

**CHANNEL FOUR  
TELEVISION  
CORPORATION REPORT  
AND FINANCIAL  
STATEMENTS 2011**



Channel Four  
Television Corporation  
Report and Financial  
Statements 2011

**Incorporating the Statement  
of Media Content Policy**

**Presented to Parliament pursuant to Paragraph 13(1)  
of Schedule 3 to the Broadcasting Act 1990**

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## REMIT

Channel 4 is required under the Digital Economy Act 2010 to publish a Statement of Media Content Policy (SMCP), outlining how it has delivered against its remit (as it is set in the Communications Act 2003 and the Digital Economy Act) in the preceding year as well as its plans for the year ahead.

This SMCP is structured around the key genres through which Channel 4 delivers its remit, as well as several 'overview' sections that give an over-arching look at Channel 4's creative investment and audience impact. Throughout the SMCP 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. It also includes reference to the objectives outlined for each genre in the 2010/11 report, to assess how Channel 4 has delivered against those objectives.

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 ([www.channel4.com/annualreport](http://www.channel4.com/annualreport)).

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## LORD BURNS, CHAIRMAN

2011 was a critical year in the journey towards sustaining the level of independence and self-sufficiency of Channel 4, and the achievement is all the greater when set within the context of an uncertain economy. Creatively the channel is making an outstanding impact on British audiences through the breadth and quality of its content, and commercially the organisation has exceeded expectations and is making a critical contribution to that creativity. As Channel 4 enters its 30th anniversary year, it is satisfying to feel that the organisation continues to innovate and meet its creative and commercial goals so successfully.

The board set some tough financial targets for the channel at the start of 2011, and I am very pleased to report the corporation performed well against these targets. The television advertising market was more robust than expected and Channel 4's own performance held up well. Over 1 billion pounds of revenue was generated via the Channel 4 portfolio, including the UKTV sales contract and other commercial activities. This was particularly impressive in a market that continued to be highly competitive. It is a testament to television's enduring appeal to viewers and advertisers even as convergence and the proliferation of digital applications continue apace. Thanks to this commercial success we were able to increase the overall programme budget, and – importantly – invest more in new content commissioned from UK suppliers, while also generating a pre-tax surplus of £44 million in 2011.

Key to any assessment of Channel 4's overall performance is the balance of public and commercial value. Across the schedules – from drama to documentaries – our programmes demonstrated public value, reflecting and questioning what life is like in modern Britain and providing a framework to help our audiences navigate the complex world around us. I particularly enjoyed *Educating Essex's* insights into life in a typical comprehensive school, *Black Mirror's* thought-provoking satire on society's fraught relationship with technology and *Fresh Meat's* take on contemporary student life at Manchester University where I studied almost 50 years ago.

Amidst economic and political upheaval on the world stage, *Channel 4 News* provided comprehensive coverage and rigorous analysis of developments at home and abroad. Coverage of the crisis engulfing the Middle East was brave and powerful. For me, the standout pieces of journalism were the shocking but vital films about Sri Lanka and Syria which continue to have impact at the highest levels of government at a national and international level.

As something of a digital obsessive myself, I also enjoyed seeing the fruits of the new multiplatform strategy. Projects as diverse as *Hippo: Nature's Wild Feast*, *Battlefront* and *The Great British Property Scandal* have all demonstrated the power of multi-media projects; and it was good to see the availability of *Channel 4 News* extended via its versions on mobiles and tablets and full programmes being available on 4oD by 9 pm on day of transmission.

The combined creative and commercial success in 2011 underlined that Channel 4 is a unique and special place. The strategy of commercial self-sufficiency that we set out last year goes hand in glove with our public service delivery. It provides us with the independence to fulfil our remit to innovate and experiment and to offer a genuine point of distinctiveness.

This is the second year we publish a Statement of Media Content Policy, which continues to perform an important role in ensuring that Channel 4 is accountable in delivering this remit. The metrics contained here are designed to assess performance against the various elements of the remit, at both a brand and individual programme level, including by looking at how investment was made across the genres and audience levels across TV and the digital portfolio.

It is clear from these metrics that our content continues to resonate with audiences and that viewers recognise Channel 4 as leading the field in delivering to the remit. Channel 4 remains ahead of other broadcasters across the metrics reported here. However, we also acknowledge a small narrowing in the lead over other broadcasters in a number of areas. We might expect this in a year of radical schedule change, but the Channel 4 Board is not complacent about those results and will continue to keep under close scrutiny our on-going performance and the way in which we monitor audience attitudes in a converged world.

As we entered 2012 there continued to be great uncertainty around the world economy. In my professional life as an economist in the Treasury and elsewhere, I saw recessions come and go. Many organisations will try to weather the economic storms by pulling back investment. The Channel 4 Board, however, had taken a longer view: we believe the right thing for Channel 4 – with its unique status, its important role in supporting the creative economy and its prudent financial management of recent years – is to increase content investment in 2012. We aim to increase audience share and impact by increasing content spend and, crucially, investment in original UK commissions.

2012 will be a big year for Channel 4 in a number of ways. I am looking forward to seeing the next phase of creative renewal reach the screens, to the broadcasting of the London Paralympic Games, and to seeing the fruits of continued evolution of the business model as we tackle the challenges and opportunities of convergence.

As the debate around the Communications Bill unfolds, I hope it will also be a year in which the economic, cultural and social value of public service broadcasting – and Channel 4 in particular – continues to be recognised. We look forward to engaging in those debates to help shape a future communications policy that will stimulate technological and creative development across the creative industries in the years to come.

At the start of 2012 there were also some significant changes on the Channel 4 Board. David Puttnam stepped down from the Board and his position as Deputy Chair after six years. David has been a crucially important part of Channel 4 and I pay particular tribute to his passion and loyalty to the organisation. Stephen Hill and Martha Lane Fox also came to the end of their appointments. Each has brought tremendous insight and rigour to the Board. I would like to thank all three departing members. I am, however, delighted to welcome our new Board members who together bring a wealth of varied experience: Paul Potts, MT Rainey and Josie Rourke. I am looking forward to working with them and welcoming their talents to the Board. I am also pleased to welcome the new members of the executive team since the start of 2011, Jay Hunt, Dan Brooke and Jonathan Allan, and to bid a fond farewell to Andy Barnes, who did so much as Director of Sales at Channel 4 for many years.

As Channel 4 looks to its 30th birthday, it is a place full of life and vigour and optimism for the future. Channel 4 employees are full of passion for what the organisation is here to do. I feel confident that Channel 4 has the strategy and the people to continue to succeed creatively and commercially and to play an important and entertaining part in British life.



## DAVID ABRAHAM, CEO

We took major steps forward in 2011 to deliver a new creative and commercial future for Channel 4. It was a year in which the vision, set out by the newly formed senior management team, became visible on-screen with a rejuvenated sense of mischief and creative risk-taking. We made significant efforts to widen our supply base – and we were particularly successful in terms of increasing the number of new digital companies we work with. Our commercial success has allowed us to build up our reserves and clearly demonstrates our resilience even in a world full of economic upheaval.

2011 was full of the thrill of experimentation. It is striking as you look through this report how much of the programming caught the national mood, sparked debate and had real impact – from a proposed change in EU law stimulated by *Hugh's Fish Fight* to the international outcry at the revelations uncovered in *Sri Lanka's Killing Fields*. There were also huge film successes with *The Inbetweeners Movie* becoming the most successful British comedy film ever and *The Iron Lady* garnering two Oscars. You will find case studies focused on content throughout this report and a special spotlight section in the middle including illustrations demonstrating Channel 4's impact on the wider world. Off-screen, our focus has been on moving the business in new directions to exploit all the opportunities that new technologies present.

One of the most important priorities for me has been to get the right team on board to lead the organisation into the next phase of creative renewal. Jay Hunt took up the newly created post of Chief Creative Officer which combines responsibility for television and online content for the first time. Gill Whitehead also took on a newly created post as Director of Audience Technologies and Insight and Dan Brooke, Chief Marketing and Communications Officer, returned to Channel 4 joining Anne Bulford, Chief Operating Officer, and Diane Herbert, Director of Human Resources, on the executive team alongside Tessa Ross who leads Film4. In the autumn, we were pleased to welcome Jonathan Allan as our new Director of Sales. The executive team is now complete and it has been exciting to see our creative and commercial vision for Channel 4 start to take shape.

As well as revitalising our schedules and evolving the business model, we worked hard to diversify our supply base in 2011. The Alpha Fund, launched as part of our Creative Diversity strategy, proved successful in expanding the range of companies we work with – particularly outside London – and the new integrated TV and commissioning structure is bearing fruit in the development of ambitious multimedia projects. We were pleased that our efforts were acknowledged by indies, who in early 2012 voted us in the Broadcast Indie Survey as the best broadcaster to work with for the first time in 6 years.

We continue to pioneer the two-screen experience with *The Bank Job*, *Million Pound Drop* and *Misfits*. We have recruited millions of viewers so far to a relationship management platform which aims to engage viewers with content in a more personal way. The explosion in social media and twin screens is helping us to communicate with viewers more directly and we are able to stimulate debate before programmes even air. Our ability to connect content with the right people is helped by the launch of 4oD on iPad, iPhone and, most recently, Xbox.

All this was achieved whilst maintaining our impact. 2011 was a big year for digital switchover and our first year in a decade without *Big Brother*. It was also a year in which our portfolio share actually went up – from 11.4% to 11.6%, close to its highest ever level. This was the strongest growth in share of any terrestrial broadcaster portfolio, and the decline on the main channel was a modest one with the smallest audience loss for 5 years. Importantly, this performance was not at the expense of programme quality as shown at the 2011 RTS Awards (held 20 March 2012) where Channel 4 led the industry with ten wins, more than any other broadcaster.

Looking forward to 2012, the spirit of Mission with Mischief will run right through the Channel 4 schedule and ensure the programme slate is full of content that inspires change, delights and even occasionally infuriates. Of course, our biggest programming news of 2012 is the broadcast of the biggest single event in our thirty year history, the London 2012 Paralympic Games. There will be over 150 hours of live coverage,

our biggest ever marketing campaign and a raft of programmes in the build-up. As a major sporting event, we aim to take the Paralympic Games to a new level. We will be nurturing much-needed disabled presenting talent and hope that our coverage will also help to bring about a shift in attitudes to disability.

A key part of our vision is that bold commercial decisions will accompany adventurous creative initiatives. Commercially we are in a strong position to cope with difficult economic times around us. We have built up reserves and outperformed our sales targets. In January we announced that we would increase our commissioning content budget to nearly £450 million in 2012 – the biggest investment in original commissions in Channel 4's history. We are increasing our overall investment in originated content by using some of the transitional financial surplus we have built up in the last few years as well as shifting spend away from US acquisitions.

As we stand on the cusp of convergence, many of the old tenets of broadcasting are in flux. There are huge opportunities for Channel 4 to exploit its powerful brand and the connection that audiences – particularly younger audiences – have with our programmes and content. Audiences are telling us that with so much choice available, they sometimes miss the best things on TV. In answer to this we are launching a new channel called 4seven, which will give viewers more chances to catch the most popular and talked about Channel 4 shows from the last seven days. The choice of programmes will, in part, be driven by the buzz that journalists, commentators, bloggers and, of course, viewers are creating around our content, though the central purpose of the channel is to maximise audiences to the many new hours of British content Channel 4 is commissioning.

4seven is just one way that we are exploring the changes in the way that our audience is consuming, sharing and discussing television. To capture these shifts in behaviour, and to anticipate the changes that convergence may bring, we need to start measuring the impact of our programmes in new ways. So, over the next year, we will be investigating new approaches to measuring the way in which we are delivering our remit, via the myriad ways in which viewers are interacting with our content.

Finally, some thanks. I must start by thanking the people who work at Channel 4 who are too numerous to mention, but are at the root of so much of our success. As ever, this report is a tribute to the enormously talented people who make our programmes and content unique so I want to thank all the on-screen faces that fill these pages and the many people behind the camera who lend their distinctive vision to us. You will see on pages 106–107, we also for the first time include a formal thank you page for all the television production and digital companies we work with – without them these pages would be bare. I hope you enjoy this report which is packed with an extraordinary array of content and demonstrates how well we continue to fulfil our remit and play a key role economically, culturally and socially in British society.

# INVESTING IN CREATIVITY

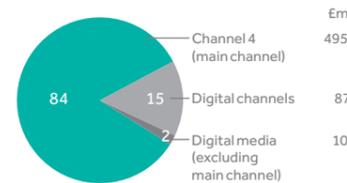
Channel 4 exists to do many things. We inspire our viewers, ask questions of the wider world, and provide vital support to the creative industries. How and where we allocate our content budget, how we order our schedule, and how we balance our public service remit with commercial objectives underpins everything that we go on to deliver. We therefore begin this report by looking at how we invested our money.

## Spend on UK original content up 16%

While we initially forecast a 2011 budget in line with 2010, a successful performance in the market-place throughout the year meant we were able to increase our overall content spend from 2010 levels. Most importantly, we invested more money in originated content – both on the main channel and across our digital platforms. In addition to re-allocating the budget previously spent on *Big Brother*, we also shifted some of the spend from acquired programming directly into UK commissioned content. This means that, as we committed to do in our Forward Look last year, we put more money into original UK comedy, entertainment, current affairs and drama – making Channel 4's schedule in 2011 one of the most diverse and original for many years. In 2011, originated content represented 71% of the overall content budget, up from 63% in 2010.

### Investment in content

Expenditure across the Channel 4 network on programming and digital content in 2011, % of total



Source: Channel 4  
Rounding differences may occur  
See methodology document for more details

Invest in high-quality content

**£592m** spent on content across all services  
**2%** on last year

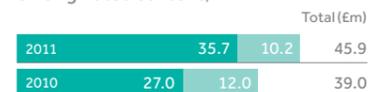
### Expenditure on originated content

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



Channel 4 (main channel)  
Digital TV and online

Digital TV and online expenditure on originated content, £m



Digital TV channels  
Digital media (excl. main channel)

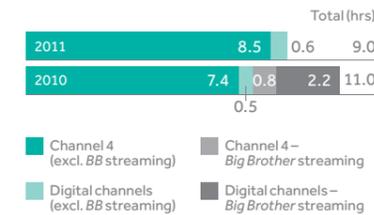
Source: Channel 4

Invest in high-quality content

**£419m** spent on originated content across all services  
**16%** on last year

### Volume of first-run originations

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



Source: Channel 4  
Rounding differences may occur

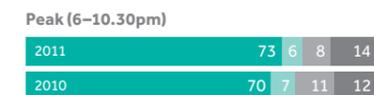
Invest in high-quality content

**9.0hrs** of first-run originations every day on average across the TV channel portfolio (excluding *Big Brother*-related live streaming)

**14%** on last year

### Programming mix on the main channel

Output mix on Channel 4 – percentage of output on the main channel accounted for by originations and first-run programmes



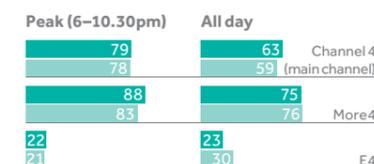
Originations - first-run  
Acquisitions - first-run  
Originations - repeat  
Acquisitions - repeat

Invest in high-quality content

**73%** of the main channel peak-time schedule devoted to first-run originations

**3pts** on last year

Network originations in Channel 4's TV schedules as a proportion of total broadcast hours



2011  
2010

Source: Channel 4  
Rounding differences may occur

### Content budget

Channel 4 spent a total of £591.5 million on content across its main channel, digital channels and digital media services in 2011 – up 2% from 2010. Just over £581 million of this was on television programming on Channel 4, More4, E4 and Film4 – with a further £10 million on digital media.

Investment in original content rose substantially, by 16% – with £419 million spent on originated content across our TV and online services in 2011. In line with our strategy to maximise the impact of our original commissions, the main channel saw the bulk of this spend – with investment up by £50 million. Spend on original content on the digital channels rose by almost £9 million, primarily due to an increase in original commissions on E4, along with programmes on the Film4 channel celebrating key films and directors. While spend on digital media was slightly down year-on-year, following the closure of the 4iP fund, there was a rise in investment in cross-platform projects, reflecting our continued commitment to digital innovation.

The volume of first-run originations also grew significantly. We broadcast an average of nine hours of new commissioned programmes every day across the TV portfolio in 2011, a 14% increase both for the main channel and the digital channels (excluding *Big Brother* live streaming on E4 in 2010). On the main channel, the peak-time schedule benefited particularly from this increase, with 73% of all peak-time hours comprising first-run originations, up from 70% in 2010. Across the portfolio, network originations (all content commissioned by the network) accounted for 63% of peak-time hours across Channel 4, More4 and E4, up 3 percentage points on 2010.

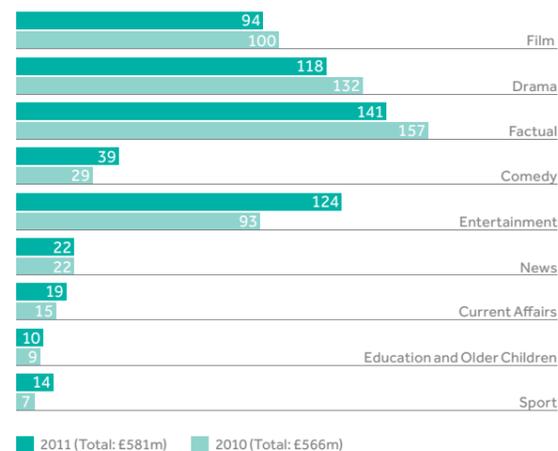
## Investing in creativity

In terms of Channel 4's total content spend, the biggest beneficiaries of the increased levels of investment were entertainment (up almost £31 million) and comedy (up £10 million). There were declines in film and drama, due to reduced spend on US acquisitions, and in factual, reflecting the end of the *Big Brother*. Focusing on first-run originations, the increased content investment was spread across a broader range of genres: not only comedy and entertainment but also others such as drama. Total spend on first-run

### Investment in programming by genre

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

Invest in high-quality content

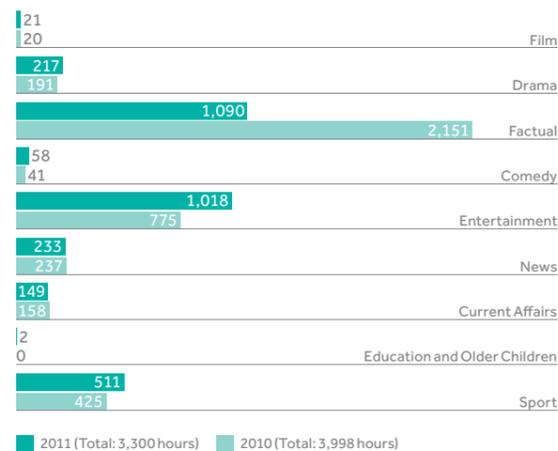


Source: Channel 4  
Rounding differences may occur

### Volume of first-run originations by genre

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

Invest in high-quality content



Source: Channel 4  
Rounding differences may occur

origination across what we have traditionally classified as 'key PSB' genres rose by 29%, to a total of £187 million.

We saw similar trends across the genres in terms of hours. Across all genres, the biggest percentage increases in volume of first-run originated programming were seen in comedy (up 43%), entertainment (31%) sport (20%) and drama (up 14%). The small increase in hours for education was accounted for by *Battlefront*'s return to television, with a dedicated series on T4 to accompany its online content. The only genre to see a significant decline was factual: the 2010 data included live *Big Brother* streaming on E4 and Channel 4.

### Licence requirements

We met all of our quantitative licence requirements in 2011, exceeding many of our obligations. Notably, originations accounted for 79% of peak-time hours, comfortably exceeding our requirement of 70%. We invested 4.2% of spend on the main channel in production from the UK's nations, ahead of our quota of 3%. And for the first time ever, we subtitled 100% of our programmes on Channel 4, More4, E4 and Film4.

### Meeting Channel 4's licence obligations

Average hours per week	Compliance 2011	2010	Minimum
<b>News</b>			
in peak time (6–10.30pm)	4	4	4
<b>Current Affairs</b>			
overall	4	4	4
in peak time (6–10.30pm)	1.54	2.4	3
<b>Hours per year</b>			
Schools	0.5	3	21
<b>Percentage</b>			
<b>Origination production</b>			
overall	56	61	58
in peak time (6–10.30pm)	70	79	77
<b>Independent production</b>	25	83	86
European independent production	10	52	49
European origin	50	69	66
Subtitling for the deaf and hard of hearing	90	100	93
Audio description	10	24	14
Signing	5	5	5
Regional production	35	42	39
Regional hours	35	48	45
Production in the nations	3	4.2	4.5

Source: Channel 4

Derren Brown:  
The Experiments



**£187m invested in key PSB genres, up by 29%**

# DOING THINGS THE CHANNEL 4 WAY

**“Channel 4 has re-embraced  
its founding remit to ‘foster  
the new and experimental’”**

*The Independent on Street Summer*



Channel 4 has a deep and long-standing commitment to creative diversity – identifying and nurturing talent, celebrating difference, and engaging with people and ideas that are outside the mainstream.

In 2011 we set ourselves the goal of working with more new and emerging talent from a more diverse pool than ever before. We did this not to tick the necessary boxes or reach quotas, but because we want the most original and thought-provoking ideas, with the broadest range of voices; and because, as contemporary Britain grapples with the complexities of social change, exploring and understanding difference matters.

### Broadcasters' investment in the production sector

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

Year	Main channels	Digital channels	Total (£m)
2010	340	77	417
2009	341	81	422
2010	240	240	480
2009	254	254	508
2010	321	27	348
2009	339	24	363
2010	62	62	124
2009	69	69	138

Legend: Main channels (dark grey), Digital channels (light grey)

Source: Channel 4, Ofcom (Other channels) 2011 data not available for other channels

Nurture talent

**£370m**

investment in first-run external UK commissions on the main channel in 2011

**15%** on last year

### Diversity of supply base

Number of independent production companies supplying UK broadcasters

Year	Main channels	Digital channels	Total
2010	305	77	382
2009	276	81	357
2010	74	83	157
2009	83	83	166
2010	265	293	558
2009	293	293	586
2010	56	78	134
2009	58	30	88

Legend: Main channels (dark grey), Digital channels (light grey)

Source: Channel 4, Broadcast (Other channels) 2011 data not available for other channels

Nurture talent

**261**

independent production companies supplying programming to the Channel 4 portfolio in 2011

**2%** on last year

### Diversity of supply

Channel 4 has a critical role in the creative economy. In 2011, it invested £370 million in programmes commissioned from external suppliers on the main channel, a significant rise of 15% on 2010. And Channel 4 spent more on the external production sector than any other commercially-funded public service broadcaster in 2010 (the latest available data).

In all, 276 television production companies supplied programming transmitted across the portfolio in 2011 (in line with 2010) and we commissioned content from 150 digital media suppliers (up from 91 in 2010). 261 of the TV companies were independent producers – a slight decline on 2012, reflecting continued consolidation in the sector.

In addition, beyond our work with these contracted suppliers, we continued to provide business support and development funding to a range of other companies.

In particular, in response to the consolidation we have seen in the television sector a key aim in 2011 was to broaden access and build relationships with new and fledgling businesses. Our creative diversity team estimates they met with around 350 companies from across the UK, including a range of new and emergent businesses to brief them as potential suppliers. This work was supported by Channel 4's new £2 million Alpha Fund, aimed at supporting creative ideas in their infancy. New talent strands *Random Acts* and *Comedy Blaps* provided platforms for new talent to prove itself before being given a full commission. This range of work meant that 11% of Channel 4's television suppliers in 2011 were companies that had never worked with us before. We also sought to turn the traditional commissioning model on its head by asking digital companies to pitch multiplatform ideas – helping both to bring in new suppliers from outside the TV production sector and to re-energise our television output. As a result of initiatives such as these, we expanded our digital supplier base, giving more than 40 digital agencies their first opportunity to work for Channel 4. We anticipate that this focus on new companies will broaden our supply base further in the coming years.

## MY TRANSSEXUAL SUMMER

This funny and touching show – viewed by more than 7 million people across the series – afforded an intimate insight into the lives of seven transgender men and women as they explored the implications of confirming their gender.

*My Transsexual Summer* gave viewers a chance to spend time with a group of people seldom represented in mainstream media and often ridiculed and abused in everyday life. Viewers gained insight into the participants' lives – seeing the discrimination they face, but also the entertainment and delight that they found in each other's company.

Audience research showed that the programme helped to change attitudes. 75% of viewers surveyed said they had learnt something, 84% felt that it raised awareness of the difficulties transgender people face in day to day life, and more than half said they felt more positive towards transgender people after watching the programme.

There was a huge amount of positive feedback from viewers with comments such as “it changed my entire view about transsexuals” and “[it gave my family] a better understanding of what I'm going through.” The programme had an equally powerful impact on those who took part. As Sarah, one of the contributors, said “the people I met have shown me how to be proud of being trans.”

## 'My Transsexual Summer avoided stereotypes and allowed different voices of trans individuals to be heard'

Trans Media Watch

- Alternative views
- Cultural diversity
- Inspire change

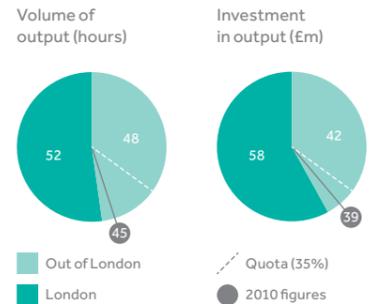


Channel 4's output is enriched by being sourced from all around the UK. In 2011, we significantly increased our production outside of London, investing £152 million in programmes for the TV channel portfolio in programmes for the TV channel portfolio from companies in the nations and regions – an increase of 22% on 2010. We continued to exceed our licence quotas for the main channel, with 48% of all hours of TV commissions coming from outside the M25, and 4.2% of our investment coming from Scotland, Northern Ireland and Wales. We were particularly successful in building new relationships with companies in the devolved nations; for example, Telesgop of Swansea, who produced one of our stand-out single films of the year with *Wallis Simpson: The Secret Letters*, their first ever commission for Channel 4. We expanded the spread of our digital commissions, too, working with 54 businesses based outside London, including games and apps developers in Dundee, Bristol and Middlesbrough. 47% of our online commissioning budget was spent outside London.

We also continued to champion Black and Minority Ethnic talent, successfully growing our relationships with BAME-led indies. *Lemonade Money* followed life inside the UK's biggest youth broadcaster in *Inside SBTU*, as well as producing one of Channel 4's *Alternative Christmas Messages*. Hey Buddy won four commissions across the year and Acme Films' hip hop documentary, *Life of Rhyme*, was nominated for a Creative Diversity Network award.

### Channel 4's investment in the nations and regions

Proportion of Channel 4's first-run originated output and spend on the main channel made in the nations and regions in 2011



Source: Channel 4  
Rounding difference may occur

Nurture talent +

Output from suppliers based outside London:

**48%** of first-run originated programme hours

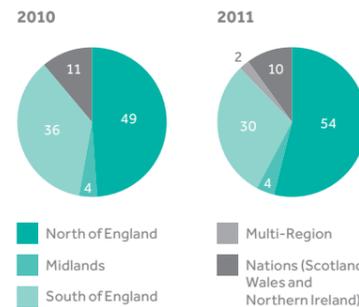
**3pts** on last year

**42%** of the value of first-run originations

**2pts** on last year

### Channel 4's investment in the production sector outside London

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



Source: Channel 4  
Multi-Region was a new category introduced by Ofcom in 2011

Nurture talent +

**£152m** spent on production companies based outside London

**22%** on last year

# RANDOM

*Random* marked the directorial debut for Channel 4 of acclaimed playwright Debbie Tucker Green. She was first given an opportunity by Channel 4 at the start of her career when she wrote for *Coming Up*, the Channel 4 strand for emerging filmmakers. This time, she had the chance to direct her own stage play, which was originally produced at the Royal Court Theatre. Set over the course of a single day, *Random* tells the story of an ordinary family whose lives are devastatingly interrupted by the impact of one random event.

Reprising her role from the original stage production, Nadine Marshall (*The Shadow Line*, *The Smoking Room*) delivered a powerful performance as Sister. The supporting cast included Daniel Kaluuya who debuted on E4 drama *Skins*, and also starred in Charlie Brooker's series *Black Mirror*.

This was a powerful and exciting commission for Channel 4 – with all the challenges inherent in making a one-person stage play work on the small screen. Its timing was highly pertinent – airing just as the riots exploded across the UK in the summer of 2011. Interest in the project led to community screenings in central London, Birmingham and Glasgow.

## 'A demanding film that dares to be different'

The Times

Cultural diversity	🕒
Distinctive	⬆️
Nurture talent	+

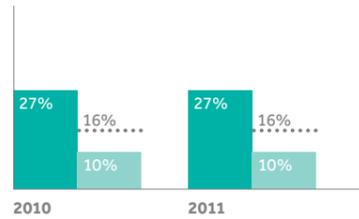


### Channel reputations

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

#### Shows different kinds of cultures and opinions

Cultural diversity



**17pt lead**

over average for other channels for showing different cultures and opinions

**1pt** on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)

\*\*\* Next highest PSB channel

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

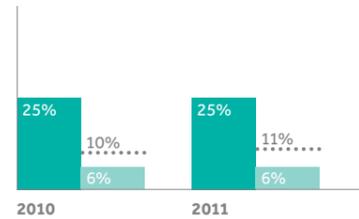
Channel 4 tracks audience perceptions of the main PSB channels using face-to-face and online interviews. The face-to-face interviews take place over five waves during the year. The online interviews, which take place over three waves during the year, have a larger sample size and enable the responses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

### Diverse voices

Channel 4 gave viewers unprecedented insight into marginalised communities, with *Top Boy* and the *Street Summer* season taking a fresh look at urban Britain, and a wealth of programming and activity focusing on physically disabled athletes in the build-up to the 2012 Paralympics. We also wanted to give voice to other overlooked communities that face discrimination – those with facial disfigurements, the gypsy and traveller community, and transgender people. 56% of viewers polled by Channel 4 said they felt more positive towards transgender people after watching *My Transsexual Summer*, and 79% of respondents to another survey said they had learnt something new about the traveller community from *Big Fat Gypsy Weddings*. Further celebrating diversity, one of our *Alternative Christmas Messages* was presented by participants from *Seven Dwarves*, *My Transsexual Summer*, *Beauty and the Beast: The Ugly Face of Prejudice* and *Katie: My Beautiful Friends*.

#### Challenges prejudice

Cultural diversity



**18pt lead**

over average for other channels for challenging prejudice

**1pt** on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)

\*\*\* Next highest PSB channel

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



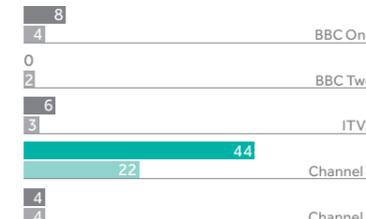
That Paralympic Show

### Channel reputations

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

#### Shows the viewpoints of gays and lesbians

Cultural diversity



**18pt lead**

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

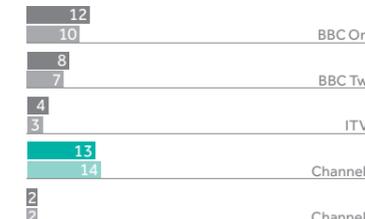
**1pt** on last year

■ Homosexual ■ All

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

#### Shows the viewpoints of disabled people

Cultural diversity



**9pt lead**

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

**1pt** on last year

■ Disabled ■ All

Source: Ipsos MORI commissioned by Channel 4

## ALPHA FUND

The Alpha Fund is a £2 million development fund launched by Channel 4 in early 2011. Designed to support ideas and talent at the first stages of development, it is managed by a team of creative diversity commissioners based across the UK.

Hey Buddy, an emerging BAME-led company, gained three commissions within 6 months of receiving support from the Alpha Fund; Zeitgeist, a start-up business based in Essex, won its first commission; Timeline Films, a new Scottish company, received initial funding from the Alpha Fund for a documentary idea that was then commissioned by Channel 4; and Factory Fifteen, a digital arts agency, was funded to make a film for the *Random Acts* strand.

These success stories highlight the crucial role the Alpha Fund has played in broadening Channel 4's supply base by uncovering new talent. The Creative Diversity team met with new companies throughout the year and provided support funding to 82 initiatives through the Alpha Fund. Most of these had never worked with Channel 4 before. The Alpha Fund also had a big regional impact – with more than 50% of initiatives coming from outside London.

**'Setting up a regional Indie is a far less daunting proposition with the support, advice and shoulder of the Alpha Fund team'**

Jamie O' Leary, Zeitgeist Television

- Nurture talent
- Digital
- Partnership

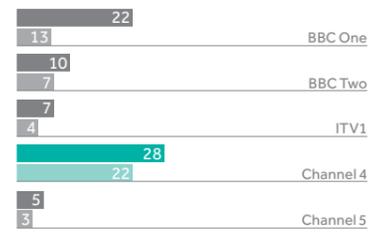
Regular strands also provided space for diverse perspectives and opinions. Nightly series *4thought.tv* was commissioned for a second run, providing ethical and spiritual reflections on fundamental moral questions as well as topical responses to key global events. With contributors from many different communities, topics ranged from suicide and mental illness to whether or not Osama Bin Laden deserved a place in heaven. We continued to explore foreign cultures and uncover stories from far-flung countries. In total, 155 hours of first-run non-news programmes on the main channel and More4 covered international topics, a significant increase of 21% on the 2010 figure. Highlights included the Middle East-based drama *The Promise*, historical series *Civilization: Is the West History* and the *Unreported World* strand, which forged closer links with *Channel 4 News*, sharing stories and recruiting Krishnan Guru Murthy as presenter.

Reflecting our commitment to different voices, in all, we broadcast 177 hours of first-run programmes covering diversity issues on the main Channel 4 service, up a massive 48% on 2010. There were increases across many genres, including a range of programmes covering disability issues as we build up to the Paralympics, alongside factual series and dramas. We continue to lead the public service broadcasters on key audience measures on diversity: showing different kinds of cultures and opinions, challenging prejudice, and showing the viewpoints of different ethnic groups, disabled people and gays and lesbians. Our leads over other channels remained broadly stable in this area following sharper declines in 2010 – reflecting our efforts this year to ensure we reflect the diversity of life across the UK. There was, however, a sharper decline in Black, Asian and Minority Ethnic (BAME) respondents' view of who was best for showing the viewpoints of different ethnic groups. A significantly improved performance from BBC One meant that while Channel 4 maintained a 17-point lead over the average for the other PSB channels amongst this group, this lead was down by 6 points.

### Channel reputations

People who believed Channel 4 is the channel to which the following statement most applies...

#### Shows the viewpoints of different ethnic groups



Source: Ipsos MORI commissioned by Channel 4

#### Cultural diversity

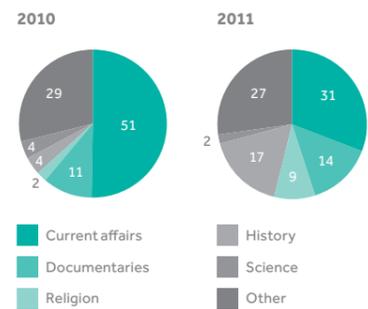
**15pt lead**

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

**1pt** on last year

#### Range of international programming

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. 2010 data has been restated. See methodology document.

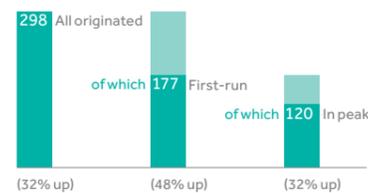
**155hrs**

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

**21%** on last year

#### Diversity output on the main channel

Total hours of programming covering diversity issues shown on the main channel (2011 with trends relative to 2010)



Source: Channel 4

#### Cultural diversity

**177hrs**

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

**48%** on last year

### Grassroots talent

Channel 4 is constantly searching for new talent and new ideas. This means giving writers, performers and directors their first break. And it also means providing new opportunities and fresh challenges for established stars.

2011 was a year of many firsts, on-screen and off. The acclaimed drama *Random* gave playwright Debbie Tucker Green her directorial debut, and our feature film slate saw long-standing Channel 4 stars such as Richard Ayoade and Joe Cornish step behind the camera for the first time, to widespread acclaim. UK grime artist Kano gained his first acting role in the series *Top Boy*, and Katie Piper joined Channel 4's team of presenters. We continued to run an array of dedicated new talent strands – with *Coming Up* featuring writer Levi David Addai's first network television drama, for which he won the Cultural Diversity Network Award for Best Breakthrough Talent. *First Cut* hosted one-off documentaries from emerging film-makers, including the moving and highly personal *Only Gay On The Estate*, from first-time director Michael Ogden. Our online *Comedy Blaps* showcase led to Irish comedy duo The Rubberbandits winning their first UK TV commission with Channel 4. In total, new talent strands accounted for 28 hours of first-run originated programming across the main channel and digital channels, with new strands such as *Random Acts* and E4's *Show & Tell* contributing to a 35% increase year-on-year.

Behind the scenes Channel 4 launched a dedicated training programme for disabled talent to help us find presenters for the London 2012 Paralympic Games. And we continued to give opportunities to young people looking to build a career in the media, supporting more than 100 young people through work experience. We ran a series of paid internships and apprenticeships, so that people from all social backgrounds could have the chance to gain experience in the TV industry. And we continued to fund organisations such as Skillset, the National Film and Television School and The Research Centre to develop innovative training programmes for the sector.



### New talent strands on Channel 4

Strands dedicated to new talent across Channel 4's television network (2011)

#### Nurture talent

New talent strand	Slots	Hours
Channel 4 (main channel)		
<i>Random Acts</i>	59	5
<i>First Cut</i>	16	7
<i>Coming Up</i>	7	4
<i>Comedy Labs</i>	6	3
<i>Comedy Showcase</i>	5	3
E4		
<i>Show &amp; Tell</i>	8	7
<b>Total first-run</b>	<b>101</b>	<b>28</b>

Corresponding 2010 Totals 73 21

Source: Channel 4. Rounding differences may occur

**28hrs**

of first-run originations in strands dedicated to new talent

**35%** on last year

**Innovation**

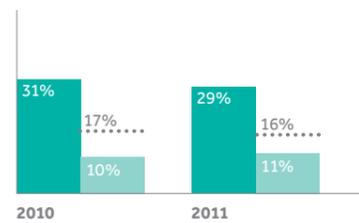
In a year without *Big Brother*, we set out to deliver a radically re-balanced programming slate, with dozens of new titles launching across the year. The total number of new and one-off programmes shown on the main channel between 6 pm and midnight increased by 10%. These included new drama series (*Fresh Meat*, *Top Boy*), comedies (*Friday Night Dinner*, *Black Mirror*) and documentaries (*24 Hours in A&E*, *The Hotel*). We brought completely new perspectives to traditional subject areas – with *Four Rooms* shaking up the world of antiques and *Random Acts* challenging traditional notions of what arts television can do. Digital innovation remains one of our priorities, and in 2011 we put our money where our mouth was by appointing new commissioners with dedicated responsibilities for games, convergent formats and digital film initiatives. We continued to experiment with multiplatform storytelling: digital tools were used to enhance some of our most popular drama series. We also led the way in two-screen experiences, with play-along games proving a particularly popular means of interacting with programmes as they happen.

Elsewhere we looked to pioneer new ways of understanding how viewers engage with our content. In 2011, we made a multi-million pound investment in a new viewer database, which will bring together information about the tastes of our audiences and help us offer a more focused and personalised experience over time.

