group Head of Corporate Development at Unilever.

Retired

Luke Johnson

Appointed Chairman in January 2004, his appointment ran until 27 January 2010. Luke is the Chairman of Risk Capital Partners, a private equity house. He is the part owner and Chairman of Superbrands, Giraffe Restaurants, Patisserie Valerie and Baker and Spice, and a major owner and Director of APT Controls.

Karren Brady^{A, R}

Joined the Board in July 2004. She is Vice Chair of West Ham United Football Club, a non-executive Director of Arcadia, Chairman of the Mothercare Group Foundation and an honouree Fellow of the Institute of Sales and Marketing. Karren's term ended on 30 September 2010.

Andy Mollett^A ACA

Joined the Board in July 2004. He is Chief Financial Officer of Chrysalis plc and was formerly the Chief Financial Officer of EMI Music Publishing Ltd and Virgin Radio Ltd. Andy's term ran until 30 September 2010.

^A Member of the audit committee

^R Member of the remuneration committee

Members continued

Executive members

Current

David Abraham

David became Channel 4's sixth Chief Executive in May 2010. Prior to this he was Chief Executive of UKTV, where he led the re-launch of the G2 channel as Dave.

Between 2005-2007 David was President and General Manager for TLC at Discovery Networks USA, where he oversaw all content investment and strategy. Between 2001-2005 David was General Manager of Discovery Networks UK. David began his career in 1984 at advertising agency Benton and Bowles and was a founding partner and Chief Operating Officer at independent advertising agency St Luke's.

David is also a non-executive Director of Skillset, the sector skills council for creative media.

Anne Bulford FCA

Appointed Group Finance Director in July 2005 and promoted to Chief Operating Officer on 4 June 2010, she was Interim Chief Executive between November 2009 - May 2010. 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 has 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, a non-executive member of the Ministry of Justice's Corporate Management Board and Chair of the Audit Committee, an elected Trustee of the Motor Neurone Disease Association and a Trustee of the Teacher Awards Trust.

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. Andy resigned from the Board on 30 March 2011.

Jay Hunt

Appointed Chief Creative Officer in January 2011. Before joining Channel 4, Jay Hunt was Controller, BBC One. Jay initially joined the BBC in 1989. In 1994 she moved to Newsnight as output editor and filmmaker and then to Panorama. In 1999 she was made editor of One O'Clock News before going on to edit the Six O'Clock News. In 2005 Jay became Controller of BBC Daytime.

Jay Hunt also worked as Director of Programmes at Five in 2007 before returning to the BBC in 2008.

Corporation Secretary

Nick Swimer

Retired at the balance sheet date

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. Kevin resigned from the Board on 30 April 2010.

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. Jon resigned from the Board on 19 July 2010.

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 145. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the UK Corporate Governance 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 2010 as in previous years set the maximum bonus payable at 30% of salary, except for David Abraham, whose maximum bonus is 50% of salary. Long-term incentive scheme payments, which were subject to the achievement of a range of corporate and strategic commercial measures which typically include viewing share, revenue and profit, were paid out in 2010. It is the intention of the Board to reduce long-term incentive schemes in the future. No further extensions have been entered into after the payment of the 2007-2009 scheme.

Following the difficult economic circumstances in 2008-2009, a pay freeze was implemented in 2010 for all staff earning a basic salary over £50,000. Subsequent to the year end, the remuneration committee additionally decided that a salary review for 2011 should only be awarded to staff earning less than £100,000.

The remuneration committee once again gave serious consideration to what form of bonus should be paid in respect of 2010 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. Under the corporate bonus scheme, bonus calculations are based 80% on the performance of the group and 20% on achievement of personal objectives. A financial target was set as the gateway to the bonus scheme.

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 a car allowance 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.

Report on members' remuneration continued

Members' remuneration

	Salary and fees £000	Bonus £000	Benefits £000	LTIP payments £000	Pay in lieu of Notice £000	2010 Total £000	2009 Total £000
Executive Members							
David Abraham (appointed 4 May 2010)	324	123	81	—	—	528	—
Andy Barnes (resigned 30 March 2011)	400	96	13	97	—	606	513
Anne Bulford	408	84	13	306	—	811	450
Andy Duncan (resigned 17 November 2009)	—	—	—	—	—	—	1,481
Jon Gisby (resigned 19 July 2010)	167	—	8	73	181	429	318
Kevin Lygo (resigned 30 April 2010)	356	—	8	—	—	364	785
Nathalie Schwarz (resigned 26 March 2009)	—	—	—	—	—	—	70
Non-Executive Members							
Lord Burns (appointed 28 January 2010)	98	—	—	—	—	98	—
Luke Johnson (resigned 27 January 2010)	6	—	—	—	—	6	77
Lord Puttnam	30	—	—	—	—	30	31
Sue Ashtiany (resigned 30 June 2009)	—	—	—	—	—	—	11
Karren Brady (resigned 30 September 2010)	17	—	—	—	—	17	23
Lord Hall	22	—	—	—	—	22	23
Stephen Hill	22	—	—	—	—	22	23
Martha Lane Fox	22	—	—	—	—	22	23
Andy Mollett (resigned 30 September 2010)	17	—	—	—	—	17	23
Monica Burch (appointed 1 October 2010)	6	—	—	—	—	6	—
Alicja Lesniak (appointed 1 October 2010)	6	—	—	—	—	6	—
Mark Price (appointed 1 October 2010)	6	—	—	—	—	6	—
Richard Rivers (appointed 1 October 2010)	6	—	—	—	—	6	—
Total	1,913	303	123	476	181	2,996	3,851

David Abraham received an allowance of £81,000 during 2010 as part of his benefits package as a contribution to his personal pension plan.

