

# **Channel Four Television Corporation Report and Financial Statements 2012**

**Incorporating the Statement  
of Media Content Policy**

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

© Channel Four Television Corporation  
copyright 2013.

The text of this document (this excludes,  
where present, logos) may be reproduced  
free of charge in any format or medium  
providing that it is reproduced accurately  
and not in a misleading context.

The material must be acknowledged  
as Channel Four Television Corporation  
copyright and the document title specified.  
Where third party material has been  
identified, permission from the respective  
copyright holder must be sought.

The paper used in this publication is sourced  
from responsibly managed forests and is a  
FSC certified material. Printed in the UK  
by a FSC and ISO 14001 certified printer.

This document is available for download from  
[www.official-documents.gov.uk](http://www.official-documents.gov.uk) and from  
[www.channel4.com/annualreport](http://www.channel4.com/annualreport)

# Table of contents

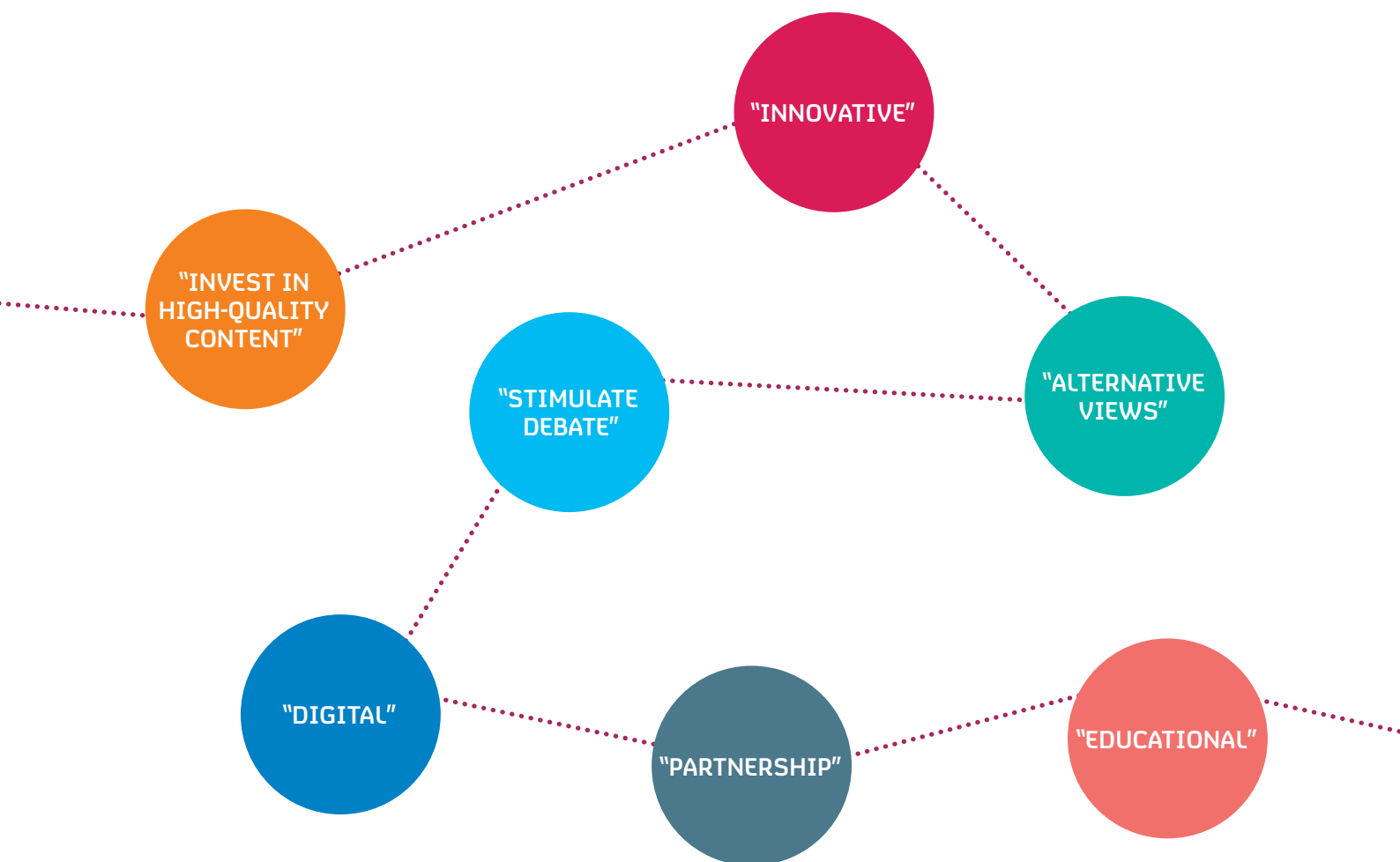
Channel 4 remit	04
Chairman's statement	06
Chief Executive's statement	08
2012 highlights	10

Statement of Media Content Policy	
Investing in creativity	12
Investing in data	16
Investing in the Paralympics	18
Doing things the Channel 4 way	30
Factual	42
Film & drama	52
News & current affairs	60
Comedy & entertainment	72
Education & older children	80
Engaging the audience	86
Thank you	92
Awards	94
Looking forward	99
Assurance report	108

Financial Report and Statements	
Report of the members	110
Independent auditor's report	122
Consolidated income statement	124
Statement of changes in equity	125
Balance sheets	126
Cashflow statements	127
Significant accounting policies	128
Notes to the financial statements	135
Corporate governance	168
Members	179
Report on members' remuneration	183
Programmes and the licence	188
Historical record	191

# Why we do what we do

Channel 4's guiding light is its remit, as laid out in legislation by Parliament. At its heart the remit requires us to be innovative, experimental, distinctive and diverse. It is multi-faceted, with different components, such as supporting and stimulating well-informed debate and inspiring people to make changes in their lives. The remit also suggests how we can deliver outcomes – for example by investing in high-quality media content and nurturing creative talent. It applies across the full spread of our genres – from comedy and film to news and education.





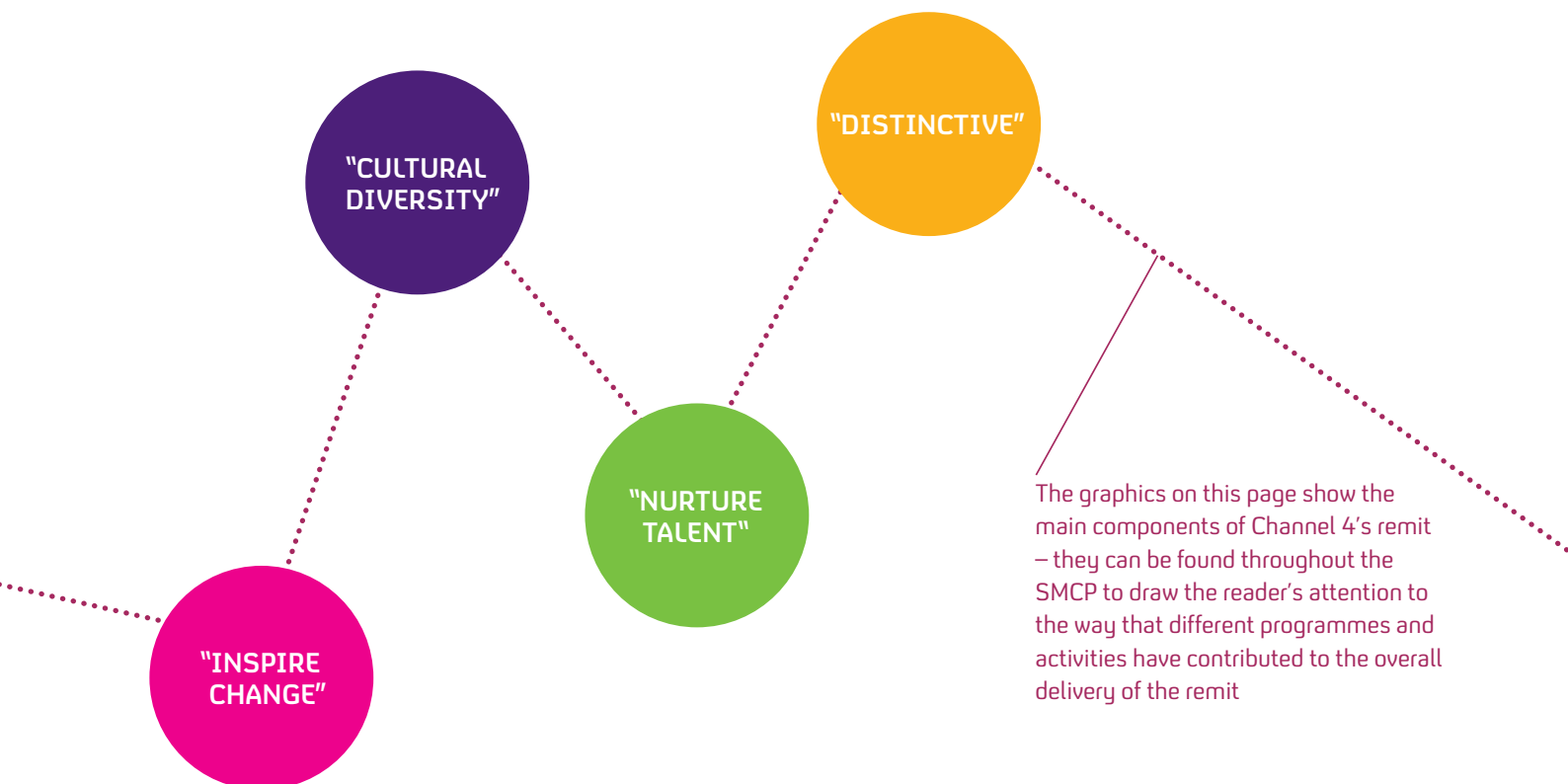
Channel 4 is unique in the way it is set up. It operates as a publicly owned, commercially self-sufficient, not-for-funding profit entity. This model is integral to the fulfilment of the remit. It means Channel 4 is neither like the publicly funded BBC nor our commercially driven competitors whose concern is with delivering shareholder value.

Channel 4's sole concern is the delivery of its remit and we design our commercial and financial strategy to support that end. Our model ensures we can invest the maximum amount of revenue back into fulfilling the remit.

We seek to operate the business to break-even over the long term, with more profitable programmes and activities cross-funding high public value content that is less profitable. This model means that across our output we are able to sustain levels of investment in programmes that are central to delivering our remit.

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

This year's SMCP can be found on pages 12–109 of the Annual Report – and includes case studies and public value 'metrics' aimed at demonstrating how we have performed against our remit. A detailed breakdown of the remit, along with background to the selection of the public value measures and discontinued metrics, can be found in the methodology document that accompanies this report ([www.channel4.com/annualreport](http://www.channel4.com/annualreport)).



# Investing in our remit

**Lord Burns**  
Chairman



Channel 4 exists to deliver to its remit, as set by Parliament. 2012 was a year in which Channel 4 delivered to this objective in abundance – through major landmark programming events as well as innovation and experimentation in new ideas across the schedules and our business.

It is the job of the Channel 4 Board to ensure that the remit is being delivered to maximum effect and that the organisation's finances are in good shape now and in the years to come. For that reason the Board set the Corporation stretching performance targets in relation to audience share, revenue and viewer registrations, and also scrutinised programme quality.

Everything Channel 4 does is ultimately focused on delivering the remit and because of this, and the fact that we are commercially self-sufficient, it is important that we have the right commercial and financial strategy in place. Our unique model is deeply ingrained and determines the extent to which the Corporation can fulfil its purposes.

On the economic front, 2012 continued to present a mixed picture. The economy as a whole continued to show very little growth, whilst it was also a year of many extraordinary broadcasting events – with the Paralympic Games bringing record audiences to Channel 4 as well as several major events delivering bumper audiences to competitor channels.

Against this backdrop it is significant that Channel 4 showed strong performance in terms of the remit – with positive trends in a number of key measures. This included growth amongst many of the remit reputational statements presented in this report. It was also impressive to see the overall portfolio share holding up, and the digital channels and on-demand viewing seeing continued growth. Overall revenues remained remarkably stable, with more than £1 billion generated through the Channel 4 sales house.

Creatively, quality of output in 2012 was extremely strong. The Paralympic Games in particular were undoubtedly a highlight of our 30-year history. Evidence of Channel 4's ambitious spirit and commitment could be seen throughout the build-up, marketing and coverage of the Games. It was an event that lived up to our mission to creating lasting change – with evidence of positive shifts in public attitudes to disabled sport and disabled people.

Elsewhere, it was pleasing to see the level of range and experimentation across the schedules – including new comedy in the Funny Fortnight season and bold and agenda-setting news coverage from Syria to the 'Plebgate' affair. The range and diversity of output was supported by the commissioning team's success in introducing many new titles to the schedules and working with a broader range of suppliers.

In order to maximise the impact of creative renewal, the commercial strategy to evolve the business by investing in digital activities and innovation through data is vitally important. While the bedrock of our business remains traditional linear TV advertising, it is important that Channel 4 is well positioned for the connected, digital future. 2012 saw many exciting developments in this area.