**Channel reputations**

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

**Trend-setting**



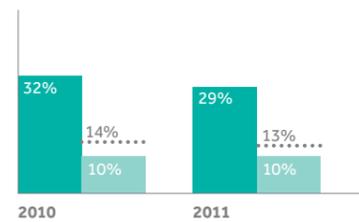
**18pt lead**

over average for other channels for being trend-setting

**2pts** on last year

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

**Always trying something new**



**19pt lead**

over average for other channels for always trying something new

**3pts** on last year

Source: Ipsos MORI commissioned by Channel 4

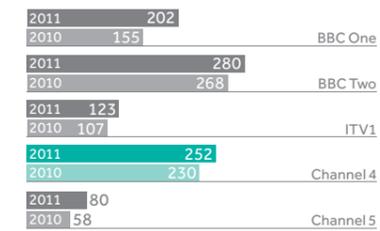
Channel 4's image tracking survey showed mixed results on the innovation measures in 2011. On the one hand, Channel 4 maintained large leads over the other main PSB channels across all the innovation measures – ranging from an 18 percentage point lead over the average of the other channels for being 'trend-setting' to a massive 39-point lead for 'taking risks with programmes that others wouldn't'. On the other hand, these results represented a decline in Channel 4's lead of between 2 and 5 percentage points in 2011. Ironically, this may partly reflect the impact of the creative renewal that began in earnest this year, as it is likely to take time for the next generation of new and ground-breaking programmes to stand out, grow their audience and resonate with viewers.

**'Channel 4 is the home of pushing boundaries but at the same time they always have a purpose; to educate people and make people feel included, not just to come and stare.'**

Katie Piper, *Katie: My Beautiful Friends*

**New and one-off programmes**

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



**Innovate**

**252**

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

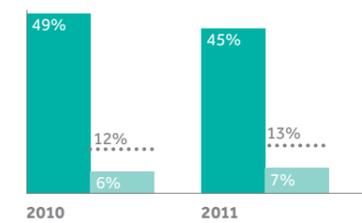
**10%** on last year

Source: Attentional commissioned by Channel 4

**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**



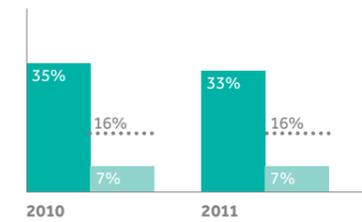
**39pt lead**

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

**5pts** on last year

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

**Is experimental**



**26pt lead**

over average for other channels for being experimental

**2pts** on last year

Source: Ipsos MORI commissioned by Channel 4



# FILM & DRAMA

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**£212m**

Film & drama spend on originations  
and acquisitions broadcast in 2011

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**2011 ambitions:**

- Increase film and drama investment
- Continue to cultivate new filmmakers
- Find distinctive stories – both reflective and comic – that will resonate with UK audiences
- Use digital platforms to enhance viewer experiences

**2011 was a vintage year for film at Channel 4, with new British filmmakers and actors much in evidence, an increased budget for Film4 productions, a remarkable 18% jump in the audience for the Film4 channel and the astonishing success of *The Inbetweeners Movie*. The year also saw a major boost to Channel 4's drama output from heavyweight political drama to new comic series.**

**'Working with Film4 has been an absolute pleasure from the start. Creatively it has been brilliant.'**

Paddy Considine, Director and Writer, *Tyrannosaur*

**£15.6m**

invested in feature film production and development in 2011

**Backing home-grown talent**

Finding new talent and giving creative people room to grow and experiment has always been at the heart of Channel 4's approach. In film we were able to use our increased £15m budget to expand this crucial role. 2011 saw people who have already built their careers with Channel 4 branch out into new areas: Richard Ayoade, star of *The IT Crowd*, wrote and directed his first feature, *Submarine*, a coming of age story that wowed audiences and critics alike. Joe Cornish of Channel 4's *The Adam and Joe Show* put a fresh spin on the sci-fi genre in *Attack the Block*. Meanwhile *Dead Man's Shoes* actor Paddy Considine tackled domestic violence in his award-winning directorial debut *Tyrannosaur*, and *The Inbetweeners Movie* took a well-established E4 television series and turned it into one of the biggest box-office hits in the history of British cinema, and one of the best-selling DVDs of the year. In drama, Shane Meadows continued his hugely popular *This Is England* series with a critically acclaimed three-part Christmas special.

**Celebrating diversity**

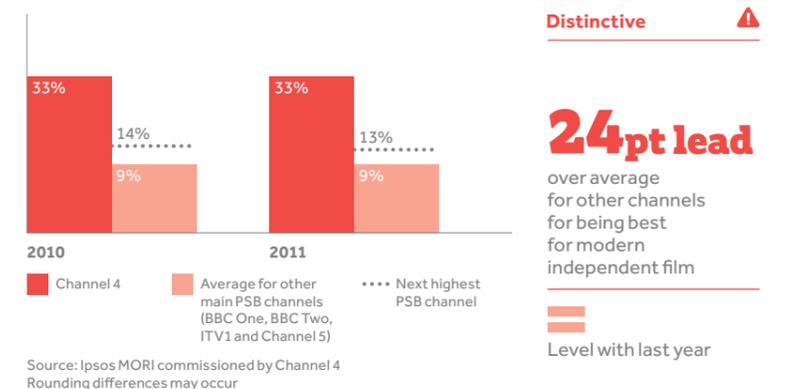
Film4's slate featured an impressive string of films from female directors, including Lone Scherfig's *One Day*, Andrea Arnold's *Wuthering Heights*, Miranda July's *The Future* and Carol Morley's *Dreams Of A Life*. The latter became a cult hit, with its poignant reconstruction of the death of a young West Indian woman whose body lay undiscovered in her flat for almost three years. In drama, *Random* was black British playwright Debbie Tucker Green's directorial debut, and writer Levi David Addai's first network commission featured in our *Coming Up* strand. On-screen, lead stars included rising black actors such as Ashley Walters (*Top Boy*), John Boyega (*Attack the Block*), James Howson (*Wuthering Heights*) and Zawe Ashton (*Fresh Meat*, *Dreams of A Life*), and talent from Scotland, Wales and Northern Ireland (Conor McCarron in *NEDS*, Craig Roberts in *Submarine* and Michael Smiley in *Kill List*).

**Channel reputations**

People who believed Channel 4 is the channel to which the following statement most applies...

**Is best for modern independent film**

Channel 4 maintained its strong reputation amongst audiences for offering alternatives to mainstream films in 2011. 33% of viewers chose Channel 4 as being 'best for modern independent film', level with its performance in 2010 and significantly more than chose any of the other main PSB channels.



### Drama viewing by young audiences

Channel 4's drama programmes continue to stand out from those on other channels in terms of their appeal to young audiences. Viewers aged 16-34 accounted for 42% of all viewing to peak-time drama originations on Channel 4 in 2011 (one percentage point higher than in 2010). This is substantially higher than the corresponding proportions for the other main PSB channels.

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

2011	17	BBC One
2010	17	BBC One
2011	9	BBC Two
2010	11	BBC Two
2011	13	ITV1
2010	13	ITV1
2011	42	Channel 4
2010	41	Channel 4
2011	7	Channel 5
2010	7	Channel 5

Source: BARB

### Audience impact

**42%** of viewing to originated drama programmes on Channel 4 between 6 pm and midnight accounted for by 16-34 year olds

**1pt** on last year

## SUBMARINE

Mike Leigh meets Jean-Luc Godard in this quirky, touching coming-of-age comedy from first-time director Richard Ayoade who made his name as a star of Channel 4's *The IT Crowd*

- Shot in Swansea and funded by the Film Agency for Wales, Film4, the UK Film Council and the Wales Creative IP Fund
- Positive word-of-mouth following release led to distributors doubling its number of screens
- Won the British Independent Film Award for Best Screenplay
- BIFA best newcomer nominations for stars Craig Roberts and Yasmin Paige
- BAFTA nomination for outstanding debut

- Distinctive 
- Partnership 
- Nurture talent 

**'Submarine feels like the most refreshing, urgent and original debut the British film industry has seen in years'**

The Daily Telegraph

## FRESH MEAT

A break-out comedy hit about the chaotic lives of a group of students, starring a mix of new talent and well-known Channel 4 faces

- A return to Channel 4 for Joe Thomas (*The Inbetweeners*) and Jack Whitehall (*Stand Up for the Week*)
- New faces including Zawe Ashton and Charlotte Ritchie
- Team of writers led by *Peep Show* creators Sam Bain and Jesse Armstrong
- Regional production with Objective and Lime
- 84% of viewers surveyed said it was original and different
- Back for a second series in 2012

**'It has hit written all over it'**

The Sunday Times on *Fresh Meat*

Nurture talent 



Submarine



Misfits



Tyrannosaur



Fresh Meat

## The PROMISE

Award-winning 4-part drama series by Peter Kosminsky – a love-story played out in the brutal political context of present-day Israel and 1940s Palestine

- Nominated for best drama BAFTA
- Research showed that 71% strongly agreed that the series was thought-provoking and 67% agreed it increased their interest in contemporary issues concerning Israel-Palestine
- Nearly 2/3 of viewers surveyed felt it was balanced in telling both sides of the story
- Won Best Drama award at The One World Media Awards

- Alternative views 
- Stimulate debate 
- Educational 
- Nurture talent 

## ATTACK the BLOCK

A funny but genuinely terrifying film set on a South London housing estate. The directorial debut of Joe Cornish – originally a Channel 4 presenter

- A cult box office hit with international acclaim
- BIFA Best Newcomer Nomination for star John Boyega, who has gone on to star in Spike Lee's new HBO series
- Winner of South by South West Audience Award
- BAFTA nomination for outstanding debut

- Distinctive 
- Nurture talent 
- Cultural diversity 

## 'Gets to the messy heart of Arab-Israeli politics'

The Guardian

### Big issues

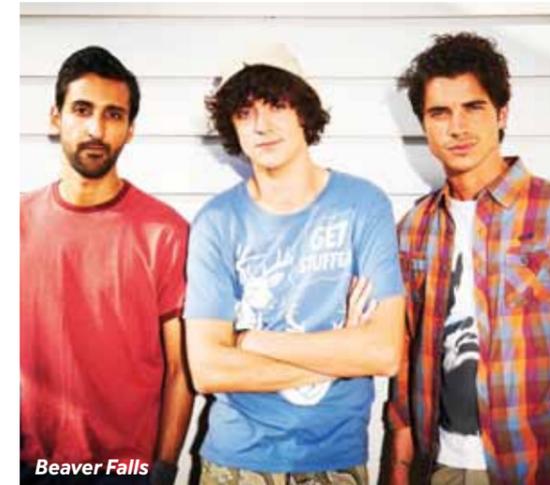
Always attracted to difficult or sensitive subjects, Peter Kosminsky wrote and directed *The Promise*, a remarkable and powerful love story, based on real-life testimony, played out over six decades against the tortured backdrop of the conflict between Israel and Palestine. Closer to home, *Top Boy* delved beyond the headlines of inner-city violence to provide an honest and convincing view of urban gang culture. *Random* looked at a day in the life of a black family whose lives are turned upside down by the fatal stabbing of their son, while *Tyrannosaur* provided a harrowing portrayal of domestic abuse – winning Paddy Considine a BAFTA for Outstanding Debut and its star Olivia Colman an Evening Standard Award for Best Actress, as well as sweeping the board at the BIFAs. Channel 4's long-running soap, *Hollyoaks*, continued its impressive track-record of addressing controversial topics, with storylines in 2011 that included internet safety and rape. Our audience research tells us that 4 in 5 viewers believe '*Hollyoaks* is good at tackling difficult issues'.

### Comic moments

We balanced this menu of serious dramas with a good spread of humour. A particular ambition in 2011 was to find new dramas with a comic edge that could sit alongside such long-running favourites as *Shameless*. In a notoriously difficult area, we were pleased with the results. *Fresh Meat* featured new and established talent, both on and off-screen, exposing the sometimes painful but always hilarious realities of student life. Kayvan Novak, the creator of *Fonejacker*, starred in a six-part comedy-drama about a team of world-weary paramedics, *Sirens* – based on the real-life diaries of an ambulance driver. And excruciating comedy propelled *The Inbetweeners Movie* to comedy box office highs, while Welsh coming of age movie *Submarine* and the adaptation of the hit novel *One Day* offered different but equally distinctive takes on romantic comedy.



The Promise



Beaver Falls



Sirens



This is England '88



Wuthering Heights

## FILM4 CHANNEL

- Attracted its highest audience share ever – up by 18%
- 9 films pulled in audiences over 1 million – more than ever before
- British films made up nearly a quarter of the total number of films shown
- Premieres for British hits such as Gareth Edward's low-budget sci-fi thriller *Monsters* and Chris Morris' *Four Lions*
- 'British Connection' season showed a selection of British classics and undiscovered gems, alongside exclusive interviews with UK film-makers
- Showcase for international cinema, with dedicated seasons on Australia, Japan and the Swedish master Ingmar Bergman
- Showed films spotlighted in More4 series *The Story of Film*, including rarely-seen international classics from the likes of Brazil and Senegal

Alternative views 

### Film appreciation

On television and online, Channel 4 showcased films audiences rarely get a chance to see. The Film4 channel had its best ever year, with audience share at a record high. It continued to bring audiences the best of British and international cinema through dedicated seasons and premieres – with non-US content accounting for 40% of the channel's output. Mark Cousins' landmark 15-part More4 series *The Story of Film: An Odyssey* gave film fans a world-wide tour of the greatest movies ever made. To complement the series, Film4 screened some of the little-known films featured, from the silent *Orphans of the Storm* through to major contemporary work such as the Romanian film *The Death of Mr Lazarescu*. Elsewhere, Film4.com featured reviews of the latest releases alongside exclusive interviews with film-makers, and on-demand service Film4oD expanded its library.

### Connecting with young audiences

E4 enhanced its reputation for distinctive and edgy teen drama series in 2011. Hit shows such as *Misfits* and *Skins* were refreshed with new cast members, while a new series, *Beaver Falls*, generated significant buzz online. *Fresh Meat* and *Top Boy* helped Channel 4 to re-connect younger audiences with drama on the main channel, Film4's *Attack the Block* became a cult sensation with young audiences, both here and in the US, while of course *The Inbetweeners Movie* was the teen hit of the year.

**'Channel 4 didn't flinch at the difficult subject matter... it was one of the most creatively satisfying experiences I have had'**

Ronan Bennett, Writer, *Top Boy*

**67%**

of viewers surveyed said *The Promise* increased their interest in Israel-Palestine issues

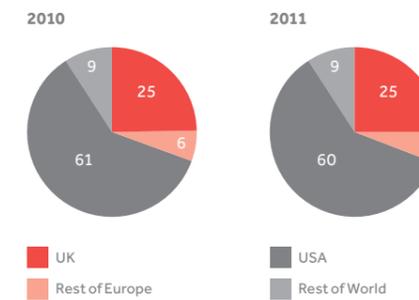
### Stories across platforms

Digital media allowed new ways for dramas to engage audiences, especially early-adopting teens. *Hollyoaks* invited fans to interact with its characters via their Twitter and Facebook profiles. E4 series *Misfits* created an exclusive online episode to say goodbye to central character Nathan, as well as introducing his replacement. We also launched a *Misfits* mobile game, in which players could swap superpowers, complete tasks and earn points to help them unlock an exclusive story. The game was downloaded more than 125,000 times in the first two months after launch. Film4 launched its first multiplatform film commission, with an acclaimed interactive experience combining gaming elements, photography and interweaved narrative to support *Dreams of a Life*. We also launched a new digital unit, Film4.o, with a dedicated commissioner, who will encourage film-makers to integrate multi-platform opportunities into their work.

### Diversity of Film4 channel schedule

Alongside popular American movies, the Film4 channel continues to showcase a diverse range of films from the UK and around the world. British films made up 25% of the Film4 channel schedule in 2011 (as in 2010). These and other non-US titles accounted for 40% of the output overall, up 1 percentage point year-on-year.

Percentage of output on Film4 channel by region of origin



Source: Channel 4  
Rounding differences may occur

Alternative views 

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

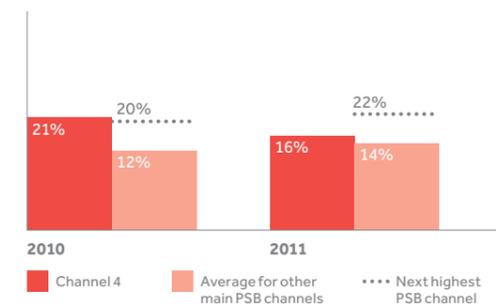
**1pt** on last year

### Channel reputations

People who believed Channel 4 is the channel to which the following statement most applies...

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

In 2011, Channel 4 was chosen by 16% of respondents for being best for drama programmes that are different from other channels. While this was 2 percentage points higher than the average of the other main PSB channels, Channel 4 lost its lead in 2011 to BBC1. Our fall reflects strong performances in drama across the year for the BBC. In particular, the proportion choosing BBC Two – which benefited from an increased drama budget in 2011 – rose by almost 4 percentage points.



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

Distinctive 

**2pt lead** over average for other channels for being best for drama programmes that are different from other channels

**6pts** on last year



# FACTUAL

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**£141m**

Factual spend on originations  
and acquisitions broadcast in 2011

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**2011 ambitions:**

- Reveal intimate insights into modern life
- More science and arts
- Increase contemporary resonance
- Reflect diverse communities
- Bring dynamic and unconventional approaches to topics
- Continue to inspire audiences to take action
- Develop online projects that can add real value

**Factual programming, always at the heart of the Channel 4 schedule, enjoyed significant new investment following the end of *Big Brother*. Our ambition in this genre is to explore issues that have a direct impact on people's lives – and to do so in a way that not only informs, but surprises and inspires them too. Our joined up approach to commissioning means that digital platforms can provide viewers with new experiences and allow them to dig further and deeper. It is heartening how often viewers tell us that we have, indeed, taught them something new, challenged their perceptions, changed their views – and sometimes changed their habits and behaviours as well.**

## 64%

of viewers to *Fighting on the Frontline* surveyed said it gave them an insight into the armed forces they had never had before

### Agents for change

Our series in 2011 demonstrated well the real power of television. Programmes raised the profile of issues and we equipped viewers with the knowledge to campaign for real change – leading to tangible changes in government policy as well as consumer choices. Hugh Fearnley-Whittingstall's *Fish Fight* captured the public's imagination with its campaign on fish discards, changing opinion in both Westminster and Brussels, altering the way fish is sourced, sold and bought in this country and, ultimately, contributing to legislative change expected to come in force by 2013. Led by George Clarke, *The Great British Property Scandal* pushed the issue of empty homes right up the political agenda and triggered enough of a public response to command the attention of government ministers. These programmes highlight Channel 4's ability to connect viewers with big issues and this is a theme we will be pursuing more prominently in 2012. Elsewhere, Mary Portas challenged retailers to improve customer services, and *The People's Supermarket* series chronicled the struggles and successes of a fledgling community-owned supermarket. According to our audience research, almost half of viewers of *Superscrimpers: Waste Not Want Not* said the programme made them think about changing something in their own life. A swathe of programmes challenged viewers on issues of health. *The Food Hospital* asked whether changing your diet could save your life, and invited audiences to participate in ground-breaking online food trials conducted in consultation with a British university. And the online 'symptom checker' tools to support our ground-breaking medical show *Live From The Clinic* potentially saved the NHS hundreds of thousands of pounds. *My Healthchecker*, an online tool which allows users to test themselves for numerous medical conditions, generated 4 million self-tests across the year.

**'Channel 4 have put more money into factual programmes this year and boy, does it show.'**

Radio Times

# STREET SUMMER

A series of arts programmes exploring contemporary urban culture and showcasing British talent across street dance, urban sport, street art, graffiti, spoken word and hip hop

- Showed a positive side of urban culture just as the 2011 riots exploded
- New and diverse talent, with commissions for a number of ethnically diverse indies including Hey Buddy, Acme, Clover Films, Greenacre and Cinnamon
- Young-skewing audience profile – almost every title attracted higher than average numbers of 16–34 year olds
- The season reached nearly 7 million people and 15.3% of all 16–34's (who viewed for a minimum of 10 minutes)
- Very positive reaction on social media – one tweet hailed it as "one of the best nights in TV history. Well done Channel 4"

- Cultural diversity
- Distinctive
- Innovate

# 24 HOURS in A&E

Documentary series filmed in the A&E department of a major city hospital – showing the triumphs and tragedies of working life for emergency room doctors and nurses

- Nearly three quarters of viewers surveyed agree that the programme gave a level of insight into the profession that they had never had before
- 71% felt the programme gave them a more positive impression of the profession
- 2 in 5 agreed that the programme challenged their perceptions of the profession

- Stimulate debate
- Distinctive
- Educational

# RANDOM ACTS

A strand of original artist-made short films spanning spoken word, dance, animation, fashion photography, video art and music

- 260 specially commissioned films will be shown across the life of the strand, from late 2011 into 2012
- A platform for some of the most imaginative young talent in the UK including Turner Prize nominees George Shaw and Hilary Lloyd, musicians Pepstar and Clean Bandit and the BalletBoyz dancers
- New artists discovered through collaborations with Dazed & Confused, Vice, Tate Media, Lupus Animation, The Saatchi Gallery, Frieze, Film London and the Jarman Awards
- Supporting online gallery provides an extensive archive of visual art – designed to grow with the project

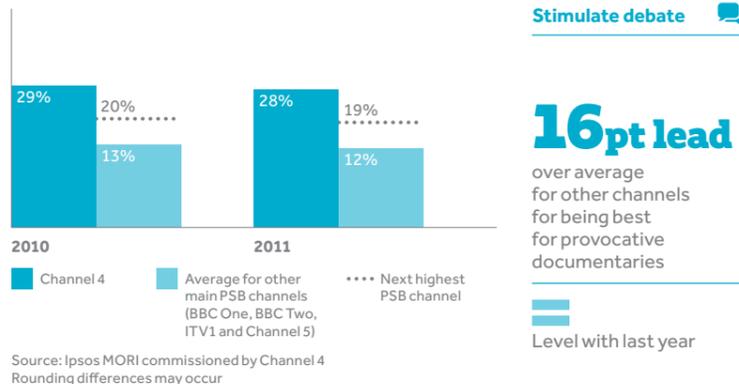
- Digital
- Innovate
- Distinctive
- Nurture talent

## Channel reputations

People who believed Channel 4 is the channel to which the following statement most applies...

### Is best for provocative documentaries

Channel 4's documentaries maintained their reputation for being provocative in 2011. 28% of respondents believed Channel 4 to be best for provocative documentaries, a 16 point lead over the average for the other main PSB channels. Although the proportion of respondents choosing Channel 4 fell marginally in 2011, its lead over the next highest channel (BBC One in 2011, BBC Two in 2010) rose by 1 percentage point.



# JAMIE'S DREAM SCHOOL

Series following Jamie Oliver as he brought together inspirational figures (from David Starkey to Jazzy B) to try to persuade 20 young people, with just a handful of qualifications between them, to give education a second chance

- Members of the House of Commons Education Select Committee met with teachers and students from the programme in a one-off public session
- Producers state that all 20 students went back to some form of education, training or paid work (as of September 2011)
- Changed views of teaching:
  - 7 in 10 viewers surveyed agreed that the series made them think about the challenges facing teachers 'in a different way'
  - 68% of viewers surveyed agreed it showed issues around teaching and education in a new light
- Three quarters of viewers surveyed agreed that the programme made them realise how important it is to inspire young people
- Ran Dream Teachers Award to celebrate the UK's most inspirational teachers. Seven teachers each won up to £10,000 worth of prizes for them and their schools
- Channel 4 and YouTube launched 'Britain's Dream Teachers' channel for teachers to share their videos about the toughest topics at GCSE and Standard Grade

Inspire change 

Stimulate debate 

## Celebrating difference and challenging prejudice

In 2011, we set out to strengthen our reputation for reflecting the lives of communities outside the mainstream – with powerful results. We tackled myths and exposed prejudices by letting viewers see other people and other communities for who they really are and how they really live. Audience responses were encouraging: 47% of those polled said *Katie My Beautiful Friends* changed the way they thought about people with facial disfigurements, and the same percentage of viewers to *Beauty & The Beast: The Ugly Face of Prejudice* said the series made them think differently about beauty. 72% of viewers to *Seven Dwarves* said the programme had given them interesting insights into dwarfism. We were particularly successful at mainstreaming and normalising disability – 71% of *Seven Dwarves*' viewers surveyed strongly agreed that dwarves are just like everyone else. Some programmes were more controversial. *Big Fat Gypsy Weddings* triggered widespread debate, but succeeded in challenging our viewers – 79% of those polled agreed it had taught them something new about the gypsy and traveller communities.

## Catching the zeitgeist

Our factual content succeeded in capturing, reflecting, and sometimes even shaping the national agenda in 2011 as we sought to make Channel 4 feel more connected to the events of the wider world. We brought an alternative perspective to big issues of the day and sparked genuine, considered debate – whether it was the timely celebration of urban culture in our *Street Summer* season, providing a much-needed counterbalance to the reaction that followed the summer riots, or the debates on education policy that were inspired by *Jamie's Dream School* and *Educating Essex*. We also sought to link our history and science output more closely to contemporary events – attracting big audiences to single films such as *The Real Kings Speech* and *Japan's Tsunami*.

## Professional Britain

Our fixed-camera series continued to provide fascinating, candid insights into life in contemporary Britain, in a format that is by its nature highly revealing and unmediated. We explored life on the frontline of today's public services, enhancing viewers' understanding of professions such as teaching and the armed forces. 71% of viewers polled thought our hospital series *24 Hours in A&E* showed them the very best of the medical profession, and research on *Educating Essex* showed that viewers thought it portrayed teachers as caring, compassionate and patient. *The Hotel* gave a comic, truthful insight into the changing demographics of Britain's labour force, and the award-winning *One Born Every Minute* returned with another series documenting the highs and lows of child-birth.



Educating Essex



Katie My Beautiful Friends



Brave New World



Mary Portas



Jamie's Dream School



Fighting on the Front Line

# SEVEN DWARVES

Funny and moving look at the lives of seven people with different forms of dwarfism as they perform together in a Christmas pantomime

- Reached over 27% of the population, with nearly 16 million people having watched at least part of the series
- A hit with 16–34 year olds (above average 13% share amongst 16–34s across the series)
- Programme got audiences talking – with 44% of viewers surveyed reported having discussed the programme with others
- Changed attitudes to dwarfism
  - 74% of viewers polled didn't know any dwarves – 72% felt they gained an 'interesting insight into dwarfism'
  - 71% strongly agree that the programme showed that dwarves are just like everyone else

[Cultural diversity](#)

[Alternative views](#)

## Shaking up conventions

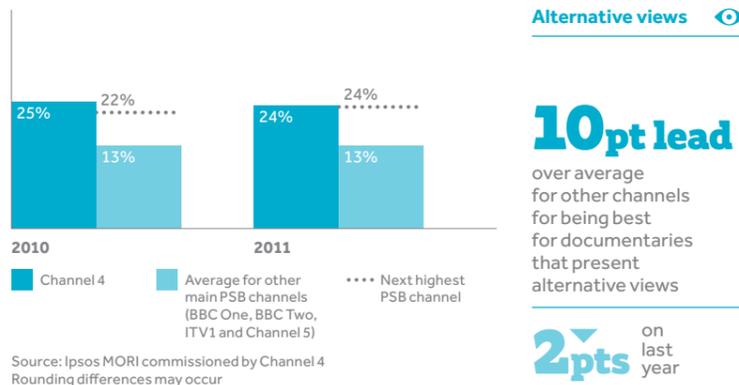
Factual programmes in such areas as the arts, history and science are important parts of the traditional bedrock of public service television. But the last thing we want is for them to feel old-fashioned. In 2011 this meant, amongst other changes, a resurgent slate of arts content: *Random Acts* commissioned established artists and emerging talent to create their own short-form pieces. The strand is the only place on terrestrial television to have bespoke arts content on 5 nights a week, ranging from new animation to beat box performance. The *Street Summer* season showcased performance and art that lives and breathes on the streets. We launched new formats for architecture and design, all with brand new presenting talent: *The Secret Life of Buildings* examined the personal impact buildings can have on us, and *Four Rooms* brought an exciting new approach to the world of antiques and collectables. In science, *Brave New World with Stephen Hawking* looked at the scientific breakthroughs that are transforming our lives in the 21st century. Single films such as *Mummifying Alan* and *Hippo: Nature's Wild Feast* continued Channel 4's tradition of bringing science, history and the natural world to life in ambitious and innovative experiments – with *Mummifying Alan*, in which a team of scientists oversaw the successful mummification of a British donor's body, attracting an audience of 2.3 million people. 94% of viewers polled said the programme was original and different. And we commissioned projects whose value extends well beyond their transmission date; for *Rome Wasn't Built In A Day* we built an authentic Roman villa that is now open to the public for educational visits.

## Channel reputations

People who believed Channel 4 is the channel to which the following statement most applies...

### Is best for documentaries that present alternative views

In 2011, Channel 4 shared a leading reputation for documentaries presenting alternative views with BBC Two. 24% of respondents selected Channel 4 as being best for documentaries that present alternative views, a 10 point lead over the average for the other main PSB channels. While the proportion choosing Channel 4 fell by only 1 percentage point in 2011, BBC Two's 2-point increase put it in joint first place alongside Channel 4.



## Supporting documentary film-makers

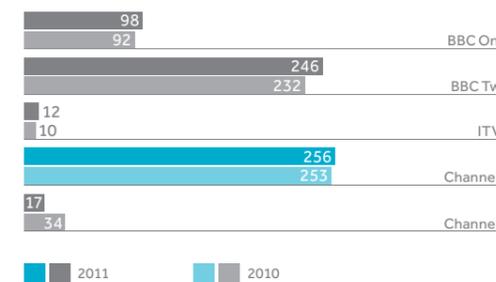
Some years ago, conscious of the need to sustain the supply of high quality documentaries on network television, Channel 4 sponsored the birth of the Channel 4 BRITDOC Foundation. In 2011, we increased our funding by a third, as well as screening many of their most compelling films. These included the Oscar-nominated *Hell and Back Again*, the story of a 25-year-old US marine on the ground and on his return from war. The *True Stories* strand continued to showcase the best of international documentary, with *Catfish*, a disturbing film about the dangers of social networking, attracting a record audience for the strand. Nick Broomfield returned to Channel 4 with an acclaimed polemic on Sarah Palin, and we commemorated the anniversary of the death of fashion designer Alexander McQueen, in the revealing film *McQueen and I*. Our *Cutting Edge* strand continued to provide a platform for surprising stories about contemporary Britain, while *First Cut* gave 16 emerging film directors their first exposure on a national network.

### Programmes covering leisure, life-skills and hobbies

The main channel showed 256 hours of originations in these genres between 6 pm and midnight in 2011, more than the amount on any of the other main PSB channels (and 1% up on 2010).

Channel 4 and BBC Two together dominate output in these genres, but their approaches are different. Channel 4 seeks to refresh its output frequently: the average age (since the first series) of its leisure, life-skills and hobbies programmes was four years, compared to 11 years for those on BBC Two.

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



Source: Attentional commissioned by Channel 4

### Educational

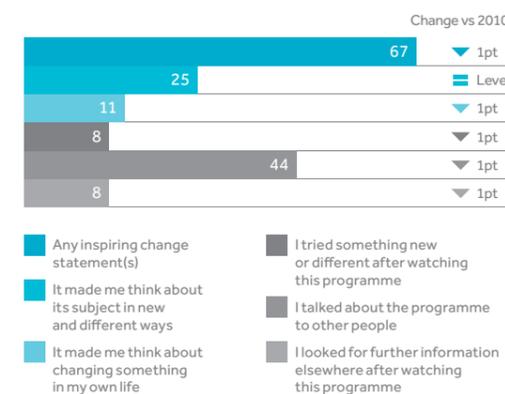
**256hrs** of programmes covering leisure interests, life-skills and hobbies shown on Channel 4 between 6 pm and midnight

**1%** on last year

### Inspiring change through factual programming

Channel 4's factual programmes inspired 67% of respondents to think differently, consider changing something in their lives, try something new, seek more information, or talk about the programme to others. The most inspiring programme in 2011 was *Beauty and the Beast: Ugly Face of Prejudice*, which inspired change in 84% of respondents' lives. The proportion of inspiring factual programmes fell slightly in 2011, by 1 percentage point.

Percentage of viewers who said that Channel 4's factual programmes inspired change in their lives (2011)



Source: Ipsos MORI commissioned by Channel 4

### Inspire change

**67%** of viewers said that Channel 4's factual programmes inspired change in their lives

**1pt** on last year

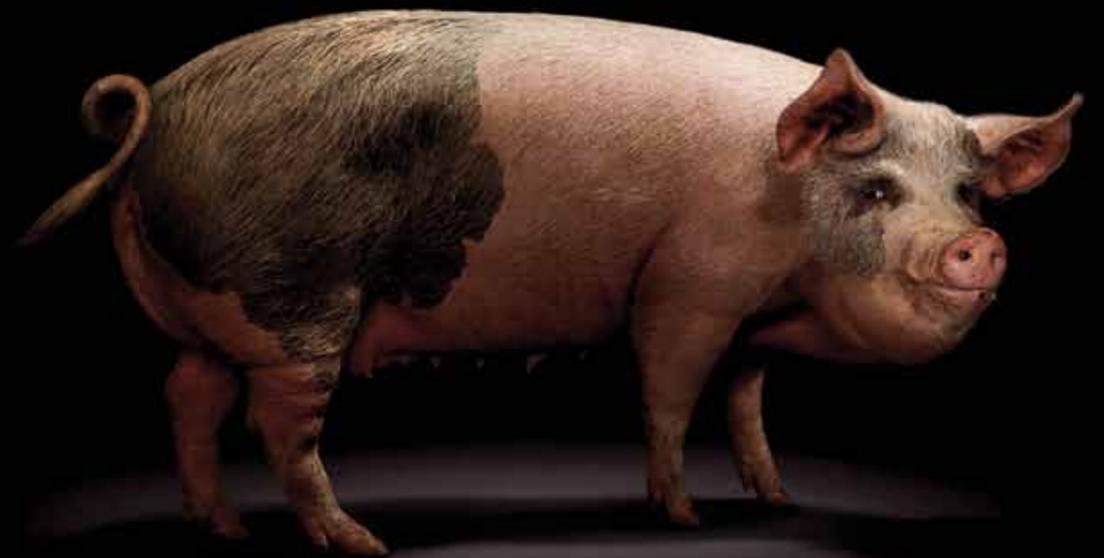
# COMEDY & ENTERTAINMENT

**£163m**

Comedy & entertainment spend  
on originations and acquisitions  
broadcast in 2011

**2011 ambitions:**

- Build reputation for distinctive shows
- Expand volume and range of series
- Launch new titles
- Create more live experiences
- Identify new faces and explore new opportunities for existing talent
- Boost audience interactions online



**It's an old truism that comedy is no laughing matter. Developing new formats and new talent is an inherently risky business and in 2011 we did a lot of both. Not only did we increase the hours we devoted to comedy – up 43% on 2010 – but we launched an array of new sitcoms, sketch shows and, most of all, satire. In the wider field of entertainment, the money freed up by the end of *Big Brother* meant there was an opportunity for greater experimentation, as we looked for new projects that would get people talking and interacting with our content.**

**'Channel 4's comedy output has been on a roll for the past two years'**

The Times

**92%**

of viewers surveyed thought *Black Mirror* was original and different

#### A home for satire

In a landscape where satirical programmes are few and far between, we did it in spades, as we set out to challenge, provoke and unsettle viewers. In this respect, it was difficult to improve on Charlie Brooker's dystopian *Black Mirror*, which tapped into unease about the modern world, with three darkly comic dramas daring us to rethink our relationship with technology (and pigs!). The series provoked strong reactions and widespread comment and analysis. *10 O'Clock Live* brought a host of Channel 4 talent together to give a light-hearted, but formidably well-informed, approach to current affairs – debating and parodying topics from tuition fees to the monarchy. While the series did not attract big audiences, it resonated strongly with young viewers and will be returning in a tweaked format in 2012 – an example of Channel 4 holding its nerve and allowing formats the space to develop. In a *Comic Strip* special, *The Hunt for Tony Blair* featured a cast of established comedy faces, as well as rising stars, and saw the former Prime Minister go on the run, wanted for murder.

#### Destination television

In a world of competing leisure priorities, it is more important than ever that we make TV feel unmissable. We worked to recapture Friday night as a destination for young audiences, resulting in a July peak in Channel 4's reputation on our audience tracker for 'best channel for Friday nights' among 16–34 year olds. We also experimented with stripping series across a week, and creating themed evenings around particular comics, with a Peter Kay night in December, which attracted an average audience of more than 3 million viewers, and a Lee Evans Night to celebrate his long-standing relationship with Channel 4. We built up the buzz around key events; launching a series of programmes to pave the way for Channel 4's hosting of the *British Comedy Awards* for the first time ever in January, which attracted almost 3 million viewers. And we increasingly used online elements not only to offer follow-up material for TV programmes, but also to enhance engagement alongside them and to build momentum beforehand. Online platforms reinforced and enriched the live experience, with social media and play-along games enabling audiences to interact with programmes as they happen. *Million Pound Drop* continued to lead the way here, winning a BAFTA for digital creativity. We built on this reputation as industry leaders in interactive game play by launching an online game in December for the 2012 show *The Bank Job*, to build awareness and cast contestants for the programme. The game generated 1.8 million plays in 10 days, a full month before the programme was on-air. We will invest in more live 'event' programming, and interactive formats around them, in 2012.

# BLACK MIRROR

Dark and thought-provoking satire on UK society and its increasingly fraught relationship with technology

- Research found that 92% of viewers polled thought it was original and different
- One of Channel 4's most talked about programmes of the year, particularly amongst 16-34 year olds
- Acclaimed by critics and across social media
- A hit on 4oD – with more than 1 million views across the series
- Written by Channel 4 regular Charlie Brooker (*11 O'Clock Show*, *Dead Set*)

- Stimulate debate
- Distinctive
- Nurture talent

**'A dementedly brilliant idea. The satire was so audacious, it left me open-mouthed and squealing'**

The Telegraph on *Black Mirror*

### Developing new brands

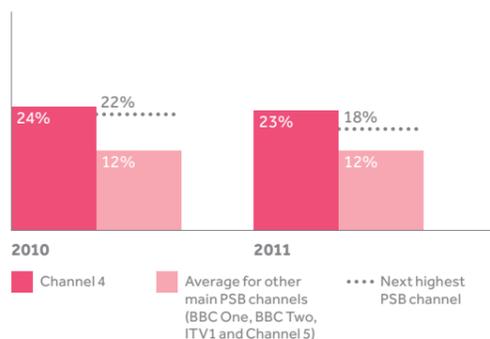
With all the space left by *Big Brother*, we were able to pack the comedy and entertainment slate for 2011 with fresh commissions and experiments, as we looked to build the next generation of hits. We piloted diverse ideas through the *Comedy Showcase* season, from an all-female cast in *Coma Girl* to surreal new flavours like *Milton Jones' House of Rooms*. A brand new scripted comedy *Friday Night Dinner* was our most successful comedy launch for seven years, and will be returning for a new series in 2012. *Pete Vs Life* and *PhoneShop* came back for their second series, while *Facejacker* was the only UK comedy nominated for an international Emmy. We continued to invest in home-grown entertainment commissions on E4, with series such as *Tool Academy*, *Made In Chelsea* and *Desperate Scousewives* maintaining our reputation for talked about television – the latter introducing the phrase 'scouse brow' to the nation! And we extensively piloted shows for launch in 2012 – including comic duos Cardinal Burns and *Midnight Beast*. This is all part of the endless experimentation needed to find stand-out programmes and talent that can return year after year.

### Channel reputations

People who believed Channel 4 is the channel to which the following statement most applies...