Anne Bulford earned additional amounts in 2010 in respect of her time as Interim Chief Executive until May. In 2010, Anne Bulford also earned £8,000 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.

Jon Gisby received total payments in lieu of notice of £181,000 reflecting his base salary and contractual benefits for the outstanding part of his notice period.

Long-term incentive schemes

	Balance at 31 December 2009 £000	Recognised in income statement £000	Paid during the year £000	Balance at 31 December 2010 £000
Andy Barnes (resigned 30 March 2011)	97	—	(97)	—
Anne Bulford	306	—	(306)	—
Jon Gisby	73	41	(73)	41
Total	476	41	(476)	41

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. In 2010 the payment under the scheme to Andy was £97,000.

Anne Bulford joined a long-term incentive scheme linked to Corporation performance from 2007 to 2009. Under the scheme, Anne could 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. In 2010 the payment under the scheme to Anne was £306,000.

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 could 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. As Jon left Channel 4 during 2010, £73,000 was paid to him in respect of his performance in 2008 and 2009. The 2010 financial statements include provision for Jon's remaining accrued entitlement (£41,000) 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 2010 were as follows:

	Increase in accrued pension entitlement during 2010 £000	Total accrued pension entitlement at 31 December 2010 £000	Transfer value of increase in accrued pension entitlement less members' contributions £000	Transfer value at 1 January 2010 £000	Increase in transfer value less members' contributions £000	Members' contributions during 2010 £000	Transfer value at 31 December 2010 £000
Andy Barnes (resigned 30 March 2011)	3	136	44	2,326	267	13	2,606
Anne Bulford	4	14	52	147	68	13	228
Kevin Lygo	2	34	29	523	95	8	626

- the total accrued pension entitlement shown is that which would be paid annually on retirement from the age of 60 for benefits accrued up to 5 April 2010 and from the age of 65 for benefits accrued from 6 April 2010 but based on service to the end of 2010.
- the accrued benefits for all members have been restricted as a result of the impact of HMRC's earnings cap.
- all transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- the transfer values do not represent sums payable to individual members.

Report on members' remuneration continued

Pension (continued)

From 1 September 2008 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 65.
- 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 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.

Jon Gisby is a member of the Channel 4 Defined Contribution Scheme. Employer contributions towards Jon's pension scheme were £15,000 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
30 March 2011

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 2010 are shown in the table below:

	2010 Hours	2009 Hours	2010 £m	2009 £m
Originated				
Independents	3,916	4,183	269.2	291.6
Other	1,188	1,088	53.4	49.4
	5,104	5,271	322.6	341.0
Acquired	3,656	3,489	152.2	123.7
Programmes total	8,760	8,760	474.8	464.7
Other direct programme costs			6.4	7.2
Total programme and other content			481.2	471.9
All hours	Hours	Hours	%	%
Originated	5,104	5,271	58	60
Acquired	3,656	3,489	42	40
	8,760	8,760	100	100
Peak hours	Hours	Hours	%	%
Originated	1,270	1,290	77	79
Acquired	373	353	23	21
	1,643	1,643	100	100

Independent production companies are the most important source of originated programmes. 239 independent companies provided programmes transmitted on Channel 4 in 2010 (2009: 275).

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 2010 amounted to £117.5 million (2009: £117.0 million).

Programme transmissions*

Channel 4

The main Channel 4 service broadcast 8,760 hours in 2010 (2009: 8,760) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows:

	2010 Hours	2009 Hours	2010 £m	2009 £m
Drama	1,135	986	107.4	98.0
Entertainment	1,785	1,625	98.8	90.6
Education	1,599	1,928	80.6	81.9
Feature films	1,085	1,106	71.8	55.8
Other factual	929	888	42.1	66.8
News	237	318	22.3	22.4
Current affairs	216	217	14.6	11.6
Documentaries	150	143	13.2	11.0
Arts and music	492	501	8.7	11.6
Sport	699	653	7.0	6.9
Quiz and gameshows	394	346	6.2	5.5
Religion	39	49	2.1	2.6
	8,760	8,760	474.8	464.7

* The data in the table above is based on reporting genres as defined by Ofcom. Data presented in the Statement of Media Content Policy (SMCP) is structured around the key genres reflecting Channel 4's internal commissioning structure. For example, the Ofcom definition of Education includes all programmes of an educational nature across the genres. The chapter of SMCP entitled Education and Older Children relates to educational content specifically aimed at 14-19 year olds.