To fund creative renewal and these business innovations, the Board endorsed the plan to boost investment by using some of the reserves accumulated in previous years, resulting in a temporary accounting deficit. By the end of 2011, our reserves had reached a level higher than is necessary to run the business. Despite the continued uncertainty of the economic climate, this enables us to increase investment at a critical time in the development of the digital marketplace. The Board feels strongly that it is the right thing, given Channel 4's remit and not-for-profit model, to invest even when times are tough, if we have the capacity to do so. The results set out in this report show that this strategy is reaping rewards in terms of both our creative and commercial record. And it is a strategy that we will again pursue in 2013.

The year ahead promises to be one of continued innovation, with many exciting programmes on the horizon. We look forward to securing a new Ofcom licence from the end of 2014, providing us – and our audiences – with the certainty to ensure Channel 4 can continue to provide an important cultural, social and economic role in the years to come.

Finally, I would like to thank my colleagues on the Channel 4 Board for their commitment and insight over the past year. I would particularly like to pay tribute to those members of the Board who are stepping down: Tony Hall and Anne Bulford. Having been an active Board member for several years, most recently as Deputy Chairman, Tony will be departing in order to take on the leadership of the BBC. Anne has played an instrumental role in securing Channel 4's health as a business and as a creative organisation, both as Chief Operating Officer and in her time as Acting Chief Executive. We will miss them both but wish them the best of luck in their next endeavour.

As we celebrated Channel 4's 30th birthday, 2012 was a remarkable year marked by successes of which we can all be proud – and one which I am confident has set us in good stead to build on in the future.



The Channel 4 Board



# Investing in innovation

**David Abraham**  
Chief Executive Officer



As the media continues to evolve in radical and exciting ways, Channel 4 is facing the future first and investing in innovation. Our job is to commission and broadcast innovative content that fulfils our remit, funded entirely from the market. We do not have the profit expectations of shareholders, nor do we receive public funds. As a result, we invest all our available resources by taking creative risks and commissioning innovative content delivered in innovative ways – supporting and nurturing creative talent throughout the UK.

As a publisher-broadcaster we have the privilege of all our content being produced in partnership with the world's best creative sector. We strive for Channel 4 to back the best talent and ideas, and for working with Channel 4 to be fulfilling. I therefore want to say a huge thanks to all our creative partners who made such a vital contribution to our successes in 2012.

Despite navigating questions in recent years about our financial viability, and conditions of continuing global economic uncertainty, Channel 4 began 2012 with assets of £0.5 billion, record cash reserves of £290 million and no debts. Our 2012 strategy (approved by our Board and agreed with our stakeholders) was focused on investments that target our long-term future whilst ensuring that we maximise our investment in UK content. We also aimed to ensure that we delivered on our promise to make the 2012 Paralympic Games the best-ever broadcast – and the biggest and most innovative national event in our 30-year history.

Our plan for 2012 was to deploy, in addition to the revenues that were projected for the year, additional investment from our accumulated reserves – boosting investment in creative renewal and funding new initiatives to prepare us for the future. This decision was taken against the background of the strong surpluses delivered in 2010 and 2011 – after tax, £74 million in total – built up as a result of strong cost control, a more stable TV advertising market and continued growth across all our non-linear activities.

Our ultimate shareholder is the UK public so we believe it is only right that surpluses should be invested directly back into improving the experience we deliver to them rather than building up cash and having it sitting in the bank beyond necessary levels. To operate safely and effectively we need average cash reserves of some £200 million – to manage working capital requirements (including cashflow for independent producers) and to provide a safe buffer against shocks to the advertising market.

In 2012 we increased our investments into creative renewal for a third successive year: 2012 saw record investments in content overall – £608 million (+3%) – and in UK-originated content – £434 million (+4%) – the highest in our history. The results of continuing to invest behind our schedules meant that new titles accounted for 72% of our top 50 most viewed shows in 2012. This means that creative renewal is now a concrete reality and is testament to the phenomenal commitment of our creative teams. Film4 also had a fantastic year, topped off by the Outstanding Contribution to Cinema BAFTA for Tessa Ross. I am also pleased to note that our creative successes have impacted on audience perceptions – audience research shows that Channel 4's brand has strengthened across many key measures such as risk-taking, challenging prejudice and being experimental.

Channel 4's total advertising and sponsorship revenues were flat year on year at £844 million. Total revenue came in at £925 million, which was marginally down on 2011, mainly due to lower DVD income following the breakout success of *The Inbetweeners Movie* in the prior year.

Non-linear revenues in particular grew an impressive 50% year on year, attributable to high yields and innovation in advertising formats. These were supported by our audience data initiatives, which have attracted more than 6 million people to register directly with Channel 4 via 4oD and more than 6 million 4oD app downloads.

We are also encouraged by exceeding our total sales house target of £1 billion for a second year in a row. Indeed, together with UKTV, C4 sales was the only TV sales house to grow share of commercial impacts for individuals, 16–34s and ABC1s in 2012.

Throughout 2012 we continued to manage resources carefully and control costs tightly – administration costs were reduced by £4 million year on year and remain less than 4% of our total cost base. £29 million was drawn down from cash reserves for investment during the year – less than originally planned and just 10% of the total reserves at the start of 2012. These funds were used to invest in a range of new innovations: in part to market and fund our highly successful Paralympic Games coverage to the very highest standard and, in general, to support creative renewal. We also launched 4seven as an effective means of increasing the reach of new content, and we contributed to the launch of YouView (which helps to secure the long-term future of free-to-air broadcasting). In addition, we built up our new data relationship platform, which is critical to how audiences and advertisers will connect in the future. After this draw-down, plus capital movements, our cash reserves at the end of 2012 were £261 million, comfortably ahead of our target level of £200 million.

In terms of audience performance, several impressive historic records were set during the Paralympic Games. Channel 4 had a more stable year than ITV1, BBC2 and Sky 1 in the face of exceptional competition from the Olympics, Euros and the Jubilee. Pressure on main channel share (driven by digital switchover and earlier declines in *Big Brother* ratings) continues to slow markedly by comparison to 2007–2009 levels. Portfolio audience share also held up well in 2012. E4 and Film4 had their best ever year for audience share and More4 increased its reach in 2012 following its rebrand. Our investments have led to a more diverse Channel 4 too.

Diversity is at the heart of our remit and of how we engage with audiences and the UK's creative community. We increased content investment outside London by 3% to £157 million and worked with 460 companies overall, up 6% from 2011. The quality of our output has also been recognised with a high number of major awards across multiple categories, from film, comedy, drama and sport to current affairs, documentary and marketing.

We remain ambitious for further creative breakthroughs in 2013, whilst proud of what has been achieved in a year of unprecedented competition for audiences. I would like to thank my Executive team and everybody who works at Channel 4 for all of their hard work, determination and passion over the past year, which has been essential in driving us forward.

The strategy of Investing in Innovation is showing momentum so the Board has agreed we continue with it, strengthening both Channel 4 and the independent production industry in what continue to be tight economic conditions. We plan to draw down further investment from reserves in 2013, but retain a prudent buffer and expect this two year period of investment to support a return to breakeven in 2014, provided TV ad market conditions remain close to flat. We expect this to come from a focus on innovation in advertising formats and trading approaches, continuing efficiency improvements and continued success with new programming titles.

We operate in an intensely competitive environment but with a model that remains healthy and with encouraging performance metrics in 2012. Our balance sheet remains debt-free and strong. We have committed to continue to hold sufficient reserves to support the financial security and independence that underpins our ability to take risks and deliver great work.

Through our strategy of Investing in Innovation across 2012 and 2013 we are positioned to strengthen our unique model in an environment that is changing profoundly. With our remit and our youthful audiences, at Channel 4, we aim to face the future first.

# 2012 highlights

Channel 4's strategy in 2012 was focused on fulfilling our remit, and delivering this through investment in innovation – both creatively and commercially. We continued to experiment with new titles as part of our on-going process of creative renewal: spending more than £600 million in total, including a historic high on original content. We spread this investment across a range of genres – from challenging current affairs to audacious new comedy and our ground-breaking coverage of the Paralympics. We supported our creative approach with a future-facing commercial strategy that fully harnesses the potential of digital technology to drive understanding and engagement with our audience.

In 2012, despite economic instability, we took a bold decision to invest significantly in innovation. We were able to boost investment by drawing on some of the cash reserves accumulated from recent financial surpluses – which have reached a higher level than is needed to operate the business and we believe is better directed to investment in better serving viewers and supporting the creative economy. This investment in innovation resulted in a planned deficit of £27 million, despite the uncertain economic climate – a strategy we plan to repeat in 2013 to maintain high levels of investment.

We sought to deliver greater originality and diversity into the schedule, investing £434 million on original content. We innovated across our schedule, retiring a number of programmes, refreshing others and launching a plethora of new titles to great success. Our creative strengths were recognised with record-breaking audiences in many genres and an abundance of awards, and we continue to lead in all our remit reputational statements. Behind the scenes, our efforts to broaden our supply base also paid off – across the year we worked with 460 independent suppliers – a 6% increase on 2011.

Our creative strategy was complemented with the launch of an array of innovative new services. The launch of our new TV channel 4Seven, along with continued investment in mobile apps and connected TV, and continued investment in our pioneering data strategy were all important steps in placing Channel 4 in a strong position to meet the challenges of convergence. In particular, we made great gains in building up our database of registered viewers – signing up more than 6 million registered users by the end of the year. This enabled us to better serve viewers and to provide advertisers with greater insights into our audience.

These efforts are part of our longer-term strategy – but did help us to stabilise our market position. We saw a 2% rise in viewing to the digital channels and the overall TV portfolio share was 11.5%, which is down a moderate 1% from last year. The main channel – including all time-shifts – saw the smallest decline for more than five years with a viewing share of 6.6%, which is down 2% year on year. On-demand viewing continued to rise, as did visits to Channel 4 websites, mobile sites and apps.



**“Good TV has the power to open people’s minds, brave and cutting edge TV has the power to change people’s lives”**

Ade Adepitan, former Paralympian and lead presenter for Channel 4's Paralympic coverage





Launched innovative new channel, 4seven

Total content spend of  
**£608m**  
up 3%

**6.3m**  
core registered viewers

Worked with  
**460**  
content suppliers –  
up 6% on 2011

Sales team  
exceeded target of  
**£1 billion**

**169**  
Awards won

**£21m**  
invested in content  
outside of England,  
up 37% on 2011

**£434m**  
spent on originated  
content – the  
highest ever

**18%**  
increase in visits to  
websites, mobile  
sites and apps  
**450m**  
4oD full length  
programme views  
– up 5% on 2011

Almost 40m people watched  
the Paralympics in the UK

83% of viewers agreed that Channel  
4's coverage will improve people's  
perception of disability

95% of UK's most popular factual  
programmes with 16–29 year olds  
were Channel 4 commissions

More than 11m watched *The  
Snowman and The Snowdog*



Paralympics



Plane Crash



*The Snowman and  
The Snowdog*

£17.9m spent on feature film  
production and development

**72%**  
of our top 50 shows  
were new titles

**1 in 3**  
of all 16–24 year olds  
in the UK registered with  
Channel 4



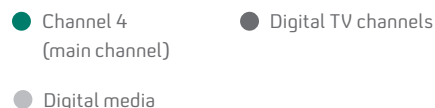
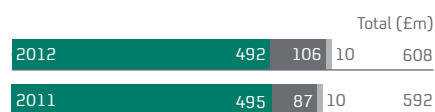
*The Iron Lady*

# Investing in creativity

The delivery of our remit is underpinned by our content budget: how much we spent and what we spent it on. We therefore begin this report by looking at the shape of this investment in 2012.

## INVESTMENT IN CONTENT

Spend across the Channel 4 network on programming and digital content (£m)



## INVEST IN HIGH-QUALITY CONTENT

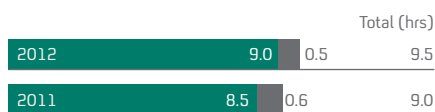
£608m

spent on content across all services

Up 3% on last year

## ORIGINATED OUTPUT

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



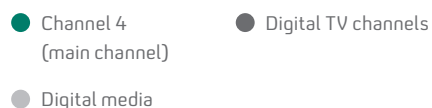
## INVEST IN HIGH-QUALITY CONTENT

9.5hrs

of first-run originations every day on average across the Channel 4 portfolio

Up 5% on last year

Spend across the Channel 4 network on originated programming and digital content (£m)



£434m

spent on originated content across all services

Up 4% on last year

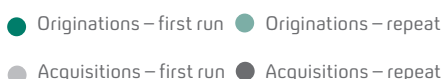
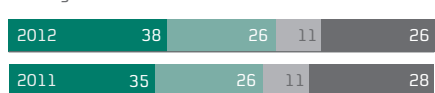
## OUTPUT MIX ON CHANNEL 4

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

In peak (6–10.30pm)



All day



Source: Channel 4  
Rounding differences may occur

73%

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

Level with last year

Source: Channel 4  
Rounding differences may occur



## Overview

The primary means of delivering Channel 4's remit is through investment in content. This section of the report focuses on how much we invested in content and the ways in which we distributed these funds across a range of genres. We continued to focus on the main channel – where we reach more people and thus where impact is greatest. Following the retirement of *Big Brother* and other long-running titles, we have boosted commissioning spend, investing more in original content and experimenting with many new titles across the schedules. Our not-for-profit status and cross-funding model mean that we are able to support content that delivers high levels of public value, but is not necessarily profitable. This includes some areas of programming that very obviously deliver to our public service mission and are required of us – such as news and current affairs – as well as other risky genres that also deliver public impact, including drama, film, comedy and documentary. Many programmes provide both high levels of public value and commercial return. It is pleasing to see a number of new titles establishing themselves in the schedule and performing in both public service and commercial terms such as *The Undateables*, *Make Bradford British* and *999: What's Your Emergency?* Our model means that cross-funding is not limited to programming, with revenue from the digital activities, including the channel portfolio and activities such as DVD sales, also supporting the overall public service mission.