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

Channel 4's entertainment shows maintained their reputation for distinctiveness in 2011. 23% of respondents cited Channel 4 as being 'best for entertainment programmes you wouldn't see on other channels', 12 points ahead of the average for the other main PSB channels. While the proportion selecting Channel 4 fell slightly (by 1 percentage point) in 2011, its lead over the next highest channel, ITV1, increased by 4 points.



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

Distinctive

### 12pt lead

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

Level with last year

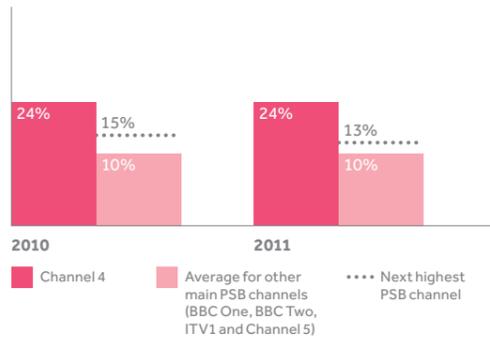


### Channel reputations

People who believed Channel 4 is the channel to which the following statement most applies...

#### Is best for cult comedy

Channel 4 reinforced its reputation for cult comedy in 2011. 24% of respondents selected it as the channel which is best for cult comedy, 14 points more than the average for the other main PSB channels. Channel 4's lead over the next highest channel (which was BBC One in 2011 and BBC Two in 2010) increased by 1 percentage point.



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

Distinctive

**14pt lead**

over average for other channels for being best for cult comedy

Level with last year



10 O'Clock Live

## 10 O'CLOCK LIVE

An ambitious live show combining current affairs and comedy – aimed at getting news out to young audiences in an engaging and entertaining way

- 77% of viewers polled found it to be different from other current affairs programming
- 61% of those polled found the subject matter accessible
- Attracted almost twice the overall audience and four times as many 16–34 year olds as *Newsnight*
- Featured interviews with key public figures and brought little-known stories into the open: such as the British PR companies hired to project positive images of dictators, or the Prime Minister's waiver of immigration rules for the super-rich
- Attracted more young viewers than any of the main terrestrial news bulletins

- Educational
- Nurture talent
- Stimulate debate

## COMEDY BLAPS

The latest in Channel 4's long history of providing test beds for fresh talent

- Builds on the success of *Comedy Labs* and *Comedy Showcases*
- More than 500 companies from all over the UK and Ireland applied for 8 slots
- Available on YouTube and Vimeo as well as channel4.com
- First slate of blaps generated more than 1 million views
- Already led to television crossover; Dublin-based company Sideline have been commissioned to expand *The Rubberbandits* blap into a pilot show – their first ever network commission

Digital   
Nurture talent

## MADE IN CHELSEA

A joyfully light – and hugely popular – entertainment show featuring a cast of glamorous real people

- One of Channel 4's most talked about programmes on Twitter, trending worldwide
- More than half of the audience was aged 16–34 across series 1 and 2
- Series 2 introduced a new online element with live video webchats
- A first for E4.com, users were given the opportunity to watch cast members take questions from Twitter and Facebook and enjoy exclusive preview clips
- The series was re-commissioned for a second series, a Christmas special and a third series in 2012

Digital

## 'Intelligent and funny'

Metro on 10 O'Clock Live



Comedy Blaps: The Rubberbandits



Alan Carr



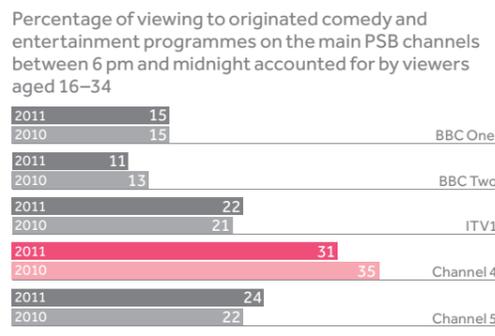
Made in Chelsea

# 'An instant TV guilty pleasure'

The Daily Telegraph on *Made in Chelsea*

## Comedy and entertainment viewing by young audiences

The irreverent tone and approach of Channel 4's comedy and entertainment programmes make them particularly appealing to young audiences. 31% of viewing to comedy and entertainment originations shown in peak-time on the main channel in 2011 was accounted for by viewers aged 16–34. While this was 3 percentage points down year-on-year, it was still 8 points higher than the corresponding figure for the next highest-scoring PSB channel, Channel 5.



Source: BARB  
Rounding differences may occur

## Audience impact

**31%** of viewing to originated comedy and entertainment programmes on Channel 4 between 6pm and midnight accounted for by viewers aged 16–34

**3pts** on last year

## Next generation of comic stars

If you see a successful comedian on British television, the chances are they had their first break on Channel 4. Part of our enduring role has been to unearth and nurture new comic stars, and we did it in new ways in 2011 with the launch of *Comedy Blaps*, an online showcase for new writers, performers and animators. This has already led to a full Channel 4 pilot for an Irish duo *The Rubberbandits* and is a great example of the way we are successfully bringing together our television and online commissioning. *Stand Up For The Week* continued to flourish as the only strand dedicated to up and coming stand-up comedians, and our *Comedy Showcase* series of pilots strand demonstrated the talents of rising British stars. One of these, *The Angelos Epithemiou Show*, has been commissioned for a full-length series for 2012.

# FRIDAY NIGHT DINNER

A very non-kosher sitcom about an idiosyncratic Jewish family

- Written by Robert Popper, who previously worked on Channel 4 shows including *Peep Show* and *The Inbetweeners*
- Featuring a cast of established Channel 4 stars – including Simon Bird (*The Inbetweeners*), Tamsin Greig (*Green Wing*) and Mark Heap (*Spaced*).
- Nominated for four British Comedy Awards – more than any other series
- Audiences peaked at nearly 2.7 million viewers.
- A US version is already in the making

## Nurture talent

## Online engagement with Channel 4's comedy and entertainment content

Across all programme genres, the reported conversion rate from TV viewing to online visits fell in 2011. This reflects a change made to Channel 4's website infrastructure in 2011, which now directs users first to the 4oD site (such visits are excluded from the data in this metric even if the user also engaged with the programme support material, see methodology document).

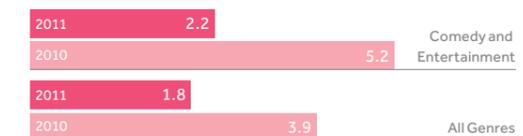
TV-to-web conversion rates for comedy and entertainment programmes was 20% above the all-genres figure in 2011 with *The Inbetweeners* performing especially well (30% conversion). However, this uplift relative to other genres fell in 2011 (it was 36% above the all-genres figure in 2010), as Channel 4 focused its online resources on fewer priority projects, with its comedy spend devoted primarily to *Comedy Blaps*, which did not have a TV component.

Channel 4 also encouraged popular and well-known faces to try out something new. Jimmy Carr, Charlie Brooker and David Mitchell tackled politics in *10 O'Clock Live*. Derren Brown ventured into psychological testing with *The Experiments*. And *The Inbetweeners* became a ubiquitous and uniquely Channel 4 success story by growing from a modest E4 show to become the biggest British-funded comedy feature film of all time, taking a staggering £45 million at the box office and selling over 2 million DVDs at Christmas. Its stars continued their fruitful relationship across other projects, as Simon Bird also featured in *Friday Night Dinner* and *Chickens*, together with fellow *Inbetweeners* Joe Thomas who, in turn, joined the cast of the student drama *Fresh Meat*, alongside Channel 4 panel show regular Jack Whitehall.

# 'Friday Night Dinner gets funnier by the week'

## Time Out

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



Source: Channel 4  
Rounding differences may occur

## Digital

**2.2%** average conversion from TV to online across comedy and entertainment programmes on Channel 4

**58%** on last year

# SPOTLIGHTS 2011

# SRI LANKA'S KILLING FIELDS

*Sri Lanka's Killing Fields* was investigative journalism at its most powerful. Including disturbing footage captured on mobile phones, some of it by Tamil Tigers under attack, and some by government soldiers as souvenirs of war, the programme investigated the final weeks of a civil war fought between the government of Sri Lanka and a secessionist army, the Tamil Tigers.

It was watched by over a million viewers in the UK, and had impact at the highest levels of government, with David Cameron and Alistair Burt supporting calls for an independent investigation into its allegations. The film made a compelling case for war crimes investigation and prosecution, according to experts in human rights law, including Gordon Weiss (former UN spokesperson in Sri Lanka) and Steve Crawshaw (Amnesty International Advocacy Director).

The illustration opposite sets out more detail about the programme – including the fact that it was widely viewed outside the UK and at the highest political levels.

- Alternative views 
- Stimulate debate 
- Inspire change 



# HUGH'S FISH FIGHT

Hugh's Fish Fight changed viewers' behaviour and had a huge impact in 2011. In the programmes, Chef Hugh Fearnley-Whittingstall posed the question why more than 50% of fish caught in the North Sea are thrown back dead, and why so little of the UK's catch is used in local supermarkets. He also explored supermarket claims that their fish was responsibly sourced or sustainable.

The series provided powerful evidence of television's ability to enthuse and engage viewers and to bring about real change. Hundreds of thousands signed up to Hugh's anti-discard campaign. There was a shift in eating habits and sales of sustainably caught fish rocketed. Even more significantly, there will be a change in European fishing policy, with new laws on discards planned to come into effect in January 2013.

In the illustration opposite you can follow the impact of the campaign from the signing of the petition through to the proposed change in the law.

- Stimulate debate 
- Inspire change 
- Educational 
- Digital 



# TOP BOY

*Top Boy* was a powerful drama – by turns frightening, sad, hopeful and thrilling. Written by Ronan Bennett and directed by Yann Demange, it brought together a highly talented ensemble cast of young actors. Its subject matter, the lives of marginalised young men on an estate in east London, was a revelation to many viewers.

The series appeared on-screen as the country was going through a period of anguished self-examination following the 2011 summer riots. Its timeliness was, however, only part of its impact. The cast was discovered through an extensive search designed to find authentic new talent. The actors chosen were almost entirely unknown and many had direct experience of living on estates like the ones featured.

It was Channel 4 drama at its best: original, thought-provoking and of the moment. More details about the impact of the drama on viewers and the talent uncovered are outlined in the illustration opposite.

Nurture talent	+
Cultural diversity	🌐
Stimulate debate	💬
Distinctive	⚠️
Innovate	🌟



# The INBETWEENERS MOVIE

The *Inbetweeners Movie* was a massive hit in 2011. It quickly became the most successful British comedy film of all time, with £45 million in box office receipts and more than 2 million DVDs sold.

While its box-office success provides a measure of the film's impact, the real pay-back to Channel 4 lay in its solid vindication of the policy of investing in talent for the long term. Written by Iain Morris and Damon Beesley, who were once commissioning editors at Channel 4, *The Inbetweeners* started as an experimental TV comedy on E4 with just 500,000 viewers. Given time to grow, this modest audience expanded to an astonishing 4.2 million viewers by the final episode of the series.

The film was helped to fruition by the Channel 4 comedy commissioning team and Film4's experience and expertise. Ultimately, the success of the film is a fairy-tale climax to a story of solid graft and sustained belief in a great idea.

Have a look at the illustration opposite to learn more about the success of the film.

Nurture talent	†
Distinctive	▲

# the inbetweeners movie



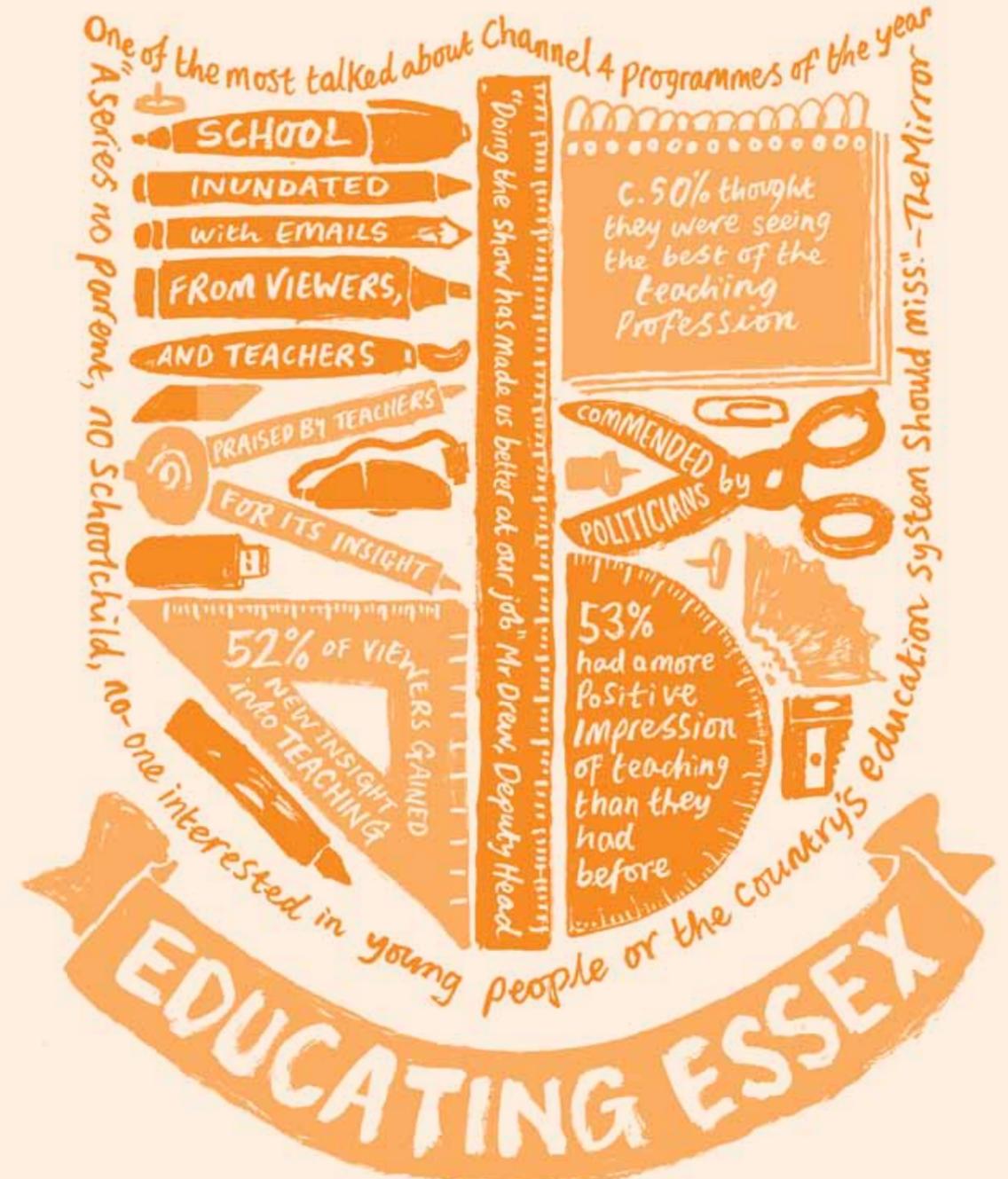
# EDUCATING ESSEX

*Educating Essex* is an example of public service broadcasting given the Channel 4 touch. It was insightful and illuminating about the teaching profession, infused with a humour and warmth that held viewers gripped.

The filmmakers had an unprecedented level of access to the daily life of a school with sixty-two cameras sited around the buildings and playground. The cameras caught hundreds of unaffected moments, giving a new level of insight into the realities of teaching in a secondary school. This way of filming, allowed the filmmakers to pull off a remarkable double by making viewers feel more positive both about teachers and about the unruly teenagers they taught.

The series was watched by an audience of 2.2 million, discussed at a parliamentary level, and critically acclaimed in the national press. Channel 4's audience research, set out in the illustration opposite, shows the extent to which the series succeeded in opening viewers' minds and changing their attitudes to the teaching profession.

- Stimulate debate 
- Alternative views 
- Inspire change 
- Stimulate debate 



# The GREAT BRITISH PROPERTY SCANDAL

The *Great British Property Scandal* was a season of programmes that brought together some of Channel 4's best known faces – Jon Snow, George Clarke, Kevin McCloud and Phil Spencer – to open up the issue of housing and homelessness.

The centrepiece of the series was a programme in which George Clarke examined why so many homes are left empty. In a special *Dispatches* programme, *Landlords from Hell*, Jon Snow looked at the reality of vulnerable families at the mercy of private landlords. In Phil's *Empty Homes Giveaway*, Phil Spencer met people living on the streets and helped them find a roof over their heads. And in a special programme for his *Grand Designs* series, Kevin McCloud explored a long-cherished dream of designing social housing that was not only beautiful, affordable and environmentally sound, but that people actually wanted to live in.

In its first week, 100,000 viewers signed a petition and lobbied the government for changes in the way the country's vast stock of empty homes is managed. The illustration opposite shows further ways in which the season, particularly George Clarke's programme, provided the springboard for a successful campaign.

- Stimulate debate 
- Digital 
- Inspire change 
- Stimulate debate 



# SPOTLIGHTS 2011



# NEWS & CURRENT AFFAIRS

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**£41m**

News & current affairs spend  
on originations and acquisitions  
broadcast in 2011

---

**2011 ambitions:**

- Maintain reputation for investigating stories nobody else would
- Enhance our news and current affairs coverage
- Champion those who struggle to be heard
- Get more in touch with people's everyday concerns
- Continue to use digital to extend depth and range of journalism

**Channel 4 has long been known for some of the UK's most engaging and fearless news and current affairs output. In 2011 this was epitomised by our shocking film *Sri Lanka's Killing Fields*. Elsewhere, we brought a new look to our main news programme and several high-profile journalists joined the team. We encouraged our news presenters to get out of the studio and front major investigative programmes, ensuring our heavyweight journalism is in greater evidence across the schedule. And we made more use of digital platforms and social media to respond to changing patterns of news consumption.**

**'Foreign correspondent Jonathan Miller took big risks – not least of them filming in Syria where foreign journalists are banned – for this shocking investigation'**

The Daily Telegraph on *Syria's Torture Machine*

## 1.5m viewers

9 episodes of *Dispatches* attracted more than 1.5 million viewers in 2011

## Revitalising news coverage

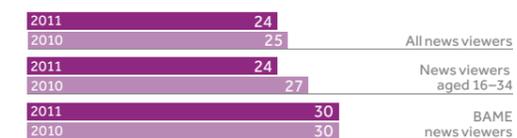
*Channel 4 News* is one of the most consistent drivers of the channel's reputation. With its hour-long format allowing in-depth analysis and discussion of the day's events, and presenters with personality and character, it is one of the most valued programmes on Channel 4. In 2011 we wanted to enhance the programmes values further, so we brought on new main presenters Cathy Newman and Matt Frei, and introduced additional specialist journalists such as Jackie Long to give more clout to our social affairs coverage and Michael Crick to bring a sense of mischief to political reporting. And we focused on providing more analysis of both big global stories and national issues that most directly affect people's lives.

In a year when seismic news stories seemed to break on an almost daily basis, our journalists consistently provided high-quality authoritative reporting. From the tumultuous events of the Arab Spring to the Japanese tsunami and the twists and turns of the phone-hacking scandal, our news team filed exclusive footage and found new angles on the important stories of the day. Our coverage of the summer riots was singled out for praise and nominated for a Royal Television Society award. We led the news agenda with exclusive stories of Mark Duggan's death, as well as comprehensive analysis of the resulting police response. Away from home, our news team brought to light shocking allegations of torture in both Sri Lanka and Syria.

## Audience reach of Channel 4 News

In 2011, *Channel 4 News* was watched (for at least 15 consecutive minutes) by an average of 10.6 million people each month. Reach amongst TV news viewers fell by 5% year-on-year. This decline was even sharper amongst news viewers aged 16–34, while viewing by Black, Asian and Minority Ethnic (BAME) audiences increased slightly (see next chart). Initiatives introduced by Channel 4 late in 2011 were intended to reinvigorate *Channel 4 News*' format and may help to sustain audience reach in the future.

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



Source: BARB

## Audience impact

**10.6m** people watched *Channel 4 News* each month

**5%** on last year

# UNREPORTED WORLD

This long-running and hugely respected international series now features Krishnan Guru-Murthy as one of its presenters – allowing closer links between Channel 4’s news and current affairs output

- Following the introduction of Krishnan in our autumn series, audiences were up by a third on the spring series
- *Unreported World* podcast accessed more than 480,000 times and voted best new news podcast by iTunes
- Countries featured in the programme included Syria, South Africa, Palestine and Honduras
- Had real social impact around the world:
  - *Battle for Ivory Coast* showed shocking eye-witness footage of President Gbagbo’s efforts to remain in power. Film now being analysed as evidence by the International Criminal Court
  - Prosecutors used footage from *Sex, Lies and Black Magic* to prosecute and jail a Nigerian human trafficker
  - Krishnan Guru-Murthy’s film on corruption in South Africa made headlines there and around the world
- Online access now allows viewers outside the UK to watch the films. Series was viewed in 30 countries, including those where the stories took place

- Alternative views 
- Inspire change 
- Educational 

## Finding issues that resonate

In addition to in-depth reporting and analysis of international and domestic affairs, a key focus for our *Dispatches* strand in 2011 was to tap into people’s everyday concerns. Richard Wilson set out to investigate the state of the railways in the hugely popular *Train Journeys From Hell*. The programme struck a nerve, featuring videos from viewers about their own bad experiences on public transport and trending on Twitter during broadcast. Morland Sanders looked at Britain’s waste disposal problems in *Britain’s Rubbish* and Jon Snow tackled the private rentals market in *Landlords From Hell*. As outlined earlier, *10 O’Clock Live* targeted a younger audience with its comic look at topical issues. These included topics of particular concern to this group, including tuition fees, unemployment and the environment.

## ‘Ongoing journalistic peerlessness from Channel 4’s designated thought slot’

*The Guardian on Unreported World*

### Exposing struggles from around the world

Channel 4 sustained its strong reputation for international coverage, especially stories that give a voice to those who are not normally heard. We won an Amnesty International Media Award for the second year running, and five One World Media Awards – including Journalist of the Year for *Channel 4 News* international editor Lindsey Hilsum. *Channel 4 News*’ coverage of Sri Lanka’s civil war culminated in the extraordinary one-off documentary *Sri Lanka’s Killing Fields*. Featuring some of the most shocking footage ever shown on UK television, the film was hailed by politicians the world over and demanded responses from the UN and UK and Sri Lankan governments. It went on to win an RTS Journalism award. Towards the end of the year, *Syria’s Torture Machine* provided compelling evidence that Syria is engaging in the systematic torture of its own civilians. The film featured victims, refugees and activists speaking out about their experiences of brutality at the hands of President al-Assad’s forces. The programme was viewed via 4oD around the world, including in Brazil, Pakistan, Nigeria and across the Middle East.



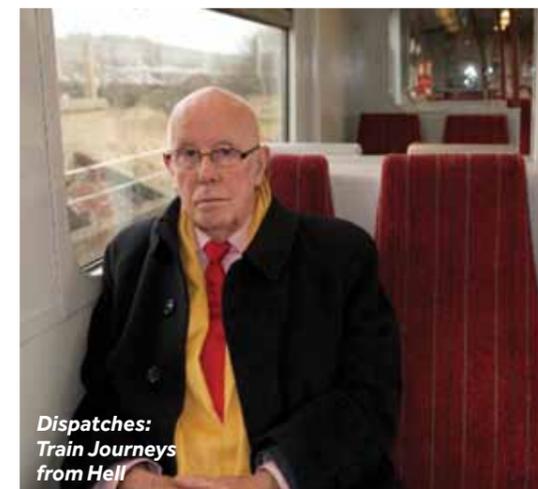
Syria’s Torture Machine



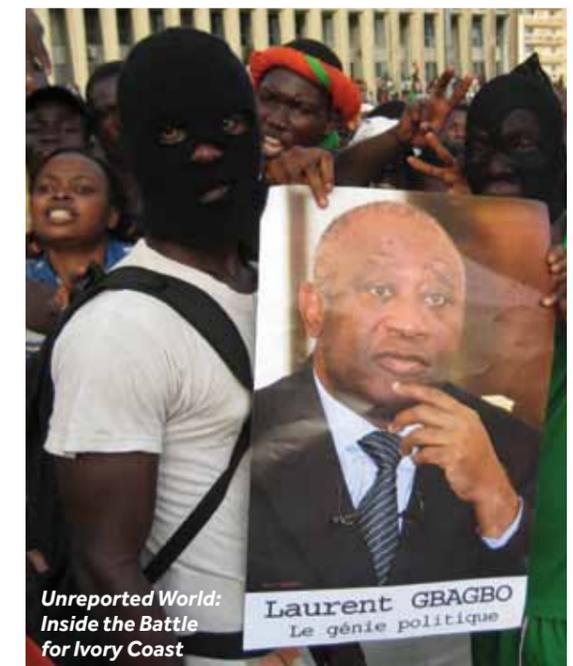
Unreported World: Undercover Syria



Dispatches: The Real Price of Gold



Dispatches: Train Journeys from Hell



Unreported World: Inside the Battle for Ivory Coast

Laurent GBAGBO  
Le génie politique



Unreported World Trinidad: Guns, Drugs & Secrets



Dispatches: Lessons in Hate and Violence

## CHANNEL 4 NEWS

New presenters and a new format sought to keep *Channel 4 News* in its place as the most fearless and independent news programme in the UK

- Focused on strengthening the qualities we know viewers expect from *Channel 4 News* – independence, in-depth investigations, and experts that viewers know, trust and like
- High-profile new recruits including Matt Frei (Washington correspondent and presenter) and Michael Crick (Political Correspondent)
- Strengthening specialist journalism:
  - More focus on social affairs with new Social Affairs Editor, Jackie Long
  - First ever Science Editor appointed, Tom Clarke
- First ever weather presenter, Liam Dutton

- Distinctive 
- Stimulate debate 
- Alternative views 
- Educational 

## DISPATCHES: Landlords from Hell

Fronted by Jon Snow, this was a wake-up call to politicians and the public, exposing terrible living conditions in some of our cities and the appalling landlords who are responsible for them

- Viewed by 2 million people
- Viewers used Twitter to raise issue with Housing Minister following programme, and shared their own housing horror stories via dedicated YouTube site
- Real political impact:
  - Triggered a Charity Commission investigation into housing charity, the Meridian Foundation
  - Debated in Parliament – MPs called for action to ensure tenants are protected from rogue landlords
- Jon Snow hosted a follow-up *Dispatches* in December 2011 as part of the *Great British Property Scandal* season

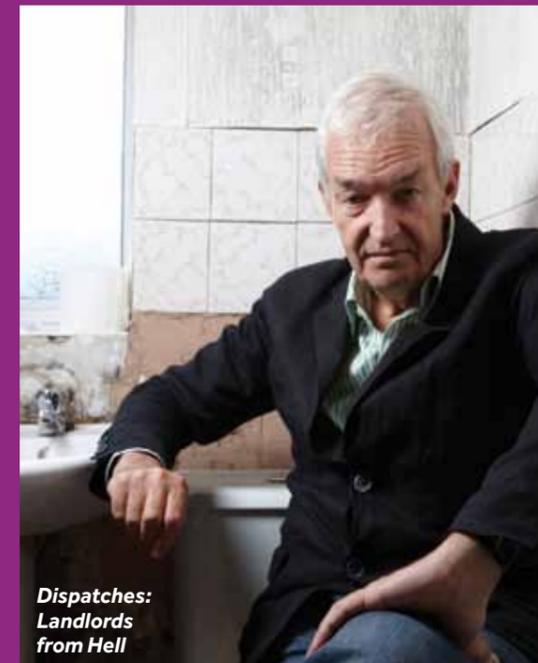
- Inspire change 
- Stimulate debate 



Alex Thomson  
Japanese tsunami coverage



Unreported World  
Nigeria: Sex, Lies and Black Magic



Dispatches:  
Landlords from Hell



Sri Lanka's  
Killing Fields



Unreported World  
South Africa  
Trouble in the Townships



Lindsey Hilsum  
Tripoli coverage

## 45% uplift

in viewing for the Autumn 2011 series of *Unreported World*, following a revamp of format

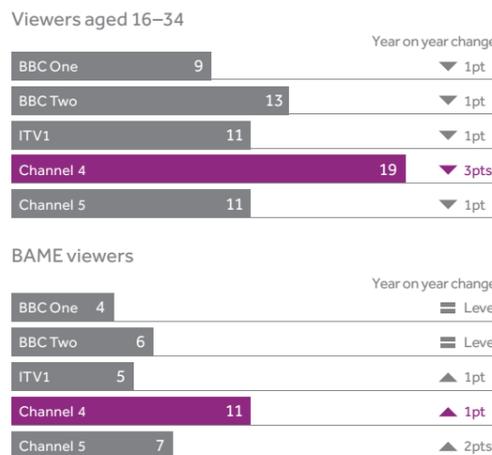
With a more joined-up approach between our news team and our two main current affairs strands, *Unreported World* and *Dispatches*, our news correspondents and presenters were able to pursue in-depth investigations in one-off current affairs specials. *Channel 4 News* presenter Krishnan Guru-Murthy turned reporter for *Unreported World*, introducing each programme in the series and doing a special investigation into South Africa's slums 17 years after the end of apartheid. The international strand continued to profile events that struggle to attract media interest – Ramita Navai went to Burundi to expose the plight of hundreds of children locked up for years without trial in adult prisons, while Evan Williams travelled to Mexico to report on the growing number of journalists being killed for reporting on drug violence. In addition, by opening up online access to its films to people around the world, we aimed to ensure the voices of those featured could be heard even more loudly.

At home, *Dispatches* continued to pursue important undercover investigations, with the remarkable *Lessons in Hate and Violence* leading to the arrest and conviction of a teacher who was filmed assaulting children in his care.

### Viewing to National News

*Channel 4 News* continues to have particular appeal to young and BAME audiences. 19% of its viewing in 2011 was accounted for by people aged 16–34, while BAME audiences represented 11% of viewing. Both these figures were markedly higher than the corresponding ones for news programmes on the other main PSB channels. Year-on-year trends were mixed: compared to 2010, the proportion of viewing to *Channel 4 News* accounted for by viewers aged 16–34 fell by 3 percentage points, while the proportion of BAME viewers rose by 1 point.

Percentage of viewing to national news programmes on the main PSB channels in 2011 accounted for by viewers aged 16–34 and BAME viewers



Source: BARB  
Rounding differences may occur

### Distinctive

**19%** of viewing to *Channel 4 News* programmes on the main channel in 2011 accounted for by viewers aged 16–34

**3pts** on last year

## 'Channel 4 is insurgent, irrepressible and irreverent. It's a great place to be.'

Matt Frei, *Channel 4 News* presenter and Washington correspondent

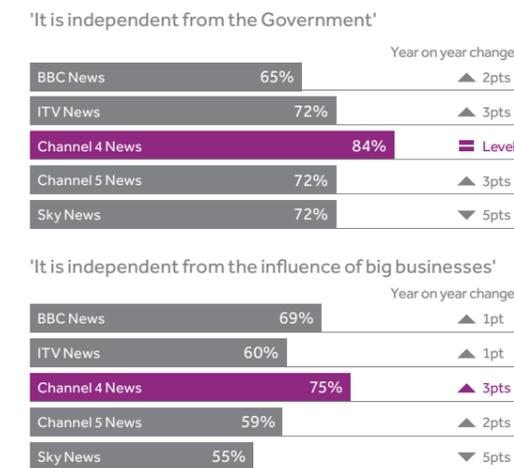
### Independence of TV News

Viewers' perceptions of the independence of *Channel 4 News* – both from the influence of big businesses and Government – were reinforced in 2011, and its reputation in this area relative to other broadcasters' news programmes strengthened.

84% of regular viewers to *Channel 4 News* regarded it as being independent from the Government in 2011 (level with 2010). This represented a 12 point lead over Sky, the next highest-scoring broadcaster. Channel 4 increased its lead over Sky News by 6 percentage points in 2011.

*Channel 4 News* was also regarded to be independent from the influence of big businesses by a higher proportion of regular news viewers than any other news programme. 75% of *Channel 4 News* viewers agreed with the statement in 2011, a 3 point increase year-on-year, translating to a rise in its lead over the BBC, the next-highest scoring broadcaster, of 2 points.

Percentage of regular viewers to TV news programmes in 2011 who agree with the following statements:



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

### Distinctive

**84%** of *Channel 4 News* viewers regard it to be independent from Government

▬ Level with last year

# CHANNEL 4 NEWS ONLINE

Channel 4 News continued to experiment with new technologies to serve its audience in new and more effective ways

- Viewers can interact with correspondents, share stories and submit evidence via social media
- Channel 4 News presenters continue to be among the most digitally engaged correspondents in the UK, with over 400,000 followers on Twitter
- New blogs from Michael Crick, Matt Frei, Matt Cain, Alex Thomson and Liam Dutton
- Now available on multiple platforms including iPhone, iPad and Android
- Full programme now available to view on 4oD the day of transmission

- Distinctive
- Digital
- Innovate

## Communicating across platforms

In a multi-platform world, consumers expect news and current affairs to be available however and whenever they want it. Meeting this expectation was a priority for us in 2011. The *Dispatches* and *Unreported World* websites provided supplementary content – a bespoke site created for *Sri Lanka's Killing Fields* collated audience reaction to the programme and gave additional information about the conflict and its possible resolution. *Channel 4 News* presenters were amongst the most prolific users of social media – with our journalists discussing stories with viewers on Twitter and providing further updates on their blogs. Jon Snow continued to give his own distinctive take on the day's news via his *Snowmail* email, which was revamped and promoted online and on TV. We encouraged viewers to contribute to the news agenda directly with their own stories and experiences, and to interact with the news before, during and after transmission. We launched successful podcasts for *Unreported World* and *Dispatches*, as well as new *Channel 4 News* apps on smartphones and tablet devices.

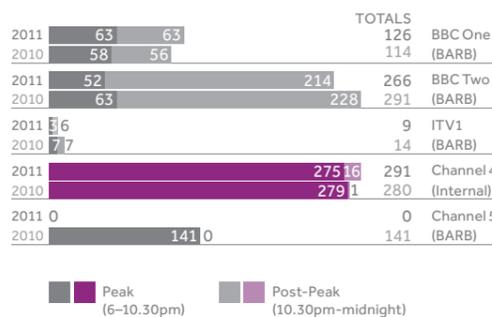
# 'Snow's Twitter account is more popular than any other news anchor in Britain'

Total Politics

## Commitment to long-form journalism

The transmission of news and current affairs programmes with extended running times allows topics to be covered in greater depth. In 2011, Channel 4 continued to significantly outperform the other main PSB channels in terms of the number of "long-form" news and current affairs programmes – defined as those running for at least 45 minutes – shown in peak (6–10.30pm). Its 275 titles, while slightly down year-on-year, were more than twice the combined number on the other main PSB channels.

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



Source: Channel 4, BARB (Other channels)

Stimulate debate

# 275

long-form news and current affairs programmes in peak on the main channel

# 1%

on last year

## Programme Reputations: Current Affairs

# 50%

The average programme reputation score for *Unreported World*

# 48%

The average programme reputation score for *Dispatches*

This new metric compares audiences' perceptions of Channel 4's current affairs output with those of the other main broadcasters (see methodology document for further details). It tracks the reputation of key current affairs strands on the main PSB channels across five statements that reflect public value goals:

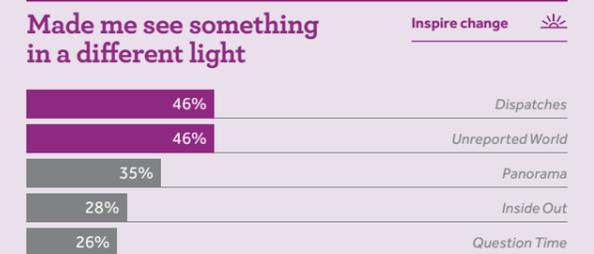
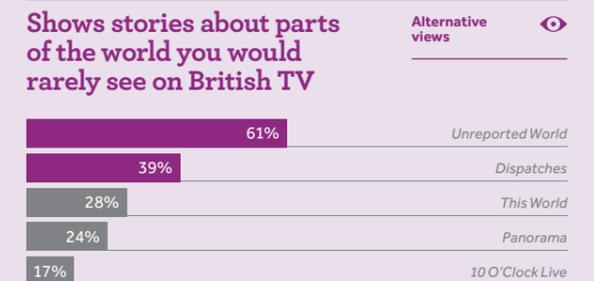
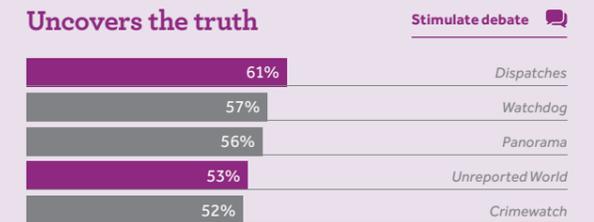
- delivering investigative journalism which uncovers the truth,
- delivering in-depth coverage,
- giving a voice to those who might not otherwise be heard,
- providing a window on the wider world, and
- challenging viewers to see things differently.

Channel 4's two main long-running current affairs strands, *Unreported World* and *Dispatches*, achieved significantly higher programme reputation scores across these five statements than any other strand, with average scores of 50% and 48% respectively. They were the highest-scoring strands on three of the five tracking statements. The next best-performing programme, *Panorama*, scored 39% on average across the five statements.

*Unreported World* rated more highly than any other strand for showing stories about parts of the world you would rarely see on British TV (selected by 61% of respondents, a substantial lead over other strands) and giving a voice to groups that aren't always heard in mainstream media (44%). *Dispatches* scored higher than any other strand for uncovering the truth (61% of respondents), covering things in great depth (53%) and making people see something in a different light (46%).

The programmes in these charts are transmitted on the following channels: *Crimewatch* (BBC One), *Inside Out* (BBC One), *Panorama* (BBC One), *Question Time* (BBC One), *The Andrew Marr Show* (BBC One), *Watchdog* (BBC One), *This World* (BBC Two), *10 O'Clock Live* (Channel 4), *Dispatches* (Channel 4), *Unreported World* (Channel 4), *The Wright Stuff* (Channel 5). Other current affairs programmes were tested but did not score in the Top 5 for any of these statements.

People who believed the following statements applied to the Current Affairs strands they had watched...



Source: Ipsos MORI commissioned by Channel 4

# EDUCATION & OLDER CHILDREN

**£10m**

2011 spend including online  
and television projects

**2011 ambitions:**

- Promote life-long learning for all age groups
- Broaden reach and impact of commissions for 14-19 year olds by using TV to drive engagement
- Cover issues beyond the curriculum that will resonate with a teenage audience
- Develop bespoke projects for older children



**Channel 4 aims to educate and engage audiences of all ages. We continue to exploit rich opportunities to combine on-air and online material in powerful new ways. We have a special responsibility to invest in schools-related material for teenagers, and in 2011 we considered ways to expand the reach of these projects. Recognising the power of television to drive engagement and attention, we aligned our online activity to link more closely with our TV programming. As part of our remit, we began to develop content for older children and young adults, as well as continuing to serve audiences young and old with educational content more generally – our view is that ‘life-long learning’ should mean exactly that.**

## BATTLEFRONT

Return of the hugely successful series that gives young people the practical tools to campaign effectively on issues they care about

- T4 television series enabled us to amplify campaigns
- Campaigns had real world impact:
  - Sheerece's 'Let's Talk About Sex' campaign made the national press and presented ground-breaking research on peer-to-peer sex education to Houses of Parliament
  - 'Sign Up, Speak Up, Save Lives' champions Hope and Abby set a Guinness World Record by getting 321 people to sign up to the Organ Donor Register in one day. The campaign was also championed in Parliament
  - 'Ready For Work' campaign struck a chord with the government – Minister for Employment endorsed the campaign and Jobcentre Plus is now running the *Battlefront* 'Ready for Work' scheme
- In an online pop-up survey conducted amongst a small group of 16–19 year olds, 73% said that *Battlefront* is inspiring and is seen as successful in helping young people achieve something
- 69% of respondents agreed that *Battlefront* gives them opportunities to get involved and contribute
- Just over two thirds of respondents agreed that *Battlefront* has made them more interested in issues

Inspire change	
Stimulate debate	
Partnership	
Digital	

### Inspiring active citizenship

In a year when British youth seemed forever cast in a negative light, our projects for 14–19 year olds sought to inspire and celebrate participation and positive action. Our flagship citizenship project *Battlefront* returned for a third series: with more young people engaging with the issues that matter to them. We worked with Barclays Bank to launch *The Stake*, a competition aimed at inspiring young people to generate enterprising business and community ideas, as well as improving their financial skills. It generated over 1000 entries from 16–21 year olds.