Programmes and the licence continued

E4, More4 and Film4

The E4 channel broadcasts for a total of 8,760 hours in 2010 (2009: 8,760 hours) with 86% of these hours being subtitled (2009: 78%). The More4 channel broadcasts for 6,878 hours (2009: 6,839 hours) with 96% of these hours being subtitled (2009: 90%). The Film4 channel broadcasts for 6,009 hours (2009: 5,648 hours) with 85% of these hours being subtitled (2009: 78%).

The digital channel broadcast hours were previously reported across all services including +1 delayed transmission services.

Ofcom

Ofcom monitors compliance with broadcasters' licence obligations (including compliance with its Broadcasting Code) and deals with complaints concerning standards in programmes and complaints of unfair treatment and/or infringement of privacy.

Channel 4

Ofcom recorded three breaches of its Code on standards in programmes by the main Channel 4 service in 2010 (2009: five), none of which were judged serious enough to merit a statutory sanction (2009: none). In 2010 no complaints about fairness/privacy in Channel 4's programmes were upheld (2009: two).

E4, More4 and Film4

One recorded breach of the Code on standards in programmes were noted against More4 (2009: none) and no recorded breaches of the Code on standards in programmes were noted against E4, or Film 4 in 2010 (2009: none). In 2010 no complaints about fairness/privacy on E4, More4 or Film4 programmes were upheld (2009: none).

The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. Our licence from Ofcom, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

	Compliance minimum	2010	2009
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	3	2
Hours per year			
Schools	0.5	21	377
Percentage			
Original production			
– overall	56	58	60
– in peaktime (6 pm to 10.30 pm)	70	77	79
Independent production*	25	86	85
European independent production*	10	49	54
European origin	50	66	70
Subtitling for the deaf and hard-of-hearing	90	93	91
Audio description	10	14	12
Signing	5	5	5
Regional Production	35	39	37
Regional hours	35	45	45
Production in the nations	3	4.5	N/A

The 2010 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 page 11 of the Statement of Media Content Policy and on page 93 of this report.

Historical record

	2002	2003	2004	2005	2006	2007	2008	2009	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Consolidated results:									
Revenue	766.9	769.6	841.4	894.3	936.9	944.9	906.1	830.3	935.2
Operating profit/(loss)	28.9	55.6	59.8	56.9	14.0	(8.8)	(0.5)	3.9	49.3
Net financial (expense)/income	(2.5)	0.2	3.9	9.9	7.3	10.0	13.7	(2.0)	1.8
Share of (loss)/profit in joint ventures	(9.9)	(10.5)	—	—	—	0.4	(3.3)	0.3	2.9
Profit before taxation	16.5	45.3	63.7	66.8	21.3	1.6	9.9	2.2	54.0
Taxation	(6.3)	(11.0)	(19.1)	(18.3)	(6.8)	(1.1)	(8.1)	(1.9)	(15.4)
Profit for the year	10.2	34.3	44.6	48.5	14.5	0.5	1.8	0.3	38.6

Figures for 2002 to 2003 are shown under UK GAAP in force at the time. Figures for 2004 onwards are shown under Adopted IFRS.

Advertising revenue (portfolio)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
	£m								
Channel 4	655.2	662.4	720.2	769.3	777.1	825.2	789.7	706.7	794.2
Other	2442.3	2519.8	2695.3	2718.1	2522.9	2,608.2	2,486.8	2,179.3	2,514.9
Total broadcast	3,097.5	3,182.2	3,415.5	3,487.4	3,300.0	3,433.4	3,276.5	2,886.0	3,309.1

	%	%	%	%	%	%	%	%	%
Channel 4 share	21.2	20.8	21.1	22.1	23.5	24.0	24.1	24.5	24.0
Other share	78.8	79.2	78.9	77.9	76.5	76.0	75.9	75.5	76.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Audience share (portfolio)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%	%
BBC (nine channels)	38.8	38.3	36.6	35.2	34.5	34.0	33.5	32.6	32.9
ITV (five channels)	24.8	24.6	24.1	24.0	22.9	23.1	23.2	23.1	22.9
Channel 4 excl S4C (five channels)	10.6	10.1	10.3	10.8	11.9	11.7	11.8	11.5	11.4
Channel Five (three channels)	6.3	6.5	6.6	6.4	5.9	6.0	6.1	6.1	5.9
Other (>350 channels)	19.5	20.5	22.4	23.6	24.8	25.2	25.4	26.7	26.9
Total	100.0	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 as at 31 December 2010.

Source: BARB all individuals

Audience share

	2002	2003	2004	2005	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%	%
BBC 1	26.2	25.6	24.7	23.3	22.8	22.0	21.8	20.9	20.8
BBC 2	11.4	11.0	10.0	9.4	8.8	8.6	7.8	7.5	6.9
ITV and GMTV	24.1	23.7	22.8	21.5	19.6	19.2	18.4	17.8	17.0
Channel 4 excl S4C	9.8	9.4	9.6	9.6	9.6	8.6	8.1	7.4	7.0
Channel Five	6.3	6.5	6.6	6.4	5.7	5.2	5.0	4.9	4.5
Satellite and cable	22.2	23.8	26.3	29.8	33.5	36.4	38.9	41.5	43.8
Total	100.0	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