As we committed to do in last year's Annual Report, 2012 saw the highest-ever investment in original commissions in Channel 4's history. This was across our main channel and digital channels and across a spread of programming genres – with more money going into original comedy, sport, factual programmes and news. As outlined in the following section of this report, this was also spread across a huge range of suppliers, including more than 100 companies who were new to Channel 4. In total, original content represented 71% of Channel 4's overall content budget, level with 2011 and up from 63% in 2010.

### More original content on screen

Channel 4 invested a total of £608 million on content across its portfolio of channels and online services in 2012 – up 3% from 2011. As our TV channels remain the most effective means of reaching significant audiences, just over £598 million of this was on television programming on Channel 4, More4, E4 and Film4 – with a further £10 million digital media, including multi-platform investment.

Investment in original content rose by 4%, with £434 million invested in originated content across our TV and online services in 2012. In line with our strategy to maximise the impact of our original commissions, the main channel received the bulk of this, with total investment in original programming on the main channel up 4% to £387 million. Investment on original content on the digital channels rose slightly by 2%, while for Channel 4's websites and cross-platform content it stayed broadly flat.

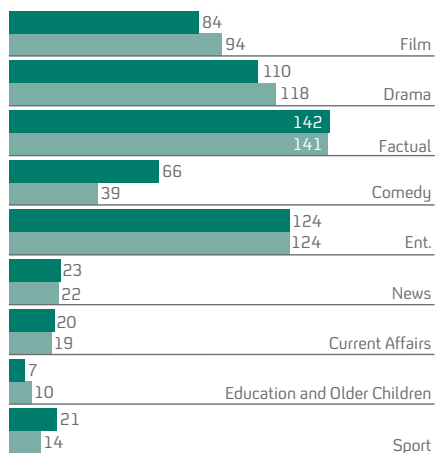
The increased original content budget meant more hours of original content on-screen – with the total volume of first-run originations across the portfolio increasing by 6%. This averaged out as nine and a half hours of new commissioned programmes broadcast every day across the TV portfolio in 2012. Original commissions were largely focused on the main channel. With an increase in the number of hours of Channel 4 commissions outside of peak, originations accounted for 63% of output on the main channel across the day, up 2% on 2011. In peak-time, original programming continued to dominate the schedule, representing 79% of the output.



*Make Bradford British*

## INVESTMENT IN PROGRAMMING BY GENRE

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



● 2012 (Total: £598m) ● 2011 (Total: £581m)

Source: Channel 4

Rounding differences may occur

## Breakdown by genre

The genre that received the largest increase in investment in 2012 was comedy – which rose by 68% as a result of the volume of new commissions showcased in our 30th anniversary Funny Fortnight season, as well as an increase in acquisitions on E4. Sport also rose considerably, reflecting our commitment to the Paralympics. Investment in news and current affairs grew by 5%. There was a fall in investment in drama, as a result of a number of productions being delayed until 2013. While there was a drop in the reported level of investment on education and older children, our output in this area remains stable. In fact, first-run programming hours grew significantly in this genre as we moved away from an online-only strategy for the 14–19 year old audience towards a mixed slate of television and digital projects.

**5.4%**

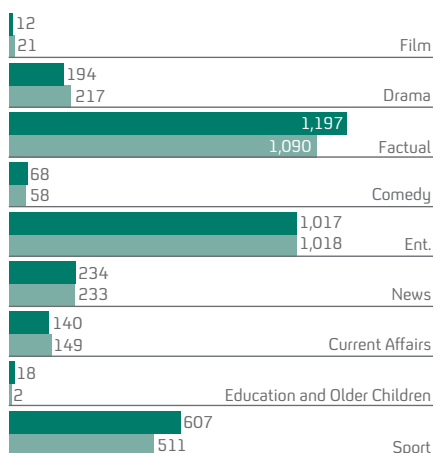
of main channel spend was from outside England

## INVEST IN HIGH-QUALITY CONTENT

£

## VOLUME OF FIRST-RUN ORIGINATIONS BY GENRE

Hours of first-run originations across the portfolio



● 2012 (Total: 3,488 hours) ● 2011 (Total: 3,300 hours)

Source: Channel 4

Rounding differences may occur

First-run originated hours also increased for comedy (up 18%), sport (up 19%) and factual (up 10%). Factual programmes continued to contribute the largest number of first-run hours across Channel 4's portfolio, followed by entertainment, sport and news. Investment on what has previously been defined as 'key PSB' genres remained at £186 million in 2012. However, several areas of programming sit outside this narrow definition, not least most of our documentary output and our Paralympics coverage. (A full definition is given in our methodology document.) Beyond our channels, we maintained our investment in film production, with Film4 investing £17.9 million in feature film production and development in 2012.



*The Snowman and The Snowdog*

77 artists aged from 21–84 produced around 200,000 drawings over the course of 2 years

### Licence requirements

We met all our quantitative licence requirements in 2012 and exceeded many of them. We increased the volume of current affairs in peak-time back up to 2010 levels. 5.4% of spend on the main channel was from the UK's nations, which was almost double our quota of 3%. Originations accounted for 79% of peak-time hours, significantly exceeding our requirement of 70%. And we continued to surpass our quotas regarding access services, subtitling 100% of our programmes across all of our channels for the second year running and audio describing 26% of the content on the main channel. This included simulcasting the Paralympics Opening Ceremony live on More4 with a bespoke audio described commentary.

### MEETING CHANNEL 4'S LICENCE OBLIGATIONS

	Compliance Minimum	2012	2011
<b>Average hours per week</b>			
<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	3	2
<b>Hours per year</b>			
Schools	0.5	24	3
<b>Percentage</b>			
<b>Origination production</b>			
overall	56	63	61
in peak time (6–10.30pm)	70	79	79
Independent production	25	78	83
European independent production	10	47	52
European origin	50	68	69
Subtitling for the deaf and hard of hearing	90	100	100
Audio description	10	26	24
Signing	5	5	5
Regional production	35	41	42
Regional hours	35	48	48
Production in the nations	3	5	4
Nations hours	3	7	5

Source: Channel 4.

Figures in this table are rounded to the nearest whole number.

£186m

invested in key  
PSB genres



999: What's Your Emergency?

# Investing in data

Channel 4 is leading a pioneering viewer engagement strategy, which aims to harness the data given to us by viewers to strengthen both our commercial and creative offering.

Digital media offers considerable opportunities for us to better understand who our viewers are and what they like to watch – and therefore serve them with more personalised and targeted experiences.

We see our plans as part of our long-term approach – however, the progress we were able to make in 2012 exceeded all our expectations. Aided by our Viewer Promise, which pledges to give viewers greater transparency and control over the information they give us, more than 6 million people had registered with Channel 4 by the end of 2012, including 1-in-3 of all 16–24s in the UK – a key demographic both for us and for advertisers.

## Enhancing viewer experience

As Channel 4 learns more about its viewers, it can offer them more of what they want to watch. In return for agreeing to provide information to Channel 4, registered users received a huge number of benefits – including personalised recommendations and access to a plethora of previews and exclusive content. This included online access to episodes of shows such as *New Girl* and *Skins* before they were on TV, as well as additional content for *Misfits*, *Hollyoaks* and *Made In Chelsea*. Registered viewers also enjoyed full access to thousands of shows from Channel 4's archive. To enhance the experience of being a Channel 4 registered viewer, we ran exclusive rewards and competitions – offering tickets to premieres and live shows as well as giving one lucky viewer the opportunity to schedule the 4Seven channel for the day. Our 10-day Christmas giveaway exclusively for registered viewers included prizes such as training with Paralympic star Jonnie Peacock.

## Innovating in advertising

As well as enhancing the experience of our viewers, we also believe our strategy will allow us to strengthen our commercial proposition – which in turn will enable us to invest more into content. In 2012 Channel 4 began trials with major UK media agencies and clients to test new advertising innovations and solutions using viewer data. We partnered with brands to merge their databases with our own to match 'shared' customers and recreate client segments – allowing us to offer 4oD packages specifically targeting individuals. New digital ad products such as AdElect – which enables viewers to choose between creative executions of an advert – gave advertisers even more opportunity to engage with our audiences. In 2013 we will be seeking to build upon these pilots by rolling out full demographic targeting for advertisers on 4oD.

Channel 4 won  
GOLD at Marketing  
Week DATA  
strategy awards

8

new advertising  
products launched

6.3m

registered users  
by end of year

## CHANNEL 4'S Viewer Promise

[channel4.com/4viewers](http://channel4.com/4viewers)

# 1

When we ask for data it's to give something back

There are a growing number of benefits to registering with Channel 4 – from full access to our huge library of 4oD programmes, to seeing some programmes before they get on telly, to saving a favourite recipe or tip in My Scrapbook. We currently ask for your name so we know who we are talking to, and knowing your date of birth and gender helps us to give better recommendations of Channel 4 programmes. In the future, we may ask for more information – such as postcode or favourite genre of programme – but we will always explain why we are asking for it.

# 2

We are clear on what data we hold and what we do with it

We have developed a clear, easy-to-read Terms of Use and Privacy Policy, which explains what we do with the data we collect. We are clear about how we use the information, improving the experience of our platforms and services and making more shows viewers will love. We are also clear about Channel 4's unique not-for-profit business model, which means the money we make from advertising goes back into making more shows.

# 3

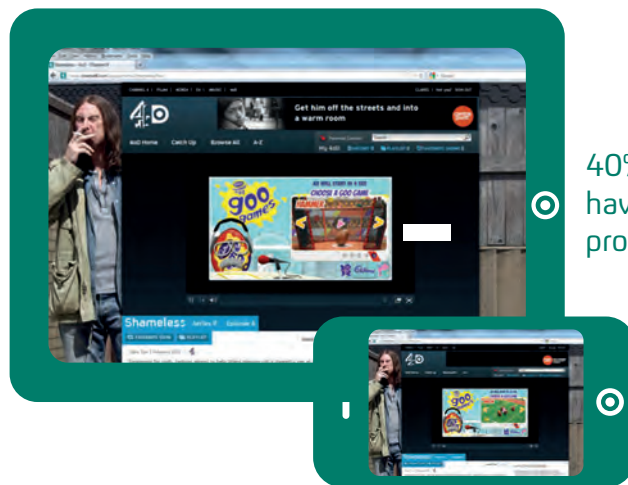
You control the data we hold on you

We recognise that personal information is valuable and needs to be treated with care. Control over personal profiles is in the hands of the viewer – information can be edited or deleted at any stage. We promise not to fill viewer's inboxes or sell their details to third parties.

As we develop our Digital Products and Services, we'll build upon the details of this promise, ensuring that when we use personal data we always provide transparency, control and benefits to our viewers.

This is just the beginning. We promise.

INVESTING  
IN DATA



40% of registered viewers have watched more Channel 4 programmes since registering

1 in 3 of all UK 16–24 year olds registered to 4oD



# Investing in the Paralympics



The Paralympics tested, and then vindicated, everything that Channel 4 was created to do – to innovate creatively; to draw what’s been on the margins of the nation’s life to the centre of the stage; to find and grow new talent; to champion minorities; to open the eyes of its audience to new perspectives; and to do it all with style and a sense of fun.