We also focused on appealing to disadvantaged young people who might not normally take an interest in politics. An online music series, *Bars for Change*, saw political activist Jody McIntyre work with artists from the grime/hip hop world to explore political and social issues affecting young people. We worked with charities Livity and Legacy Trust UK to launch the *Cultural Olympiad* project *Somewhere to*, a ground-breaking scheme to help teenagers find spaces they can use to do the things they love. Alongside online youth channel SBTV, Channel 4 and *Somewhere to* co-hosted an event in Westminster bringing together approximately 100 young people, politicians and artists from the UK grime scene to discuss the issues raised by the summer riots.

**‘I’m incredibly impressed by the enthusiasm and commitment shown by Hafsa and Joseph.’**

Prime Minister, David Cameron  
on *Battlefront* 'Ready to Work' campaigners

### What they don't teach you at school

Channel 4 has always tried to cover themes outside of the mainstream. So a central objective of the budget specifically invested in educational projects for teenagers was to explore topics that resonate beyond the classroom and help give young people the self-confidence and life skills they need to engage with the wider world. These projects included issues such as active citizenship (*Battlefront*) and emotional resilience (online teen comic *The Thrill Electric*).

## The SEX EDUCATION SHOW

An established show (now in its fifth series) for young people to get frank, sympathetic and well-informed advice on sex and sexual health

- Visited schools around the UK from Stockport to Swansea
- Looked at the lives of the 'sexually invisible' – from the visually impaired to people with restricted growth
- 28% of all 14–19 year olds watched some of the series
- A unique online application showcased the results of a sex survey conducted by the show – helping to show young people what is 'normal'
- Won a British Interactive Media Award for Best Data Visualisation

- Educational** 
- Stimulate debate** 
- Distinctive** 

## 'Being on the show was very educational. It highlighted aspects of a personal nature in a way that was new and different'

Ellie Reilly, pupil at Fairfax School, Sutton Coldfield (participating school – *The Sex Education Show*)

Beyond this targeted investment, our peak-time programming also sought to address some of the gaps in formal education – creating opportunities for greater integration between our online and television content. For example, building on Channel 4's reputation for candid sex education – a subject that is not yet compulsory in schools – in 2011 we stepped up our commitment to give British teenagers the kind of frank information about sex that we know they are looking for: *The Sex Education Show* returned for a fifth series, and we launched two series of *The Joy of Teen Sex*, aimed at giving young people advice on sex, love and relationships. Online, our sexual health game *Privates* continued to attract young players in 2011, winning a BAFTA and benefitting from a presence on E4.com and cross-promotion from *The Sex Education Show*.

### Reach of education content online

Channel 4 continued to focus on delivering its Education commitments for young people through digital media in 2011, reflecting this age group's media consumption patterns. Nine new online education projects were launched during the year, while fourteen projects from previous years continued to be available.

The number of unique UK visitors, summed across these projects, was just over 631,000 in 2011. Successful new projects included the third run of *Battlefront*, with 75,000 visitors since its launch in July; and *The Stake*, which attracted more than 76,000 visitors in less than two months after its launch in November.

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



Source: Google Analytics, Omniture  
\* Number of unique UK visitors to each project, summed across all active projects

**631k**  
UK visitors\* to Channel 4's education projects online  
**24%** on last year

The total number of visitors in 2011 fell by 24% year-on-year. This can be attributed to two factors. First, seven of the nine new projects launched in 2011 did not become available until the latter part of the year. And second, there was a decline in visitors to some projects from previous years that continued to be active.



*The Elephant: Life After Death*



*The End*



*Rome Wasn't Built in a Day*



*The Thrill Electric*

Issue One: The Workshop of the World

## HIPPO: NATURE'S WILD FEAST

High-tech show with a camera positioned over the carcass of a dead hippo, recording its slow absorption back into the food-chain as birds, insects and other predators feast on the remains. A chance to see nature at work – in real-time

- Cutting edge technology included motion detectors, infra-red cameras, digital microscopes and electronic tracking systems
- GPS trackers and transmitters used to track the secondary food-chain – as the hippo's flesh is transported to wildlife beyond those directly at the carcass
- Live TV updates were scheduled after *Hollyoaks* in order to appeal to a young audience
- Experts answered questions tweeted by viewers about what was happening on site
- Live online streaming launched for a week ahead of the main TV broadcast, attracting 24,000 visits to the website in the week before first transmission
- Inspired considerable discussion on Twitter
- Audiences found it innovative, entertaining and educational
- 90% of viewers surveyed rated it as being original and different

Educational   
 Innovate   
 Distinctive 

**'Channel 4 is taking  
wildlife shows to  
a new extreme'**

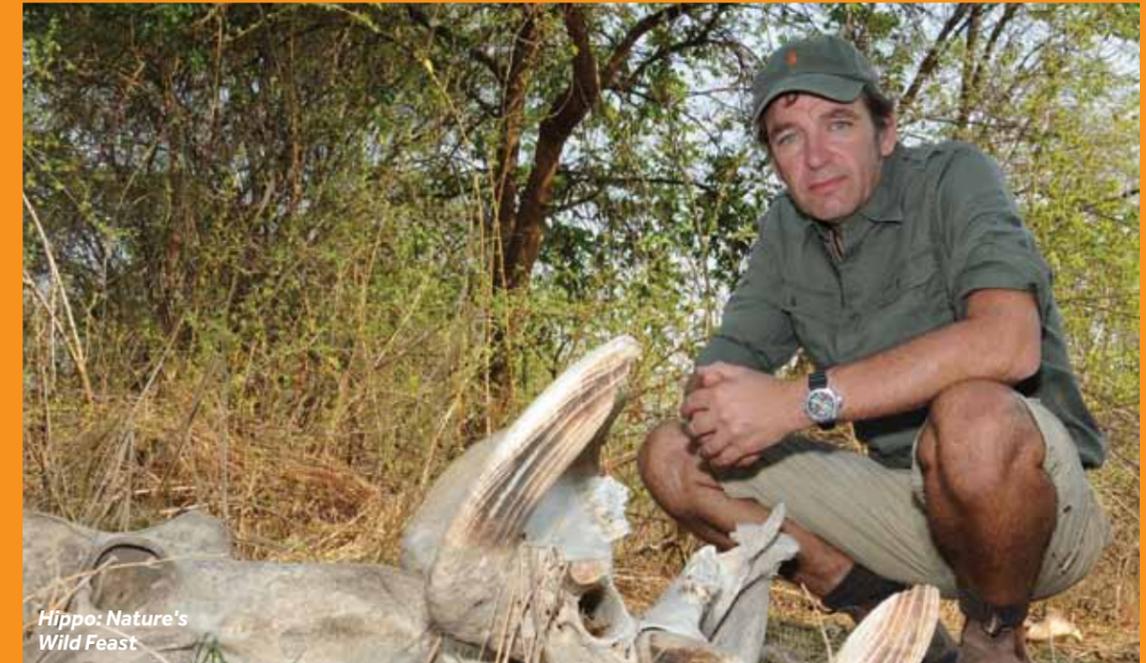
*The Sun on Hippo: Nature's Wild Feast*

## NIGHTMARE High

Story-based web game aimed at helping 10–14 year olds cope with major life changes, particularly the often traumatic transition from primary to secondary school

- After joining a new school and finding everything goes wrong on day one, the player gets sucked into a comic-book fantasy school from which they have to escape
- Players learn lessons about friendship as well as positive life skills such as emotional resilience, positive thinking and how to understand personal strengths
- Innovative use of multi-media to tell the story, blending online videos, drama, games and quizzes
- Features celebrity cameos sharing personal stories of their school days
- Game was developed through dialogue with educators and experts and used real resilience strategies used in real schools
- 869,000 game plays globally

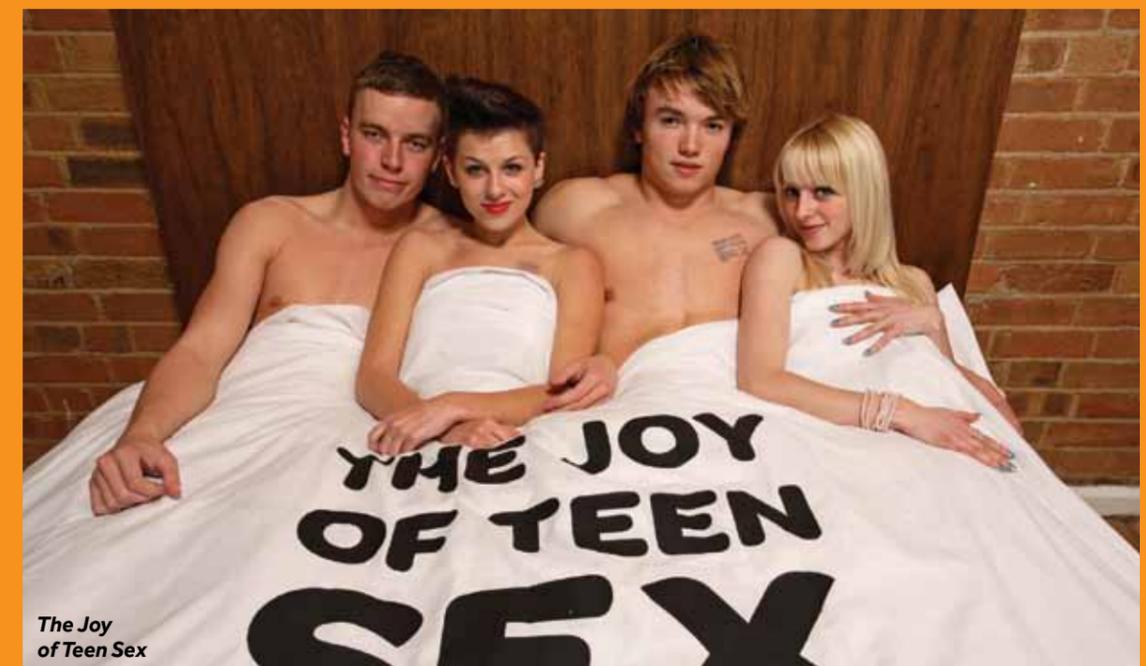
Educational   
 Digital   
 Innovate 



*Hippo: Nature's Wild Feast*



*Nightmare High*



*The Joy of Teen Sex*

### Play with purpose

In 2011 we continued our pioneering work in educational online games. We looked to create formats that are entertaining and playful, but also to inspire users to learn and think. In line with our focus on life skills, gaming projects covered topics from youth entrepreneurship and consumerism to financial literacy. A series of projects enabled young players to run their own fictional businesses: *Beauty Town*, our first Facebook game, gave players the opportunity to start and develop their own beauty salon. *The End* posed philosophical questions about death and belief, attracting more than one million unique players. It went on to win a BIMA for Best Game, with one reviewer describing it as “like no other educational game you’ve played before”. 1 in 10 players of the game clicked on further links to learn more about the scientists, thinkers and historical figures featured in the project.

### Learning for children

Following the new requirement in Channel 4’s remit to serve older children and younger teenagers, we began to develop new tools that would be fun to use and relevant to the experience of 10–14 year olds. One such game was *Nightmare High*, an ambitious immersive game aimed at helping children navigate the transition from junior to secondary school. Made by the producers of our award-winning project *SuperMe*, *Nightmare High* uses a blend of media to help this younger audience deal with some of the challenges facing their specific age group. Other projects resonated with this younger audience – with research showing that *Beauty Town* particularly appealed to 10–15 year olds. We will continue to develop ideas for this age group, and explore the most effective platforms for reaching them – which may include television, animation and gaming.

### Education for all ages

In 2011, we brought science and history to life with big, ambitious experiments. *Inside Nature’s Giants* returned for a third series, supported by a website offering exclusive clips and interviews related to the animal dissections, and further information for those wanting to know more about biological sciences and veterinary studies. *The Elephant: Life After Death* and *Hippo: Nature’s Wild Feast* spun wildlife programmes on their head, taking a look at the ecosystems created in the wild after an animal dies. Live streaming of the hippo’s carcass allowed viewers to see the food chain in action up close, in detail and in real time. The theme of death continued with *Mummifying Alan: Egypt’s Last Secret*, in which scientists undertook a real-life mummification, challenging accepted wisdom

about the preservation techniques of the ancient Egyptians in the process. Niall Ferguson took his typically controversial view of history in a major series on the rise and dominance of the western world, *Civilisation: Is the West History?* True to our commitment to provide something for audiences of all ages, half the viewers for *Rome Wasn’t Built in a Day* were aged 55 or over, and single documentaries such as *The Real King’s Speech* and *The Queen’s Hidden Cousins* also appealed strongly to older viewers.

### Engagement with education content online

“Dwell time” measures how long visitors spend online for each visit to a project’s website. The average dwell time for Education projects (excluding *Privates*, which was a game offered as a download and was not therefore played online) was just over 12 minutes in 2011. Several new projects – *Sweatshop*, *Nightmare High* and *Cover Girl* – attracted average dwell times of more than 15 minutes each, impressive figures in the online world.

Average dwell time across all projects fell by 20% in 2011. This is largely due to the fall in the average dwell time of projects launched prior to 2011 (the natural life cycle of online games means that the dwell time for older projects will tend to dwindle gradually over time). Each year, the number of projects that remain active from previous years grows, and these therefore make a larger contribution to the overall average dwell time.

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

Educational 



Source: Google Analytics, Omniture

**12.2mins**

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

**20%** on last year

**‘The End is a perfect example of offering engaging tools to grasp quite complex philosophical ideas’**

Tom Chatfield, Tech and Cultural Commentator



# MAKING AN IMPACT

In every genre, we want our programming to leave its mark. Our job is not just to entertain. We also want to challenge our viewers to rethink the way they see the world – and to have a tangible impact on their lives.

We continued to monitor the ways in which Channel 4 delivers impact across all of our content through a comprehensive programme of research – including industry data on TV viewing and online interactions, and bespoke audience surveys and focus groups looking at individual programmes. We have reported on these results throughout this document. In this chapter, we focus on results from our ongoing brand tracking studies that monitor our reputation with viewers on key aspects of our remit relative to the other main public service channels.

In a year when we replaced our biggest and most brand-defining show, *Big Brother*, Channel 4 has maintained strong leads of between 10 and 28 percentage points over the average of the other main PSB channels in the eight brand reputation measures presented in this section. We have continued to enjoy by far the strongest reputation in areas such as being provocative (28 point lead), taking a different approach to subjects compared to other channels (22 point lead), and covering ground others wouldn't (24 point lead) – demonstrating the extent to which viewers recognise Channel 4's distinctiveness.

Across most of the statements, there were modest year-on-year declines in 2011. While the individual changes were mostly too small to be statistically significant, they nonetheless merit comment. The small declines for Channel 4 were generally in line with those for the other PSB broadcasters, with more respondents to the survey in 2011 selecting 'Don't know' rather than any single channel – reflecting that in a competitive, multi-media landscape, the ability to command ownership of a defining characteristic may be inherently harder. For Channel 4, it is also likely that in a period of creative transition, the unfamiliarity of so many new series and one-off titles would affect brand level perceptions, which are built up over many years and are often driven by long-running series. It is clear from the programmes highlighted throughout this report that at the individual programme level we are continuing to have a significant impact.

Looking ahead, we must not be complacent about these trends. As we refresh and re-energise our schedule, our challenge is to make sure that the programmes that embody the spirit of Channel 4 hit home with viewers and have a lasting impact on brand perceptions. We will need to find new ways to set ourselves apart from our competitors and make sure our content stands out from the crowd. We will also need to look at how we measure our reputation and impact to make sure it continues to be fit for purpose and reflects our remit, our new creative direction and the evolving behaviour of our audiences.

### 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

Stimulate debate



**12pt lead**

over average for other channels for programmes that make viewers stop and think

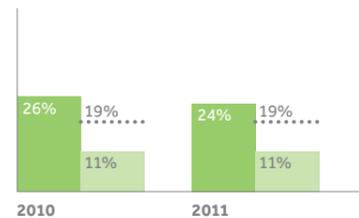
Level with last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

#### Allows people an alternative point of view

Alternative views



**12pt lead**

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

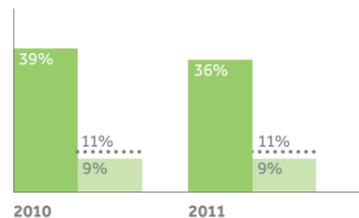
2pts on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

#### Is provocative

Stimulate debate



**28pt lead**

over average for other channels for being provocative

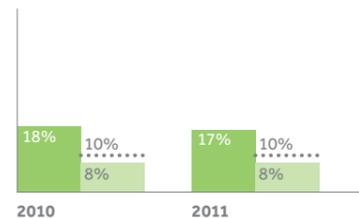
3pts on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

#### Gives me new ideas

Inspire change



**10pt lead**

over average for other channels for giving viewers new ideas

1pt on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

### Analysis of reputation measures

Channel 4 maintained strong leads on both measures that link to our remit to stimulate debate. 24% of people selected Channel 4 as being the best channel for making them stop and think, 12 points ahead of the average for the other main PSB channels. Channel 4 also remained well ahead for being provocative – which continues to be one of its strongest reputational statements. Our overall score fell 3 points on last year, which is attributed to the past influence of *Big Brother* on this statement in particular.

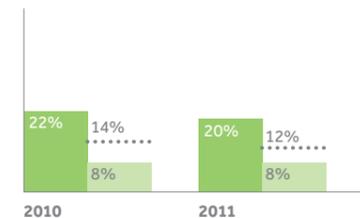
To reflect our remit to promote alternative views and new perspectives, we ask viewers which channel is best for allowing people an alternative point of view. 24% of those polled selected Channel 4 in 2011. While this is 2 points down on the previous year, it remained well ahead of both the average of other channels and the next highest channel, BBC One.

### 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

Inspire change



**12pt lead**

over average for other channels for making viewers think in new and different ways

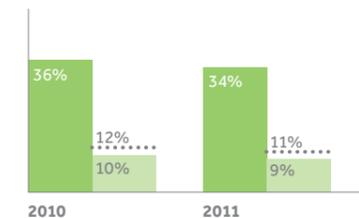
1pt on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

#### Covers ground other channels wouldn't

Distinctive



**24pt lead**

over average for other channels for covering ground that other channels wouldn't

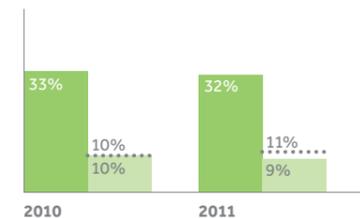
2pts on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

#### Takes a different approach to subjects compared to other channels

Distinctive



**22pt lead**

over average for other channels for taking a different approach to subjects compared to other channels

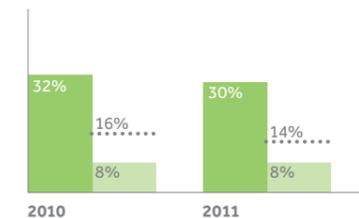
1pt on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

#### Is youthful

Distinctive



**23pt lead**

over average for other channels for being youthful

2pts on last year

■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

Turning to the inspiring change measures, 17% of people said Channel 4 was best for giving them new ideas, and 20% said Channel 4 was best for making them think about things in new and different ways, respectively 10 and 12 points ahead of the average scores for the other main PSB channels.

Even with the small year-on-year declines, measures that relate to Channel 4's distinctiveness are where we still observe the biggest leads over other channels. 34% of people selected Channel 4 as the channel which covers ground other people wouldn't – three times stronger than the nearest competitor. 32% of respondents selected Channel 4 as the best channel for taking a different approach to subjects compared to others – 22 points ahead of the next highest channel (BBC One). And 30% selected it as best for being youthful, 17 points ahead of Channel 5, the next highest channel.

# ENGAGING *the* AUDIENCE



Channel 4's unique model and remit means that we aim to reach as wide a spread of viewers as possible, while also targeting specific groups other broadcasters find it harder to reach. This year saw new opportunities for viewers to participate, share and talk about the content they love – and on occasion that which they don't! New digital media platforms allow us to deepen our understanding of who is watching our content, and develop ongoing conversations with them.

Television

In a world of rapid technological change, the UK's love of television, and of Channel 4, has remained a constant. Remarkably for a year in which our schedule changed so dramatically, the reach and share across our portfolio were both up in 2011.

Channel 4 increased its reach by 1 percentage point in 2011, to just under 89%, with each individual channel in the portfolio growing reach and contributing to this increase. Neither the BBC nor ITV grew their reach by as much as Channel 4. On average, viewers watched 28 minutes of Channel 4 programmes each day in 2011 across the portfolio, as they did in 2010.

Our portfolio of TV channels drew a viewing share of 11.6% in 2011. Not only was this an increase over the 2010 level, by 2%, but it was also the strongest growth in share of any terrestrial broadcaster portfolio. We stemmed decline on the main channel – with total TV viewing falling by just 3%, the smallest audience loss for 5 years. This fall was more than offset by growth from our digital channels, with Film4 growing fastest, increasing its share by an impressive 18%. E4 continued to build year-on-year, with share for its key audience of 16–34 year-olds growing by 8%. More4 and 4Music also saw substantial increases. In the first year without *Big Brother*, these figures demonstrate the success we have made in revitalising our schedule and the vital contribution our digital channels now make to the overall success of Channel 4's business.

Audience reach

Average monthly reach of public service broadcasters' TV portfolios

2011	96.6	BBC
2010	95.8	
2011	92.4	ITV
2010	92.0	
2011	88.8	Channel 4
2010	87.8	
2011	72.2	Channel 5
2010	71.1	

Audience impact

**88.8%** of all TV viewers reached every month across Channel 4's TV channels

**1pt** on last year

Percentage reach of individual TV channels in Channel 4 portfolio

2011	82.9	Channel 4 (main channel)
2010	82.1	
2011	39.0	E4
2010	38.8	
2011	38.6	More4
2010	36.4	
2011	33.7	Film4
2010	31.7	
2011	10.8	4Music
2010	10.3	

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

TV Viewing Share

Channel 4 portfolio share as a percentage of total TV viewing

2011	6.8	4.8	11.6
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

Audience impact

**11.6%** viewing share across the TV channel portfolio

**2%** on last year

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

2011	1.8	1.2	1.4	0.3	4.8
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

Legend: E4, More4, Film4, 4Music/The Hits

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

Each year, we also report medium-term viewing trends, looking at comparisons between viewing in the current year and five years previously. This year's analysis, looking at trends from 2006 to 2011, is affected by the fact that Channel 4's portfolio share in 2006 was at its highest-ever level, of 11.9% while some of the other broadcasters were at a relative low. So, despite the year-on-year growth in viewing in 2011, Channel 4's portfolio share was still 3% below its historic peak five years earlier. As TV viewing has migrated from analogue to digital over the last decade, Channel 4's main channel withstood the impact of switchover for longer than the other main PSB channels, with its share falling by just 3% between 2001 and 2006 (compared to falls of 15%, 21% and 26% for BBC One, BBC Two and ITV1 respectively). Digital switchover had the greatest impact on Channel 4 in the subsequent years, with a 29% decline in viewing to the main channel between 2006 and 2011.

Our original commissions continue to drive viewing to Channel 4's portfolio, with network originations accounting for 65% of total viewing to Channel 4, E4 and More4 in 2011. The list of our most popular shows demonstrate just how diverse our output is – spanning insightful documentaries such as the hugely successful *Big Fat Gypsy Weddings*, and *Cutting Edge: Obsessive Compulsive Hoarder*, popular dramas like *Shameless* and *Misfits*, comedy shows such as *Big Fat Quiz of The Year* and factual series like *One Born Every Minute* and *Embarrassing Bodies*.

**'Incredible telly. Thought provoking stuff classily executed. #blackmirror'**

@rustypw

Average daily television viewing

Average daily minutes of viewing to the public service broadcasters' TV channels (2011)

2011	46	80	43% less	BBC
2010	35	56	37% less	ITV
2011	31	28	10% more	Channel 4
2010	10	14	27% less	Channel 5

Audience impact

**28mins** average daily viewing of Channel 4's TV channels

Level with last year

Source: BARB. \*Viewing by 16–34 year olds compared to viewing by all viewers

Medium-term viewing trends

Percentage change in viewing to main PSB channels between 2006 and 2011

BBC One	-9
BBC Two	-25
ITV1	-16
Channel 4	-29
Channel 5	-23

Audience impact

**3%** decline in TV channel portfolio viewing share over the last five years

Percentage change in viewing to the public service broadcasters' channel portfolios between 2006 and 2011

BBC	-4
ITV	1
Channel 4	-3
Channel 5	1

Source: BARB

Viewing to network originations

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

2011	5.0	1.5	1.8	3.3	11.6
2010	5.1	1.5	1.9	2.9	11.4

Audience impact

**65%** of total viewing across the main channel, E4 and More4 accounted for by network originations

Legend: Network Originations (Main channel, Digital channels), Acquisitions (Main channel, Digital channels)

Source: Channel 4, BARB

In the chart, the digital channels are E4, More4, Film4 and 4Music. The main 65% figure is based on viewing to the main channel, E4 and More4 and excludes viewing to Film4 and 4Music

**1%** on last year

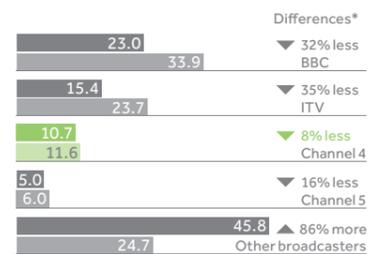


**Hard to reach audiences**

To deliver its public service remit, Channel 4 strives to engage people from ethnic minorities, who tend to watch more content on digital channels than white audiences. In 2011 our portfolio share amongst Black, Asian and Minority Ethnic audiences was 10.7%, up 5% year on year. In addition, the gap between the viewing share for white and BAME audiences was narrower for Channel 4 than for the other public service broadcasters. This improved performance follows our increased efforts to reach different ethnic groups – an ambition we highlighted in last year’s Annual Report. Programming like the *Street Summer* season which focused on urban culture, and dramas like *Random* and *Top Boy* which featured ethnically diverse casts, are helping us to reach these audiences.

**Viewing by ethnicity**

Public service broadcasters’ portfolio viewing shares amongst white and BAME audiences as a percentage of total TV viewing by those audiences (2011)

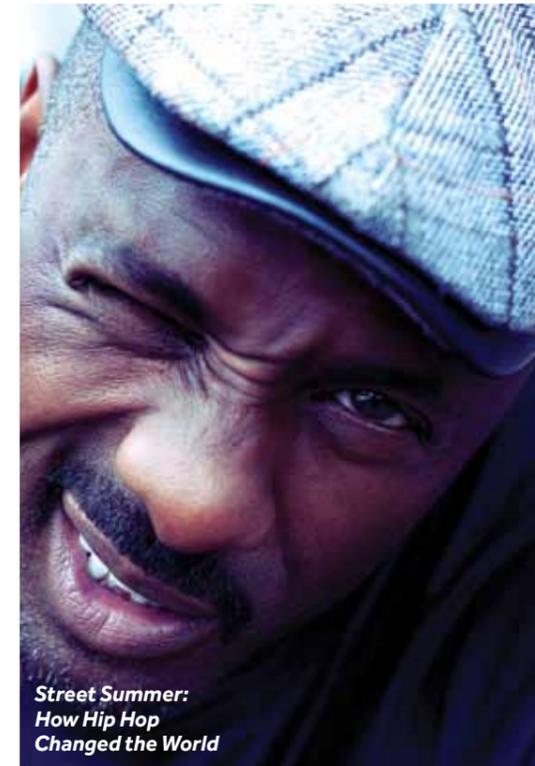


■ BAME (upper bars)  
■ White (lower bars)

Source: BARB  
Rounding differences may occur  
\*Viewing by BAME audiences compared to viewing by white audiences

**Cultural diversity**

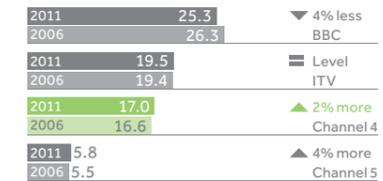
**10.7%** portfolio viewing share amongst BAME audiences  
**5%** on last year



*Street Summer: How Hip Hop Changed the World*

**Medium-term trends in viewing amongst young audiences**

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



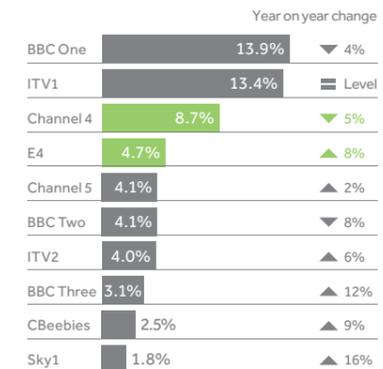
Source: BARB  
Rounding differences may occur

**Audience impact**

**2%** growth in portfolio viewing share amongst 16–34 year olds over the last five years

**Most popular channels for young viewers**

Viewing share for the top 10 channels amongst 16–34 year olds as a percentage of total viewing by this age group



Source: BARB

**Audience impact**

**4.7%** viewing share for E4 amongst 16–34 year olds

**8%** on last year

We continued to be the only public service broadcaster whose channels were viewed more by 16–34 year olds than by the general population – with average daily viewing to Channel 4 by this demographic 10% higher than the average for all age groups. This is a particular achievement given that 16–34 year olds tend to watch less television than other age groups. We also grew our portfolio share amongst 16–34 year olds over the last five years. E4 remains a vitally important channel for young viewers – remaining the most popular digital channel amongst 16–34 year olds and in 2011 overtaking BBC Two to become the fourth most popular of any channel, behind BBC One, ITV1 and Channel 4.

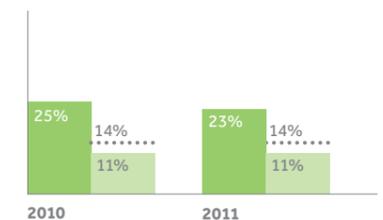
Overall, viewers continue to see Channel 4 as the lead broadcaster in “catering for audiences that other channels don’t cater for”. As with some of our other tracking statements, Channel 4’s lead fell slightly in 2011, but we remained significantly ahead of both the average for the other main PSB channels, and the nearest competitor, Channel 5.

**Channel reputations**

People who believed Channel 4 is the channel to which the following statement most applies...

**Caters for audiences other channels don’t cater for**

**Cultural diversity**



■ Channel 4  
■ Average for other main PSB channels (BBC One, BBC Two, ITV1 and Channel 5)  
... Next highest PSB channel

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

**11pt lead** over average for other channels for catering for audiences that other channels don’t cater for  
**3pts** on last year



Derren Brown:  
The Experiments

**‘Derren Brown just keeps getting better. Episode 4 of ‘The Experiments’ might just be the best television he’s ever done. #Genius’**

@rockedbottom

**Audience opinion**

We measure audience opinion in a number of ways – from comments we get through our dedicated Viewer Enquiries Centre, to bespoke viewer research into programmes and brand reputation. We also monitor comments on social media platforms such as Twitter and Facebook, where our programmes inspire considerable discussion. To reflect this, and in line with our broader remit to stimulate debate, this year we have introduced a new metric that asks viewers the extent to which they have talked about particular programmes to others the previous day – whether in person, via text, telephone, email, blogs or across social media. This allows us to see which programmes have the highest proportional ‘buzz’ within their audiences. *Big Fat Gypsy Weddings* was the Channel 4 programme with the highest buzz score in 2011, with 64% of its viewers saying they had talked about it to others. Other most talked about programmes include Derren Brown’s live series *The Experiments*, *Obsessive Compulsive Hoarder* and *Mummifying Alan*. *Black Mirror* was talked about by the highest proportion of 16–34 year-old viewers.

During the year, our Viewer Enquiries Centre was contacted 136,000 times, the majority of which were requests for further information. Of the rest, we received 15,000 complaints and 4,000 appreciative comments. The single most praised programme was the special investigative report *Sri Lanka’s Killing Fields*, though it also generated a smaller number of complaints from viewers who found the content disturbing. The most complained about issue was our decision to cut back the number of editions of *The Daily Show* on More4. Other programmes that were particularly praised by viewers included series looking at minority groups – such as *My Transsexual Summer*, *Beauty and the Beast: The Ugly Face of Prejudice* and *Seven Dwarves*, as well as historical drama series *The Promise*. Complained about programmes across the year included our coverage of the IAAF World Athletics Championship (balanced by a high number of positive comments), sex education programme *The Joy of Teen Sex*, and *Black Mirror*.



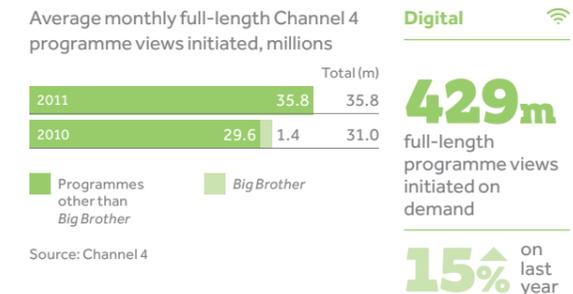
Register with  
channel4.com

**Digital media**

Channel 4 is constantly seeking to find new ways to deliver content to our viewers when and where they want. In 2011, we expanded the number of devices on which 4oD is available to include iPads, iPhones and the Xbox. This aided 4oD’s continued growth: 429 million full length-programme views were initiated across the year, up 15% on 2010. The most popular programmes on 4oD continued to be those aimed at younger audiences – with *Hollyoaks*, *Misfits* and *Made In Chelsea* proving particularly successful. For many of these shows, views on 4oD generate substantial uplifts to their initial TV viewing figures.

Online platforms form a central part of Channel 4’s strategy to build a deeper relationship with our viewers – the two-way interaction allows us to learn more about the behaviour of audiences while also giving them more personalised experiences. We regularly enhance functionality on these platforms – for example, in September we launched new features that let viewers who sign in to 4oD add their favourites and create bespoke playlists. By the end of the year, we saw nearly 2 million registrations from Channel 4 fans. Future enhancements are planned to help us get closer to our viewers, and let them get closer to the content they love.

**Making programmes available on demand**

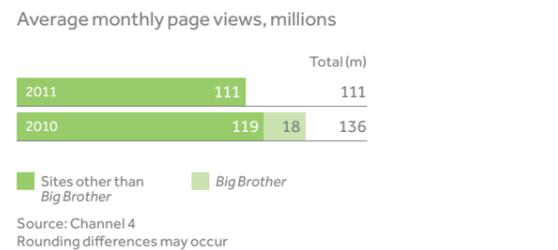


Alongside our on-demand platforms, we are innovating in the development of new kinds of online content – focusing on areas where we can offer viewers a complete multi-platform experience, rather than just traditional programme support. Our successes are highlighted throughout this report – whether in the play-along games of *Million Pound Drop* and *The Bank Job*, the galvanising tools of *Hugh's Fish Fight* campaign or the live streaming of *Hippo: Wild Feast Live*.

In total, our websites attracted 30.1 million visits each month on average, equivalent to 361 million visits across the year. This is level with last year, despite the loss of *Big Brother*, which drove a huge amount of online traffic. Youth-skewing programmes such as *Skins* and *The Inbetweeners* performed exceptionally well, with conversion rates from TV audiences to online visits of 54% and 30% respectively in 2011 (up from 40% and 9% in 2010). Also striking was the powerful impact of *Sri Lanka's Killing Fields*, which became the third highest programme in the year for TV-to-online conversion. The average conversion rate of the Top 10 programmes in 2011 fell by nine percentage points year-on-year. This largely reflects a change made by Channel 4 to its web infrastructure in 2011 to guide users in the first instance to the 4oD parts of its site – to make it easier for users to catch up with TV viewing – as any visit that includes 4oD is automatically excluded from the data for this metric (see methodology document).

We know that all these existing online services are hugely valued by our audience. But our pioneering spirit demands that we do even more to push the boundaries of digital innovation. In a world of convergence and connectivity, the conventional lines between online and television are falling away. We want to make sure we are ready for this dramatic shift in media consumption. So this year we launched a Convergent Formats fund to explore the creative possibilities provided by convergence, and make sure Channel 4 is ahead of the game in this new world. This is not about replacing TV, but about enabling viewers to feel more part of it by connecting them through the best of what interactive technology has to offer.

### Engagement with Channel 4 content online



### Engaging Channel 4 viewers

Most talked about programmes across the Channel 4 portfolio (2011)

Site	Buzz (%)*
Big Fat Gypsy Weddings	64.2%
Derren Brown: The Experiments	63.3%
Obsessive Compulsive Hoarder	62.8%
Facejacker	61.6%
Derren Brown: Evening of Wonders	58.4%
Black Mirror	57.2%
Mummifying Alan: Egypt's Last Secret	56.7%
Made in Chelsea	56.6%
Educating Essex	55.7%
Hippo: Nature's Wild Feast	55.6%

Source: Kantar Media commissioned by Channel 4  
\*Buzz measures the proportion of viewers who talked or communicated about the programme in some way. See methodology document

Channel 4 programmes with the highest conversion rate from TV audience to website visits (2011)

Site	Visits (000s)	Conversion from TV*
Skins	3,542	54.1%
The Inbetweeners	234	30.1%
Sri Lanka's Killing Fields	171	16.7%
Misfits	1,806	15.0%
Embarrassing Fat Bodies	1,747	11.9%
Concrete Circus	102	9.3%
The Sex Education Show	1,030	7.5%
Black Mirror	346	6.6%
Embarrassing Bodies	4,598	6.6%
Fresh Meat	901	6.5%

Source: Channel 4, BARB  
\*Visits per TV viewer per transmission

**'C4 #killingfields was a tough watch but worth it. Compelling, disturbing, important – watch it on 4oD'** @sesp

Twitter comment on *Sri Lanka's Killing Fields*

## DEEPER VIEWER RELATIONSHIPS

Channel 4 has begun its drive towards deepening relationships with our audience – enabling us to understand what their tastes are so viewers can get the best out of their experience with our content:

- Visitors to Channel 4's online properties are invited to register with us, in return for a range of personalised benefits
- Registered users have the chance to watch a range of online premieres, seeing episodes of their favourite shows such as *Fresh Meat* ahead of the friends, as well as exclusive online episodes of popular titles like *Misfits*
- As well as accessing our archive, registered users can also create playlists – to schedule an evening's viewing or keep a record of shows they want to watch later
- They can also keep track of episodes they've watched or started watching
- They can save their favourites in a single place, get reminders whenever a new 4oD episode is available for them to watch, and sign up for a weekly email of highlights based on other viewers' reactions
- There were 1.9 million newly registered users by the end of the year

## CONVERGENT FORMATS FUND

A space for pure experimentation to find the next evolution of the TV format

- Converged technology enables us to enhance TV shows with truly interactive, immersive and personalised features
- A dedicated new commissioner is charged with innovating in this area, exploring how audiences wish to interact with their favourite content in the future
- We have begun to experiment with new prototypes:
  - We worked with Liverpool-based agency Setgo to develop an immersive, connected news concept which enables viewers to get their news in the format they want, and which they can control. Each news item has versions of different lengths that the viewer can select, allowing them to view headlines, skip through stories or watch full items of interest. You could also access relevant archive content, and over time, your television would get to know what kind of news content you would be interested in
  - Another prototype funded this year was a 3D exploration project controlled via the TV remote control, for connected TVs. A gaming style app, it would allow you to watch a show like *Grand Designs* and then take a tour of the house via your TV set, with different elements timed to give you more information

# Thank you

**Channel 4 is nothing without its production partners.  
So we want to say thank you to all the companies we  
have worked with in 2011 across television and digital.**

12 Yard Productions  
1212 Productions  
13 Strides  
15Nine Studio  
3Dd Productions  
The 4Am Project  
7BN  
Absolutely Productions  
Acme Films  
Agitprop  
Airlock  
Altcaster  
Amberlight  
Animate Projects  
Anorak London  
Arbor Films  
Archer Street Films  
Art Public  
Artfinder  
Awakening (Film)  
Baby Cow Productions  
Back2back Productions  
Ballet Boyz Productions  
Ben Olding Games  
Betty TV  
Big Robot  
Big Talk Productions  
Bigballs  
Blakeway Productions  
Blast! Films  
Blink Films  
Blue Fountain Systems  
Boomerang TV  
Borough Films  
Brain Bakery  
Bright Hand Pictures  
Brook Lapping  
Bungalow Town  
The Bureau Film Company  
Bwark Productions  
Cactus Television  
Capablu  
CC Lab

Century Films  
Channelflip Media  
Chimerica Media  
Clearleft  
Clerkenwell Films  
Clover Films  
Clusta  
Code Computerlove  
Company Pictures  
Conker Media  
The Connected Set  
Corporation Pop  
Cowboy Films  
CTVC  
CX Partners  
Darlow Smithson Productions  
David Modell  
Daybreak Pictures  
DCD Media  
Deltatre Media  
Designate  
The Digital Accessibility Centre  
Done And Dusted  
Doubleband Films  
Dragonfly Film And Television  
Productions  
Dream Team Television  
Dynamo Games  
Ecosse Films  
Electric Sky Productions  
Eleven Film  
Endemol  
Failbetter Games  
Fasttrack  
Fever Media  
Film London  
The Film S.A.S.  
Filmnova Production  
Films Of Record  
Firecracker Films  
First Hand Films  
Fish In A Bottle  
Flow Interactive

Freeform Productions  
Fremantle Media  
Fresh One Productions  
Frieze Films  
Furnace Limited  
Galeforce Tv  
The Garden Productions  
Gemini-I.Org  
Glasshead  
Globe Productions  
Gogglebox Entertainment  
Great Western Features  
Halcyones Heart Films  
Happy Cog Studios  
Hardcash Productions  
Hartwood Films  
Hat Trick Productions  
Hay Fisher Productions  
Headlight Dundee  
Herd  
Hey Buddy  
Hide And Seek Productions  
Highflyer Productions  
Hillbilly Television  
Hopscotch Films  
Horizon Solutions  
Hot Sauce Television  
Housebites  
Hyphen Films  
Hypergame  
Ignite  
Illuminations Television  
IMG Media  
Impossible Pictures  
Inensu  
Infinite Media  
Ipercast  
The Iso Organisation  
It's Nice That  
ITN  
ITV Studios  
IWC Media  
JJ Stereo

Johnston North  
Juniper Communications  
Karen Hamilton Productions  
Kent Lyons  
Keo Films.Com  
Kerb  
Kinkub  
Kotv  
LBI  
Lemonade Money  
Leopard Films  
Liar Productions  
Liberty842  
Lichen Films  
Lime Pictures  
Littleloud  
Live From Abbey Road  
Live Nation  
Livework Studio  
Livity  
Lovelace  
Lucky Day Productions  
Lucky Frame  
Lupus Films  
Made Media  
Magnum Media  
Maroon Productions  
Matchbox TV  
Matchroom Sports  
Maverick Television  
Maxymiser  
Maztec  
Mcdougall Craig North  
Mentorn Media  
Meta Broadcast  
Michael C Christie  
Milky Tea  
Minnow Films  
Mint Digital  
MJW Productions  
Mobile IQ  
Mobile Pie  
Mobloguk Technology  
Modern Toss Productions  
Monicker Pictures  
Monkey Kingdom  
Monterosa Productions  
Moonspun Films  
Mubaloo  
The Mudlark Production Company  
My Conversation  
Mysociety  
Nemo Entertainment  
New Entertainment Research  
And Design  
New Studio London  
Newmedia.Ec1uk.Com  
Next Generation Security  
Software  
Nick Crossland  
Nine Lives Media  
Nixon Mcinnes

North One Television  
Number 9 Films  
Numiko  
Nutopia  
Objective Productions  
Oblong Films  
October Films  
One Potato Two Potato  
Open Knowledge Foundation  
Open Mike Productions  
Optomen Television  
Ostmodern  
Outline Productions  
Oxford Film And Television  
Patient Opinion  
Patients Know Best  
Pett Television  
Photoword Syndication  
Pioneer Film And Television  
Productions  
Pixiu Productions  
Playerthree  
Playniac  
Precious Media  
Preloaded  
Presentable  
Princess Productions  
Product Camp  
Proper Games  
Prospect Pictures  
Public Zone  
Pulp Theatre Entertainment  
Pulse Films  
Quicksilver Media  
Raise The Roof Productions  
Ralph Creative  
Rare Day  
Rattle Research  
Raw Cut Television  
Raw TV  
RDF Television West  
RDF Television  
Realise  
Reborn  
Recorded Picture Company  
Redhouse Dox  
Red House Television  
Remedy Productions  
Render Positive  
Renegade Pictures  
Resource Base And Met Film  
Ricochet  
Roast Beef Productions  
Rob Manuel  
Rockcorps  
Rocket Science Solutions  
Ronachan Films  
Roughcut TV  
Ruby Films  
Running Bare Pictures  
Sassy Films  
Setgo

Seventh Art Productions  
Shaw Trust  
Silver Bullet Entertainment  
Social Media Factory  
Somethin' Else Sound Directions  
Spark & Fuse Marketing  
Splash Media  
Standing Stone Productions  
Stardotstar  
Starstruck Media  
Stereo Creative  
Steve Boulton Productions  
Storyvault Films  
Studio Lambert  
STV Productions  
Sunset And Vine Productions  
Super User Studio  
Tag Games  
Talk About Local West Midlands  
Talkbackthemes  
Tate Media  
Teledu Telesgop  
Tempero  
Tenement Films  
Testimony Films  
Third Films  
Tiger Aspect Productions  
Tigress Productions  
Tigerlily Films  
Tinderbox Television  
Touchpaper Television  
Tripitaka  
True Vision Productions  
Tui Interactive Media  
Tuna Technologies  
Twenty Twenty Productions  
Two Four Productions  
Unique Television  
Unltd – The Foundation For Social  
Entrepreneurs  
Vera Productions  
Vertigo Films  
Vice Media  
Videotext Communications  
Limited  
Waddell Media  
Wag TV Limited  
Wall To Wall Television  
Warp Films  
What Larks! Productions  
Whizz Kid Entertainment  
Wildfire Television  
Windfall Films  
WNW  
ZCZ Films  
ZDF Enterprises  
Zeppotron  
Zoe Mode Entertainment  
Zone

## Thank you

This list includes all our suppliers of first-run originated television programming that transmitted across the portfolio in 2011 and digital companies that we contracted with during the year. We also provided development funding to a range of other companies. While every effort has been made to identify and name all the relevant companies for this list we apologise if there are any accidental omissions.

# AWARDS

## TELEVISION

### Amnesty International Media Awards

*The Dancing Boys of Afghanistan* (Clover Films)  
Documentary and Docudrama Award

*Channel 4 News* (ITN)  
Television News Award  
Investigating the possibility of war crimes in Sri Lanka

### BAFTA Television Awards

*This is England '86* (Warp)  
Leading Actress  
(Vicky McClure)

*Misfits* (Clerkenwell Films)  
Supporting Actress  
(Lauren Socha)

*Any Human Heart* (Carnival)  
Drama Series

*Hugh's Fish Fight* (Keo Films)  
Features

### British Comedy Awards

*Inbetweeners* (Bwark Productions)  
British Comedy Academy  
Outstanding Achievement Award

*Fresh Meat* (Objective)  
Best New Comedy Programme

### British Soap Awards

*Hollyoaks* (Lime Pictures)  
Villain of the Year  
Best Newcomer  
(Emmett J Scanlan)

### Broadcast Awards

*Hugh's Fish Fight* (Keo Films)  
Best Features Programme

*Inbetweeners*  
(Bwark Productions)  
Best Comedy Programme

*Big Fat Gypsy Weddings*  
(Firecracker Films)  
Best International Programme Sales

### Edinburgh International TV Festival

*Misfits* (Clerkenwell Films)  
Network & Fast Track programme  
choice award

### Freestat Awards

*E4 for Misfits Series 2*  
Audience Impact Award

### Grierson Awards

*Hugh's Fish Fight* (Keo Films)  
Best Documentary Series

*Body Snatchers of New York*  
(The Jungle Group)  
Best Current Most Entertaining  
Documentary

*The Arbor* (Arbor Films)  
Best Cinema Documentary

### National Television Awards

*Alan Carr Chatty Man*  
(Open Mike Productions)  
Best Talk Show

### One World Media Awards

*Channel 4 News* (ITN)  
Journalist of the Year Award  
(Lindsey Hilsum – International  
Editor)

*Unreported World: Philippines –  
The City With Too Many People*  
(Quicksilver Media)  
Television Award

*The Promise* (Daybreak Pictures)  
Drama Award

*Dispatches: Children of Gaza*  
(True Vision)  
Children's Rights Award

*Unreported World: Pakistan After  
the Floods* (Quicksilver Media)  
Environment Award

### Rory Peck Awards

*Unreported World: China's Lost Sons*  
(Quicksilver Media)  
Professional Impact Award  
(Matt Haan)

### RTS Journalism Awards

*Sri Lanka's Killing Fields*  
(ITN Productions)  
Current Affairs – International

*Channel 4 News – Somali Olympic  
Dream* (ITN)  
Independent Award  
(Jamal Osman)

*Channel 4 News* (ITN)  
Camera Operator of the Year  
(Stuart Webb)

### RTS Programme Awards

*Alan Bennett and the Habit of Art*  
(Loan Star/National Theatre)  
Arts Award

*The Cove* (Vertigo Films)  
International Award

*Any Human Heart* (Carnival)  
Actor Male  
(Jim Broadbent)

*This is England '86* (Warp)  
Actor Female  
(Vicky McClure)

*This is England '86* (Warp)  
Writer (Drama)  
(Jack Thorne and Shane Meadows)

### RTS West Of England Awards

*Skins (Series 5)* (Company  
Pictures/Stormdog Productions)  
Best Television Drama  
Best Actor  
(Will Merrick)  
Best Writer – Drama  
(Daniel Lovett)

### Television Magazine Bulldog Awards

*Channel 4*  
Channel of the Year

*This is England '86* (Warp)  
Drama one-off or Serial

*The Inbetweeners*  
(Bwark Productions)  
Comedy

*Come Dine with Me* (ITV Studios)  
Factual Entertainment

*My Big Fat Gypsy Wedding*  
(Firecracker Films)  
Single Documentary

### TV Choice Awards

*The Inbetweeners*  
(Bwark Productions)  
Best Comedy Show

*Jamie's 30 Minute Meals*  
(Fresh One Productions)  
Best Food Show

*Come Dine with Me* (ITV Studios)  
Best Lifestyle Show

## FILM

### BAFTA Film Awards

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Outstanding Debut by British  
Writer, Director or Producer  
(Paddy Considine &  
Diarmid Scrimshaw)

*The Iron Lady* (DJ Films)  
Best Actress  
(Meryl Streep)  
Makeup and Hair  
(Marese Langan, Mark Coulier,  
J. Roy Helland)

*Pitch Black Heist*  
(DMC Films Limited)  
Best Short Film

### British Independent Film Awards

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Best British Independent Film  
The Douglas Hickox Award –  
Best Debut Director  
(Paddy Considine)  
Best Actress  
(Olivia Colman)

*Submarine*  
(Warp Films/Red Hour Films)  
Best Screenplay  
(Richard Ayoade)

*Shame* (See-Saw Films)  
Best Actor  
(Michael Fassbender)

*Kill List* (Warp X/Rook Films)  
Best Supporting Actor  
(Michael Smiley)

*Chalk* (Cowboy Films)  
Best British Short

### Plus Camerimage

*Wuthering Heights* (Ecosse Films)  
Bronze Frog  
(Robbie Ryan)

### Chicago International Film Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Silver Hugo For Best Actress  
(Olivia Colman)

### Empire Film Awards

*Four Lions* (Warp Films)  
Best Comedy Film

### Dinard Film Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Grand Jury Prize  
Best Screenplay

### Fright Fest

*Kill List* (Warp X/Rook Films)  
Best Film  
Best Screenplay  
Best Kill  
Best Actor  
(Michael Smiley)

### Golden Globes

*The Iron Lady* (DJ Films)  
Best Performance by an Actress  
in a Motion Picture – Drama  
(Meryl Streep)

### International Festival of Young European Cinema Voices

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Voices Festival Prize  
Best Acting Prize  
(Olivia Coleman)

### Irish Film and Television Academy Awards

*Shame* (See-Saw Films)  
Best Actor  
(Michael Fassbender)

### L.A Film Festival

*Attack the Block* (Big Talk Pictures)  
Audience Award for Best  
Narrative Feature

### London Critics' Circle Film Awards

*Shame* (See-Saw Films)  
British Actor of the Year  
(Michael Fassbender)

*Submarine*  
(Warp Films/Red Hour Films)  
Young British Performer of the Year  
(Craig Roberts)

*The Iron Lady* (DJ Films)  
Actress of the Year  
(Meryl Streep)

*Tyrannosaur*  
(Warp X/Inflammable Films)  
and *The Iron Lady* (DJ Films)  
The Moët & Chandon Award:  
British Actress of the Year  
(Olivia Colman)

### London Evening Standard British Film Awards

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Best Actress  
(Olivia Colman)

*Shame* (See-Saw Films)  
Best Actor  
(Michael Fassbender)

*Wuthering Heights* (Ecosse Films)  
London Film Museum Award for  
Technical Achievement  
(Robbie Ryan)

#### Mar Del Plata Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Jury Special Award  
Silver Astor for Best Screenplay  
Non official award – ACCA  
Non official award – SIGNIS

#### Munich Film Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
CineVision Award

#### Nantucket Film Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Best Writer/Director  
(Paddy Considine)

#### New York Critics Circle

*The Iron Lady* (DJ Films)  
Best Actress  
(Meryl Streep)

#### Oscars

*The Iron Lady* (DJ Films)  
Best Actress in a Leading Role  
(Meryl Streep)  
Best Makeup  
(Mark Coulier and J Roy Helland)

#### PiFan Korea

*Kill List* (Warp X/ Rook Films)  
Best Actress  
(MyAnna Burning)

#### Stiges Film Festival

*Attack the Block* (Big Talk Pictures)  
Audience Award for Best  
Motion Picture  
Joe Louis Critics Award  
Special Jury Award  
Best Original Soundtrack

*Kill List* (Warp X/ Rook Films)  
Melies d'Argent for Best  
European Film

#### SXSW Awards

*Attack the Block* (Big Talk Pictures)  
Midnight Screening Audience Award

#### Thessaloniki Film Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Audience Award – Open Horizons

#### Venice Film Festival

*Shame* (See-Saw Films)  
Fipresci Prize – Best Film  
Volpi Cup – Best Actor  
(Michael Fassbender)

*Wuthering Heights* (Ecosse Films)  
Golden Osella – Outstanding  
Technical Contribution  
(Robbie Ryan (Cinematography))

#### Zagreb Film Festival

*Tyrannosaur*  
(Warp X/Inflammable Films)  
Audience Award

## CRAFT

#### BAFTA Television Craft Awards

*Any Human Heart* (Carnival)  
Original Music  
(Dan Jones)

*Dispatches: The Battle for Haiti*  
(Quicksilver Media)  
Director Factual  
(Dan Reed)

*Misfits* (Clerkenwell Films)  
Production Design  
(Tom Bowyer)

*This is England '86* (Warp)  
Make Up and Hair Design  
(Catherine Scoble)

#### RTS Craft And Design Awards

*24 Hours in A&E* (The Garden)  
Best Multimedia Camera Work

*Misfits* (Clerkenwell Films)  
Best Original Score  
Effects – Digital

*Friday Night Dinner*  
(Big Talk Productions)  
Best tape and film editing –  
Entertainment and Situation  
Comedy

*Any Human Heart* (Carnival)  
Best Graphic Design – Titles

## DIVERSITY

#### Creative Diversity Network Awards

*PhoneShop* (TalkBack Productions)  
Best Comedy & Entertainment  
Programme

*Battlefront* (Raw Television)  
Diversity Innovation Award

*Skins* (Company Pictures)  
Company Initiative Award

## DIGITAL MEDIA

#### BAFTA Children's Awards

*Privates*  
(Size Five Games/Channel 4)  
Winner – Learning Secondary

#### BAFTA Television Craft Awards

*Million Pound Drop Live*  
(Endemol/Monterosa)  
Digital Creativity

#### BIMA Awards

*The Sexperience 1000* (Mint Digital)  
Best Use of Data, Mashups  
and Data-Visualisation

*The Million Pound Drop – Live  
Playalong Game*  
(Endemol/Monterosa)  
Media & Entertainment  
Muliplatform

*The End* (Preloaded)  
Best Game

#### Broadcast Digital Awards

*The Million Pound Drop – Live  
Playalong Game*  
(Endemol/Monterosa)  
Best Use of Digital Technology

*Big Fish Fight* (Keo)  
Best Multiplatform Project

#### Edinburgh International TV Festival

*The Million Pound Drop – Live  
Playalong Game*  
(Endemol/Monterosa)  
Cross Platform Innovation

#### International Digital Emmys

*Battlefront 2*  
(Battlefront/Airlock)  
Children & Young People Award

#### MEGAs (Mediaguardian Innovation Awards)

*SuperMe* (Somethin' Else)  
Best Use of Technology  
for Social Change

#### New Media Age Awards

*The Million Pound Drop – Live  
Playalong Game*  
(Endemol/Monterosa)  
Entertainment

#### RTS West of England Awards

*Hippo: Wild Feast Live*  
(Rubber Republic/Endemol)  
Media Effectiveness

## INTERNATIONAL

#### International Emmys

*Mo* (Granada)  
Best Actress  
(Julie Walters)

## MARKETING

#### Broadcast Digital Awards

*E4*  
Best Channel Marketing

#### Campaign Big Awards

*Twist* (Channel 4/4Creative)  
Interactive Campaign

#### D&AD

*Channel 4 Idents* (Airplanes,  
Blackpool Beach, Recycling)  
(Channel 4/4Creative)  
In-Book – Production Design  
for Film Advertising

*Shameless 8*  
(Artic, Tundra and Space)  
(Channel 4/4Creative)  
In-Book – TV Promotions &  
Programme Junctions

*Big Brother R Eye P*  
(Channel 4/4Creative)  
In-Book – Graphic Design/Posters  
(Graphic Design)

#### Favourite Website Awards

*Street Tag*  
(Brothers & Sisters/4Creative)  
FWA Mobile of the Day Award

#### PROMAX AWARDS

*Frankie Boyle's Tramadol Nights*  
(Channel 4/4Creative)  
Gold Award for Best Graphic Design  
or Animation Promo

*Seven Dwarves*  
(Channel 4/4Creative)  
Gold Award for Best Press/Public  
Relations Campaign  
Gold Award for Best Print  
Gold Award for Best Campaign

*Usain Bolt ident*  
(Channel 4/4Creative)  
Gold Award for Best Ident or  
Branding Device

*Hollyoaks* (Channel 4/4Creative)  
Gold Award for Best On Air  
Media Planning

*Katie: My Beautiful Friends*  
(Channel 4/4Creative)  
Gold Award for Best Factual/News  
and Current Affairs promo  
(originated)

*Street Tag*  
(Brothers and Sisters/4Creative)  
Gold Award for Best Use of  
Digital Media  
Bronze Award for Best Game or App

*The Killing* (Channel 4/4Creative)  
Bronze Award for Best Print

*Twist* (Channel 4/4Creative)  
Bronze Award for Best Use  
of Digital Media  
Bronze Award for Best Campaign

*Famous and Fearless*  
(Channel 4/4Creative)  
Silver Award for Best Long Form  
or Marketing Tape  
Bronze Award for Best Launch  
Bronze Award for Best Use  
of Direction

*Mary Portas* (Channel 4/4Creative)  
Silver Award for Best Leisure  
and Lifestyle Promo

*Action Season* (Channel 4/4Creative)  
Silver Award for Best Use  
of Script or Copy  
Bronze Award for Best Film Promo

*Sirens* (Channel 4/4Creative)  
Silver Award for Best Radio Promo  
Bronze Award for Best Use  
of Humour

*Jamie's Dream School*  
(Channel 4/4Creative)  
Silver Award for Best Launch Award

*Street Summer*  
(Channel 4/4Creative)  
Silver Award for Best Use  
of Direction

*British Comedy Awards*  
(Channel 4/4Creative)  
Silver Award for Best Use of Humour

*One Born Every Minute Series 2*  
(Channel 4/4Creative)  
Silver Award for Best Factual/News  
& Current Affairs Promo (Originated)

*Stephen Fry's 100 Greatest Gadgets*  
(Channel 4/4Creative)  
Bronze Award for Best  
Entertainment Promo

*True Stories: Cat Fish*  
(Channel 4/4Creative)  
Bronze Award for Best Factual/  
News & Current Affairs Promo  
(clip based)

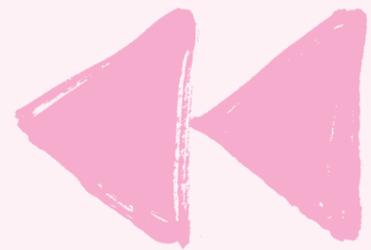
#### W3 Awards

*Street Tag* (Brothers and  
Sisters/4Creative)  
Silver Award – Innovative/  
Experimental  
Silver Award – Photo & Video – Silver

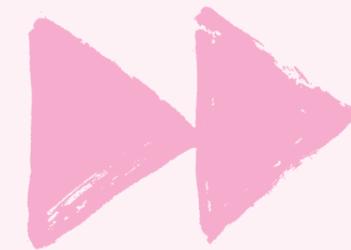
## OTHER

**BITC Awards for Excellence**  
*Channel 4's Kickstart Programme*  
Work Inspiration Award

LOOKING  
BACK



LOOKING  
FORWARD



## Mission with mischief

**2012 will be a hugely exciting year for Channel 4: with our commissioning budget at its highest ever levels, the Paralympics providing us with the biggest event in our history, and technology providing ever new ways of connecting with our viewers. We will embrace all of these opportunities – and invoke our mission with mischief in everything that we do.**

### Distinctive



#### *Commission with courage*

We want to be fearless in our commissioning approach – not afraid to take on the most ambitious of concepts, the riskiest subject matter or the most mischievous of ideas – with a clear purpose underpinning them. We believe the spirit of Channel 4 lies in being bold, and we want our producers to know we will hold our nerve when the going gets tough. Ultimately, we think this approach will enable us to reinforce our brand reputations with viewers, and potentially address some of the trends we have seen in our tracking statements.

### Innovate



#### Nurture talent



#### Digital



#### *Become the first broadcaster with a genuinely platform-agnostic approach to creativity*

We will seek out talent from every corner of the UK as we continue our mission to broaden our supply base. And we will seek to commission the best ideas whatever discipline they happen to originate from, opening ourselves up to completely new kinds of creative companies and promoting more collaboration across genres.

### Stimulate debate



#### Educational



#### *Develop a consistently surprising schedule that reflects society back to itself*

We want our schedule to be alive to the wider world and feel timely and relevant to our viewers. So we will be constantly seeking out new twists on the big issues of the day – whether unemployment, technology or prejudice. In a busy year for cultural and sporting events, we know that we will need to work extra hard to stand out from the crowd. So we will be creating key moments across the year to pique interest; whether in the form of stripping series across the week, launching dedicated seasons on specific issues or tying in programmes to topical events.

### Alternative views



#### Cultural diversity



#### *Celebrate diversity in all its forms*

We will endeavour to tell stories from the widest range of communities, working across current affairs, factual, drama and comedy to develop programmes that reveal the changing face of modern Britain in all its glory. The Paralympics, in particular, will provide us with a huge opportunity to challenge the way viewers think about disability.

### Inspire change



#### *Build on success of campaigns to engage and empower audience*

We know audiences look to us to be challenging and provocative – and we know that at our best we have the power to be real agents for change. We will seek to build on our previous success in engaging viewers around issues and place a greater emphasis on noisy, impactful series that have the power to resonate with viewers and make a difference to peoples' lives. Multi-platform projects will have a particular role to play in connecting viewers with the tools to enact genuine change.

### Digital



#### *Prepare ourselves for the converged future*

We will ramp up our efforts to deepen our relationship with our audience, gaining greater understanding of our viewers' tastes so we can help them to get more out of Channel 4. Technology will be crucial in helping us deliver this ambition – and in 2012 we will pioneer new viewing experiences and develop more personalised features across our digital platforms.



Make Bradford British

## Investing in creativity

**2012 will see Channel 4 invest more money in original UK content than ever before.**

### Total content budget

We are budgeting for our total investment to increase in 2012. While our plan assumption is the advertising market will be broadly flat over the whole course of the year, we are committed to putting the maximum amount possible into content. Crucially, we are focusing our investment on UK content – with a planned spend of around £450 million in UK originations – the biggest investment in original commissions in Channel 4's history. Comedy, entertainment and documentaries will be particular beneficiaries of the increase in investment.

We know it is a daring step for a commercially funded company to increase our investment in uncertain economic times. But it is our belief that bold companies invest, rather than cut back, in tough economic times – and we hope that this decision will help maintain our distinctiveness in the years to come. Our plans are based on realistic forecasting, and given our unique status and remit we believe this is the right thing

to do as we look to maximise public value and support the wider creative economy. To aid it, we will be using some of the transitional financial surplus we have built up in recent years. We will also be shifting even more of the spend previously allocated to US acquisitions over to UK originations – with the result that audiences will enjoy even more originally produced content on our screens.

### Breakdown by platform

The main Channel 4 service will continue to be a broad-based channel, delivering original and distinctive content across a range of genres for all age groups. It will be the major recipient of the increased UK content budget, as we aim to sustain and potentially grow the impact of the main channel. This budget will be invested in a programming mix of returning series alongside brand new commissions and one-offs.



Sainsbury's and Channel 4 Present...

We want E4 to remain the number one digital destination for 16–34 year olds. In 2012 it will have a slightly larger budget to spend on UK originations, as well as being home to some of the best in US content. For the first time, we will also be commissioning dedicated content before the watershed, for a younger audience.

More4 will be positioned more prominently as a lifestyle channel, with an exciting new online proposition to support its new emphasis on helping viewers to get the most out of their lives. A 'digital scrapbook' will allow users to collect, keep and share recipes, 'how to' guides, tips and advice from Channel 4 lifestyle shows and any other favourite destination.

Film4 will aim to maintain share after an incredibly successful 2011, continuing to deliver a mix of mainstream and alternative films alongside regular brand-defining seasons.

We will also look to launch a new service aimed at giving our viewers another opportunity to catch up on the best of our schedule, bridging the gap between our linear channel and an on-demand world.

Online investment will remain broadly flat, with a continued focus across three main areas. We will invest in ambitious multiplatform and convergent content propositions, and launch new tools aimed at enhancing the viewing experience, whether that is rolling out 4oD to even more devices or developing broadcast synchronised apps. And we will build on the progress we have made in 2011 in experimenting with how we can use our online products to help build a greater understanding of who the Channel 4 audience is and what they want.

## Creative ambitions

### Commissioning values

Promoting creative risk-taking will be a key objective for all of Channel 4's commissioners – as they are tasked with identifying exciting new companies, fresh ideas and emerging talent.

We will strive to be the partner of choice for independent creative voices from around the UK, and continue our work to diversify our supply base. We will extend the life of the Alpha Fund, increasing its size and funding projects of greater scale. We will also make an even greater effort to deliver more producer briefings and commissioning meetings outside London than ever before. Our online team will be running a dedicated year-long programme of regional events and work placements aimed at building the creative community's understanding of multiplatform content creation.

We will strive to reflect contemporary life across the UK, and in particular a changing culture and society. 2012 will be a timely moment for these big questions – when all eyes are on Britain, we want to interrogate who 'Britain' really is, as well as celebrating its diverse make-up. *Make Bradford British* will seek to ask uncomfortable questions about multiculturalism and identity. A dedicated arts season will look at the myriad cultures of the British club scene. And we will continue to work with diverse talent both on-screen and off-screen – with the return of series such as *Top Boy*, *Phoneshop* and *Misfits* as well as encouraging new projects from diverse talent: such as the drama series *Run* from emergent BAME company Acme Films.

2012 will also see what promises to be the biggest single event in Channel 4's history – the London 2012 Paralympic Games – including over 150 hours of live coverage and a raft of programmes in the build-up. As a major sporting event, we aim to take the Paralympics to a new level. By showcasing the excellence of Paralympic sporting achievement, we also hope to have a significant impact on attitudes to disability, as well as nurturing much-needed disabled presenting talent. In addition to the Paralympics, Channel 4 will feature disabled people prominently throughout the year in other genres, from comedy to documentaries.

## Film and drama

2012 will see an increase in the number of one-off singles and serials in our drama slate as we seek to build our reputation for distinctive drama. The emphasis for these will be on giving new twists to contemporary themes: starting with *Coup*, a four part political conspiracy thriller starring Gabriel Byrne that explores the relationship between a democratically elected government, big business and the banks. Feature-length single drama *Complicit* will ask whether torture is ever justified in the War on Terror. *The Fear* will follow a Brighton gangster coming to terms with the frightening reality of his degenerative mental condition. And *Run* will feature five tightly-paced thrillers stripped across one week, examining the interconnectedness of modern city life. The series is the first drama from new production company ACME Films, and will feature first-time writing and acting talent. We will also be experimenting with cross-genre collaborations, such as drama/factual hybrid *The Mill*, which takes real historical records from a mill in Cheshire and turns them into powerful social drama.

Returning series will continue to play a crucial role in driving audiences as well as Channel 4's overall brand impact. Hit 2011 commissions *Top Boy*, *Fresh Meat* and *Beaver Falls* will return, and we will seek to build on their success by identifying a new long-running returnable drama series that can sit alongside perennial Channel 4 favourites *Hollyoaks* and *Shameless*. Serving young audiences with distinctive, contemporary content will remain a priority, and we will continue to experiment with social media as a way of deepening viewer experiences around shows like *Skins* and *Misfits*. We will also develop a new comic drama for this audience: *My Mad Fat Teenage Diary* tells the story of a boy-mad teenage girl living in Lincolnshire. The series is from a new writer originally found through our *Coming Up* strand.

Supporting bold and original filmmaking will remain the central aim of Film4. With our £15m annual budget, our ambition is to deliver between ten to fifteen distinctive feature films per year, which have the potential to resonate at home and internationally. 2012 cinematic releases include an array of daring and complex features featuring international and home-grown talent. Meryl Streep stars as Margaret Thatcher in Phyllida Lloyd's *The Iron Lady*, Bill Murray will appear as President Roosevelt in *Hyde Park on Hudson*, and Scarlett Johansson leads Jonathan Glazer's compelling sci-fi thriller *Under the Skin*.

Maintaining our commitment to British talent, the year will see films from several directors and writers nurtured by Channel 4 over recent years. These include *Shame*, Steve McQueen's second film after his award-winning *Hunger*, and *The Motorcycle Diaries* director Walter Salles with a distinctive take on Jack Kerouac's iconic novel *On The Road*. We are also working with Danny Boyle on his latest film *Trance*, Martin McDonagh on his first project since *In Bruges* and Ben Wheatley on a follow up to his 2011 hit *Kill List*.

In line with Channel 4's broader ambitions to reach out across platforms, our Film4.0 strategy will seek to break new cinematic ground, pioneering innovative ways of producing distributing and marketing film.

## Comedy and entertainment

Our comedy slate will be hugely diverse, with a stream of new titles alongside returning favourites. These will span satire, sitcoms, sketch shows, prank shows and impressions alongside new areas such as a studio-based comedy series with Angelos Epithemiou and original animation series, *Happy Families*.

We will continue our commitment to uncovering a wide range of new talent – including comedy duos *Midnight Beast* and *Cardinal Burns*, who will both have new series on E4. *The Rubberbandits* will have their first full-length commission following the success of their online short *Comedy Blaps*, and Terry Mynott will display his exceptional ability to mimic voices in his very own show, *The Mimic*. We will also see the launch of several programmes for stars working for Channel 4 for the first time – including Noel Fielding's first solo series and Dan Skinner's character Angelos Epithemiou. We will also continue to test out new talent and invest more money in piloting and development.

In amongst this array of rising stars, we will also be celebrating those comic legends that Channel 4 helped to launch, with a special legacy season to mark our 30th birthday. Comedians such as Vic and Bob and Kayvan Novak will be starring in specially created one-offs alongside new stand-up shows from some of the biggest names in UK comedy, including Peter Kay, Lee Evans and Jimmy Carr.

There will be a particular focus on developing female writers and comedians, who are often underrepresented in television. Morgana Robinson will star in *VIP* and there will be a full series of *Bad Sugar*, a sitcom from the writers of *Peep Show* and *Fresh Meat* and the director of *The Inbetweeners Movie*, which brings together a dream team of female leads: Olivia Colman, Julia Davis and Sharon Horgan. We will also be working with new female comedians Anna Krilly and Katy Wix in their first series *Anna and Katy's Television Programme*.

We will see a broader mix of entertainment shows in the schedule as we continue to experiment with new formats and ideas. We will look to venture into new slots on the main channel as well as E4, and continue to develop Friday night as a stand-out destination for entertainment shows.



Live event shows with an interactive focus will be a major area of development for 2012, as we look to build on the success of *Million Pound Drop*. An online game for new show *The Bank Job* puts viewers head to head as they compete to win a virtual prize – and the opportunity to be selected to appear on the real show. There will be several more interactive projects of this nature throughout the year as we harness digital media's ability to connect viewers with our content in real-time.

We will also be developing a number of new entertainment faces for the channel, with new shows for comics such as Micky Flanagan (*Mad Bad Ad Show*) Lee Kern (*Lee Kerns' Massive Thing*) and Jack Whitehall (*Hit The Road Jack*).

## Factual

A huge volume of new factual titles will launch across the year, as we seek to deliver more provocative content that has both mischief and a purpose. We will look to build on our ability to identify big issues that will resonate with audiences, and use digital platforms to connect them with the means to bring about change.

As we tackle the big issues of the day, we will offer new twists and unique perspectives. We will look at themes including work, drugs and immigration, and in particular, we will seek to make sure our programmes tap into everyday concerns about the UK's economic outlook. We will look at how to get Britain working, with Guy Martin exploring our industrial past and Mary Portas aiming to rebuild our manufacturing base. Elsewhere, *The Bank of Dave* will see entrepreneur David Fishwick attempt to show that there is an alternative to the global baking system – by opening his own bank to help inject much-needed life into local businesses. And Jimmy Doherty will look at whether, in a time when consumers are feeling the pinch, shoppers can really still afford to care about where the food on their table comes from.

Crucial to connecting audiences with these big issues will be getting our Channel 4 talent to champion them – and 2012 will see ambitious projects for Gordon Ramsay, Kevin McCloud, Mary Portas and Heston Blumenthal. We will also bring a host of new presenting faces to the channel, including Jimmy Doherty, Guy Martin, Tim Lovejoy and Simon Rimmer – as we aim to bring in more male viewers to Channel 4's factual content.

A new commissioning structure bringing together specialist factual and documentaries will result in a one-stop shop for producers and encourage more collaboration in factual ideas. We will continue to feature trusted experts in history and science – with Niall Ferguson travelling across China in a landmark three part series looking at the history of the biggest nation on earth. We will also aim to give our slate a more contemporary, accessible feel. Our aim is to give our viewers insights into science, history and religion that they wouldn't get anywhere else – with shows such as *Plant Detectives* and *A Short History of Everything Else*

attempting to put completely new spins on traditional subjects. And we will continue to provide viewers with a radical alternative in arts programming – including a major season on fashion, programmes on music and club culture, as well as specials from artists including Grayson Perry.

In documentaries, we will look at Britain through a range of different angles, and innovate in form with new kinds of documentary formats. We will continue to explore the potential of fixed-rig series, with our most ambitious project yet – looking across all 3 emergency services from a 999 call centre in Blackpool. This will accompany returning series of *One Born Every Minute*, *24 Hours in A&E*, *Coppers* and *The Hotel*. We will aim to increase the impact of our international documentary strand *True Stories*, moving it to a new home on the main channel. We will also look to refresh *Cutting Edge* as a showcase for the best documentaries about life in Britain.

## News and current affairs

We will continue to invest in challenging, investigative and independent reporting across our news and current affairs output. Our aim in 2012 will be to build on the changes we made to our key strands and news programme in 2011 to really maximise the impact of our journalism. We will also look to build on our efforts to create a more joined-up approach between our news and current affairs content, creating more opportunities for our journalists to cross over when the right story comes up.

We will embed the changes we made to *Channel 4 News*, and continue to maintain its distinctive and independent take on the day's events. We want to develop an even richer relationship with our audience, promoting more discussion between our reporters and viewers on Twitter and other platforms and developing new ways of giving viewers the kind of content they want in the way they want it. We believe this approach will help maintain the resonance of the Channel 4 News brand in the years ahead.

In current affairs we will continue to give voice to people from far-flung parts of the world in our acclaimed *Unreported World* strand – which Krishnan Guru-Murthy will introduce each week. We will launch a new format for our long-running *Dispatches* strand, to bring more range and topicality to the series. The number of episodes will increase from 30 episodes to 40, with most editions running to 30 minutes – and special one hour episodes when the subject matter justifies it. This approach will give us more flexibility to cover stories in the way that best suits each one.

Our current affairs output will reflect Channel 4's wider strategic aims to broaden its supply base. Four production companies have been awarded contracts to produce *Dispatches*, including one Manchester-based company, Nine Lives Media, which have never worked with Channel 4 before. We believe allocating the *Dispatches* contract in this way, rather than commissioning on a film-by-film basis, will help to build sustainable companies specialising in the kind of expensive investigative journalism that is increasingly under pressure. We will further support this crucial democratic role by establishing our own investigative journalism fund aimed at growing the next generation of journalists. The scheme will offer bespoke training for twenty people over two years.

Across all our output we will seek to remain at the forefront of digital innovation – in particular developing a new digital strategy for our current affairs strands. This will include investment in apps and tools that enable second-screen engagement.

## Education and older children

We will continue to give viewers of all ages compelling, engaging educational content across a range of genres – whether that is a unique take on ecology or a documentary about the industrial revolution.

For 14–19 year olds, our aim will be to commission projects that are relevant to the interests and experiences of young people, outside the schools-based curriculum. Many of Channel 4's peak-time commissions will have particular appeal to this audience – for example in a new series Gok Wan will turn his attention to the issues facing teens, giving them advice and on how

to tackle their issues. From our dedicated educational budget, 2012 will see a renewed focus on television activity, with a broader spread of television and digital projects that reflect the balance of Channel 4's other commissioning teams.

Integrating educational projects to link more closely with existing series we know already have strong teen appeal will be a key strategic theme. We will work with *Hollyoaks* to develop bespoke content around a major bullying storyline, as well as launching an online advice clinic for teens to coincide with the next series of *Fresh Meat*. These projects will aim to harness the attention gained from these high-profile shows and channel it into targeted educational projects that are relevant to the specific teen audience.