**“Special mention has to go to Channel 4’s coverage of the London Paralympic Games. Almost 500 hours of live coverage across multiple television and online channels made this the most extensively covered Paralympics ever in the UK”**

Ed Vaizey, MP



more than 2/3rds of the  
UK population watched



251%

increase in daily  
reach compared with  
viewing of 2008 Beijing  
Paralympics

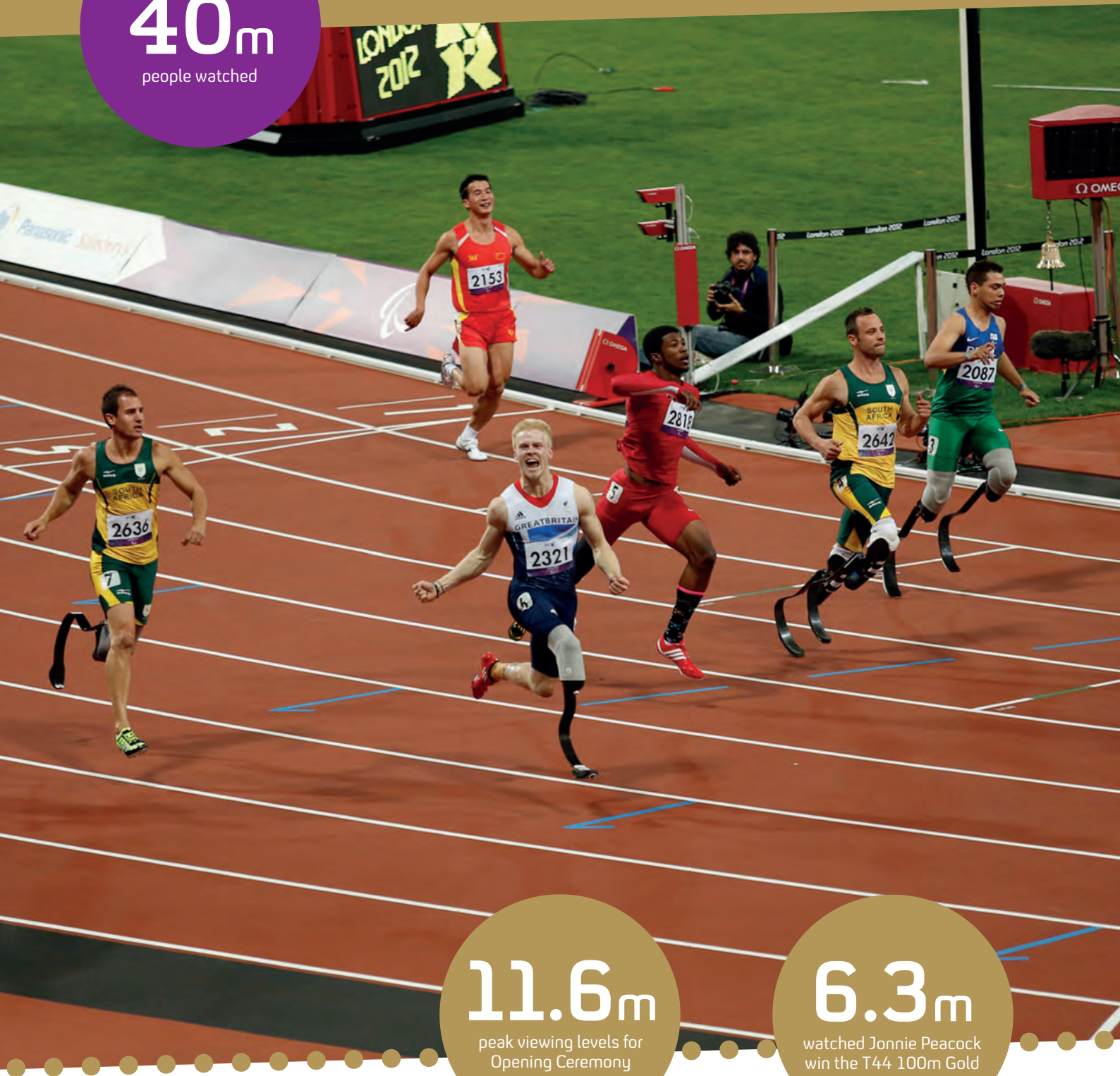


We set out to  
**Get people watching**

almost  
**40m**  
 people watched

**We delivered**

the biggest audience in UK history for the Paralympic Games following the biggest marketing campaign in Channel 4's history



**11.6m**

peak viewing levels for  
 Opening Ceremony

**6.3m**

watched Jonnie Peacock  
 win the T44 100m Gold



We set out to

## Deliver more coverage

We delivered

more than 500 hours of coverage across all platforms – a huge increase on our initial commitment of 150 hours

INVESTING IN  
THE PARALYMPICS

**83%**

of viewers surveyed agreed that Channel 4's coverage will improve society's perceptions of disabled people

**"(Channel 4's coverage was) informed, imaginative, thoughtful and breezy in equal measures"**

The Times

We set out to  
**Find new talent**

We delivered

an intense search and training programme to ensure 50% of the presenters and reporters were people with disabilities

**£600k**

spent on nationwide talent search and training

**"I am forever in debt to Channel 4 for giving me the type of opportunity that people can only dream of"**

Arthur Williams, participant in the Channel 4 Presenter Training programme

**£250k**

to develop the presenters' careers post-Games

**64%**

of viewers said they felt more positive towards disabled people as a result of watching Channel 4's coverage of the Paralympics



We set out to

## Change attitudes

91%

of viewers thought that disabled athletes are as talented as able-bodied athletes

We delivered

excitement about disability sport and, according to our research, helped shift public perceptions of disability more generally



INVESTING IN  
THE PARALYMPICS

74%

of 12–16 year olds surveyed felt more comfortable talking about disabilities after watching

**“There was like a two-week period when it was very positive to be disabled. Suddenly [people] realised it’s not a scary thing to talk to me”**

Disabled participant interviewed by Bournemouth University Media School as part of an academic study exploring the impact of Channel 4’s coverage of the Paralympics





Forget everything you thought  
you knew about strength.  
Forget everything you thought  
you knew about humans.  
It's time to do battle.  
Meet the Superhumans

#### Attracting the audience

As promised, Channel 4 ran the biggest marketing campaign in its history. 'Meet the Superhumans' set the tone for Channel 4's approach to the Games. The ad mixed arresting imagery of disabled bodies in training, competition and at rest with scenes that conjured up the back-stories of the athletes. It had a swagger and scale that conveyed Channel 4's pride at being the broadcaster of the Paralympics.

The cheeky 'Thanks for the Warm-up' poster campaign, which ran in the lead up to the Opening Ceremony, made it clear that the Paralympic Games were not an after-thought, but a thrilling event at least as exciting and culturally important as the Olympics. The success of Channel 4's Paralympics marketing was recognised by Campaign magazine, who awarded it the prestigious 'Campaign of the Year' prize.



86%

of UK population saw  
Channel 4's on-air  
marketing campaign

Biggest marketing campaign  
ever included advertising across  
78 channels and more than  
2,000 poster sites



#### Delivering the coverage

The Games were a huge and risky experiment, allowing a single event to take over the entire channel all day and every day. From the outset we provided an additional 350 hours of live coverage online via three dedicated channels on satellite and cable, and early in the Games we shifted the planned afternoon block of coverage from More4 to the main channel to give it more prominence.

Viewers could also keep up with the action via dedicated Paralympics apps for mobile and tablet devices. We also developed LEXI, a graphics-based system to allow viewers to understand the complex classification system better.

Channel 4's comprehensive coverage was sponsored by commercial partners BT and Sainsburys.

**"The 'Superhumans' campaign...really makes people think"**

Prime Minister David Cameron

**16hrs**  
of coverage  
every day on

Channel 4  
**7am –  
11pm**

**Best Coverage of  
London 2012  
AIB Awards**

*The Last Leg*







#### Getting the tone right

The tone and quality of the coverage was of supreme importance to Channel 4 from the moment we won the bid. We put together a group of talented and experienced presenters, including Claire Balding, Jonathan Edwards, Rick Edwards and others who were joined on-screen by a group of new faces found through a training scheme specially developed to ensure that 50% of the on-screen presenters were disabled.

#### Finding new faces

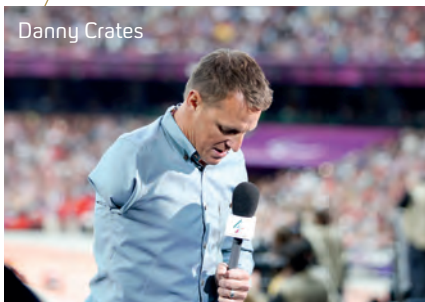
The Paralympics was a fantastic opportunity for Channel 4 to discover new talent and ensure that our coverage had authenticity and a level of expertise that would help audiences really get to understand and enjoy Paralympic sport. Trainees were sent on an intense training programme that included boot camps, work placements with other broadcaster and sports production companies (BBC, ITV, Sky, Channel4, IMG, Sunset & Vine, Perform, ESPN and Film Nova) and opportunities to experience working at live events, including the BT Paralympic World Cup in 2011 and 2012.

The new team of presenters and reporters played major roles in our coverage. They came from a huge variety of backgrounds and included an ex-Royal Marine, a carpenter and a former Paralympic swimmer. Following the Games, Channel 4 is continuing its commitment to ensuring more disabled presenters appear on-screen and many of the Paralympic presenters and reporters are now working with Channel 4 to continue their careers on television.

**74%**

of viewers surveyed liked the matter-of-fact discussions about disability

Danny Crates



**82%**

surveyed said they enjoyed the fact that there were disabled presenters





### Finding new words

Each evening, following live coverage of the sports, Channel 4 rounded off the day with *The Last Leg* presented by Adam Hills and Alex Brooker (discovered as part of the talent search) with a token able-bodied sidekick in Josh Widdicombe. Guests were invited into the studio to talk about the action, review the highlights and tackle some of the intricacies and sensitivities of disability sport.

More than 1 million watched every night and it got a great response from viewers. It gave Channel 4 a chance to confront discomfort in talking about disability, for example by allowing viewers to tweet questions and comments about disability and disability sport they might otherwise be afraid to ask, and inviting the studio guests to respond. #isitok? truly captured the athletes' and audience's imagination, unlocking some frank debates including: #isitok to crouch down to have your photo taken with Ellie Simmonds? and #isitok to ask how a man with no arms gets out of the pool?

*The Last Leg* was re-commissioned for 2013 and a special edition was aired during the 2012 Christmas period. The new series provided the same intelligent and alternative commentary on the significant moments of the past seven days with a live studio audience and celebrity guests joining Adam, Alex and Josh on *The Last Leg* sofa.

More than 1 million viewers on average each evening, *The Last Leg*

Outstanding  
Achievement Award  
Creative Diversity  
Awards



"The biggest breakthrough was seeing deformity being allowed to show its sense of humour – all due to Channel 4"

The Times





### The Channel 4 touch

Channel 4 has a long history of programming that catches a national mood and helps to shift attitudes – and the Paralympics felt like one such moment. By ensuring that half of those presenting and reporting were themselves disabled, by marketing the Games in a powerful and positive way to a huge audience, by making people laugh as well as think with programming like *The Last Leg* – Channel 4 did what it does best.

### But this is just the beginning

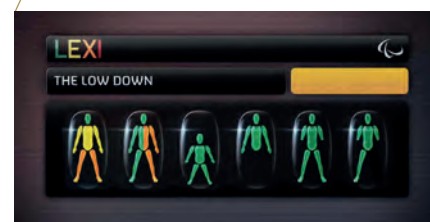
We have already begun to feature some of our hugely talented Paralympic trainee presenters in other programming including *Channel 4 News* segments and have invested £250,000 in the short term to identify further opportunities to put disabled people on-screen.

We believe there is an opportunity to go further; to build on the legacy of London 2012 and build on our own track record as a media organisation that has long led the way in providing disabled people with a greater presence on-screen.

Channel 4 worked with Giles Long to develop LEXI – a system to help viewers understand classification

85%

of viewers surveyed agreed that the LEXI system was explained well in the Channel 4 coverage



LEXI





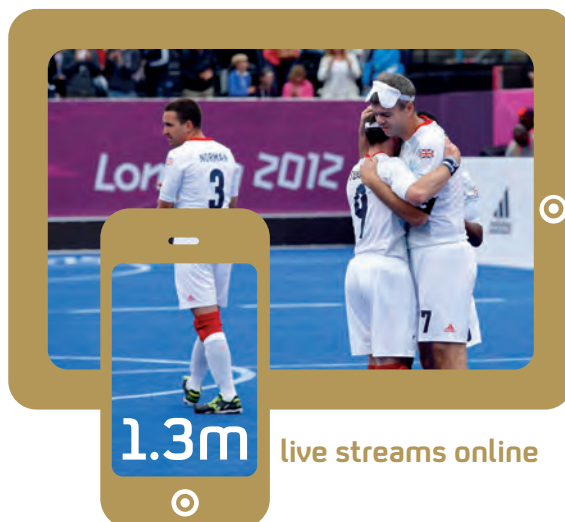
## 2016

In early 2013 we learned that the International Paralympic Committee (IPC) had awarded the UK television rights to Channel 4 for the Sochi 2014 and Rio 2016 Paralympic Games following a highly competitive tender process.

As part of the agreement Channel 4 will broadcast more than 500 hours across Channel 4's portfolio from Rio and will screen more than 45 hours of coverage from Sochi. The coverage will include live coverage, highlights and the return of *The Last Leg*. A number of the presenters and reporters trained in preparation for Channel 4's 2012 coverage will return as part of the presenting line-up for Sochi and Rio.

Winning the rights for 2014 and 2016 is a fantastic opportunity to build on the work that was done in 2012 and reinforce our commitment to changing attitudes about disability. We couldn't be more thrilled to have the Paralympics coming home to Channel 4.

Almost 1 million views of clips and full-length programmes



More than 240,000 downloads of Paralympics app on smartphones and tablets

# Doing things the Channel 4 way

Over its 30-year history, Channel 4 has frequently given a voice to under-represented groups – helping to shift attitudes and combat prejudices, and in the process creating some of the most iconic programmes on British TV, from *Desmond's* to the first lesbian kiss in *Brookside* and on to the London 2012 Paralympics. In 2012 we continued to give a platform to people to express viewpoints and experiences rarely heard in mainstream media. Underpinning this is a commitment to working with a wide range of creative people behind the scenes – as we believe that only by engaging with the widest spread of suppliers and talent can we represent the most diverse perspectives.