We will also seek to build the visibility and impact of our educational projects. Following a hugely successful year in 2011, the fourth series of *Battlefront* will bring together different voices around one key campaign – youth unemployment. We will fund a number of one-off educational documentaries in peak-time that are specifically aimed at this younger audience. We will also maintain our commitment to digital innovation in the educational space, with our new games commissioner charged with funding a number of new educational games for 14–19 year olds.

For children, we will be making one of our biggest ever commitments to providing content for 10–14 year olds with the sequel to the iconic children's animation *The Snowman* by Raymond Briggs. Working with the same animation team of the 1982 classic, this time the boy will embark on a brand new adventure with a new set of friends. We will continue to commission online games that will appeal to 10–14s, and are also developing new dramas for this younger age group, including an adaptation of Nick Hornby's novel *Slam*.

## INDEPENDENT ASSURANCE REPORT TO CHANNEL FOUR TELEVISION CORPORATION (CHANNEL 4)

Channel 4 engaged KPMG LLP to provide limited assurance over their key measures in the charts on pages 8, 9, 10, 14, 16, 18, 19, 20, 21, 22, 23, 27, 28, 33, 38, 42, 43, 48, 50, 52, 53, 73, 78, 79, 80, 81, 86, 91, 94, 95, 98, 99, 100, 101, 103 and 104 of Channel 4's Annual Report for the year ended 31 December 2011 containing its Statement of Media Content Policy, referred to hereafter as 'the key measures'.

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

### Responsibilities of the Channel 4 Members

The Members of Channel 4 are responsible for the preparation of the Statement of Media Content Policy Methodology ('Methodology'), the 2011 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 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. (See [www.channel4.com/annualreport](http://www.channel4.com/annualreport)).

### Responsibilities of the independent assurance provider

Our responsibility is to independently express a limited assurance conclusion 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 2011 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 on the key measures for the year ended 31 December 2011 and the comparisons with the immediate prior year. We have not examined the key measures for years prior to the year ended 31 December 2010 other than in the following cases:

- where the summary metrics for which the source of the data is Ofcom or Broadcast for which the 2011 data was not yet available, we have examined the information for the years ended 31 December 2010 and 2009 found on page 14;
- we have checked the extraction of TV viewing share from BARB from 2007 to 2011 found on page 98; and
- we have checked the calculations compiled to report the medium-term viewing trend key measures between 2006 and 2011 found on page 99.

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 third party on-line data service providers:

- Channel 4 programmes with the highest conversion rate from TV audience to website visits on page 104;
- Average monthly number full length programmes views initiated on page 103;
- Conversion rate from TV audience to website visits in the comedy and entertainment genre compared to all Channel 4 programmes on page 53;
- Average monthly visits to channel4 websites on page 104;
- Average monthly page views on page 104;
- Number of unique UK visitors to education projects on page 86; and
- Average time spent on Channel 4's education sites by UK visitors on page 91.

### 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. That Standard requires that we comply

with applicable ethical requirements, including independence requirements, and that we obtain sufficient, appropriate evidence on which to base our conclusion.

We made use of Channel 4's Statement of Media Content Policy Methodology to perform our work.

### Work performed

A limited assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give limited assurance over the Data. The procedures selected depend on our judgement, on our understanding of the Data and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

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 the 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; and
  - 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 Annual 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, as applicable, 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 Annual Report in light of our findings.

For the key measures based on information from Channel 4's third party on-line 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.

The extent of evidence-gathering procedures for a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

### Emphasis of matter

Our conclusions do not relate to the periods before 2010, other than as indicated above in the Scope of Work section.

### Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that in all material respects and on the basis of the Methodology:

- Channel 4's key measures for the year ended 31 December 2011 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 2011 and the comparison with the immediate prior year are not fairly stated; and
- the medium-term viewing trends key chart for the period 2006 to 2011, and the TV viewing share from 2007 to 2011 are not fairly stated.

Hugh Green for and on behalf of KPMG LLP  
Chartered Accountants  
London  
28 March 2012

# FINANCIAL REPORT and STATEMENTS

## Report of the members

The members present their report and the audited financial statements for the year ended 31 December 2011.

## 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 main Channel 4 service 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 and 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.

Following the Digital Economy Act 2010, which reflects our ability to deliver public value across our portfolio of television channels and digital media, revised Arrangements under Schedule 9 of the Communications Act 2003 were proposed by Channel 4 and approved by Ofcom. Under the new Arrangements, which came into force on 24 January 2012, the primary functions of the group are now extended from the main Channel 4 service to content delivery across our digital channels, digital media and secondary rights exploitation.

Also as a result of this change, subsequent to the year end Channel 4 carried out an internal business transfer to move those primary functions within 4 Ventures Ltd, a 100% owned subsidiary of Channel Four Television Corporation, into the Corporation. This includes a transfer of:

- (i) the Ofcom licences in respect of our digital channels held in 4 Ventures and two of its wholly owned subsidiaries, Life One Broadcasting Limited and Life Two Broadcasting Limited;
- (ii) 4 Ventures' share in the 50:50 joint venture company Box Television Limited, which owns and operates the DTT 4Music channel and six other pay music channels; and
- (iii) the operation of the digital channels (E4, More4 and Film4, and their associated '+1' and the 'HD' channels, and Channel 4 +1 and Channel 4 HD), Future Media and 4Rights.

The changes described above have no impact on segmental reporting in the 2011 report and accounts.

The main Channel 4 service is available on both analogue and the main digital broadcast platforms, and in high definition on Freeview, Freesat, 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 available to purchase from or syndicated to a number of digital platforms and devices including Virgin Media, BT Vision, Talk Talk, iTunes, YouTube, Sony PlayStation 3, Xbox, Apple (iPhone, iPad and iPod touch) and Android devices. Film4 content is available on Film4oD, a partnership with Film Flex. In 2011 we also continued to participate in the YouView project, the internet connected set top box, which will offer viewers a programme guide that goes seven days back in time.

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 2011, 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 138 to 180.

## Report of the members continued

### Principal activities

Our business comprises five operating segments:

#### Channel 4

The main 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 is also available in high definition on Sky and Virgin, and on E4+1
- More4 – offering documentary, new comedy, drama and art and lifestyle shows
- Film4 – the UK's leading dedicated film channel and the fifth most popular digital channel, which offers a mix of the best British, European, US and international cinema. Film4 is also available in high definition on the Virgin platform.

#### 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 and drive a deeper relationship with audiences. 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 a number of digital platforms and devices.

#### Other

Other includes the provision of creative design and production services.

## Key performance indicators

The primary purpose of the main Channel 4 service, 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 educational value; and
- exhibits a distinctive character'.

## Report of the members continued

Main Channel 4 service remains subject to the Communications Act 2003 and is the only channel to which specific public service obligations apply as a condition of our public service broadcasting licence. 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.

From 2008, the Channel 4 Annual Report has presented a framework to measure the public value that Channel 4 provides, reflecting Channel 4’s ambitions to operate as a public service network, covering main Channel 4 service, the digital channels and online services. In 2011 these public value measures have been published for a fourth 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 2011 the presentation of the measures builds on the work done in the previous three years. It is structured around the key genres through which we fulfil the remit across our operating segments and, for a second year, 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 2005–2011, the group’s portfolio audience share held up better than any other terrestrial broadcaster. In 2011, portfolio audience share grew by 0.2% points to 11.6% (2010: 11.4%), 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 main Channel 4 service’s programming, which we measure in terms of our share of audience. In 2011, the main service channel’s share of audience was 6.8% (2010: 7.0%) in another year in which all of the main terrestrial channels lost audiences to multi-channel television as a result of digital switchover. Despite 2011 being the first year in a decade without Big Brother, the decline was Channel 4’s smallest decline in the past five years.

Audience share is also a key driver of the commercial impacts the group is able to sell to advertisers and an indicator of future market share.

### 2. Digital channel audience share

With the growth of multi-channel television, our portfolio of digital channels allows us to deliver 4-branded content to a wider audience. In 2011 our digital channels grew their share of viewing by 0.4% points (2010: 0.3% points) to 4.8% (2010: 4.4%).

### 3. Ofcom requirements

As a public service broadcaster, main Channel 4 service 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 200. In 2011 and 2010 we met or exceeded all our licence requirements.

During 2011 the main channel achieved 61% overall of hours of originated programmes (target: 56%) and 79% in peak hours (target: 70%). We also exceeded our target of 35% of programme production spend outside London with 42% (£142.8 million) of Channel 4’s originated programming, excluding the News, being supplied by production companies located outside the M25.

## Report of the members continued

### 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 2011 accounted for 83% (2010: 85%) of total revenue.

Although the main Channel 4 service contributes to 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 2011, television advertising revenues fell by £15.3 million, comprised of £19.5 million on Channel 4, and £0.2 million on TV video on demand, offset by £4.4 million growth on the digital channels. The television advertising market grew slightly in 2011 on 2010 but overall revenues were lower due to lower market share.

### 5. Operating profit

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 £40.1 million (2010: £49.3 million) are explained below.

Following the arrival of David Abraham as Chief Executive of Channel 4 in May 2010, all content commissioning – television and online – was brought together under a single Chief Creative Officer position. In January 2011, Jay Hunt was appointed to this position. In March 2011, Director of Sales Andy Barnes resigned and his replacement Jonathan Allan was appointed in September 2011, completing the senior Executive team, which also includes Anne Bulford, Dan Brooke, Diane Herbert and Gill Whitehead.

From January 2011, Channel 4 expanded its advertising sales portfolio to include representation for UKTV, the joint venture between BBC Worldwide and (from August 2011) Scripps Networks Interactive. Adding UKTV advertising and sponsorship revenues to the Channel 4 sales house enabled the ad sales team to reach their total sales target of £1 billion across television and online advertising and sponsorship revenues in 2011.

The additional costs incurred and commissions earned from ad sales representation for UKTV are recognised within the Channel 4 segment. In line with accounting principles the gross sales made by Channel 4 on behalf of UKTV and Box Television, a joint venture held since 2007, are not reported within Revenue.

In April 2011, Channel 4 HD launched on Freesat, a free-to-air satellite television service.

In addition to over 150 hours of coverage of the Paralympic Games in 2012, as part of its lead up to the Games, Channel 4 delivered 33 hours of documentary, feature and live event programming showcasing key disability sport and sporting events in 2011.

During 2011, we continued a programme of refurbishment at our Horseferry Road property, which included the conversion of the lower ground floor to office accommodation and a refresh across the upper floors. This had a direct impact on the valuation of the building at 31 December 2011 (note 11).

Investment in video on demand platforms enabled us to launch new services on Apple devices from summer 2011 onwards and on Xbox in December 2011 respectively. Subsequent to the year end, in early 2012, 4oD was also optimised for use with Android-based devices.

By December 2011, 1.9 million viewers had registered with Channel 4 through C4.com, a key milestone in achieving more direct engagement with viewers.

## Financial Review and Outlook

Despite the underlying pressures of digital migration and some strong competition, better market conditions than anticipated in 2011 enabled us to reinvest more into content and content delivery across our portfolio and for a second year running deliver a surplus ahead of target. The group generated revenues of £941.4 million (2010: £935.2 million) and a surplus before tax of £44.0 million (2010: £54.0 million), which also led to an increase in cash and funds on deposit of £29.0 million in the year (2010: £49.3 million). At the end of 2011 this robust performance continues to be reflected in a strong balance sheet, with an increase in cash reserves to provide funds for our strategic plans as described below, as well as contingency against future advertising market volatility.

Our key financial and corporate priorities in 2011 were to focus on our longer term sustainability through continued investment in a range of digital platforms and initiatives (including twin screen experiences), ongoing support for the YouView venture, and the first phase of our investment into viewer relationships, as well as holding the main Channel 4 service viewing share as far as possible, despite 2011 being a key year for digital switchover and the non-renewal of Big Brother.

## Report of the members continued

In March 2012, a new type of TV channel was announced that will schedule the popular Channel 4 shows that people have been talking about. This new Channel 4 format will be launched on the major TV platforms later in 2012 and will provide lighter viewers with another chance to see the noisiest bits of Channel 4 from the last seven days. The new channel will be called 4seven.

Average headcount for the year rose in 2011 to 763 (2010: 727), mainly to continue to strengthen our research and insight capability and to service our advertising sales representation deal for UKTV. Closing headcount for the year was 768 (2010: 731) (note 5).

Average headcount in 2012 is expected to rise compared with 2011. New headcount continues to be focused on revenue-generating activities such as support for new digital platforms as well as viewer relationship management.

In 2012, our plans are to invest to meet the opportunities and challenges of the next phase of digital, characterised by the connected viewer, data and an increasing range of routes to market. As part of our strategy, we propose to reinvest the surpluses achieved in 2010 and 2011 to evolve our core business model, specifically through continued creative renewal, viewer relationship management, ad sales innovation and new service launches. This strategic spend aims to re-focus our creative output on innovation, diversity and seeing the modern world in new ways, maximise the distribution of our content, and build direct connections with our viewers, all in order to maintain the relevance and reach of our remit.

Following two years of financial surpluses, we are confident that we can invest more in content to help grow share and evolve our remit. This may result in a deficit in 2012 but we will maintain sufficient cash reserves to provide a buffer in the event of a sudden deterioration in the advertising market.

As noted on page 130, our principal risk remains the volatility in the television advertising market. As in previous years, commitments are phased and monitored by the Board and Executive team and contingency plans prepared in the event of an advertising downturn. If there is revenue improvement in 2012, we will seek to reinvest into the content budget and our strategic initiatives.

## Financial performance

As shown in the table below, our revenues increased by £6.2 million from 2010 (2010: increase of £104.9 million). Our operating profit was £40.1 million (2010: £49.3 million).

	TV advertising revenue £m	Other revenue £m	Total revenue £m	Operating profit/(loss) £m
2011				
Channel 4	579.0	43.1	622.1	(42.3)
4Channels	198.3	13.1	211.4	60.6
4Rights	—	65.6	65.6	18.1
Future Media	1.6	51.2	52.8	3.4
Other	—	2.9	2.9	0.3
Eliminations	—	(13.4)	(13.4)	—
	<b>778.9</b>	<b>162.5</b>	<b>941.4</b>	<b>40.1</b>

	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)	—
	<b>794.2</b>	<b>141.0</b>	<b>935.2</b>	<b>49.3</b>

### Channel 4

Revenues declined by £19.5 million to £622.1 million in 2011, driven mostly by a loss in advertising share but mitigated by the 2.2% growth in the TV ad market. Given the improvement in market conditions, as part of our creative renewal programme we reinvested £19.8 million additional funds into programming content to support our commercial impact performance and future years' advertising sales. This investment was partly offset by two accounting items in the year – the revaluation of our freehold property and a past service pension cost credit (note 4). The resulting main channel operating loss was £42.3 million (2010: £7.7 million).

## Report of the members continued

### 4Channels

Revenues grew year on year by £6.8 million from £204.6 million in 2010 to £211.4 million in 2011, driven by the market growth of 2.2%. 4Channels generated operating profits of £60.6 million in 2011 (2010: £54.0 million), principally as a result of advertising revenue growth from improving audience share and the mix of programmes, offset by higher distribution costs as digital services expand.

### 4Rights

Revenues increased by £17.8 million from £47.8 million in 2010 to £65.6 million in 2011. This included an increase in consumer products revenues (principally DVD sales), which reflected the success of key titles including The Inbetweeners Movie and other comedy titles. 4Rights generated operating profits of £18.1 million in 2011 (2010: £7.4 million) with the variation reflecting the DVD hits in the year and the success of our portfolio.

### Future Media

Future Media revenues were £52.8 million in 2011, representing growth of £8.5 million on 2010 (£44.3 million). The increase is mainly the result of performance on 4oD and full year effects of syndication deals and new platform launches, as well as an increase in programme support to the main service channel (eliminated on consolidation). The operating profit was £3.4 million (2010: £3.8 million loss), after increased investment into new platforms in 2011.

### Other

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

## Net finance income

Net finance income was £1.9 million in 2011 compared with £1.8 million net finance income in 2010. Net interest receivable on short term deposits was slightly higher than in 2010, reflecting the increase in cash and cash equivalents during the year (notes 6 and 16).

## Financial position

The balance sheet on page 140 of the financial statements shows that the net assets of the group increased in the year as a result of the operating profit of £40.1 million, and the increase in revaluation reserve due to the revaluation of the Horseferry Road freehold property, offset by the corporation tax charge for the year.

## Cashflow

As shown in the group cashflow statement on page 141, the profit before tax for the year of £44.0 million resulted in a £38.3 million net operating cash inflow (2010: profit before tax of £54.0 million and net operating cash inflow of £49.5 million). Net cash inflows from financing activities were £65.0 million as term deposits were reduced in 2011 (2010: net cash outflows of £99.0 million) as the group invested in diversified funds held on the money markets. Group cash and cash equivalents were £246.2 million at 31 December 2011 (2010: £152.2 million) with a further £34.0 million held on deposit for three months or longer (2010: £109.0 million) and £10.0 million held as variable net asset value funds (note 16).

## Pension

The assets and liabilities of the Channel Four Television Staff Pension Plan have been valued at 31 December 2011 in accordance with IAS 19 'Employee Benefits' and the net accounting deficit of £21.3 million has been recorded in the year end balance sheet (2010: £35.4 million) (note 21). The deficit has reduced in 2011 as a result of the change in statutory inflation index applicable to deferred members (£10.5 million), additional employer contributions and better than expected returns on plan assets held in equities.

The most recent independent triennial valuation was carried out as at 1 January 2010 and updated subsequently at 1 January 2011. The subsequent valuation and recovery plan were approved by the Board in March 2011 (note 21).

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 142–148 of this report.

## Report of the members continued

### 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 181–188.

#### 1. Dependence on advertising revenues

83% of Channel 4's revenue was derived from television advertising in 2011. 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 or economic conditions. Many of our 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, for planning purposes our budgeted 2012 revenue assumptions forecast that the TV advertising market will be flat on 2011. As 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.

Our licence quotas are published on pages 199 and 200 of this report.

The Channel 4 Board is the main body for ensuring that Channel 4 meets all of its public service responsibilities. Current programming output and the delivery of the Channel's programming obligations are reviewed regularly by the Board. Under the enhanced accountability arrangements introduced by the Digital Economy Act 2011, 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.

## Report of the members continued

### 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 189–193. Since 1 January 2011, the following members have been appointed or have resigned:

On 10 January 2011 Jay Hunt joined Channel 4 as Chief Creative Officer.

Andy Barnes resigned as Director of Sales on 30 March 2011.

Jonathan Allan joined as Director of Sales on 13 September 2011.

Stephen Hill's non-executive appointment ended on 31 December 2011.

Subsequent to the year end, on 1 January 2012 MT Rainey, Paul Potts and Josie Rourke all joined the Board as non-executives.

On 31 January 2012 Lord Puttnam and Martha Lane Fox retired from the Board.

On 1 February 2012, Director of Marketing and Communications Dan Brooke was appointed to the Board.

Details of members' remuneration are contained within the report on members' remuneration on pages 194–197.

### Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members' interests. During 2011, members, in addition to their salaries, benefits and/or fees as disclosed on pages 194–197, were interested in the following contracts negotiated at arm's length on normal commercial terms with the group:

David Abraham is a non-executive director of Skillset. Channel 4 paid £362,000 to Skillset for funding during 2011.

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

Mark Price is Chair of Business in the Community. Channel 4 paid £41,750 to Business in the Community for sponsorship during 2011. 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.

Alicja Lesniak was a non-executive Director and Chair of the Remuneration Committee of DTZ Holdings plc. Channel 4 paid DTZ Holdings plc £1,431,887 for rent in 2011. No amounts were accrued or due at 31 December 2011.

Lord Puttnam is Chancellor of the Open University. Channel 4 paid the Open University £2,400 for use of their premises. No amounts were accrued or due at 31 December 2011.

Richard Rivers is a member of the Advisory Board of WPP plc. Channel 4 sell advertising through many of the subsidiaries of WPP plc.

## Report of the members continued

### Corporate Responsibility

The aim of our Corporate Responsibility (CR) strategy is to fulfil our public service remit in a responsible manner through inspiring and challenging the behaviour of our people, suppliers and audience to promote social, environmental and personal change.

### People

Regardless of gender, culture, nationality, religious persuasion, physical and mental ability, sexual orientation, race or age, we aim to foster an environment which is inclusive to all. We pride ourselves on the wide range of people we employ and the opportunities for progression that we offer, promoting a variety of creative thinking to support our business needs.

The representation of ethnic minorities amongst permanent staff in 2011 was 14% (2010: 13%; 2009: 12%). Women continue to form the majority of staff at 57% (2010: 57%).

#### Breaking down barriers to entry

We employ varied strategies in order to break down barriers to entering the media industry, ranging from online and social networking tools to structured new entrant programmes. In 2011 we expanded our internship programme and production trainee scheme, and launched a new apprenticeship scheme. We employed eight apprentices in a mix of office and production based roles at Channel 4, at our music partner Box TV and at independent production companies Shed Media Group and IMG Sports Media.

Figures continue to be monitored regularly on all aspects of diversity of employees. We carried out an impact evaluation in 2011, to assess the business, economic and social benefits of our training activity over a four and a half year period. Results indicate that our programmes have engaged with over 5,000 young people, approximately 50% of who came from a diverse background. 63% of the applicants over 18 years old have gained some form of secure employment.

In July 2011, we were awarded the BITC Work Inspiration Award for excellence for our New Entrant programme Kick Start.

#### Diversity

Our Creative Diversity Department, through the creation of the Alpha Fund, has signalled a new approach to diversity within Channel 4, focusing on content and supply, with an emphasis on driving the development and commissioning of content from new, diverse, grassroots talent throughout the UK. In 2011, our teams engaged with nearly 400 emerging film, TV and online content companies – more than twice as many as in 2010.

#### Creative Diversity Network (CDN)

Channel 4 is a founding member of the CDN. In 2011, we played a pioneering role in bringing transgender stories to prime time and humanising the challenges and discrimination faced by the UK's transgender community. We commissioned research into how transgender people are portrayed and became the founding signatory to a Memorandum of Understanding aimed at improving the diversity and accuracy of the representation of transgender people within the broadcast media.

In 2012, Channel 4 will deliver the Paralympics, one of our biggest ever projects, which will challenge perceptions of disability by showcasing the excellence of Paralympic sporting achievement.

#### Staff development

We understand that the success of our organisation depends upon recruiting, retaining and developing people to be the best that they can be. During 2011 we assessed our learning and development programme to ensure it was linked to business needs and development needs of our people.

During 2011 we ran nearly 280 development workshops and training sessions, almost 3 times as many as in 2010. Popular sessions for 2011 included 'Manager or Leader' and our 'Because you can...' series, with the Manager or Leader day helping our managers to develop their leadership proposition, and Because you can... engaging staff in a series of fast and informative two hour workshops covering a range of topics from style and impact to creative thinking.

## Report of the members continued

#### Health and wellbeing

We are committed to providing a working environment and practices that promote staff wellbeing and we give our employees information to help them adopt and maintain a healthy lifestyle within and outside work. A full-time on-site Occupational Health Nurse supports staff through confidential and impartial support and advice.

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 screenings, a ride to work scheme, discounted gym membership and critical illness insurance for themselves and their partners.

### Accountability

Our Board and Executive Team have committed to promoting the highest standard of responsible corporate behaviour and are ultimately accountable for 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 we are members of Business in the Community, the Media CSR Forum and the Corporate Responsibility Group. Since 2004, we have reported on our approach to Corporate Responsibility and our performance in our Annual Report and Accounts. In 2011, we expanded our reporting online and in 2012 we will be reviewing our existing strategy.

### Suppliers

We continue to promote responsible behaviour in the supply chain and are active members across a number of industry networks with the common aim of sharing and promoting best practice.

#### Albert Consortium

In March 2011, Channel 4 joined the Albert Consortium, a consortium of UK broadcasters and independent production companies, with a primary aim of promoting and supporting environmentally sustainable practices within the UK TV industry.

#### European Broadcasting Union Green Broadcasting Group

In November 2011, we joined the European Broadcasting Union Green Broadcasting Group. The purpose of this Group is to build a common view of the environmental impact of media across production, distribution and transmission; to identify specific activities and work areas to reduce impacts; and to act as a collective voice when liaising with industry bodies.

### Community

We are committed to playing a responsible role in our communities.

#### Charitable Giving

During 2011 the group donated £1.5 million to charities (2010: £1.4 million). Of this amount, £1.5 million (2010: £1.1 million) was paid to charities to provide training to improve the overall expertise of television staff in the industry.

Employees are able to make tax-free donations to charity, directly from their salary via the Give As You Earn Scheme. We support staff fundraising too – we introduced a match fundraising scheme in 2011 to encourage teamwork and collaboration. We match funding pound-for-pound up to £2,500 if teams of staff work together in support of a charitable cause.

#### Volunteering

Channel 4 recognises that volunteering can have a meaningful and positive impact on both our staff and community, and we support this through our Volunteering Policy. To celebrate the European Year of Volunteering in 2011, we held an Open Day for 12 charities in September, to showcase their volunteering opportunities.

#### Open House

Throughout 2011, we opened up our restaurant and cinema to a number of charitable organisations for use as a venue space. For the second year running, we supported Open-City's Architecture in Schools programme, helping to enable over 2,000 students across London to encounter, explore and understand architecture. In 2012, we plan to support their initiative for improving the accessibility of architectural exploration resources via the creation of film content.

## Report of the members continued

### The Disaster Emergency Committee (DEC)

Channel 4, working in partnership with the Independent Television Network (ITN), has been a broadcast partner for the DEC a number of decades. When a large-scale international crisis occurs, we broadcast a two to three minute national television appeal, without charge. In 2011, we continued our support for the DEC by broadcasting the East Africa famine appeal.

## Environmental sustainability

We want to ensure that the way we go about our day to day activities reflects our commitment to reducing any negative impact we may have on the environment. To support this commitment, we have had an Environment Policy in place since 2004. This policy was revised in 2011, committing us to energy, waste and water reduction targets. The policy and associated targets are available to download from our corporate website. We have also introduced an Environmental Monitoring System to support these commitments.

During 2011, we established a team of environmental champions and ran a number of campaigns to increase employee engagement and support Fairtrade Fortnight, International Earth Hour and World Environment Day.

### Carbon footprint

In April 2011, we were awarded the Carbon Trust Standard, an independently awarded certification given to organisations that are committed to reducing their carbon footprint. Throughout 2011, we continued to implement energy reduction measures, introduce energy efficient technology and raise employee environmental awareness. As a result, our carbon footprint (based on a scope limited to direct emissions emitted at the point of combustion of fuels (gas only) and indirect emissions from the consumption of purchased electricity) has reduced by 29% (2010: 15%) against our 2009 baseline.

(Note: for 2011 we have excluded our consumption of oil from direct emissions emitted at the point of combustion of fuels due to the immaterial nature of our consumption).

### Waste

In 2011, we ran a three month campaign focusing on reducing the consumables we use and increasing our recycling rates. This campaign was supported by the introduction of separate food/biodegradable waste bins and improved signage throughout our headquarters. As a result, over 8% of our office and kitchen waste was diverted from general waste, and turned into fertiliser. In addition, we continued to recycle around 40% of this waste, with the remainder being recovered for materials or energy. Over 40% of our IT waste was re-used in 2011, with the remainder being recycled into re-useable materials.

To date, the refurbishment of our Horseferry Road property has resulted in the production of nearly 630 tonnes of related waste. This continues to be managed by the principal contractor in a sustainable manner, with over 97% of the waste being recycled or recovered.

### Water

In order to target, monitor and reduce consumption effectively, during 2011 we invested in smart metering solutions and water efficient technology. As these systems embed, combined with ongoing improvements to the accuracy of data provided by our third party water suppliers, we expect to see improvements in the quality of both historical and future water consumption data. Based on the information available, we have estimated our 2011 water consumption to be just over 17,500m<sup>3</sup>, a 25% increase on the 2010 estimated baseline of 14,000m<sup>3</sup>. The increase is primarily due to water usage associated with the major upgrade works to our Horseferry Road building and the ongoing improvements in the accuracy of metering our water consumption.

## 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 2011 amounted to £11.9 million (2010: £10.3 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 A+ 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](http://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.

## Auditor

KPMG LLP have been appointed as auditor 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 124–135). In addition, note 19 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.

## Responsibility statement of the members in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board:

David Abraham  
Chief Executive  
28 March 2012

## Report of the auditor

### 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 2011 set out on pages 138–180. 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 181, 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 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 2011 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 auditor 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 135, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 181–187 relating to the Corporation's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

#### Hugh Green for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
28 March 2012

## Consolidated income statement for the year ended 31 December

	Note	Group 2011 £m	Group 2010 £m
<b>Revenue</b>	1	<b>941.4</b>	935.2
Cost of transmission and sales	2	<b>(883.1)</b>	(849.9)
<b>Gross profit</b>		<b>58.3</b>	85.3
Revaluation of freehold property – reversal of previous impairments	4	<b>5.6</b>	(1.5)
Past service pension cost credit	4	<b>10.5</b>	—
Other operating expenditure	2	<b>(34.3)</b>	(34.5)
<b>Operating profit</b>		<b>40.1</b>	49.3
Financial income	6	<b>15.7</b>	17.4
Financial expense	6	<b>(13.8)</b>	(15.6)
<b>Net finance income</b>		<b>1.9</b>	1.8
Share of profit of investments accounted for using the equity method, net of income tax	9	<b>2.0</b>	2.9
<b>Profit before tax</b>		<b>44.0</b>	54.0
Income tax expense	7	<b>(9.5)</b>	(15.4)
<b>Profit for the year</b>		<b>34.5</b>	38.6

## Statement of comprehensive income for the year ended 31 December

	Note	Group 2011 £m	Group 2010 £m
<b>Profit for the year</b>		<b>34.5</b>	38.6
Net actuarial (losses)/gains on pension scheme	21	<b>(4.0)</b>	4.6
Revaluation of freehold land and buildings	4	<b>10.5</b>	—
Deferred tax on pension scheme recognised directly in other comprehensive income	13	<b>0.4</b>	(1.7)
<b>Other comprehensive income for the year</b>		<b>6.9</b>	2.9
<b>Total comprehensive income for the year</b>		<b>41.4</b>	41.5

## Statement of changes in equity for the year ended 31 December

### Group statement of changes in equity

	Group Retained earnings £m	Group Revaluation reserve £m	Total equity £m
At 1 January 2010	416.8	—	<b>416.8</b>
Profit for the year	38.6	—	<b>38.6</b>
Other comprehensive income	2.9	—	<b>2.9</b>
<b>Total comprehensive income for the year</b>	<b>41.5</b>	<b>—</b>	<b>41.5</b>
<b>At 31 December 2010</b>	<b>458.3</b>	<b>—</b>	<b>458.3</b>
At 1 January 2011	458.3	—	<b>458.3</b>
Profit for the year	34.5	—	<b>34.5</b>
Other comprehensive income	(3.6)	10.5	<b>6.9</b>
<b>Total comprehensive income for the year</b>	<b>30.9</b>	<b>10.5</b>	<b>41.4</b>
<b>At 31 December 2011</b>	<b>489.2</b>	<b>10.5</b>	<b>499.7</b>

### Channel 4 statement of changes in equity

	Channel 4 Retained earnings £m	Channel 4 Revaluation reserve £m	Total equity £m
At 1 January 2010	394.5	—	<b>394.5</b>
Loss for the year	(5.7)	—	<b>(5.7)</b>
Other comprehensive income	2.9	—	<b>2.9</b>
<b>Total comprehensive cost for the year</b>	<b>(2.8)</b>	<b>—</b>	<b>(2.8)</b>
<b>At 31 December 2010</b>	<b>391.7</b>	<b>—</b>	<b>391.7</b>
At 1 January 2011	391.7	—	<b>391.7</b>
Loss for the year	(40.1)	—	<b>(40.1)</b>
Other comprehensive income	(3.6)	10.5	<b>6.9</b>
<b>Total comprehensive (cost)/income for the year</b>	<b>(43.7)</b>	<b>10.5</b>	<b>(33.2)</b>
<b>At 31 December 2011</b>	<b>348.0</b>	<b>10.5</b>	<b>358.5</b>

## Balance sheets as at 31 December

	Note	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
<b>Assets</b>					
Investments in subsidiaries	8	—	—	—	—
Investments accounted for using the equity method	9	26.0	27.6	—	—
Equity investments	10	1.6	1.6	—	—
Freehold land and buildings	11	56.0	40.5	56.0	40.5
Fixtures, fittings and equipment	11	17.8	7.1	16.0	5.8
Intangible assets	12	3.5	4.8	2.6	3.1
Deferred tax assets	13	8.0	12.0	7.8	11.8
<b>Total non-current assets</b>		<b>112.9</b>	93.6	<b>82.4</b>	61.2
Programme and film rights and other inventories	14	207.1	206.0	178.2	187.0
Trade and other receivables	15	199.0	156.8	127.4	116.0
Current tax assets	15	—	—	—	0.8
Other financial assets	16	44.0	109.0	44.0	109.0
Cash and cash equivalents	16	246.2	152.2	246.2	152.2
<b>Total current assets</b>		<b>696.3</b>	624.0	<b>595.8</b>	565.0
<b>Total assets</b>		<b>809.2</b>	717.6	<b>678.2</b>	626.2
<b>Liabilities</b>					
Employee benefits – pensions	21	(21.3)	(35.4)	(21.3)	(35.4)
Provisions	18	(4.2)	(3.1)	(4.2)	(3.1)
Deferred tax liabilities	13	(2.0)	(2.7)	(0.7)	(0.8)
Other financial liabilities	19	(0.2)	(0.1)	(0.2)	(0.1)
<b>Total non-current liabilities</b>		<b>(27.7)</b>	(41.3)	<b>(26.4)</b>	(39.4)
Trade and other payables	17	(274.4)	(207.7)	(289.7)	(191.2)
Current tax liabilities	17	(3.8)	(6.4)	—	—
Provisions	18	(3.6)	(3.9)	(3.6)	(3.9)
<b>Total current liabilities</b>		<b>(281.8)</b>	(218.0)	<b>(293.3)</b>	(195.1)
<b>Total liabilities</b>		<b>(309.5)</b>	(259.3)	<b>(319.7)</b>	(234.5)
<b>Net assets</b>		<b>499.7</b>	458.3	<b>358.5</b>	391.7
Revaluation reserve		10.5	—	10.5	—
Retained earnings		489.2	458.3	348.0	391.7
<b>Total equity</b>		<b>499.7</b>	458.3	<b>358.5</b>	391.7

The financial statements on pages 138–180 were approved by the Board of members on 28 March 2012 and were signed off on its behalf by:

Lord Burns  
Chairman

David Abraham  
Chief Executive

The notes on pages 149–180 form part of these financial statements.

## Cashflow statements for the year ended 31 December

	Note	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
<b>Cashflow from operating activities</b>					
Profit/(loss) for the year		34.5	38.6	(40.1)	(5.7)
<b>Adjustments for:</b>					
Income tax expense/(credit)		9.5	15.4	(1.8)	(0.8)
Depreciation	11	4.0	4.2	3.7	3.6
Amortisation of intangibles	12	2.3	2.3	1.5	1.5
Net financial (income)/expense	6	(1.9)	(1.8)	(0.4)	(1.2)
Share of (profit)/loss from investments accounted for using the equity method, net of income tax	9	(2.0)	(2.9)	—	—
Impairment of property, plant and equipment and developed software	11, 12	0.2	2.1	0.2	1.9
Impairment of equity investments	10	0.2	1.0	—	—
Past service pension cost credit	4	(10.5)	—	(10.5)	—
Revaluation of freehold property – reversal of previous impairments	4	(5.6)	—	(5.6)	—
<b>Operating cashflow before changes in working capital and provisions</b>		<b>30.7</b>	58.9	<b>(53.0)</b>	(0.7)
Changes in working capital and provisions:					
(Increase)/decrease in programme and film rights and other inventories	14	(1.1)	(4.1)	8.8	(4.7)
(Increase) in trade and other receivables	15	(42.2)	(12.2)	(11.4)	(1.1)
Increase in trade and other payables	17	58.7	30.8	96.3	73.0
Increase/(decrease) in provisions, excluding unwinding of discounts	18	0.4	(16.2)	0.4	(16.2)
<b>Cash generated from operations</b>		<b>46.5</b>	57.2	<b>41.1</b>	50.3
Tax (paid)/repaid		(8.2)	(7.7)	—	2.4
<b>Net cashflow from operating activities</b>		<b>38.3</b>	49.5	<b>41.1</b>	52.7
<b>Cashflow from investing activities</b>					
Repayment of loan and shares from equity investments	9	—	0.2	—	—
Proceeds from disposal of investment	9	1.3	—	—	—
Purchase of property, plant and equipment	11	(14.1)	(5.0)	(13.3)	(4.2)
Internally developed software	12	(1.2)	(0.8)	(1.2)	(0.8)
Interest received		2.4	1.7	2.5	1.7
Dividends received	9	2.4	3.8	—	—
<b>Net cashflow from investing activities</b>		<b>(9.2)</b>	(0.1)	<b>(12.0)</b>	(3.3)
<b>Cashflow from financing activities</b>					
Decrease/(increase) in other financial assets*	16	65.0	(99.0)	65.0	(99.0)
<b>Net cashflow from financing activities</b>		<b>65.0</b>	(99.0)	<b>65.0</b>	(99.0)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>94.1</b>	(49.6)	<b>94.1</b>	(49.6)
Cash and cash equivalents at 1 January		152.2	201.9	152.2	201.9
Effect of exchange rates on cash held	6	(0.1)	(0.1)	(0.1)	(0.1)
<b>Cash and cash equivalents at 31 December</b>		<b>246.2</b>	152.2	<b>246.2</b>	152.2

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

## 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 2011 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 28 March 2012. 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, derivatives and certain 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 14).

### 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 18).

### 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 21.

### 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'

## Significant accounting policies continued

tax liabilities could be different from the estimates reflected in the financial statements. Further analysis of income tax is provided in note 7.

### 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 124–135). In addition, note 19 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.

## 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. All accounting policies have been applied consistently in all material respects to all periods presented in these financial statements.

The following new standards, interpretations and amendments, effective for the first time from 1 January 2011, have not had a material effect on the financial statements:

- Revised IAS 24 – Related Party Disclosures
- Amendments to IFRS 7 – Financial Instruments: Disclosures
- Amendments to IAS 1 – Presentation of Financial Statements
- Improvements to IFRS (issued by IASB April 2010)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 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 9, 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 to which they relate.

## Significant accounting policies continued

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. Where the group acts as an agent and does not have exposure to the significant risks and rewards with the sale, sales are not recognised in revenue.

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.

DVD revenues are recognised when stock is delivered to retailers, net of a provision for anticipated returns, and for 4-branded events, when the event takes place.

Revenues recouped from theatrical box office releases are recognised when revenues can be reliably measured. In practice this does not occur until the group is provided with a statement from a distributor.

Subscription fee and similar revenues are recognised over the period of the subscription.

Revenue from the provision of premium rate telephony services is recognised in line with contestant call volumes.

Revenues are recognised from barter transactions involving advertising when the services exchanged are dissimilar, and are measured with reference to the fair value of the advertising provided.

### Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments', where the Chief Operating Decision-maker has been identified as the Channel 4 Board, and reportable segments follow management reporting to the Board in order to make decisions on the allocation of resources within the group. Segments are aggregated only where the nature of the products and services provided are similar and where the segments have similar economic characteristics.

### Income statement presentation

The group has presented the impact on profit in the year of the revaluation of freehold land and buildings and the statutory change in pension plan inflation measure separately in the income statement. These items have been presented because, in the opinion of the Members, separate disclosure is helpful in understanding the underlying performance of the business. Comparative information has been presented where appropriate.

### Broadcasting spectrum

As noted on page 124, 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.