*Make Bradford British*

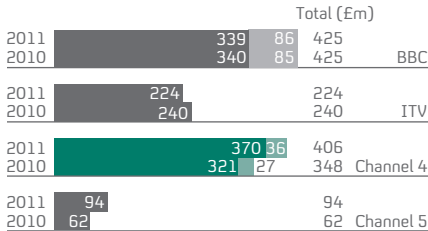
**"From the outset, *Make Bradford British* was shocking, humbling and depressing in equal measure..."**

Daily Mail on *Make Bradford British*



NURTURE  
TALENTBROADCASTERS' INVESTMENT IN THE  
PRODUCTION SECTOR

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



- Main channel
- Digital channels

Source: Channel 4, Ofcom (other channels)

2012 data not available for other channels. Note that BBC digital spend in 2010 has been restated from £77m to £85m due to a transposition error in the external source data. Refer to the methodology section for further details

**£385m**

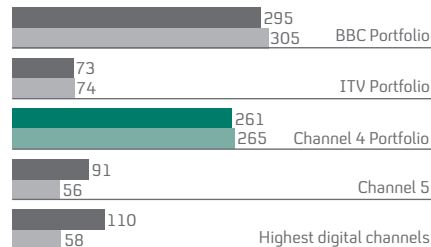
investment in  
first-run external  
UK commissions  
on the main channel  
in 2012

Up 4% on last year

NURTURE  
TALENT

## DIVERSITY OF SUPPLY BASE

Number of independent TV production  
companies supplying the PSBs



- 2011
- 2010

Source: Channel 4, Broadcast (other channels),  
Attentional (Channel 5)

2012 data not available for other channels

**460**

companies working  
with the Channel 4  
portfolio across TV,  
film and digital  
media in 2012,  
of which 274  
were independent  
TV production  
companies

Up 6% on last year

## Diversity of supply

Channel 4's highest-ever investment on UK content enabled us to make a significant impact on the creative economy in 2012. Channel 4 invested £385 million in first-run programmes commissioned from external suppliers on the main channel – up by 4% year on year. And because we believe that it is not just how much you spend that is important, but who you spend it with, we sought to build relationships with as wide a range of suppliers as possible: working with 460 companies across television, film and digital media in 2012 – an increase of 6% on 2011's figure. In television, we were pleased to see our strategic focus on broadening access leading to a rise in indie suppliers for the first time in four years.

The total number of independent TV production companies who supplied programming to our portfolio in 2012 grew by 5% to 274. In addition, our online teams worked with 154 digital agencies and Film4's development and production activities supported 92 film production companies (of this, 60 companies worked with the channel more than once across TV, film and online, bringing the total number of suppliers worked with in 2012 to 460).

Of the companies commissioned in 2012, 30% were suppliers who were new to Channel 4. Thanks to the success of initiatives such as the Creative Diversity team's Alpha Fund and the Commissioning team's regular UK-wide briefings, 60 television companies worked with Channel 4 for the first time – many of them based outside of London.

All commissioning departments were tasked with building relationships with new companies – leading to successes such as Firecrest Films, a small Scottish current affairs company that made one of the highest-rating *Dispatches* ever, *Secrets of Poundland*, with their first film for the strand; start-up Zeitgeist Films, who produced the acclaimed comedy series *I'm Spazticus*; and ACME Films, a new production company nurtured by the Alpha Fund, who won Company of the Year at the Creative Diversity Network Awards in 2012 and are currently in production with a major four-part drama for Channel 4.

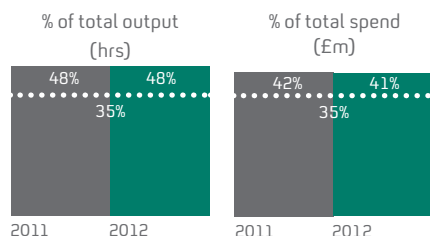


51 companies supported by the Alpha Fund have gone on to win network commissions

Maroon Pictures, producers of *Michael Johnson: Survival of the Fastest*, were initially supported by the Alpha Fund

### INVESTMENT IN THE NATIONS AND REGIONS

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



Source: Channel 4

Rounding differences may occur

### NURTURE TALENT

Output from suppliers based outside London

**48%**

of first-run originated programme hours

..... Level with last year

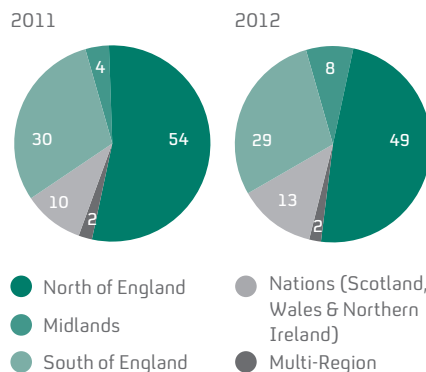
**41%**

of the value of first-run originations

..... Down 1pt on last year

### SPEND BY REGION ACROSS THE CHANNEL 4 PORTFOLIO

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



Source: Channel 4

Rounding differences may occur

### NURTURE TALENT

**£157m**

spent on production companies based outside London

..... Up 3% on last year

Support for regional creative companies ensures that our economic impact is spread across the UK. For the second year running, we increased our investment in the UK's nations and regions. We continued to exceed our regional licence quotas, with 48% of first-run hours on the main channel coming from outside the M25 and 7% coming from outside England. In terms of spend, 41% was outside London and 5.4% was in the devolved nations. Across our portfolio of channels we invested a total of £157 million on programmes from companies based outside London.

Since 2010, we have also been monitoring our digital investment outside London, to ensure we are nurturing the next generation of creative businesses from across the UK. In total 35% of our online commissioning budget was spent outside London – and 6.7% outside England. We worked with 59 agencies based outside London, including games and apps developers in Dundee, Neath and even the Outer Hebrides.

Increasing production from the devolved nations of the UK was a key priority in 2012. New series such as *Bank of Dave*, from Scottish producers Finestripe Productions, online projects such as the award-winning *The Bank Job* game from Chunk Games and several daytime productions being made out of the nations contributed to a total television and digital spend of more than £21 million outside England – up 37% from 2011.

**136**

new companies worked with in 2012

91% of producer briefings by Jay Hunt were outside London

## CHANNEL REPUTATIONS

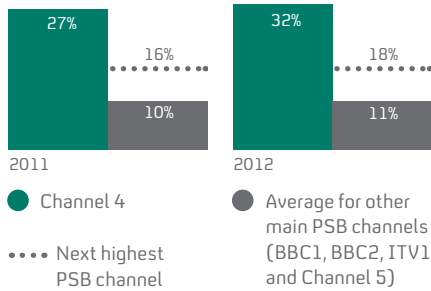
People who believed Channel 4 is the channel to which the following statements most apply...

## SHOWS DIFFERENT KINDS OF CULTURES AND OPINIONS

## CULTURAL DIVERSITY

## CHALLENGES PREJUDICE

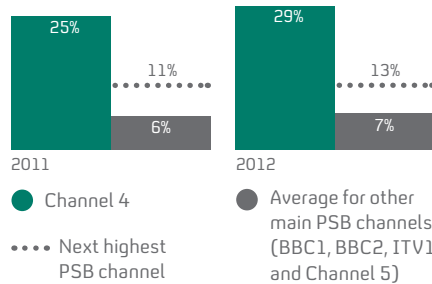
## CULTURAL DIVERSITY



# 21pt lead

over average for other channels for showing different cultures and opinions

Up 4 pts on last year



# 22pt lead

over average for other channels for challenging prejudice

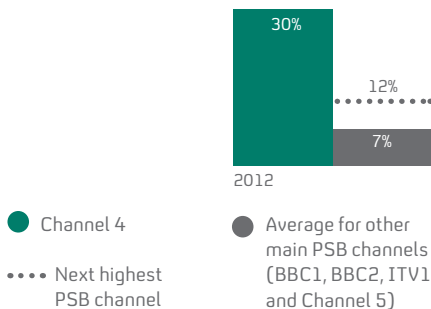
Up 4 pts on last year

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

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

## SHOWS THE VIEWPOINTS OF MINORITY GROUPS IN SOCIETY

## CULTURAL DIVERSITY



# 23pt lead

over average for other channels for showing the viewpoints of minority groups in society

Source: Ipsos MORI commissioned by Channel 4  
New metric for 2012, thus no comparative data presented for 2011  
Rounding differences may occur



*The Undateables*

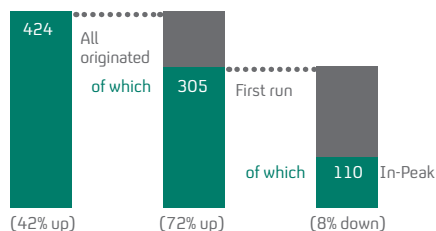
# 93%

of those viewers surveyed to whom disability is relevant rated *The Undateables* as excellent or good

## CULTURAL DIVERSITY

## DIVERSITY OUTPUT ON THE MAIN CHANNEL

Total hours of programming covering diversity issues shown on the main channel (2012 with trends relative to 2011)



Source: Channel 4

**305hrs**

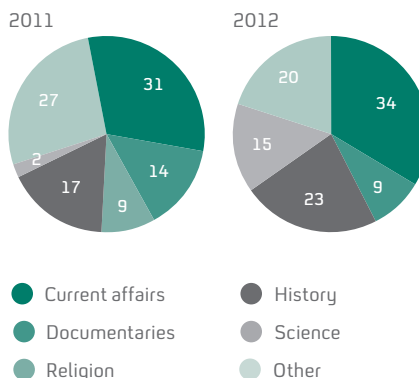
of first-run originations covering diversity issues on the main channel

Up 72% on last year

## ALTERNATIVE VIEWS

## 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

Note the total for religion in 2012 was 0

**54hrs**

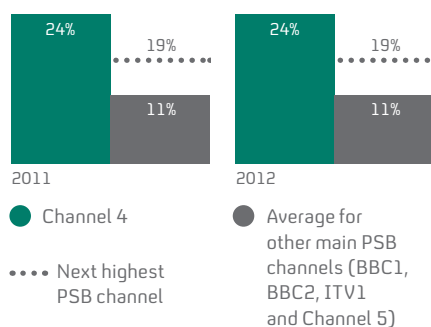
of first-run programmes covering international topics on Channel 4 (excluding news)

Down 65% on last year

## CHANNEL REPUTATIONS

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

## ALLOWS PEOPLE AN ALTERNATIVE POINT OF VIEW



Source: Ipsos MORI commissioned by Channel 4

Rounding differences may occur

## ALTERNATIVE VIEWS

**13pt lead**

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

Up 1pt on last year



were the most tweeted words from *Make Bradford British* viewers when asked by C4 to sum up what Britishness meant to them



*Make Bradford British*

### Different voices

Channel 4's remit has always involved championing minority voices and tackling contemporary taboos. In 2012 we presented debates covering race, religion, sexuality and disability, using innovative approaches to really bring these difficult issues to life. From documentaries, such as *Proud and Prejudiced*, which told the story of two of Britain's most controversial extremist protest group leaders, to factual formats such as *Make Bradford British*, in which people of different races and backgrounds were brought together to try to define Britishness, we sought to discuss race by bringing the human story alive in ways that felt contemporary. We tackled disability in bold new ways – daring to put disabled comedians in the heart of peak-time in *The Last Leg* and breaking down taboos around mental health in our 4 Goes Mad season. *Gok's Teens* exemplified Channel 4's connection with young people, giving advice on the tumultuous process of coming out as a gay teenager, amongst other teen issues.

And matters of faith and religion remained a key part of our schedule, with Tom Holland examining Islam and our nightly *4thought.tv* strand covering a wide range of voices and beliefs, on topics ranging from the meaning of fatherhood to whether Britain should remain a Christian nation.

In all we broadcast 305 hours of brand new programmes covering diversity issues on the main channel – a 72% uplift from 2011, primarily due to our coverage of the Paralympics. Pleasingly, this increased investment strengthened Channel 4's performance in our ongoing surveys of channel reputations, in particular for showing different kinds of cultures and opinions and challenging prejudice. We continued to lead over other broadcasters for allowing people an alternative point of view, and Channel 4 had a significant lead over other PSB channels for showing the viewpoints of minority groups in society – a new measure aimed at capturing a broader sense of 'diversity'.

Ongoing commitment to telling stories from around the world also helps us to deliver our remit to provide audiences with alternative views. We sought to give a wider platform to international documentaries by moving our True Stories strand largely to the main channel. While the refocusing of the strand towards fewer, higher-impact films led to a significant fall in the number of programmes covering international topics in 2012, it did lead to a huge uplift in viewing with an average audience in 2012 of 1.6 million – compared to 200,000 in 2011.

Current affairs accounted for 34% of our international output – with our *Unreported World* strand continuing to tell rarely heard stories from countries as diverse as Sudan, Honduras and Burma, and other investigations into Syria, Sri Lanka and Kashmir hitting the headlines. Other international programmes in the schedule included Niall Ferguson's acclaimed series on China and Matt Frei's *The American Roadtrip: Obama's Story*. We also continued to show the best of international cinema on our Film4 channel.



Haydn, *The Undateables*

**"Offers real insight into the difficulties faced by people who do not fit easily into the social norms when it comes to finding love and life partners"**

Daily Telegraph on *The Undateables*

## CHANNEL REPUTATIONS

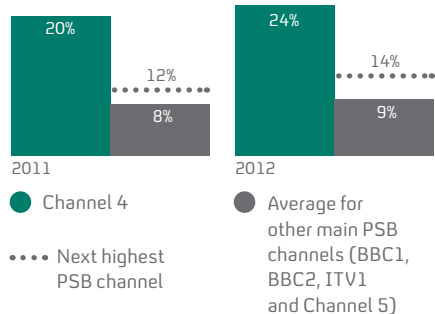
People who believed Channel 4 is the channel to which the following statements most apply...

**MAKES ME THINK ABOUT THINGS IN NEW AND DIFFERENT WAYS**

INSPIRE  
CHANGE

**COVERS GROUND OTHER CHANNELS WOULDN'T**

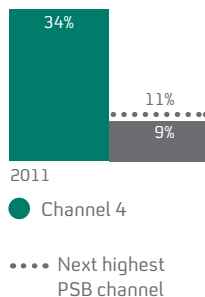
DISTINCTIVE



**15pt lead**

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

Up 3pts on last year



**21pt lead**

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

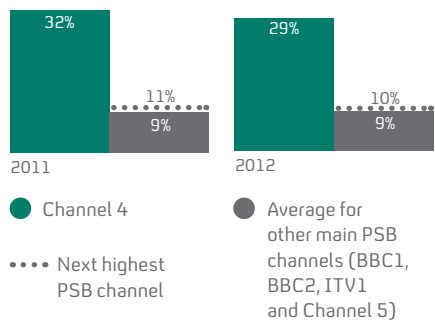
Down 3pts on last year

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

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

DISTINCTIVE

**TAKES A DIFFERENT APPROACH TO SUBJECTS COMPARED TO OTHER CHANNELS**



**19pt lead**

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

Down 3pts on last year

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

*The Snowman and The Snowdog* game (aimed at both adults and children) was downloaded more than

**1m times** and topped the charts of free iPhone games over the Christmas period



### Distinctive approaches

2012 saw a slate of hugely ambitious and imaginative projects that only Channel 4 would, or could, do – whether battling red tape for four years in order to crash a plane in the name of science (*Plane Crash*), filming a cast of real-life siblings over a five-year period to authentically capture the passage of time (*Every Day*) or getting a group of 50 people to follow around a stranger for a week (*The Audience*). Our reputation for doing things differently is reflected in our audience tracking statements, in which we maintain strong leads over other broadcasters in all our measures: making viewers think about things in new and different ways, covering ground other channels wouldn't and taking a different approach to subjects compared to other channels. Compared with 2011, Channel 4's lead over other broadcasters increased for the first of these measures but declined for the latter two, reflecting the continued challenge of standing out in a crowded media landscape.

Channel 4 performed particularly strongly on our innovation measures, reflecting the range of bold, ground-breaking projects on our screens in 2012 – a sign of the success of creative renewal. It had a 41 point lead over the average for 'taking risks with programmes that others wouldn't', a 2 point increase on 2011, and was also up 2 points for being 'experimental'. We were particularly pleased to see the uplift in these measures following declines in recent years. The volume of new and one-off programmes increased by 4% over the 2011 figure as we experimented with new titles – many of which, such as *The Undateables*, *Derek* and *999: What's Your Emergency?* gained recommissions in 2013.

Online, our digital teams continued to pioneer new content experiences, from the mass participation of *Foxes Live* to Film4.0 commissioning a project to turn a comic book into a series of cinematic online shorts and our Convergent Formats Commissioner trialling the use of gesture recognition technology in connected televisions. A dedicated Games Commissioner based in Scotland worked with teams from different genres on a series of innovative projects – including immersive mobile games to support *Full English*, *Hotel GB* and *The Snowman and The Snowdog*. Beyond commissioning, we worked with partners to develop innovative advertising campaigns and continued to pioneer new ways of understanding audience behaviour through our Viewer Engagement strategy, of which our online projects are an essential part (see pages 16/17).

**"Wow. #the audience on C4 was amazing. Such a different and new concept but really interesting to watch"**

Viewer tweet

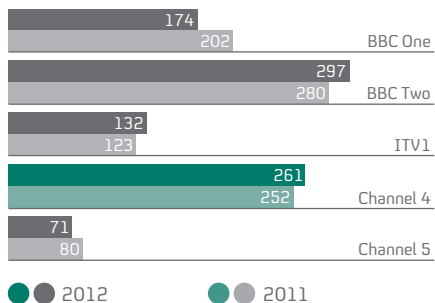


*The Audience*



## NEW AND ONE-OFF PROGRAMMES

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



Source: Attentional commissioned by Channel 4

## INNOVATION

261

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

Up 4% on last year

## CHANNEL REPUTATIONS

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

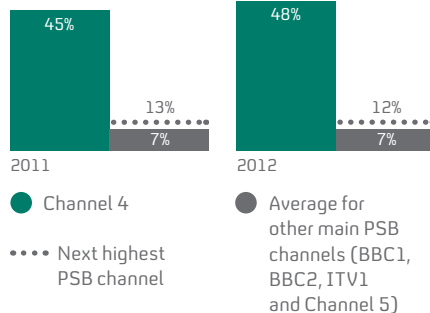
TAKES RISKS WITH PROGRAMMES THAT OTHERS WOULDN'T

## DISTINCTIVE

41pt lead

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

Up 2pts on last year



Source: Ipsos MORI commissioned by Channel 4

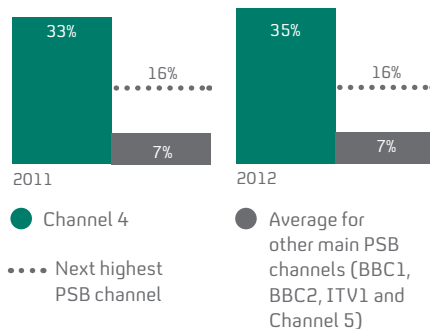
## INNOVATION

## IS EXPERIMENTAL

28pt lead

over average for other channels for being experimental

Up 2pts on last year



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

140

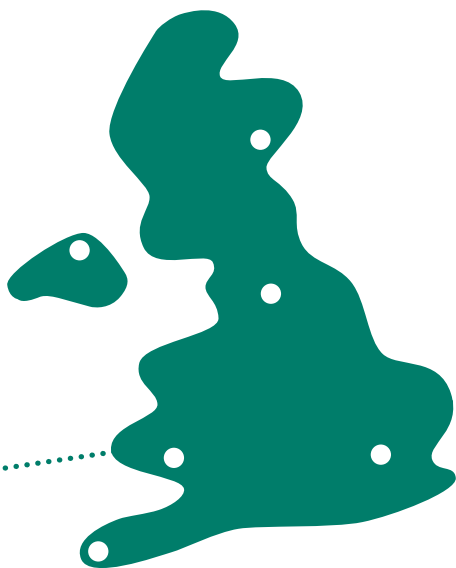
work experience placements provided across the business

### Grassroots talent

Investing in future generations of talent allows Channel 4 to stay fresh and relevant and to continue to play a catalytic role in the creative economy. We run an unrivalled number of on-screen new talent schemes – ranging from comedy (*Comedy Blaps*) to documentary (*First Cut*) and drama (*Coming Up*). In 2012 our investment in training enabled us to discover new faces to present and report on the Paralympic Games (as outlined on page 26). This has already led to more opportunities for disabled presenters on British television following the Paralympics, the first steps in what we hope will be a lasting legacy.

Our Fuel4 initiative sought to strengthen the multiplatform expertise of the creative community (see overleaf), and we made significant investments in training and skills development – funding organisations such as Skillset, the National Film and Television School, the Channel 4 BRITDOC Foundation and The Research Centre to develop innovative training programmes for the sector. The 4Talent team worked hard to support young people looking to build a career in the media – introducing a new graduate scheme alongside a series of apprenticeships and internships aimed at helping people get their foot in the door. With evidence showing that a lack of social mobility is a real problem in the creative industries, we actively sought to venture outside of the traditional media ‘hubs’ and engage with young people from all educational and employment backgrounds, thereby ensuring we are open to as wide a field of talent as possible.

Working with local charities to identify attendees, we hosted open days and workshops in towns such as Barnsley and Dundee, giving young people advice on the skills needed to get into the creative industries. We encouraged attendees to apply for work experience placements with Channel 4 to further develop their skills – and were delighted that a Northern Irish attendee from our event in Derry went on to secure a job in Channel 4’s press team. We will be rolling the initiative out to a greater spread of locations in 2013 so we can reach even more young people.



Open days held by 4Talent team in Derry, Barnsley, Penzance, Cardiff, Dundee and London



More than half of the 4Talent day participants surveyed said that neither of their parents or guardians had a university degree (or equivalent) – and 17% said their household received income support while they were at school

## CASE STUDY

## Fuel4

DIGITAL

EDUCATIONAL

INSPIRE  
CHANGE

**"I think #fuel4 was one of the most exciting and stimulating events I've EVER been to"**

Tweet from Fuel4 participant

Channel 4's pioneering role in multiplatform content is not limited to the specific projects we commission – we have also been investing in the wider creative community's skills and knowledge. We launched Fuel4, a year-long programme of initiatives and events aimed at promoting greater collaboration between television and digital companies to generate new multiplatform content ideas.

At the heart of this programme was a series of events and masterclasses held in locations across the country, with experts briefing executives on topics ranging from multiplatform fiction to the possibilities for technology to reshape entertainment content. We also launched a producer placement scheme aimed at directly bringing multiplatform expertise into content companies. Our goal is that these positions will enable their companies to develop ideas that work successfully across both TV and interactive media. Channel 4 is already in development with several projects arising out of the Fuel4 scheme.

12

half-day conferences for TV producers and digital creatives in London, Glasgow, Sheffield, Birmingham, Brighton & Bristol

5 TV executive producers brought in to work in digital agencies and 4 digital executives brought into television companies to generate new multiplatform TV ideas

Events attended by more than 500 TV and digital producers





## CASE STUDY The Undateables

STIMULATE  
DEBATE

INSPIRE  
CHANGE

EDUCATIONAL

**"It's warm, it's sad, it's touching, it's sometimes very funny. Pitched just about perfectly I'd say"**

The Guardian

A moving and uplifting series, *The Undateables* set out to examine a rarely explored area – the dating lives of people with disabilities. From a skateboarder with a facial disfigurement to a media student with Down's Syndrome, the series followed the prospective lovers on their quest for romance and companionship.

The insightful series became one of Channel 4's biggest hits of the year, averaging 3.2 million viewers across the series as well as performing strongly on 4oD – proving that 'diversity' is not just a niche subject of interest to minority audiences.

The themes of the show, and its compassionate tone, led to a powerful response amongst both critics and viewers. Research found that viewers thought the series was sensitive and brave – and, most importantly, made them more sympathetic towards the issues facing disabled people. Nearly half of viewers polled said they would be more open to dating somebody with a disability after watching the series. We celebrated the success of the show by recommissioning it for another series in 2013.

88% of viewers surveyed said the series raised awareness of the difficulties disabled people experience

88% of viewers surveyed said it was a brave and different area to cover

82% of viewers surveyed said they were more sympathetic to the issues faced by disabled people after watching

# Real stories with real impact

## 2012 ambitions

- Invest in provocative factual content that has mischief and purpose
- A fresh take on life in Britain
- Champion big issues and tap into contemporary concerns
- Provide viewers with radical alternatives in arts programming
- Develop a more contemporary feel to science, history, arts and religion programming
- Refresh and strengthen *True Stories* and *Cutting Edge*
- Empower viewers to take action on issues they care about





**95%**

of the UK's most popular  
factual programmes  
amongst 16–29 year olds  
were original Channel 4  
commissions

**£142m**

Factual spend on  
originations and  
acquisitions broadcast  
in 2012

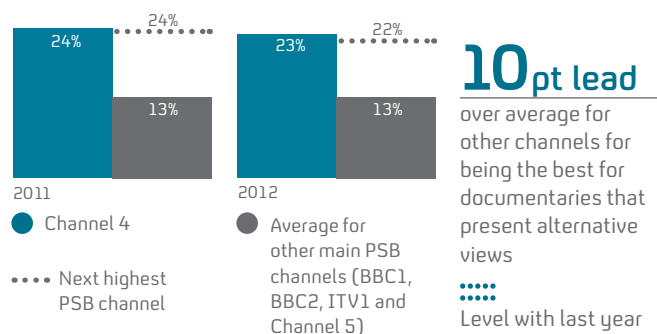
Our factual programming in 2012 was the opposite of passive TV – it was TV that engaged with the real world – a real plane crash, a real bank, a real clothing factory, a real hotel. And, along with a spread of stimulating and relevant documentaries about life in contemporary Britain, we invited our viewers to engage with the real world too, from helping build a real-time picture of fox activity across the country, to keeping track of their own health.

#### 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

23% of respondents selected Channel 4 as being best for documentaries that present alternative views. Although this was a 1% percentage point decrease on last year, Channel 4 had a 1 point lead over the next highest PSB channel, BBC 2 (Channel 4 and BBC 2 were in joint first place in 2011). Channel 4 maintained a 10 point lead over the average for the other main PSB channels.