## Significant accounting policies continued

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 carried at historical cost and 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.

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.

## Significant accounting policies continued

### 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 of capitalised software development costs is charged to the income statement on a straight line basis over the estimated useful lives of the assets from the date that they are available for use. For capitalised computer software, the estimated useful life is between two and five years.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and any provision for impairment. Where assets are considered to have finite lives, amortisation is charged to the income statement on a straight line basis over their estimated useful life.

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.

No goodwill on acquisitions of associates and jointly controlled entities is recognised. The group had no such acquisitions during the year.

### Impairment

An impairment charge is recognised if the carrying value of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment charges are recognised in the income statement.

The carrying values of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cashflows for the specific asset, or if the asset does not generate independent cashflows, the discounted future net cashflows for the cash generating unit to which it belongs.

Estimates are used in deriving these cash flows and the discount rate that reflects current market assessments of the risks specific to the asset and the time value of money. The complexity of the estimation process, including projected performance, the discount rate and long term growth rate applied, affects the amounts reported in the financial statements.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### Reversal of impairments

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

An impairment charge in respect of goodwill is not reversed.

In respect of other assets, an impairment charge is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

## Significant accounting policies continued

### 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 in the value of the film held in inventories over 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 other funds with time restricted access are stated at fair value.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits of less than three months duration from the date of placement, including money market funds repayable on demand.

### Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

### Derivative financial instruments

The group transacts in a number of currencies as well as Sterling, and is a net purchaser of Euros. 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.

## Significant accounting policies continued

### 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 to be the Chief Operating Decision-maker (pages 192–193). 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 127, 128 and 129.

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

Inter-segment pricing is determined on an arm's length basis.

Revenues from transactions with one individual external customer comprised more than 10% of the group's revenues in 2011 amounting to £117 million (2010: 2 external customers amounting to £100 million and £99 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 (2010: 2%) are attributable to external customers outside the UK and these are therefore not separately presented.

## Notes to the financial statements continued

### 1. Segment reporting continued

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 2011	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
<b>Revenue</b>							
External sales	622.1	211.4	65.1	41.6	1.2	—	941.4
Inter-segment sales	—	—	0.5	11.2	1.7	(13.4)	—
<b>Total revenue</b>	<b>622.1</b>	<b>211.4</b>	<b>65.6</b>	<b>52.8</b>	<b>2.9</b>	<b>(13.4)</b>	<b>941.4</b>
Gross profit/(loss)	(28.4)	60.8	18.7	6.5	0.7	—	58.3
Other operating expenditure	(30.0)	(0.2)	(0.6)	(3.1)	(0.4)	—	(34.3)
Revaluation of freehold property – reversal of previous impairments	5.6	—	—	—	—	—	5.6
Past service pension cost credit	10.5	—	—	—	—	—	10.5
<b>Operating profit/(loss)</b>	<b>(42.3)</b>	<b>60.6</b>	<b>18.1</b>	<b>3.4</b>	<b>0.3</b>	<b>—</b>	<b>40.1</b>
Financial income	14.2	0.8	0.5	—	0.2	—	15.7
Financial expense	(13.8)	—	—	—	—	—	(13.8)
<b>Net financial income</b>	<b>0.4</b>	<b>0.8</b>	<b>0.5</b>	<b>—</b>	<b>0.2</b>	<b>—</b>	<b>1.9</b>
Share of profit of investments accounted for using the equity method net of tax	—	—	—	—	2.0	—	2.0
<b>Profit/(loss) before tax</b>	<b>(41.9)</b>	<b>61.4</b>	<b>18.6</b>	<b>3.4</b>	<b>2.5</b>	<b>—</b>	<b>44.0</b>
Income tax expense							(9.5)
<b>Profit for the year</b>							<b>34.5</b>
<b>Other information</b>							
Capital additions (notes 11 and 12)	14.5	—	—	0.8	—	—	15.3
Depreciation (notes 11)	3.7	—	—	0.3	—	—	4.0
Amortisation (note 12)	1.5	—	—	—	0.8	—	2.3
Impairments (notes 10, 11 and 12)	0.2	—	—	—	0.2	—	0.4
<b>As at 31 December 2011</b>							
<b>Balance sheet</b>							
Segment assets	678.2	137.1	109.4	19.5	43.0	(178.0)	809.2
Segment liabilities	(319.7)	(27.7)	(45.2)	(16.8)	(78.1)	178.0	(309.5)
<b>Net assets/(liabilities)</b>	<b>358.5</b>	<b>109.4</b>	<b>64.2</b>	<b>2.7</b>	<b>(35.1)</b>	<b>—</b>	<b>499.7</b>

## Notes to the financial statements continued

### 1. Segment reporting continued

Year ended 31 December 2010	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
<b>Revenue</b>							
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)	—
<b>Total revenue</b>	<b>641.6</b>	<b>204.6</b>	<b>47.8</b>	<b>44.3</b>	<b>5.9</b>	<b>(9.0)</b>	<b>935.2</b>
Gross profit	19.9	55.7	7.9	—	1.8	—	85.3
Other operating expenditure	(26.1)	(1.7)	(0.5)	(3.8)	(2.4)	—	(34.5)
Impairment of freehold property	(1.5)	—	—	—	—	—	(1.5)
<b>Operating profit/(loss)</b>	<b>(7.7)</b>	<b>54.0</b>	<b>7.4</b>	<b>(3.8)</b>	<b>(0.6)</b>	<b>—</b>	<b>49.3</b>
Financial income	16.7	0.3	0.3	—	0.1	—	17.4
Financial expense	(15.5)	—	—	(0.1)	—	—	(15.6)
<b>Net financial income/(expense)</b>	<b>1.2</b>	<b>0.3</b>	<b>0.3</b>	<b>(0.1)</b>	<b>0.1</b>	<b>—</b>	<b>1.8</b>
Share of profit of investments accounted for using the equity method net of tax	—	—	—	—	2.9	—	2.9
<b>Profit/(loss) before tax</b>	<b>(6.5)</b>	<b>54.3</b>	<b>7.7</b>	<b>(3.9)</b>	<b>2.4</b>	<b>—</b>	<b>54.0</b>
Income tax expense							(15.4)
<b>Profit for the year</b>							<b>38.6</b>
<b>Other information</b>							
Capital additions (notes 11 and 12)	5.0	—	—	0.8	—	—	5.8
Depreciation (notes 11)	3.6	—	—	0.3	0.3	—	4.2
Amortisation (note 12)	1.5	—	—	—	0.8	—	2.3
Impairments (notes 10, 11 and 12)	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
<b>Balance sheet</b>							
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)
<b>Net assets/(liabilities)</b>	<b>391.7</b>	<b>46.9</b>	<b>45.1</b>	<b>(21.5)</b>	<b>(3.9)</b>	<b>—</b>	<b>458.3</b>

## 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				
<b>2011</b>							
Channel 4	501.3	9.4	51.8	22.2	33.8	32.0	650.5
4 Channels	89.3	—	40.7	3.7	7.8	9.1	150.6
4 Rights	—	—	—	0.4	42.1	4.4	46.9
Future Media	10.7	—	2.2	19.7	11.9	1.8	46.3
Other	—	—	—	—	2.2	—	2.2
Eliminations	(11.3)	—	—	—	(2.1)	—	(13.4)
<b>Group continuing operations</b>	<b>590.0</b>	<b>9.4</b>	<b>94.7</b>	<b>46.0</b>	<b>95.7</b>	<b>47.3</b>	<b>883.1</b>
<b>2010</b>							
Channel 4	481.2	13.5	48.8	21.8	26.4	30.0	621.7
4 Channels	93.9	—	37.5	4.0	6.5	7.0	148.9
4 Rights	—	—	—	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)
<b>Group continuing operations</b>	<b>579.9</b>	<b>13.5</b>	<b>88.1</b>	<b>43.2</b>	<b>83.7</b>	<b>41.5</b>	<b>849.9</b>

#### Other operating expenditure

	2011 £m	2010 £m
Restructuring costs	(5.1)	(2.6)
Depreciation and amortisation (notes 11 and 12)	(6.3)	(6.5)
Impairments (notes 10, 11 and 12)	(0.4)	(1.6)
Charge for doubtful debts	(0.5)	(0.7)
Other administrative expenses	(22.0)	(23.1)
	<b>(34.3)</b>	<b>(34.5)</b>
Revaluation of freehold property – reversal of previous impairment (note 4)	5.6	(1.5)
Past service pension cost credit (note 4)	10.5	—
	<b>16.1</b>	<b>(1.5)</b>

Restructuring costs reflect the restructuring initiatives undertaken during the year to improve the operational efficiency of the group. In 2011 these costs principally reflected the cost of restructuring the sales and commissioning departments.

## Notes to the financial statements continued

### 3. Operating profit

Other operating expenditure includes:

	2011 £m	2010 £m
Depreciation of property, plant and equipment (note 11)	4.0	4.2
Amortisation of intangible assets (note 12)	2.3	2.3
Impairment of investments (note 10)	0.2	1.0
Impairment of freehold land and buildings (note 11)	—	0.8
Impairment of fixtures, fittings and equipment and internally developed software (notes 11 and 12)	0.2	1.3
Restructuring costs	5.1	2.6
Research and development (page 135)	11.9	10.3
Members' remuneration (page 195)	2.3	3.0
Operating lease rentals (note 20)	0.8	0.9

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 £34.5 million (2010: £38.6 million) recorded in the consolidated income statement, a loss of £40.1 million (2010: £5.7 million) results from Channel 4.

#### Auditors' remuneration

Fees in respect of services provided by the auditors were:

	2011 £000	2010 £000
Audit of these financial statements	72	72
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	72	63
Other audit related and assurance	74	73
<b>Total audit and assurance</b>	<b>218</b>	<b>208</b>
Other services relating to taxation	80	54
Services relating to corporate finance transactions	—	146
All other services	55	86
<b>Total other services</b>	<b>135</b>	<b>286</b>
<b>Auditors' remuneration</b>	<b>353</b>	<b>494</b>

In addition to the above services £21,300 (2010: £21,300) is payable 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. Other items

The following items have been presented separately in the income statement. In 2010, these items were included in other operating expenditure.

#### Past service pension cost credit

In July 2010 the Government announced that the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) should be used for the statutory revaluation of deferred pensions. As at 31 December 2010 a constructive obligation was considered to exist between the Corporation and the members of the pension plan to provide benefits based on RPI until the change in valuation method was formally communicated. The change in valuation method was communicated to the members of the scheme in June 2011. The valuation of the scheme liabilities as at 31 December 2011 includes CPI as the inflation measure for deferred members for the first time, resulting in a past service cost credit of £10.5 million (note 21).

#### Revaluation of freehold property – reversal of previous impairments

Freehold land and buildings were revalued as at 31 December 2011 resulting in an increase in fair value of £16.1 million (note 11) to £56.0 million (2010: impairment of £1.5 million to £40.5 million). The increase in fair value is principally due to the refurbishment of the Horseferry Road property and £5.6 million has been recorded in the income statement to the extent that it reverses previous impairments recorded in the income statement. The remaining £10.5 million has been recognised as a gain on revaluation in the Statement of Other Comprehensive Income.

### 5. Employee expenses and information

A detailed analysis of members' remuneration, including salaries and variable pay, is provided in the report on members' remuneration on pages 194–197.

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

	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
Aggregate gross salaries	51.6	49.9	37.8	36.5
Employer's national insurance contributions	6.7	5.5	4.0	3.7
Employer's defined benefit pension contributions (note 21)	3.8	4.4	3.6	4.0
Employer's defined contribution pension contributions	0.8	0.5	0.7	0.4
<b>Total direct costs of employment</b>	<b>62.9</b>	<b>60.3</b>	<b>46.1</b>	<b>44.6</b>

In addition to the above, in 2011 £5.1 million costs were expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the group (2010: £2.6 million).

The multiple of highest paid to median employee was as follows:

	2011 £000	2010 £000
Total remuneration of highest paid employee (page 195)	701	799
Total remuneration of median employee	55	55
Multiple of highest paid to median employee	12.7	14.5

Total remuneration is defined as base salary, variable pay, employer pension contribution and other benefits such as private medical insurance.

All figures are full time equivalents and are annualised at the reporting date.

## Notes to the financial statements continued

### 5. Employee expenses and information continued

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

	2011 Number	2010 Number
<b>Channel 4</b>		
Programme commissioning	136	138
Advertising and sponsorship sales and research	125	108
Marketing and insight	52	37
Corporate affairs and press office	30	29
Information systems	30	29
Corporate and strategy	21	24
Transmission and engineering	15	16
Finance, human resources and facilities management	52	51
	<b>461</b>	<b>432</b>
4 Channels	111	109
Future Media	130	132
4 Rights	20	22
Other	41	32
	<b>302</b>	<b>295</b>
<b>Group total</b>	<b>763</b>	<b>727</b>
Permanent employees	688	671
Contract staff	75	56
	<b>763</b>	<b>727</b>
Male	331	316
Female	432	411
	<b>763</b>	<b>727</b>

Closing headcount for the year was 768 (2010: 731).

Travel, subsistence and hospitality expenditure was as follows:

	2011 £000	2010 £000
Members	47	60
Other employees:		
Channel 4	1,827	1,708
Other businesses	191	189
	<b>2,065</b>	<b>1,957</b>

Staff loans outstanding at 31 December were as follows:

	2011 £000	2010 £000
Season ticket loans	270	229

There were no loans to members.

## Notes to the financial statements continued

### 6. Net finance income

Net finance income recognised in the year comprised:

	2011	2010
	£m	£m
Interest receivable on short-term deposits	2.7	1.8
Reversal of unwinding of discount on provisions (note 18)	—	3.8
Expected return on pension plan assets (note 21)	13.0	11.8
<b>Financial income</b>	<b>15.7</b>	<b>17.4</b>
Unwinding of discount on provisions (note 18)	(0.4)	(2.0)
Interest on pension scheme liabilities (note 21)	(13.1)	(12.8)
Change in fair value of financial assets	(0.1)	(0.5)
Foreign exchange loss	(0.1)	(0.1)
Financing costs	(0.1)	(0.2)
<b>Financial expense</b>	<b>(13.8)</b>	<b>(15.6)</b>

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.

### 7. Income tax expense

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

	2011	2010
	£m	£m
Current tax:		
Current year	5.7	14.4
Adjustment for prior years	—	(0.2)
	5.7	14.2
Deferred tax: origination and reversal of temporary differences		
Current year	3.8	1.0
Prior year	—	0.2
Income tax expense	9.5	15.4
Share of income tax of investments accounted for using the equity method	1.0	1.6
Total income tax expense	10.5	17.0

Corporation tax is charged at the standard UK rate of 26.5% for the year (2010: 28.0%).

## Notes to the financial statements continued

### 7. Income tax expense continued

Reconciliation of effective tax rate

	2011	2011	2010	2010
	%	£m	%	£m
Profit after tax		34.5		38.6
Total income tax expense		9.5		15.4
		44.0		54.0
Income tax of investments accounted for using the equity method		1.0		1.6
<b>Profit excluding income tax</b>		<b>45.0</b>		<b>55.6</b>
Income tax using the domestic corporation tax rate	26.5	11.9	28.0	15.6
Effects of:				
Non-deductible expenses		0.6		1.7
Non-taxable gains		(1.7)		(0.1)
Other tax adjustments		(0.3)		(0.2)
<b>Income tax expense</b>	<b>23.3</b>	<b>10.5</b>	<b>30.6</b>	<b>17.0</b>

#### Current tax assets and liabilities

The current tax liability of £3.8 million (2010: £6.4 million) represents the amount of income tax payable in respect of current and prior periods (notes 15 and 17).

#### 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:

	2011	2010
	£m	£m
Relating to employee benefits	(0.4)	1.7
<b>Deferred tax recognised in other comprehensive income</b>	<b>(0.4)</b>	<b>1.7</b>

## Notes to the financial statements continued

### 8. Investments in subsidiaries

#### Subsidiaries

The cost of investments at 31 December was:

	Channel 4 2011 £000	Channel 4 2010 £000
4 Ventures Ltd	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 (pages 128 and 129).

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

Subsequent to the year end, on 1 January 2012 a number of activities within 4 Ventures Ltd were transferred to Channel 4. The transfer is described in more detail on page 124.

FilmFour Ltd sells rights from its film library to Protagonist Pictures Ltd (note 10).

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 12). Following the transfer of these licences to Channel 4 Television Corporation on 1 January 2012 it is the members' intention to wind up these entities.

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

### 9. Investments accounted for using the equity method

#### Box Television Ltd

Box Television Ltd broadcasts a number of music television channels on free to air and any pay platforms. 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 10.0% (2010: 10.0%) reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 2.0% (2010: 3.5%), an equity risk premium of 7.0% (2010: 6.5%), a beta of 1.1 (2010: 1.0), and flat revenue growth (2010: 0.3%) from 2013 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 Group disposed of its 50% interest in Taste of London Ltd on 20 June 2011 to Brand Events Ltd for a cash consideration of £1.3 million. The sale resulted in a gain on disposal of £0.1 million.

#### Big Freeze Ltd

The Group disposed of its 25% interest in Big Freeze Ltd on 23 August 2011 to SV Live Limited and Boomerang Plus PLC for a cash consideration of £2. The sale resulted in no material gain or loss on disposal.

## Notes to the financial statements continued

### 9. 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
<b>2011</b>						
Box Television Ltd	17.9	0.4	(10.4)	—	36.9	(28.4)
	<b>17.9</b>	<b>0.4</b>	<b>(10.4)</b>	<b>—</b>	<b>36.9</b>	<b>(28.4)</b>
<b>2010</b>						
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)
	<b>15.9</b>	<b>0.7</b>	<b>(9.4)</b>	<b>(0.2)</b>	<b>39.8</b>	<b>(27.0)</b>

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.

There are no contingent liabilities and no capital commitments in respect of joint ventures to be included within the group's financial statements.

Investments accounted for using the equity method comprise:

	2011 £m	2010 £m
<b>Box Television Ltd</b>		
Carrying value at 1 January	26.3	27.3
Share of post acquisition profits, net of income tax	3.2	4.4
Amortisation	(1.2)	(1.8)
Share of dividends received	(2.3)	(3.6)
<b>Total carrying value at 31 December</b>	<b>26.0</b>	<b>26.3</b>
<b>Taste of London Ltd</b>		
Carrying value at 1 January	1.3	1.5
Share of post acquisition profits, net of income tax and amortisation	—	—
Share of dividends received	(0.1)	(0.2)
Disposal of investment	(1.2)	—
<b>Total carrying value at 31 December</b>	<b>—</b>	<b>1.3</b>

## Notes to the financial statements continued

### 9. 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.

#### 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.

#### 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.

#### 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 2011, 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.

#### 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.

#### 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.

#### 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.

#### 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.

In addition, the group contributed towards the operating cost 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

Channel 4 holds 600 shares, representing 14.3% of the share capital. The BBC, ITV Broadcasting Ltd, Channel 5 Broadcasting Ltd, BT plc, Talk Talk Telecom Group plc and Arqiva Ltd own the remaining 85.7%. YouView is responsible for developing, supporting and promoting 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.

## Notes to the financial statements continued

### 10. Equity investments

Equity investments held comprise:

	2011 £m	2010 £m
At 1 January	1.6	2.5
Additions	0.2	—
Reclassifications from investments accounted for using the equity method	—	0.1
Impairment	(0.2)	(1.0)
<b>At 31 December</b>	<b>1.6</b>	<b>1.6</b>

#### Espresso Broadband Ltd

£1.5 million of the equity investments held by the group at 31 December 2011 relate to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007. The investment in Espresso was impaired by £0.6 million in 2010 following the sale of shares by other investors at a price below the carrying value.

#### Protagonist Pictures Ltd

£0.1 million of the equity investments held by the group reflect a 15% equity holding in Protagonist Pictures Ltd. The other shareholders are Vertigo Holdings Ltd, Ingenious Media Services Ltd (each 15%) and Nandv Media (Ireland) Ltd (55%).

#### Other

The group further holds investments in School of Everything Ltd, MyBuilder Ltd, AudioBoo Ltd and Mobile IQ Ltd. In 2011, certain agreements with these investments were converted to equity and have been fully written down in the year.

## Notes to the financial statements continued

### 11. Property, plant and equipment

	Channel 4 Freehold land and building £m	Channel 4 Fixtures, fittings and equipment £m	Channel 4 Total £m	Other Fixtures, fittings and equipment £m	Group Total £m
<b>Cost or valuation</b>					
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)
<b>At 31 December 2010</b>	<b>40.5</b>	<b>94.9</b>	<b>135.4</b>	<b>10.0</b>	<b>145.4</b>
At 1 January 2011	40.5	94.9	135.4	10.0	145.4
Additions	—	13.3	13.3	0.8	14.1
Disposals	—	—	—	—	—
Revaluation	15.5	—	15.5	—	15.5
<b>At 31 December 2011</b>	<b>56.0</b>	<b>108.2</b>	<b>164.2</b>	<b>10.8</b>	<b>175.0</b>
<b>Depreciation</b>					
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)
<b>At 31 December 2010</b>	<b>—</b>	<b>89.1</b>	<b>89.1</b>	<b>8.7</b>	<b>97.8</b>
At 1 January 2011	—	89.1	89.1	8.7	97.8
Charge for the year	0.6	3.1	3.7	0.3	4.0
Revaluation	(0.6)	—	(0.6)	—	(0.6)
<b>At 31 December 2011</b>	<b>—</b>	<b>92.2</b>	<b>92.2</b>	<b>9.0</b>	<b>101.2</b>
<b>Net book value</b>					
At 1 January 2010	42.0	8.1	50.1	—	50.1
<b>At 31 December 2010</b>	<b>40.5</b>	<b>5.8</b>	<b>46.3</b>	<b>1.3</b>	<b>47.6</b>
At 1 January 2011	40.5	5.8	46.3	1.3	47.6
<b>At 31 December 2011</b>	<b>56.0</b>	<b>16.0</b>	<b>72.0</b>	<b>1.8</b>	<b>73.8</b>

Commitments to purchase property, plant and equipment are detailed in note 20. There were no material assets held under finance leases at the balance sheet date. No assets have been pledged for security (2010: none).

## Notes to the financial statements continued

### 11. Property, plant and equipment continued

#### 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 2011 by external valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the members believe approximates to current value. In reaching their conclusions, the valuers have paid attention to comparable transactions which have taken place in recent months within the Victoria area of London and to the refurbishment works to the property, which include conversion of the lower ground floor to provide additional office space and an additional refresh of the upper floors.

The open market value for this property was £56.0 million (2010: £40.5 million). After depreciation charged on the open market value at 31 December 2010 (£0.6 million), a gain on revaluation of £16.1 million has been recognised. This gain principally reflects the refurbishment of the Horseferry Road property. £5.6 million of this gain has been recognised in the income statement (note 4) to the extent that it reverses previous impairments recorded in the income statement. The remaining gain on revaluation of £10.5 million has been credited directly to Other Comprehensive Income.

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

	2011	2010
	£m	£m
Cost	62.3	62.3
Accumulated depreciation	(16.8)	(16.2)
Impairment	(5.6)	(5.6)
<b>Net book value based on cost</b>	<b>39.9</b>	<b>40.5</b>

## Notes to the financial statements continued

### 12. Intangible assets

	Channel 4 Developed software £m	Other Developed software £m	Other Broadcasting Licence £m	Group Total £m
<b>Cost</b>				
Balance as at 1 January 2010	18.6	—	4.6	23.2
Transfer	(0.6)	0.6	—	—
Internally developed	0.8	—	—	0.8
<b>Balance as at 31 December 2010</b>	<b>18.8</b>	<b>0.6</b>	<b>4.6</b>	<b>24.0</b>
Balance as at 1 January 2011	18.8	0.6	4.6	24.0
Internally developed	1.2	—	—	1.2
<b>Balance as at 31 December 2011</b>	<b>20.0</b>	<b>0.6</b>	<b>4.6</b>	<b>25.2</b>
<b>Amortisation</b>				
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
<b>Balance as at 31 December 2010</b>	<b>15.7</b>	<b>0.6</b>	<b>2.9</b>	<b>19.2</b>
Balance as at 1 January 2011	15.7	0.6	2.9	19.2
Amortisation for the year	1.5	—	0.8	2.3
Impairment	0.2	—	—	0.2
<b>Balance as at 31 December 2011</b>	<b>17.4</b>	<b>0.6</b>	<b>3.7</b>	<b>21.7</b>
<b>Carrying amount</b>				
At 1 January 2010	4.5	—	2.5	7.0
<b>At 31 December 2010</b>	<b>3.1</b>	<b>—</b>	<b>1.7</b>	<b>4.8</b>
At 1 January 2011	3.1	—	1.7	4.8
<b>At 31 December 2011</b>	<b>2.6</b>	<b>—</b>	<b>0.9</b>	<b>3.5</b>

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 2011 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 8) 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

### 13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 25% (2010: 27%) reflecting the corporation tax rate substantially enacted as at 31 December 2011. On 21 March 2012 the UK Government announced a phased reduction in the main corporation tax rate to 22%.

	Assets 2011 £m	Assets 2010 £m	Liabilities 2011 £m	Liabilities 2010 £m	Net 2011 £m	Net 2010 £m
Property, plant and equipment	1.8	2.2	—	—	1.8	2.2
Intangible assets - internally developed software	—	—	(0.5)	(0.8)	(0.5)	(0.8)
Employee benefits	5.4	9.4	—	—	5.4	9.4
Other short term timing differences	0.6	0.2	(0.2)	—	0.4	0.2
<b>Channel 4 deferred tax assets/(liabilities)</b>	<b>7.8</b>	<b>11.8</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>7.1</b>	<b>11.0</b>
Other short-term timing differences	0.2	0.2	(1.3)	(1.9)	(1.1)	(1.7)
<b>Group deferred tax assets/(liabilities)</b>	<b>8.0</b>	<b>12.0</b>	<b>(2.0)</b>	<b>(2.7)</b>	<b>6.0</b>	<b>9.3</b>

#### Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2011 £m	2010 £m
Revaluation of freehold land and buildings	1.6	5.9
Carried forward capital losses	1.2	1.1
Carried forward trading losses	1.0	1.3
<b>Tax assets</b>	<b>3.8</b>	<b>8.3</b>

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 11 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised in joint ventures £m	Balance at 31 Dec 11 £m
Property, plant and equipment	2.2	(0.4)	—	—	1.8
Intangible assets	(0.8)	0.3	—	—	(0.5)
Employee benefits	9.4	(4.4)	0.4	—	5.4
Other short-term timing differences	0.2	0.2	—	—	0.4
<b>Channel 4 deferred tax assets/(liabilities)</b>	<b>11.0</b>	<b>(4.3)</b>	<b>0.4</b>	<b>—</b>	<b>7.1</b>
Other short-term timing differences	(1.7)	0.5	—	0.1	(1.1)
<b>Group deferred tax assets/(liabilities)</b>	<b>9.3</b>	<b>(3.8)</b>	<b>0.4</b>	<b>0.1</b>	<b>6.0</b>

The movement recognised in other comprehensive income includes a reduction in the deferred tax asset of £0.7 million as a result of the change in the deferred tax rate.

## Notes to the financial statements continued

### 13. Deferred tax assets and liabilities continued

	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	(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
<b>Channel 4 deferred tax assets/(liabilities)</b>	<b>14.4</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>—</b>	<b>11.0</b>
Other short-term timing differences	(2.4)	0.5	—	0.2	(1.7)
<b>Group deferred tax assets/(liabilities)</b>	<b>12.0</b>	<b>(1.2)</b>	<b>(1.7)</b>	<b>0.2</b>	<b>9.3</b>

### 14. Programme and film rights and other inventories

	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
Programmes and films completed but not transmitted	82.9	69.9	74.6	67.6
Acquired programme and film rights	49.2	57.7	37.4	45.1
Programmes and films in the course of production	72.9	77.0	66.2	74.3
Other inventories	2.1	1.4	—	—
	<b>207.1</b>	<b>206.0</b>	<b>178.2</b>	<b>187.0</b>

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

Programme rights and other inventories to the value of £570.0 million were recognised as expenses in the year (2010: £559.3 million). Of this amount, obsolete programmes and developments written off totalled £28.8 million for the group (2010: £33.5 million) and £25.1 million for Channel 4 (2010: £30.3 million).

Other inventories represent amounts held within the 4Rights segment for DVDs.

## Notes to the financial statements continued

### 15. Trade and other receivables

	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
Trade receivables	174.1	131.6	114.3	95.5
Prepayments and accrued income	23.2	22.8	13.1	20.5
Distribution and producer advances	1.7	2.4	—	—
<b>Total trade and other receivables</b>	<b>199.0</b>	<b>156.8</b>	<b>127.4</b>	<b>116.0</b>
Corporation tax	—	—	—	0.8

Trade receivables in 2011 include advertising sales receivable on behalf of UKTV which commenced on 1 January 2012.

Trade receivables are shown net of impairment charges amounting to £0.5 million (2010: £0.7 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 £1.7 million (2010: £4.3 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.

### 16. Cash and cash equivalents

	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
Bank balances	23.5	56.5	23.5	56.5
Money market funds*	166.7	95.7	166.7	95.7
Money market deposits maturing in less than three months	56.0	—	56.0	—
<b>Cash and cash equivalents</b>	<b>246.2</b>	<b>152.2</b>	<b>246.2</b>	<b>152.2</b>
Money market deposits maturing after three months	34.0	109.0	34.0	109.0
Investment funds	10.0	—	10.0	—
<b>Other financial assets</b>	<b>44.0</b>	<b>109.0</b>	<b>44.0</b>	<b>109.0</b>

\* Amounts held in money market funds are repayable on demand.

## Notes to the financial statements continued

### 17. Trade and other payables and current tax liabilities

	Group 2011 £m	Group 2010 £m	Channel 4 2011 £m	Channel 4 2010 £m
Trade payables	12.9	24.6	12.9	24.6
National insurance	0.6	0.6	0.6	0.6
Other creditors	35.2	3.8	34.6	3.7
Amounts due to subsidiaries	—	—	97.6	50.1
Accruals	201.0	163.1	130.1	103.0
VAT	24.7	15.6	13.9	9.2
<b>Total trade and other payables</b>	<b>274.4</b>	<b>207.7</b>	<b>289.7</b>	<b>191.2</b>
Corporation tax	3.8	6.4	—	—
<b>Current tax liabilities</b>	<b>3.8</b>	<b>6.4</b>	<b>—</b>	<b>—</b>

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 2011, as calculated using average payable balances, was 7 for both the group and Channel 4 (2010: 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

### 18. Provisions

	Group and Channel 4		
	Onerous leases	Restructuring and other costs	Total
	£m	£m	£m
At 1 January 2010	21.8	3.2	25.0
Utilised in the year	(9.8)	(2.4)	(12.2)
Released in the year	(6.1)	(0.7)	(6.8)
Charged to the income statement	2.8	—	2.8
Unwinding of discount	2.0	—	2.0
Reversal of unwinding of discount	(3.8)	—	(3.8)
<b>At 31 December 2010</b>	<b>6.9</b>	<b>0.1</b>	<b>7.0</b>
At 1 January 2011	6.9	0.1	7.0
Utilised in the year	(4.1)	—	(4.1)
Released in the year	(0.2)	(0.1)	(0.3)
Charged to the income statement	—	4.8	4.8
Unwinding of discount	0.4	—	0.4
<b>At 31 December 2011</b>	<b>3.0</b>	<b>4.8</b>	<b>7.8</b>

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

	2011	2010
	Group and Channel 4	Group and Channel 4
	£m	£m
Current	3.6	3.9
Non-current	4.2	3.1
	<b>7.8</b>	<b>7.0</b>

#### Onerous leases

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

#### Restructuring and other costs

The restructuring provision as at 31 December 2011 principally relates to costs associated with the restructuring initiatives undertaken during the year to improve the operational efficiency of the group. In 2011 these costs principally reflected the cost of restructuring the sales and commissioning departments. The provision held at the balance sheet date is expected to be fully utilised in 2012.

#### 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

### 19. 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 (pages 184–185).

#### 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 6). 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 £0.2 million lower/higher (2010: £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 net asset value 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 £0.3 million lower/higher (2010: £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

### 19. Derivatives and other financial instruments continued

The interest rate profile of the group's and Channel 4's cash and deposits at 31 December 2011 and 31 December 2010 is set out below:

#### Interest rate risk

2011	Group and Channel 4	
	Effective interest rate	Total
	%	£m
<b>Cash and cash equivalents</b>		
Interest bearing deposits maturing in less than three months held in Sterling	0.7	244.6
Interest bearing deposits maturing in less than three months held in US Dollars	0.2	1.4
Interest bearing deposits maturing in less than three months held in Euros	0.7	0.2
Non-interest bearing assets held in Sterling	—	—
	<b>0.6</b>	<b>246.2</b>

2010	Group and Channel 4	
	Effective interest rate	Total
	%	£m
<b>Cash and cash equivalents</b>		
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	—	15.5
	<b>0.7</b>	<b>152.2</b>

2011	Group and Channel 4	
	Effective interest rate	Total
	%	£m
<b>Other financial assets</b>		
Money market deposits maturing after three months held in Sterling	1.2	34.0
	1.2	34.0

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

## Notes to the financial statements continued

### 19. 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 17. The value of trade and other payables at 31 December 2011 was £274.4 million for the group (2010: £207.7 million) and £289.7 million for Channel 4 (2010: £191.2 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 2011 and 2010.

#### 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 171.

#### 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 £174.1 million for the group (2010: £131.6 million) and £114.3 million for Channel 4 (2010: £95.5 million), with £44.0 million of other financial assets for both the group and Channel 4 (2010: £109.0 million) and cash and cash equivalents for both the group and Channel 4 of £246.2 million (2010: £152.2 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £173.3 million for the group (2010: £130.7 million) and £113.7 million for Channel 4 (2010: £94.8 million). The maximum exposure to credit risk for trade receivables for other regions for the group was £0.8 million (2010: £0.9 million) and £0.6 million for Channel 4 (2010: £0.7 million).

Trade receivables includes advertising sales receivable on behalf of UKTV. Channel 4 does not bear any credit risk in relation to these receivables.

Trade receivables of £174.1 million for the group (2010: £131.5 million) and £114.3 million for Channel 4 (2010: £95.4 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 (2010: £0.1 million). Included in receivables due under six months are receivables of £165.7 million for the group (2010: £121.7 million) and £113.5 million for Channel 4 which were not yet due under standard credit terms at the balance sheet date (2010: £90.6 million). £113.4 million of the receivables of the group and £113.4 million of the receivables of Channel 4 were insured at the balance sheet date and £165.7 million and £113.4 million have been subsequently collected by the group and Channel 4 since the balance sheet date.

The allowance for impairment of trade receivables was £0.5 million at the balance sheet date (2010: £0.8 million).



## Notes to the financial statements continued

### 20. Commitments continued

#### 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:

	2011	2010
	£m	£m
Operating leases which expire:		
Within one year	—	0.3
Within two to five years	1.2	1.6
After five years	19.6	21.9
	<b>20.8</b>	<b>23.8</b>

The group leases office space in three properties in London under operating leases expiring in 2014 and 2020. Annual rentals of £1.3 million were charged to the income statement in 2011 with the remainder offset by the utilisation of onerous contract provisions. The total future rental commitment amounts to £20.8 million. Office space in all three properties has been sublet by the group, with the minimum future payments receivable amounting to £12.0 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 2011 and the total commitment under the leases amounts to £0.2 million.

#### d) Capital commitments

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

	2011	2010
	£m	£m
Property, plant and equipment:		
Contracted but not provided in the financial statements	2.0	0.8

#### e) Other commitments

Under the terms of the shareholder agreement for YouView TV Ltd (note 9), Channel 4 is committed to meeting its share of contracted costs entered into by that company.

## Notes to the financial statements continued

### 21. Employee benefits – pensions

The group operates a defined benefit pension scheme – the Channel 4 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:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Present value of funded obligations	(249.0)	(237.6)	(220.6)	(170.4)	(176.2)
Fair value of plan assets	227.7	202.2	175.7	149.3	166.8
<b>Recognised liability for defined benefit obligations</b>	<b>(21.3)</b>	<b>(35.4)</b>	<b>(44.9)</b>	<b>(21.1)</b>	<b>(9.4)</b>

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

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of scheme assets at 1 January	202.2	175.7	149.3	166.8	153.2
Expected return on plan assets	13.0	11.8	9.1	11.5	10.5
Benefits paid	(3.8)	(9.1)	(2.7)	(3.0)	(3.0)
Employer contributions net of charges *	12.1	9.7	4.7	5.4	6.2
Employee contributions net of charges	1.6	1.2	1.4	1.6	1.3
Actuarial gain/(loss) on plan assets	2.6	12.9	13.9	(33.0)	(1.4)
<b>Fair value of scheme assets at 31 December</b>	<b>227.7</b>	<b>202.2</b>	<b>175.7</b>	<b>149.3</b>	<b>166.8</b>

\* The employer contribution includes an additional contribution of £5.0 million paid in December 2011 and £2.9 million paid in December 2010.

The fair value of the plan assets and the return on those assets were as follows:

	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Fair	Fair	Fair	Fair	Fair
	return	return	return	return	return	return	return	return	return	return	value	value	value	value	value
	£m	£m	£m	£m	£m	%	%	%	%	%	£m	£m	£m	£m	£m
Equities	(9.1)	16.9	20.4	(28.4)	7.7	(8.2)	19.5	28.5	(26.3)	7.6	74.2	101.9	98.4	76.6	105.3
Bonds	24.7	7.8	2.6	7.0	1.4	21.3	9.0	2.5	11.2	5.1	144.2	93.7	74.1	69.3	58.0
Other	—	—	—	—	—	—	—	—	—	5.3	9.3	6.6	3.2	3.4	3.5
	<b>15.6</b>	<b>24.7</b>	<b>23.0</b>	<b>(21.4)</b>	<b>9.1</b>						<b>227.7</b>	<b>202.2</b>	<b>175.7</b>	<b>149.3</b>	<b>166.8</b>

## Notes to the financial statements continued

### 21. Employee benefits – pensions continued

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

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Present value of scheme liabilities at 1 January	237.6	220.6	170.4	176.2	168.1
Current service cost	4.4	5.1	3.5	5.7	6.1
Past service cost credit	(10.5)	—	—	—	—
Gain on curtailments	—	(1.3)	—	(0.9)	—
Employee contributions net of charges	1.6	1.2	1.4	1.6	1.3
Interest on pension scheme liabilities	13.1	12.8	10.4	10.1	9.1
Benefits paid	(3.8)	(9.1)	(2.7)	(3.0)	(3.0)
Actuarial loss/(gain) on plan liabilities	6.6	8.3	37.6	(19.3)	(5.4)
<b>Present value of scheme liabilities at 31 December</b>	<b>249.0</b>	<b>237.6</b>	<b>220.6</b>	<b>170.4</b>	<b>176.2</b>

#### Past service cost credit

In July 2010 the Government announced that the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) should be used for the statutory revaluation of deferred pensions. This change in valuation method was communicated to the members of the scheme in June 2011. The valuation of the scheme liabilities as at 31 December 2011 includes CPI as the inflation measure for deferred members for the first time, resulting in a past service cost credit of £10.5 million.