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

**"I'm proud to have been part of such a bold and potentially life-changing project"**

Graham Lawton, New Scientist – participant, *Drugs Live*

**84%**

of viewers surveyed agreed *Drugs Live* helped to explain the clinical effects of ecstasy use

**"The experience has sobered me up about the reality; that integration is hard work and a long process"**

Sabiyah Pervez – participant in *Make Bradford British*



Sabiyah from *Make Bradford British*



### Making a noise

We set ourselves some bold ambitions for factual programmes in 2012 and certainly achieved our goal of stimulating debate. With *Plane Crash*, Channel 4 delivered a world first by deliberately crash-landing a Boeing 727 passenger plane to allow scientists, and viewers, to study the mechanics of a crash. *Drugs Live* cut through the emotional rhetoric that often surrounds debates on drugs with a ground-breaking scientific study of ecstasy users; historian Tom Holland questioned long-held opinions about the origins of Islam; Richard Dawkins asked whether science can provide people with the same sense of meaning and comfort as religion; and Gunther Von Hagen created his own interpretation of the crucifix. All of these programmes succeeded in sparking debate and giving audiences television viewing that was informative and educative.

### Radical arts

We wanted to bring the best of the contemporary art world directly into people's homes – and we did exactly that with an online video tour of Damien Hirst's Tate Modern exhibition. We did it again with *House Party*, which turned viewers' living rooms into a club night starring the world's best visual artists and DJs. Grayson Perry presented a series of programmes exploring taste and class (see case study) and our short-form multiplatform arts strand, *Random Acts*, continued to provide a platform for artists to experiment in a variety of disciplines – spoken word, dance, music performance, animation, photography, fashion and visual arts – showcasing work from brand new production companies and artists.

*4thought*: a nightly strand with contributors talking about faith, religion, morals and ethics, had 300+ contributors in 2012



Partnerships with the arts world in 2012 include the Turner Prize, the Saatchi Galleries, Frieze, Arts Council, Creative Scotland, Warp Records and Dazed & Confused



Gunther Von Hagen's *Crucifixion*

### Issues of the day

As a public service broadcaster, we passionately believe that the examination of contemporary social issues should not just be left to our news and current affairs programmes, but should be spread right across the schedule. And so our factual programmes in 2012 included explorations of such hot issues as banking reform, unemployment and environmental sustainability.

In *Bank of Dave*, entrepreneur Dave Fishwick set out to bring the people of Burnley a radical alternative to the current global financial system by setting up his own bank. Britain's manufacturing heritage was the theme for Guy Martin's engineering series *How Britain Worked* and for Mary's *Bottom Line*, in which Mary Portas set up her own clothing factory in Manchester to see whether the UK could still produce great products to compete in world markets. Gordon Ramsay tackled prison rehabilitation in *Gordon Behind Bars* and Mary and Gordon joined forces with a host of other Channel 4 faces to open up *Hotel GB* – a pop-up hotel staffed by unemployed young people.

We brought contemporary perspectives to our history and science output – with Niall Ferguson's historical series on China, urging us to understand the character of what will become the most powerful nation on earth, and science series *Food Unwrapped* tapping into prescient concerns about where our food really comes from. And in the year in which we broadcast the Paralympics, we set out to refresh Channel 4's broader remit to champion marginalised communities with programmes that sought to challenge deep-seated social prejudices – whether through the *The Undateables*' tender portrayal of disabled dating (see page 41) or challenging the stigma that surrounds mental health in the *4 Goes Mad* season (see page 49).



**"[A] glorious, inspired and incisive investigation into modern British taste"**

The Guardian on *Grayson Perry: In the Best Possible Taste*



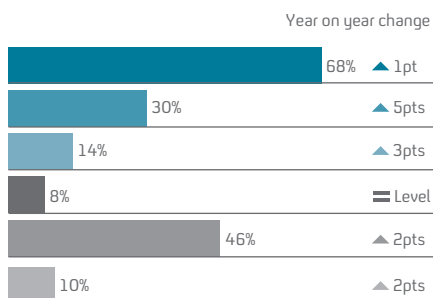
More than three-quarters of *Hotel GB* viewers agreed it had made young people more aware of the value of having a job and of the skills needed to get into a profession

INSPIRE  
CHANGE

## INSPIRING CHANGE THROUGH FACTUAL PROGRAMMING

Channel 4's factual programmes inspired 68% of respondents to think differently, consider changing something in their lives, try something new, talk about the programme to others or seek more information. *Islam: The Untold Story* was the most inspiring programme in 2012 and inspired change in 87% of respondents' lives. The percentage of viewers who said that Channel 4's factual programming inspired change in their lives increased by 1 percentage point year on year.

Percentage of viewers who said that Channel 4's factual programmes inspired change in their lives (2012)



68%

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

Up 1pt on last year

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

Source: Ipsos MORI commissioned by Channel 4

## Public service television

Channel 4 is always on a mission to prove that public service television is not a matter of niche programmes for marginal audiences. It was with our various documentary series about life in contemporary Britain that we had some of the biggest hits of 2012. Shows such as *One Born Every Minute*, *24 Hours in A&E* and *Coppers* all returned to deliver large audiences, and new commissions such as *999: What's Your Emergency?* involved ever-more sensitive and sophisticated film-making. Together, these series form an intimate, warm and thoroughly accessible portrayal of the UK's public services.



88%

of viewers surveyed considered *Mary's Bottom Line* to be original and different

6,000 empty homes reported in 2012 and more than 16,000 downloads of the *Empty Homes* mobile app since its launch

### Backing authorship

We continue to believe there is a place in our schedules for surprising, compelling and powerful single documentaries about the UK and the wider world – and so we refreshed our single film strands to maximise their impact. *True Stories* moved from More4 to the main channel, leading to the average audience for the strand increasing by more than seven times, and we increased the number of original films it commissions – with highlights including the critically acclaimed *Gypsy Blood* and several films exploring online deception and the hazards of social media. We sought to position our well-established *Cutting Edge* strand as home to more topical documentaries – with the revelations from *Ian Brady: Endgames of a Psychopath* leading the news agenda for days following its broadcast in August and *Terror At Sea* demonstrating our commitment to fast turn-around documentaries on topical subjects.

We continued to support new talent with our First Cut strand, which will return in 2013 with a longer format and refreshed focus. And we continued to give established film-makers the space and freedom to tell their stories. This included legendary director Werner Herzog's 4-part series *On Death Row* as well as polemical series from experts such as Richard Dawkins and Niall Ferguson.

### Innovation, collaboration, action

Channel 4's factual content continued to be at the forefront of multiplatform innovation in 2012. Our new Scrapbook site enabled viewers to store and share with friends the best tips, recipes and advice from Channel 4's array of lifestyle experts. *Foxes Live* asked people to participate in the biggest, most technologically advanced fox study ever conducted; they could report fox sightings, take pictures, watch 24-hour live streams from fox dens and follow GPS tracked foxes on an interactive map – building up an in-depth picture of fox activity in Britain.

Beyond having an educational role, we continued to use digital tools to deliver Channel 4's remit of inspiring personal and social change. Our *Live from the Clinic* and *Food Hospital* programmes launched a suite of new health apps to enable people to test their own health directly, track their results over time and even share them with their GP. The Empty Homes campaign, which began in 2011 with a programme presented by George Clarke, continued throughout 2012, with viewers using the Empty Homes Spotter app to help bring deserted houses back into use. The programme returned to follow up the issue in late 2012 – illustrating Channel 4's ongoing commitment to stories, and the importance of digital commissions in sustaining engagement around campaigns.



***Foxes Live*** generated more than 13,000 survey responses



My  
HealthChecker  
app

downloaded more than 600,000 times



## CASE STUDY 4 Goes Mad

DIGITAL

STIMULATE  
DEBATEINSPIRE  
CHANGE

PARTNERSHIP

FACTUAL

**“It was encouraging to see a major broadcaster tackle this deep-seated taboo”**

Sue Baker, Director, *Time to Change*



Supported by an immersive website

Channel 4's remit has always driven it to challenge taboos and bring to light issues others may be uncomfortable talking about. Mental health remains a contemporary social stigma – and so our *4 Goes Mad* season looked to challenge people's perceptions around those with mental health disorders and encourage people affected by them to speak up. The season featured celebrities Jon Richardson and Ruby Wax exploring their own relationship with mental health, as well as documentaries on members of the public with mental health conditions. *World's Maddest Job Interview* brought together a group of volunteers, some with mental health conditions and some without, to complete a range of core employability tests – with the aim of challenging workplace discrimination about what those with mental health conditions are capable of.

The season was supported by an immersive website, *Mad World*, containing statistics, facts and personal testimonies about some of the most misunderstood mental health conditions – alongside innovative audio experiences that gave users a sense of how it feels inside the head of someone managing mental health issues. *4 Goes Mad* was widely praised – mentioned in Parliament, supported by mental health charities and publicly commended by Stephen Fry at the Mind Mental Health Awards.

74% of viewers surveyed said *4 Goes Mad* made them realise how common mental health conditions are

More than half of those surveyed said watching the series made them more positive towards people suffering from a mental health condition

## CASE STUDY

## Grayson Perry: In the Best Possible Taste

ALTERNATIVE  
VIEWS

EDUCATIONAL

DISTINCTIVE

**"A beautifully stitched living portrait of a class, a city and an artist"**

The Times

Channel 4's approach to arts aims to give insight into artists' work and their view of the world – as well as allowing the viewer to see original work being created. In this series, Turner-Prize winning artist Grayson Perry brought his artistic sensibility to deliver a portrait of class and taste in contemporary Britain. He visited people from different parts of the British class system in Sunderland, Tunbridge Wells and the Cotswolds, to understand the small cultural details of modern life that reveal most about who we are and who we want to be. He then used these experiences to inform a new artistic work, a series of six tapestries called "The Vanity of Small Differences".

Following the series, Grayson donated the tapestries to Arts Council England so they could be viewed by the nation. Thirty thousand people visited them when they were exhibited at the Victoria Miro Gallery in London – and in 2013 they will be brought to Sunderland, Manchester, Birmingham and Leeds before being taken abroad by the British Council. The programme received huge critical acclaim, not just for being a thoughtful social commentary on how we live now but also for the insight it gave into the artistic processes that inform Grayson's own work. It generated widespread press coverage, including a double-page spread of the tapestries in The Sun. We will continue to develop our relationship with Grayson to bring viewers more of his unique insights into contemporary British culture.



Courtesy of the artist and Victoria Miro, London © Grayson Perry.  
Photography © Stephen White

30,000 people visited the tapestries at the Victoria Miro Gallery in London

Grayson given a 2-year exclusive presenting deal with Channel 4



CASE STUDY

# Bank of Dave

EDUCATIONAL

STIMULATE  
DEBATEINSPIRE  
CHANGE

FACTUAL

**“(Dave) is doing a great job in Burnley in channelling savings directly to local businesses. That seems an extremely attractive model that could well be reproduced elsewhere”**

Vince Cable MP, Secretary of State for Business, Innovation and Skills

Rooted in public frustration with the contemporary financial crisis, *Bank of Dave* followed one man’s attempt to revolutionise how people bank. Burnley-based minibus supplier Dave Fishwick asked whether the current global banking system was really helping anyone – and whether another way, in which the public were guaranteed interest on their savings, which provided micro-loans to small, locally-based businesses and which gave all profits to charity, was possible. The programme received widespread press coverage reflecting on the audacity of Dave’s ambition to take on the banks and test out his innovative model.

It was praised by MPs from all sides, including Business Secretary Vince Cable (see quote to left), won an RTS Programme Award and inspired such a strong public reaction that Dave’s community bank now has an 18-month waiting list for new customers. The series also demonstrated Channel 4’s commitment to creative diversity – made by Scottish documentary company Finestripe Productions, and introducing a new presenter to the Channel 4 family in the form of Dave Fishwick.