Expense recognised in the income statement:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Current service cost	4.4	5.1	3.5	5.7	6.1
Past service cost credit	(10.5)	—	—	—	—
Gain on settlements	—	(1.3)	—	(0.9)	—
Interest on pension scheme liabilities	13.1	12.8	10.4	10.1	9.1
Expected return on plan assets	(13.0)	(11.8)	(9.1)	(11.5)	(10.5)
<b>Net (credit)/charge to income statement</b>	<b>(6.0)</b>	<b>4.8</b>	<b>4.8</b>	<b>3.4</b>	<b>4.7</b>

The expense has been recognised in the following lines in the income statement:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Cost of transmission and sales	(5.0)	3.1	2.8	3.9	4.0
Other operating expenditure	(0.8)	0.7	0.7	0.9	2.1
Net financial (income)/cost	(0.2)	1.0	1.3	(1.4)	(1.4)
<b>Net (credit)/charge to income statement</b>	<b>(6.0)</b>	<b>4.8</b>	<b>4.8</b>	<b>3.4</b>	<b>4.7</b>

## Notes to the financial statements continued

### 21. Employee benefits – pensions continued

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Experience (loss)/gain on plan liabilities	(6.6)	(8.3)	(37.6)	19.3	5.4
Experience gain/(loss) on plan assets	2.6	12.9	13.9	(33.0)	(1.4)
<b>Actuarial (loss)/gain</b>	<b>(4.0)</b>	<b>4.6</b>	<b>(23.7)</b>	<b>(13.7)</b>	<b>4.0</b>

The cumulative amount of net actuarial losses recognised in the Statement of Comprehensive Income since transition to IFRS is £40.0 million.

Principal actuarial assumptions at the balance sheet date

	2011	2010	2009	2008	2007
	%	%	%	%	%
Discount rate	4.81	5.42	5.75	6.00	5.60
Rate of increase in salaries	2.90	4.00	4.50	3.65	3.45
Rate of increase in pensions	3.10	3.50	3.60	2.75	3.20
Retail Price Index inflation	3.10	3.50	3.60	2.75	3.20
Expected return on plan assets – equities	7.00	8.20	8.40	7.00	7.50
Expected return on plan assets – bonds	3.90	4.80	5.00	5.00	5.70
Expected return on plan assets – cash	2.00	2.00	1.00	3.00	5.50
	<b>2011</b>	2010	2009	2008	2007
	<b>years</b>	years	years	years	years
Life expectancy from 60 (now aged 40) – male	28.4	28.4	28.3	28.3	26.6
Life expectancy from 60 (now aged 40) – female	29.2	29.2	29.2	29.1	29.4
Life expectancy from 60 (now aged 60) – male	26.8	26.8	26.7	26.6	26.6
Life expectancy from 60 (now aged 60) – female	28.2	28.1	28.1	28.0	29.4

These assumptions were adopted in consultation with the qualified independent actuary to the Channel Four Television Staff Pension Plan (the Actuary to the Plan). If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the group balance sheet. The expected returns on plan assets are set by reference to historical returns, current market indicators and the expected long term asset allocation of the Plan.

Contribution rates to the scheme are determined by the Actuary to the Plan on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2009 and this valuation was subsequently updated at 1 January 2010. The results of the valuation at 1 January 2010 showed that the scheme's assets represented 85% of the benefits that had accrued to members, reflecting a deficit of £29.7 million.

Following the valuation and discussions with the Actuary to the Plan, the Trustees and the Board agreed to continue to pay additional monthly contributions of £294,000 during 2011 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 £5.0 million in December 2011.

The estimated employer contributions in 2012 are £7.1 million.

## Notes to the financial statements continued

### 22. Related party transactions

Key management personnel are considered to be the members of the Corporation. Details of transactions in which members have an interest are disclosed on page 131. Details of members' remuneration are shown in the remuneration report on pages 194–197.

#### Subsidiary undertakings

Channel 4 purchased creative design and production and interactive services from 4 Ventures Ltd totalling £13.0 million (2010: £8.0 million). At 31 December 2011 Channel 4 owed subsidiary undertakings £97.6 million (2010: £50.1 million).

#### Joint ventures

During 2011, Channel 4 received a dividend of £2.3 million (2010: £3.6 million) from Box Television Ltd. Channel 4 also sold £7.9 million (2010: £6.4 million) of services to Box including commissions earned on advertising sales as well as payments for costs settled on Box's behalf for other services including transmission, programme costs, brand royalties, marketing, facilities management, information systems, finance and other administrative support and pensions. Box owed Channel 4 £1.8 million at 31 December 2011 (2010: £0.5 million) in respect of these services. Channel 4 paid £0.5 million (2010: £0.5 million) to Box in 2011 and owed Box £0.1 million at 31 December 2011 (2010: £0.2 million).

Channel 4 paid £1.1 million of funding to Clearcast Ltd (2010: £0.7 million), £0.1 million of funding to Parliamentary Broadcasting Unit Ltd (2010: £0.1 million), £16.9 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2010: £13.5 million), £1.6 million to BARB for research services (2010: £1.7 million), £1.3 million to Thinkbox TV Ltd for marketing services (2010: £1.1 million), £1.4 million to DTV Services Ltd for marketing services (2010: £1.9 million) and £0.5 million of funding to Digital UK Ltd (2010: £0.4 million). Channel 4 also received £0.7 million from Digital 3 and 4 Ltd and £0.1 million from Digital UK Ltd in service fees. No amounts were due from these companies at 31 December 2011 (2010: £nil).

Channel 4 also recognised equal revenue and expense of £5.4 million with DTV Services Ltd (2010: £5.3 million) and £0.5 million with Thinkbox TV Ltd (2010: £0.6 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 2011 (2010: £nil).

Channel 4 paid £4.8 million in respect of fees (2010: £4.3m) and received £0.5m in respect of management services and brand royalty fees (2010: £nil) and £0.1m (2010: £nil) in respect of dividends relating to other joint ventures. No amounts were due from these entities as at 31 December 2011 (2010: £nil).

#### Equity investments

During 2011, Channel 4 received £0.4 million brand fee income from Espresso Education Ltd (2010: £0.3 million). £0.1 million was owed to Channel 4 at 31 December 2011 (2010: £nil).

Channel 4 paid £0.2 million to Mobile IQ Ltd to support the Channel 4 mobile portal and development of applications (2010: £0.1 million). No amounts were due to Mobile IQ Ltd at 31 December 2011 (2010: £nil).

Channel 4 paid £0.2 million to Protagonist Pictures Ltd for agency sales and film acquisition services (2010: £0.1 million) and received £0.2 million for advances against film distribution rights (2010: £nil). No amounts were due at 31 December 2011 (2010: £nil).

Channel 4 recognised equal revenue and expense of £0.2 million with MyBuilder Ltd (2010: £nil) relating to commercial airtime sold in exchange for an increased investment.

## 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 Corporate Governance Code issued by the Financial Reporting Council (FRC) in 2010, 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 UK Corporate Governance Code.

Channel 4's status as a statutory corporation without shareholders 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 183.

### 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 187. Following the Digital Economy Act 2010, these arrangements were reviewed and updated at the end of 2011, and approved by Ofcom in January 2012. The revised arrangements are applicable from January 2012.

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.

## Corporate governance continued

### 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 Board Secretary
- the appointment and re-appointment of the statutory auditors
- the audited accounts of Channel 4 presented by the audit committee
- the establishment, purchase or acquisition of any qualifying company and the approval or variation of terms of reference for any subsidiary
- approval of any significant new business investment
- significant proposed changes to Channel 4's headcount
- such other matters as the Board may from time to time resolve to review or decide upon.

In addition, as part of its overall responsibility to ensure the fulfilment of Channel 4's statutory duties and functions, the Board continues to focus on ensuring the successful delivery of Channel 4's remit and other public service responsibilities. 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.

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board, to implement the policies and strategy agreed by the Board, and to communicate with Ofcom and other key stakeholders.

In 2011, Lord (Terry) Burns continued as Chairman and David Abraham continued as Chief Executive.

## Corporate governance continued

### Senior independent member

Lord Puttnam was Deputy Chairman and senior independent member throughout the year. Lord Puttnam's term ended on 31 January 2012 and Lord Hall was appointed deputy chairman and senior independent member from 1 February 2012.

### Members and members' independence

The names of the 2011 Board members, together with their brief biographies, are set out on pages 189–193.

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 131)
- 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 (with the exception of Lord Hall, who was appointed on 1 April 2005) served on the Board for more than six years from the date of their first election.

### 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 Board Secretary. Throughout their period in office the members are continually updated on the group's business and environment and other changes affecting the group and the industry it operates in as a whole, by written briefings and meetings with senior executives.

We carry out a formal annual Board evaluation process that uses a detailed questionnaire to allow Board members to express both qualitative and quantitative views on Board Performance. The process is managed by the Board Secretary, with results anonymised in order to enable an impartial discussion of results. Results are fully discussed at a Board meeting and proposals tabled and agreed to address any actions arising. We believe the current Board evaluation process to be sufficient and accordingly have not engaged a third party to conduct the exercise. This will be kept under review.

## Corporate governance continued

### The Board Secretary

In 2011 a new post of Board Secretary was created. The Board Secretary's responsibilities include ensuring an effective flow of information within the Board and its committees and between senior management and non-executive members, induction of new members and assisting with professional development as required.

The Head of Legal, Governance, Regulatory and Trading is responsible for advising the Board through the Chairman on all governance matters.

Both posts are available to provide advice and services to all members, as relevant, to ensure compliance with Board procedures.

Paula Carter became Board Secretary in July 2011.

### 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
<b>Executives</b>			
David Abraham	9 (9)	3 (3)	3 (3)
Anne Bulford	9 (9)	3 (3)	3 (3)
Andy Barnes	3 (3)		
Jay Hunt	9 (9)		
Jonathan Allan	3 (3)		
<b>Non-Executives</b>			
Lord Burns*	9 (9)	2 (3)	2 (3)
Lord Puttnam	7 (9)		
Martha Lane Fox	7 (9)	2 (3)	
Stephen Hill	7 (9)		3 (3)
Lord Hall	6 (9)		3 (3)
Monica Burch	7 (9)	3 (3)	
Alicja Lesniak	8 (9)	3 (3)	
Richard Rivers	9 (9)		3 (3)
Mark Price	7 (9)		0 (3)

Figures in brackets indicate the maximum number of meetings in the period in which the individual was a Board/committee member.

\* Lord Burns' attendance at the Audit and Remuneration committees is included in the figures above.

## Corporate governance continued

- 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 187, 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 page 130.

### 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 through assurance reviews provided to the audit committee.

### Internal audit

During 2011, 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.

## Remuneration committee

During 2011 the remuneration committee comprised Stephen Hill (Chair), Richard Rivers, Mark Price and Lord Hall. The remuneration committee met three times 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, variable pay awards payable where applicable and the structure of remuneration for executive members and senior management
- to review any other significant change in Channel 4's remuneration package
- to monitor 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 195–197.

## Corporate governance continued

### Audit committee

During 2011 the audit committee comprised Alicja Lesniak (Chair), Martha Lane Fox and Monica Burch. 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 2011 the committee had at least one member possessing recent and relevant experience. Alicja Lesniak FCA is a chartered accountant and was, until 2009, Chief Financial Officer of Aegis 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 2011 the committee discharged its responsibilities by:

- reviewing the group's draft financial statements for the year ended 31 December 2010 prior to Board review and approval and reviewing the external auditors' detailed reports thereon
- reviewing the appropriateness of the group's accounting policies
- reviewing regularly the potential impact in the group's financial statements of certain matters such as asset impairments
- reviewing and approving the audit fee and reviewing non-audit fees payable to the group's external auditors
- reviewing the external auditors' plan for the audit of the group's accounts, key risks on the accounts, confirmations of auditors' independence and the proposed audit fee
- reviewing and approving the annual business assurance plan and findings of business assurance reviews
- reviewing 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

## Corporate governance continued

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 2011 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 Lord Burns (resigned 2 February 2011); an independent member, Louise Botting (appointed trustees' Chairman 28 January 2010); Alicja Lesniak (appointed 3 February 2011); two of Channel 4's executives, Anne Bulford (Chief Operating Officer) and Diane Herbert (Director of Human Resources); and two member-nominated trustees, Julie Kortens (Head of Corporate Services) and Neil Pepin (Deputy Head of Legal and Compliance).

### 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 the British Comedy Awards 2011. 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. In 2011 Channel 4 carried out a review of the Arrangements and updated them to take into account Channel 4's expanded primary functions and revised accountability framework under the Digital Economy Act 2010. Following consultation the new Arrangements were approved by Ofcom in January 2012 and are effective from that date.

Channel 4 has appointed Deloitte LLP to review compliance with the Arrangements and their report is shown on page 188. Copies of the Arrangements are available from the Board 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 2011 with the arrangements agreed between the Corporation and the Office of Communications ("Ofcom") in 2006 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 28 February 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 29 February 2012), 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 [channel4.com/about4/pdf/C4\\_arrangements.pdf](http://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 2011 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 2011.

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 2011.

#### Deloitte LLP

Chartered Accountants  
London  
• March 2012

## Members

### Non-executive members

#### Current

Chairman

#### Lord Burns GCB

Appointed as Chairman on 28 January 2010. His initial appointment runs until January 2013 and has been extended to January 2016.

Lord Burns is Chairman of Santander UK plc and is a non-executive director of Banco Santander SA. He is a non-executive member of the Office for Budget Responsibility and Chairman of the Governing Board of the Royal Academy of Music.

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.

Previous appointments included acting as an independent advisor to the Secretary of State for Culture, Media and Sport on the previous BBC Charter Review. He has also been Chairman of Marks and Spencer plc, Glas Cymru Ltd (Welsh Water) and the National Lottery Commission, and a non-executive director of Pearson Group, The British Land Company plc and Legal & General plc.

Deputy Chairman

#### Lord Hall<sup>R</sup>

Appointed to the Board on 1 April 2005, his appointment runs until 31 March 2014. He was appointed Senior Independent Member and Deputy Chairman on 1 February 2012. 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. In March 2010 he became a crossbench member of the House of Lords.

#### Monica Burch<sup>A</sup>

Joined the Board on 1 October 2010. Monica is Senior Partner of Addleshaw Goddard LLP, and a partner in the firm's litigation practice where she heads contentious IP. Monica chairs the firm's Charitable Trust. Prior to her appointment as Senior Partner and Chair of the firm's board, Monica was a board member for 6 years.

Monica also sat on the Management Board of predecessor firm Theodore Goddard. Monica was appointed a Civil Recorder in 2010 (a part time judicial appointment), is a CEDR qualified Mediator, and was one of The Lawyer magazine's "Hot 100 Lawyers" in 2007 and 2011. Monica graduated from Oxford with a degree in jurisprudence in 1987, and gained a distinction in her Masters degree from Nottingham Trent in 2007. She has worked in the US and in the UK and has advised a variety of businesses, mainly in the consumer sector, across the globe.

#### Alicja Lesniak<sup>A</sup>

Joined the Board on 1 October 2010. Alicja is also Senior Independent Director and Chair of the Audit and Remuneration Committees of Next 15, an AIM listed worldwide digital communications group, 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<sup>R</sup>

Joined the Board on 1 October 2010. Mark joined the John Lewis Partnership in 1982 as a graduate trainee. He held numerous posts before becoming Managing Director of Waitrose in April 2007. Prior to this, in 2005 Mark was appointed as the Partnership Development Director (responsible for Strategy amongst other things) when he became a member of the Partnership Board. In January 2011 Mark became Chairman of Business in the Community, a post he will hold for three years. He is also Chairman of the Prince's Countryside Fund.

## Members continued

### Richard Rivers<sup>R</sup>

Joined the Board on 1 October 2010. Richard Rivers is a former Senior Executive of Unilever. Until late 2009 he held roles including Chief of Staff, Group Head of Corporate Development and Chairman of Unilever Corporate Ventures Group.

As well as his role as a non-executive Board Member for Channel 4, Richard is a non-executive Director of Mothercare plc and Lumene Oy and a member of the Advisory Board of WPP plc.

### Paul Potts

Joined the Board on 1 January 2012. He began his career as a reporter on the Sheffield Star in 1968 and worked for numerous national newspapers, including the Daily Telegraph and the Daily Express, where he was Deputy Editor. He joined the Press Association in 1995 as Editor-in-Chief at a time when the agency was facing acute challenges and was charged with restoring its position as the main supplier of trusted real-time news and information to the media industry. Paul was appointed Group Chief Executive in 2000 and Executive Chairman in 2008. He retired from PA Group in 2010.

Paul became a Commander of the Order of the British Empire (CBE) in 2009 in recognition of his services to journalism. He has an Honorary Degree of Doctor of Letters from the University of Sheffield and in 2010 he was appointed Visiting Professor of Journalism. He is also on the Board of Governors at St Anselm's School.

### MT Rainey

Joined the Board on 1 January 2012. MT (Mary Teresa) Rainey was founder and CEO of top UK advertising agency Rainey Kelly Campbell Roalfe/Y&R. She resigned from her role as Chair of the company in 2005 to start a digital social enterprise, horsesmouth.co.uk. Horsesmouth.co.uk is an online social network for informal mentoring and now has over 45,000 active members.

MT is also an investor in and Chairman of the fast growing digital agency Th\_nk. In a voluntary capacity MT is Vice Chair of Skillset, the Sector Skills Council for the Creative Industries, sits on the National Skills Commission and on The Advisory Board of NCVO. She is a former Chairman of the Marketing Group of Great Britain and is a regular speaker on communications, media and digital industry issues.

### Josie Rourke

Joined the Board on 1 January 2012. Josie was born and educated in Salford, read English at Cambridge and trained at the Donmar Warehouse, where she returned as Artistic Director in 2012. Between 2007 and 2011 she was Artistic Director of the Bush Theatre, which was recognised as Theatre of the Year in 2011. Her other work as a director includes productions at the Young Vic, the Royal Court, Sheffield Theatres (where she was Associate Director), the Royal Shakespeare Company, the Chicago Shakespeare Theatre and the National Theatre. Last summer, her *Much Ado About Nothing* with David Tennant and Catherine Tate played in the West End.

## Members continued

### Retired

#### Lord Puttnam

Joined the Board as Deputy Chairman in February 2006. His previous appointment ran until 31 January 2011 and was extended to 31 January 2012. David Puttnam spent thirty years as an independent film producer, his many award winning films including *The Mission*, *the Killing Fields*, *Local Hero*, *Chariots of Fire*, *Midnight Express*, *Bugsy Malone*, and *Memphis Belle*.

He retired from film production in 1998 and now focuses his work in education and the environment. In 1998 he founded the National Teaching Awards, which he chaired until October 2008. He served as the first Chair of the General Teaching Council (2000–2002), and on a variety of other public bodies. He was founding Chair of the National Endowment for Science, Technology and the Arts, and for ten years chaired the National Museum of Photography, Film and Television, as well as serving as a Trustee of both the Tate Gallery and the Science Museum. He was also Vice President and Chair of Trustees at BAFTA (British Academy of Film & Television Arts) from 1994 to 2004, and was awarded a BAFTA Fellowship in 2006.

He was appointed President of UNICEF UK in July 2002, and played a key role in promoting UNICEF's advocacy, awareness and fundraising objectives. He retired from this post in July 2009. He has also recently become a Trustee of the Eden Project and is Chancellor of the Open University.

David was awarded a CBE in 1982, received a Knighthood in 1995 and was appointed to the House of Lords in 1997.

### Stephen Hill<sup>R</sup>

Joined the Board in January 2006. His appointment ran until 31 December 2011. Stephen studied Economics and Law at Cambridge before working with BCG, Guinness and Pearson. He spent six years running the Financial Times Group and in 2003 became CEO of the internet start-up, Betfair, now one of the world's largest internet companies. Since 2006 he has run his own investment and property development companies, and been a senior adviser to a private equity fund. He currently serves on the Board of Trustees of RNID, the Royal National Institute for Deaf People, and on the Advisory Board of the Judge Business School in the University of Cambridge, and is a non-executive director of IG Group plc.

### Martha Lane Fox<sup>A</sup>

Joined the Board in February 2006. Her term ended on 31 January 2012. Martha is currently the UK Digital Champion. She chairs the charity Go On UK and the Government Digital Service Advisory Board. Martha was the co-founder of lastminute.com, Europe's largest travel and leisure site which was sold to Sabre Holdings in 2005. Martha founded Lucky voice in 2004 which is transforming the world of karaoke both online and offline, and her own grant giving foundation, Antigone, in 2005. Martha is a non-executive director at Marks and Spencer, MyDeco.com and the Cabinet Office's Efficiency and Reform board. Martha is also a Patron of Reprieve, Just for Kids Law, Camfed and AbilityNet.

<sup>A</sup> Member of the audit committee

<sup>R</sup> Member of the remuneration committee

## Members continued

### Executive members

#### Current

##### David Abraham

David Abraham became Channel 4's sixth Chief Executive when he took up his post in May 2010.

David joined Channel 4 from UKTV where he was appointed Chief Executive in April 2007. During his first year at UKTV he masterminded the launch of Dave which laid the foundation for rebranding the entire UKTV network.

Prior to this David worked at Discovery Networks USA, where, as President and General Manager for TLC from 2005, he was responsible for overseeing all content investment and strategy for the leading US cable network. Before heading to the US David was General Manager of Discovery Networks UK for four years from 2001.

David began his career in 1984 as a graduate trainee in advertising after taking a degree in Modern History from Oxford University. In the 1990s he was a founding partner and Chief Operating Officer at leading independent advertising agency St Luke's.

David is a Board member of Skillset.

##### Anne Bulford FCA

Anne Bulford was appointed Chief Operating Officer in June 2010, having joined Channel 4 as Group Finance Director in June 2005. She has responsibility at Board level for key functions including Strategy, Commercial Development, Finance, Legal and Technology.

Before joining Channel 4, Anne was Director of Finance & Business Affairs at the Royal Opera House for three years. In her time there she served as chair of Ofcom's Audit Committee. She was also a member of the Expert Panel created to advise the ITC on its review of the Programme Supply Market in 2002.

Prior to joining the Royal Opera House, she worked for three years as Finance Director for Carlton Productions. From 1993 to 1999, Anne worked at the BBC, initially as Head of Internal Audit and from 1996 onwards as Finance Director for BBC Regional Broadcasting and then BBC Production.

Before joining the BBC, Anne qualified as a Chartered Accountant with KPMG and spent 12 years in practice including a secondment to The London Docklands Development Corporation. Anne graduated from University College London where she is now a lay member of Council and Honorary Treasurer.

Anne is also an elected Trustee of Motor Neurone Disease Association, a Trustee of the Teacher Awards Trust; and was a Non-Executive member of the Ministry of Justice Corporate Management Board and Chair of the Corporate Audit Committee until December 2011.

##### Jay Hunt

Jay Hunt joined Channel 4 on 10 January 2010 from her position as Controller of BBC One where she was responsible for shows including Sherlock, Mrs Brown's Boys, Birdsong, John Bishop's Britain, Five Daughters, Total Wipeout and Michael McIntyre's Comedy Roadshow. Prior to this Jay was Director of Programmes at Channel Five where she commissioned hits including Cowboy Builders and Extreme Fishing with Robson Green.

The majority of Jay's career was spent at the BBC, joining in as a researcher on Breakfast News in 1989 after a stint working for an independent production company; she took charge of high-profile event coverage such as live specials from the Hong Kong handover and the first mixed-race elections in South Africa. She was also Controller of Daytime and Editor of the Six o'clock News.

##### Jonathan Allan

Appointed as Director of Sales on 13 September 2011.

Jonathan graduated from Newcastle University in Economics and immediately joined a full service agency, Cravens Advertising, in the city. After a year planning and buying across all media for Northern Rock, Alders and the Halifax, he joined OMD UK as a Graduate TV Buyer in 1995.

After a number of years working on clients such as Barclaycard, Boots, American Airlines and AXA, in January 2000 Jonathan was appointed to the board of OMD as TV Director. In 2002, he broadened his role into that of Business Director, responsible for running a number of accounts including PepsiCo, EasyJet and Barclaycard. In Feb 2005, Jonathan was appointed Deputy Managing Director and in January 2007 he became Managing Director, reporting into CEO, Steve Williams.

Jonathan Allan is also on the board of Thinkbox, the television marketing body.

## Members continued

##### Dan Brooke

Dan Brooke is Chief Marketing and Communications Officer, having re-joined Channel 4 in November 2010. He was appointed to the Board on 1 February 2012.

Dan left independent production company Rare Day, where he was Managing Director. Prior to this he was Managing Director of Discovery Networks UK, leading it through a period of change and innovation with the launch of seven new channels, including its first Freeview channel and its first entertainment channel, as well as mobile and on-demand services.

Dan worked at Channel 4 from 1998 to 2005, joining as the Head of Marketing & Development for FilmFour, rising to be Managing Director of Digital Channels. He was responsible for the development and award-winning launches of Channel 4's portfolio of digital channels and in 2001 was elected Young Marketer of the Year by the Marketing Society for his role in the birth of E4.

Dan is also on the board of the NFTS and a Trustee of Britdoc, the Camden Arts Centre and the Mass Extinction Memorial Observatory.

#### Retired at the balance sheet date

##### Andy Barnes

Sales Director since October 2002, having been Commercial Director since July 1997. He joined Channel 4 in 1991 as Head of Advertising Sales. Andy resigned from the Board on 30 March 2011.

#### Board Secretary

Paula Carter

## 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 185. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the UK Corporate Governance Code.

The remuneration policy allows Channel 4 to attract, motivate and retain high calibre staff and executive team members by rewarding them with both fixed and variable pay. In setting the policy, the remuneration committee takes into account the packages offered at comparable levels in the television and wider media industry, where share option schemes are offered by Channel 4's commercial competitors.

The remuneration committee seeks to balance the fixed and variable elements of pay in such a way as to reward commercial success while being sensitive to the position that Channel 4 occupies as a publicly owned organisation.

The remuneration committee met at the end of 2010 to set targets for staff and executives for the 2011 financial year, designed to promote the long term success of the group, and then met again at the end of 2011 and early in 2012 once results were available to decide on variable pay. Most staff and members of the executive team participate in the Corporate Performance Scheme, the key quantitative targets for which are set out below.

The maximum amounts payable range from 10% for staff up to 30% for executive team members.

Objective	Target range	Final result
Licence requirements	Meet	All met or exceeded
Financial performance	As budget	Exceeded
Main channel share	6.8% - 7.1%	6.8%
Portfolio share	11.3% - 11.6%	11.6%
VoD views (all platforms)	450m - 530m	429m
Share of net advertising revenue - sales house (including UKTV and Box)	27.5% - 28.6%	27.8%

Achievement of agreed financial performance is a gateway to the scheme for all staff, and achievement of licence obligations is an additional gateway for executive team members and other senior managers. As both gates were passed in 2011, the remuneration committee met twice to consider what level of payments to make in the light of the results shown in the table above.

As well as the quantitative measures shown above, the remuneration committee used their discretion and judgement to allocate an amount to recognise the more qualitative elements of programme quality and individual performance. After detailed consideration of all the elements of the scheme, it was decided to award staff an amount equivalent to 7% of salary (70% of the maximum under the scheme) and to executives and other senior staff an amount equivalent to between 12% and 18% of salary (60% of the maximum under the scheme), with final payments dependent on performance against agreed personal objectives. The award recognised the considerable achievements that had been made in the year, while taking account of the challenges ahead. In deciding on the level of award, the remuneration committee were mindful of the restraint necessary for a publicly owned body at a time of considerable economic uncertainty. This was a lower level of award than was made in 2010.

David Abraham, the Chief Executive, was awarded 18% of salary in variable pay. He elected to reduce his maximum pay-out from 50% to 30% bringing him into line with other executive team members.

Staff working within advertising sales, including Jonathan Allan, Director of Sales, have a dedicated Sales scheme, linked to advertising revenue and paid quarterly throughout the year based on performance. The maximum payable under the scheme in 2011 was 50% of salary and the average payout was £11,000.

In 2011, the remuneration committee decided that a salary review for the year should only be awarded to staff earning less than £100,000. In 2012, the remuneration committee determined that pay awards from 1 April 2012 should not exceed 2.5% on average for the group.

The remuneration committee have determined that long-term incentive schemes should no longer form part of the package offered to the executive team or any other members of staff.

## Report on members' remuneration continued

### 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 to executive members.

### Taxable benefits

Executive members are eligible for a range of taxable benefits which include a pension allowance (David Abraham and Jay Hunt only), car allowance (Anne Bulford only) 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. Service contracts are subject to a maximum of three years or less.

### Members' remuneration

	Salary and fees £000	Variable pay £000	Benefits £000	LTIP payments £000	2011 Total £000	2010 Total £000
<b>Executive members</b>						
David Abraham (appointed 4 May 2010)	490	88	123	—	701	528
Andy Barnes (resigned 31 March 2011)	108	100	3	—	211	606
Anne Bulford	375	68	13	—	456	811
Jay Hunt (appointed 10 January 2011)	382	70	35	—	487	—
Jon Gisby (resigned 19 July 2010)	—	—	—	41	41	429
Kevin Lygo (resigned 30 April 2010)	—	—	—	—	—	364
Jonathan Allan (appointed 13 September 2011)	91	22	—	—	113	—
<b>Non-executive members</b>						
Lord Burns	100	—	—	—	100	98
Lord Hall	22	—	—	—	22	22
Monica Burch (appointed 1 October 2010)	22	—	—	—	22	6
Alicja Lesniak (appointed 1 October 2010)	22	—	—	—	22	6
Mark Price (appointed 1 October 2010)	22	—	—	—	22	6
Richard Rivers (appointed 1 October 2010)	22	—	—	—	22	6
Stephen Hill (resigned 31 December 2011)	22	—	—	—	22	22
Lord Puttnam (resigned 31 January 2012)	30	—	—	—	30	30
Martha Lane Fox (resigned 31 January 2012)	22	—	—	—	22	22
Luke Johnson (resigned 27 January 2010)	—	—	—	—	—	6
Karren Brady (resigned 30 September 2010)	—	—	—	—	—	17
Andy Mollett (resigned 30 September 2010)	—	—	—	—	—	17
<b>Total</b>	<b>1,730</b>	<b>348</b>	<b>174</b>	<b>41</b>	<b>2,293</b>	<b>2,996</b>

## Report on members' remuneration continued

### Members' remuneration

David Abraham received an allowance of £122,500 in 2011 as part of his benefits package as a contribution to his personal pension plan (8 months of 2010: £81,000). Jay Hunt received £34,000 in 2011 as part of her benefits package as a contribution to her personal pension plan (2010: nil).

After 20 months of service, the remuneration committee awarded David Abraham a 5% increase in salary effective from 1 January 2012.

In the 9 months ended 31 December 2011, Channel 4 paid Rapid Consulting (UK) Ltd ('Rapid') £300,000 for the provision of advertising trading consultancy services to Channel 4. Rapid is wholly owned by Andy Barnes, the former Sales Director of Channel 4.

In 2011, Anne Bulford also earned £11,616 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. In 2010, Anne Bulford earned additional amounts in respect of her time as Interim Chief Executive until May.

Payments were made in 2010 to Andy Barnes and Anne Bulford under long-term incentive plans which became payable in respect of performance in 2007–2009. No further long term incentive schemes have been entered into.

Mark Price does not retain his fees for his non-executive directorship. Mark has requested that his fee be paid over to Waitrose in accordance with Waitrose policy.

### Long-term incentive schemes

	Balance at 31 December 2010 £000	Recognised in income statement £000	Paid during the year £000	Balance at 31 December 2011 £000
Jon Gisby	41	—	(41)	—
<b>Total</b>	41	—	(41)	—

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 remaining balance of £41,000 was paid to Jon in 2011.

Payments made under long-term incentive schemes are not pensionable.

### Pension

Until the closure of the scheme to new entrants, executive members were 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 2011 were as follows:

	Increase in accrued pension entitlement during 2011 £000	Total accrued pension entitlement at 31 December 2011 £000	Transfer value of increase in accrued pension entitlement less members' contributions £000	Transfer value at 1 January 2011 £000	Increase in transfer value less members' contributions during 2011 £000	Members' contributions during 2011 £000	Transfer value at 31 December 2011 £000
Anne Bulford	5	19	72	228	91	16	335

## Report on members' remuneration continued

### Pension continued

- 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 2011.
- 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.

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 55. 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.

### 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  
28 March 2012

## 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 2011 are shown in the table below:

	2011 Hours	2010 Hours	2011 £m	2010 £m
<b>Originated</b>				
Independents	4,223	3,916	303.6	269.2
Other	1,153	1,188	69.1	53.4
Acquired	5,376	5,104	372.7	322.6
Programmes total	3,384	3,656	121.9	152.2
Other direct programme costs			6.7	6.4
<b>Total programme and other content</b>	<b>8,760</b>	<b>8,760</b>	<b>501.3</b>	<b>481.2</b>
<b>All hours</b>	<b>Hours</b>	<b>Hours</b>	<b>%</b>	<b>%</b>
Originated	5,376	5,104	61	58
Acquired	3,384	3,656	39	42
	8,760	8,760	100	100
<b>Peak hours</b>	<b>Hours</b>	<b>Hours</b>	<b>£m</b>	<b>£m</b>
Originated	1,295	1,270	79	77
Acquired	348	373	21	23
	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 2011 (2010: 238).

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 2011 amounted to £142.8 million (2010: £117.5 million).

## Programmes and the licence continued

### Programme transmissions\*

#### Channel 4

The main Channel 4 service broadcast 8,760 hours in 2011 (2010: 8,760) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows:

	2011 Hours	2010 Hours	2011 £m	2010 £m
Drama	1,020	1,135	98.5	107.4
Entertainment	1,734	1,785	126.9	98.8
Education	2,274	1,599	100.2	80.6
Feature films	1,214	1,085	64.6	71.8
Other factual	206	929	12.3	42.1
News	233	237	22.3	22.3
Current affairs	218	216	17.6	14.6
Documentaries	194	150	19.9	13.2
Arts and music	473	492	10.6	8.7
Sport	774	699	14.2	7.0
Quiz and gameshows	381	394	4.5	6.2
Religion	39	39	3.0	2.1
	<b>8,760</b>	<b>8,760</b>	<b>494.6</b>	<b>474.8</b>

\* 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.

#### E4, More4 and Film4

The E4 channel broadcasts for a total of 8,760 hours in 2011 (2010: 8,760 hours) with 100% of these hours being subtitled (2010: 86%).

The More4 channel broadcasts for 6,918 hours (2010: 6,878 hours) with 100% of these hours being subtitled (2010: 96%).

The Film4 channel broadcasts for 6,064 hours (2010: 6,009 hours) with 100% of these hours being subtitled (2010: 85%).

### 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 one breach of its Code on standards in programmes by the main Channel 4 service in 2011 (2010: three). This was not judged serious enough to merit a statutory sanction (2010: none). In 2011 one complaint about fairness/privacy in Channel 4's programmes was upheld and three complaints were upheld in part (2010: none).

#### E4, More4 and Film4

One recorded breach of the Code on standards in programmes was noted against More4 (2010: one) and one recorded breach of the Code on standards in programmes was noted against E4 in 2011 (2010: none). There were no recorded breaches of the Code on standards against Film4 in 2011 (2010: none). In 2011 one complaint about fairness/privacy on More4 was upheld in part (2010: none). There were no complaints about fairness/privacy upheld on E4 or Film4 in 2011 (2010: none).

## Programmes and the licence continued

### The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. Our licence from Ofcom, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

	Compliance minimum	2011	2010
<b>Average hours per week</b>			
<b>News</b>			
- in peak-time (6 pm to 10.30 pm)	4	4	4
<b>Current affairs</b>			
- overall	4	4	4
- in peak-time (6 pm to 10.30 pm)	1.54	2.4	3
<b>Hours per year</b>			
Schools	0.5	3	21
<b>Percentage</b>			
Original production			
- overall	56	61	58
- in peaktime (6 pm to 10.30 pm)	70	79	77
Independent production*	25	83	86
European independent production*	10	52	49
European origin	50	69	66
Subtitling for the deaf and hard-of-hearing	90	100	93
Audio description	10	24	14
Signing	5	5	5
Regional production	35	42	39
Regional hours	35	48	45
Production in the nations	3	4.2	4.5

The 2011 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 125 of this report.

## Historical record

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Consolidated results:</b>										
Revenue	766.9	769.6	841.4	894.3	936.9	944.9	906.1	830.3	935.2	941.4
<b>Operating profit/(loss)</b>	28.9	55.6	59.8	56.9	14.0	(8.8)	(0.5)	3.9	49.3	40.1
Share of profit/(loss) in joint venture	(9.9)	(10.5)	—	—	—	0.4	(3.3)	0.3	2.9	2.0
<b>Operating profit</b>	19.0	45.1	59.8	56.9	14.0	(8.4)	(3.8)	4.2	52.1	42.1
Net financial income/(expense)	(2.5)	0.2	3.9	9.9	7.3	10.0	13.7	(2.0)	1.8	1.9
<b>Profit/(loss) before taxation</b>	16.5	45.3	63.7	66.8	21.3	1.6	9.9	2.2	54.0	44.0
Taxation	(6.3)	(11.0)	(19.1)	(18.3)	(6.8)	(1.1)	(8.1)	(1.9)	(15.4)	(9.5)
<b>Profit for the year</b>	10.2	34.3	44.6	48.5	14.5	0.5	1.8	0.3	38.6	34.5

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	2011
	£m									
Channel 4	655.2	662.4	720.2	769.3	777.1	825.2	789.7	706.7	794.2	778.9
Other	2,442.3	2,519.8	2,695.3	2,718.1	2,522.9	2,608.2	2,486.8	2,179.3	2,514.9	2,602.5
<b>Total broadcast</b>	<b>3,097.5</b>	<b>3,182.2</b>	<b>3,415.5</b>	<b>3,487.4</b>	<b>3,300.0</b>	<b>3,433.4</b>	<b>3,276.5</b>	<b>2,885.9</b>	<b>3,309.1</b>	<b>3,381.4</b>
	%	%	%	%	%	%	%	%	%	%
Channel 4 share	21.2	20.8	21.1	22.1	23.5	24.0	24.1	24.5	24.0	23.0%
Other share	78.8	79.2	78.9	77.9	76.5	76.0	75.9	75.5	76.0	77.0%
<b>Total</b>	<b>100.0</b>	<b>100.0%</b>								

### Audience share (portfolio)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	%	%	%	%	%	%	%	%	%	%
BBC (nine channels)	38.8	38.3	36.6	35.2	34.5	34.0	33.5	32.6	32.9	32.9
ITV (five channels)	24.8	24.6	24.1	24.0	22.9	23.1	23.2	23.1	22.9	23.1
<b>Channel 4 excl S4C (five channels)</b>	<b>10.6</b>	<b>10.1</b>	<b>10.3</b>	<b>10.8</b>	<b>11.9</b>	<b>11.7</b>	<b>11.8</b>	<b>11.5</b>	<b>11.4</b>	<b>11.6</b>
Channel Five (three channels)	6.3	6.5	6.6	6.4	5.9	6.0	6.1	6.1	5.9	5.9
Other (>350 channels)	19.5	20.5	22.4	23.6	24.8	25.2	25.4	26.7	26.9	26.5
<b>Total</b>	<b>100.0</b>									

The number of channels in brackets indicates the number of channels in that portfolio as at 31 December 2011.

Source: BARB all individuals

### Audience share

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	%	%	%	%	%	%	%	%	%	%
BBC 1	26.2	25.6	24.7	23.3	22.8	22.0	21.8	20.9	20.8	20.7
BBC 2	11.4	11.0	10.0	9.4	8.8	8.6	7.8	7.5	6.9	6.6
ITV and GMTV	24.1	23.7	22.8	21.5	19.6	19.2	18.4	17.9	17.0	16.6
<b>Channel 4 excl S4C</b>	<b>9.8</b>	<b>9.4</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>8.6</b>	<b>8.1</b>	<b>7.4</b>	<b>7.0</b>	<b>6.8</b>
Channel Five	6.3	6.5	6.6	6.4	5.7	5.2	5.0	4.9	4.5	4.4
Satellite and cable	22.2	23.8	26.3	29.8	33.5	36.4	38.9	41.5	43.8	44.9
<b>Total</b>	<b>100.0</b>									

Source: BARB all individuals



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