Bank lends average of  
**£25,000**  
a week

The bank has an  
18-month waiting list  
for new customers



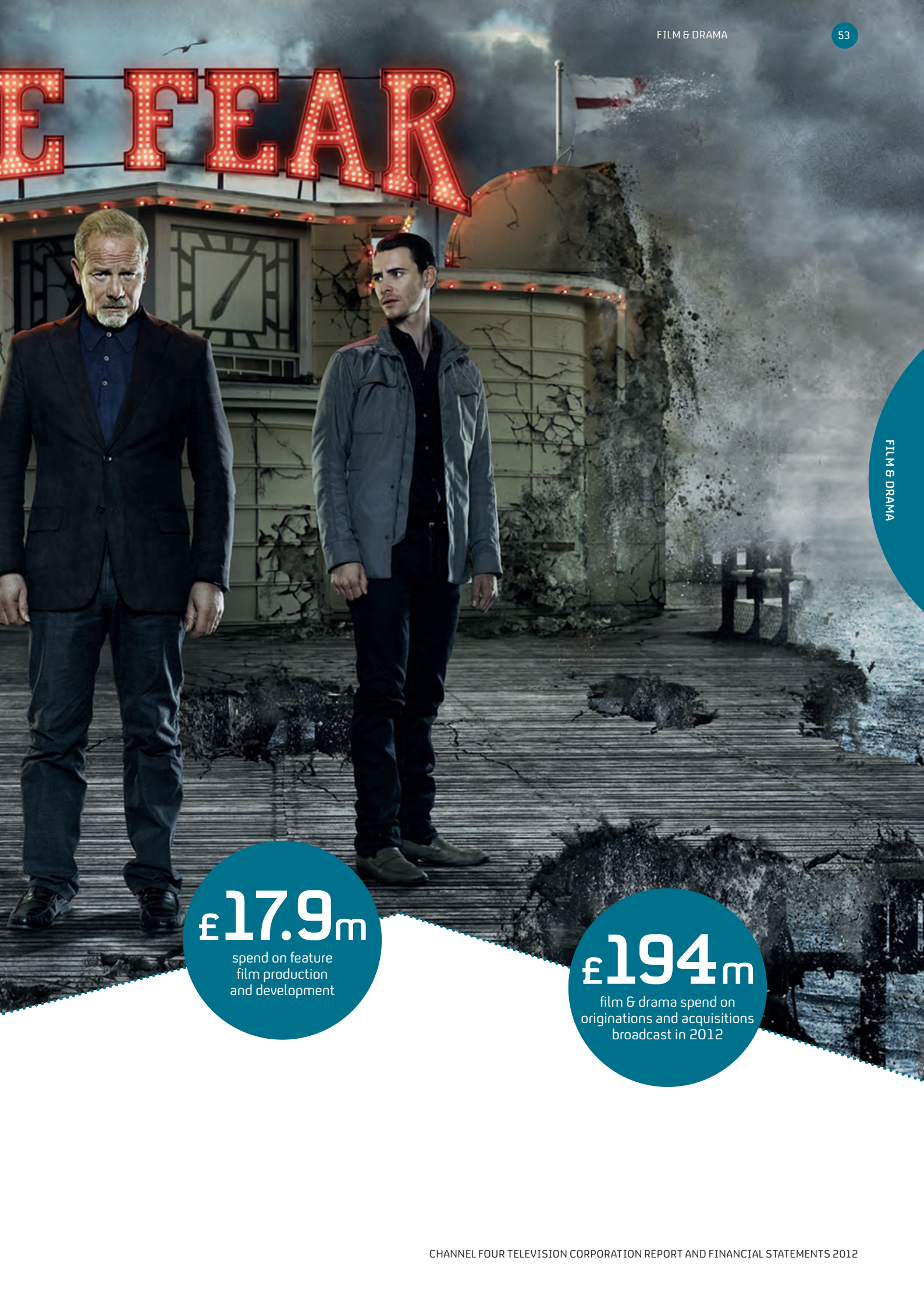
# Fearless film & drama



## 2012 ambitions

- Build reputation for modern drama, by bringing new twists to contemporary themes
- Continue to support bold and original film-making
- Pioneer innovative ways of producing, distributing and marketing film in digital space
- Maintain commitment to nurturing British talent
- Reach young audiences with distinctive content





£17.9m

spend on feature  
film production  
and development

£194m

film & drama spend on  
originations and acquisitions  
broadcast in 2012

Film and drama have huge reputational impact for Channel 4. The thread that unites this wide range of output is the extraordinarily talented people we work with and the contemporary focus of the work. Talent comes back year after year for the creative support we provide and we are committed to continually discovering and developing new generations of talent and helping them to connect with the widest possible audience. The work is consistently contemporary in feel and grapples with understanding modern Britain and our place in the world.



*Fresh Meat*

***Fresh Meat's*  
Zawe Ashton**  
Best Breakthrough  
On-screen Talent –  
Creative Network  
Diversity Awards

45% of *Fresh Meat*  
viewers aged 16–34

*Secret State*



**"This superbly paced four-parter  
is British TV drama at its best"**

*The Observer on Secret State*



### Voice of youth

Channel 4 and E4 reinforced their strong track records in dramas tailored for a teenage audience in 2012. The second series of university comedy drama *Fresh Meat* was a hit with critics and viewers and struck a particular chord with younger viewers. We harnessed this appeal with an online collaboration with our Education department (see page 82) and used digital platforms to promote the series, holding live Q&A interviews with the cast on Twitter. On E4, *Misfits*, *Beaver Falls* and *Skins* all returned, supported by exclusive online content including quizzes, clips and behind the scenes videos.

Our long-running soap *Hollyoaks* tackled a number of sensitive teen issues (see page 84) and in film we celebrated the freedom of adolescence in the first-ever adaptation of the seminal youth novel *On The Road*.

### The modern world

Whereas other broadcasters often retreat to safe territory such as period costume drama, Channel and Film4 prefer to pursue bold and demanding stories with a contemporary feel. This was reflected in our original commissioned work in 2012.

Film4's *Shame* dealt with the taboo subject of sex addiction, while on television *Secret State* was a fast-paced thriller set against a backdrop of Westminster politics, corporate interests and corruption. *The Fear*, a critically acclaimed series starring Peter Mullan as a Brighton-based crime boss battling dementia, was praised by Alzheimer's Society for its portrayal of the disease, and 94% of viewers said it was original and different.

*The Fear* typified Channel 4's ambitions for dramas that feel intelligent and relevant, and which are about complex issues – more original drama of this kind will be a major focus for us in 2013.

The appetite for thoughtful, challenging and nuanced pieces about political issues extended to our acquisitions policy, with *Homeland* particularly capturing the public imagination. The first series, which stars British actors Damien Lewis and David Harewood, was watched by an average of more than four million viewers a week.



*The Fear*

*Homeland*



6

Emmy Award  
wins for *Homeland*

**"It is good to see dementia portrayed in mainstream drama. The storyline will help us raise much needed awareness amongst new audiences and show that dementia can affect anyone"**

Alzheimer's Society

### Film from around the world

Television continues to be the most popular medium for film consumption – and our Film4 channel went from strength to strength in 2012, reaching its highest-ever audience share. This was done without abandoning our commitment to showcasing films that audiences may not otherwise get a chance to see. It is the only film channel with regular slots for rare British and international cinema. Our dedicated World Cinema slot on Thursday mornings increased its audience by 13% compared with 2011, with highlights that included the critically acclaimed *Le Quattro Volte* and Norwegian drama *O'Horten*.

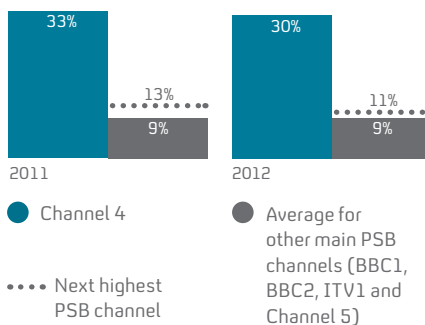
Our main world cinema season in May focused on films from Africa, with a diverse selection of classic and contemporary feature films from a continent that is grossly under-represented in UK cinemas. The British Connection season returned to champion British-made film, featuring a host of Film4 talents alongside award-winning shorts and an accomplished first feature, *The Rochdale Pioneers*, made by the Co-operative British Youth Film Academy, whose crew were all under 30 years of age.

### 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 continued to have a strong reputation amongst audiences for offering alternatives to mainstream films. In 2012, 30% of viewers chose Channel 4 as being 'best for modern independent film', 3 percentage points down on its performance in 2011, but still significantly more than any of the other main PSB channels. Its lead over the next highest PSB channel, Channel 5, was down slightly at 19% (2011: 20%)



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

DISTINCTIVE

**21pt lead**

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

2pts down on last year

***Berberian Sound Studio* won more BIFAs than any other film in 2012**



***The Iron Lady***

2 Academy Awards – Best Actress for Meryl Streep and Best Make-up for Mark Coulier and J Roy Helland



### Developing original voices

A commitment to supporting people with distinctive creative visions – whether in film or television – is at the heart of everything we do. In 2012 we continued to work with directors and writers nurtured by Channel 4 and Film4 over the years. Steve McQueen's internationally award-winning *Shame* continued the success of his debut film *Hunger*, writer-director Martin McDonagh followed up his Oscar-winning *In Bruges* with gangland comedy *Seven Psychopaths* (BAFTA nominated for Outstanding British Film), and on television *Everyday* was the latest result of our long-standing relationship with director Michael Winterbottom (see case study). Ben Wheatley cemented his reputation as an important new British film-maker with his third feature *Sightseers*, which garnered rave reviews and went on to win the British Independent Film Award (BIFA) for its screenwriters.

### Freedom to experiment

In 2012 our films continued to surprise and subvert – with *The Imposter* combining wonderfully cinematic visuals and white-knuckle storytelling within a documentary format (see case study) and *The Iron Lady* bringing hot debate to the normally uncontentious world of the biopic.

We aimed to challenge and stretch our audiences: director Sophie Fiennes teamed up with cultural critic Slavoj Žižek to create *The Pervert's Guide to Ideology*, an intellectual tour de force of politics, philosophy and film, while Peter Strickland's surreal *Berberian Sound Studio* swept the board at the BIFAs, picking up four awards including Best Director and Best Actor. With our new digital commissioning arm, Film4.0, the only initiative of its kind in the UK, we began to push at the creative boundaries of digital technology.

Film 4.0 embeds digital innovation at the very beginning of a film's process, allowing us to explore new ways of telling stories and connecting with audiences. It has funded Ben Wheatley's forthcoming feature, *A Field in England*, in which the film itself will be accompanied by the *A Film in England* project, an in-depth look at the process of making the film which will include video footage, blogs and audio files from the set online. Other commissions include *End of the F\*\*\*ing World*, a series of cinematic shorts based on a comic book which will be released in instalments on digital platforms, and *Spirit of '45*, a Ken Loach documentary based on archive film around which we hope to build an active online community. We believe such initiatives will allow us to deepen and enrich our audiences' experience of film.



**"Brave, beautifully acted and emotionally revealing"**

Empire on *Shame*

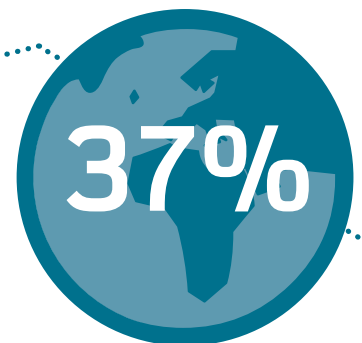


*Seven Psychopaths*



### Film4.0 Scenestealers competition

Members of the public were invited to submit their own takes on classic Film4 scenes, inspiring a huge creative response and helping us uncover fresh film-making talent: Film4.0 is currently in development with three projects from successful entrants



of output on the Film4 Channel came from outside the US and 22% was British films



CASE STUDY  
**Everyday**

DISTINCTIVE

INNOVATIVE

NURTURE  
TALENT

**“Michael Winterbottom  
is consistently one  
of Britain’s most  
innovative directors”**

*The Independent*

Filmed over five years, *Everyday* exemplifies Channel 4’s commitment to backing long-term, risky projects. Written and directed by Film4 collaborator Michael Winterbottom, it demonstrates the flexibility we can give talent to move between the worlds of film and television drama. Starring John Simm and Shirley Henderson, *Everyday* tells the story of four children separated from their father while he is in prison.

The drama deliberately challenges cinematic conventions, blurring the boundaries between fiction and documentary by using a family of real siblings, their real names, home and school, and showing the subtle changes experienced over the five-year period. The result was a critically acclaimed, moving and authentic family drama.



UK premiere at the  
London Film Festival



The drama used a family of real  
siblings, showing them grow up  
over a five-year period

CASE STUDY

# The Imposter

DISTINCTIVE

INNOVATIVE

NURTURE  
TALENT

FILM &amp; DRAMA

**"Consistently compelling  
and superbly shot"**

Total Film

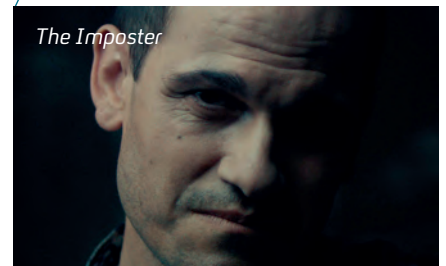
The debut feature film from British film-maker Bart Layton, *The Imposter* was hailed as the documentary of the year by critics. Based on the astonishing true story of a French-Algerian man who stole the identity of a missing Texan boy, the film challenged the traditional format of the true-crime documentary. Alongside face-to-face interviews, Layton used creative re-enactments, cinematic photography and dramatic storytelling to illustrate the maze of discrepancies, competing accounts and straightforward lies inherent in any attempt to tell a 'true' story, leaving the audience to make up their own minds about what really happened.

The film was a box-office hit – one of the best-ever debuts for a documentary-maker in the UK. And it has been widely acclaimed by the critics, winning a BAFTA for Outstanding British Debut as well as prizes at the British Independent Film Awards, the London Critics Circle Awards and the London Evening Standard British Film Awards.

**BAFTA  
for Outstanding  
British Debut**

Highest-grossing British  
documentary at the UK box  
office in 2012

*The Imposter*





# Hard news and candid views

## 2012 ambitions

- Build on 2011 changes to maximise impact of journalism, particularly in domestic affairs
- Create more opportunities for journalists to work across news and current affairs
- Bring new range and topicality to *Dispatches* strand
- Continue to feature rarely told stories about different parts of the world
- Remain at the forefront of digital innovation, particularly to build engagement with young people





*Channel 4  
News won 6  
RTS Journalism  
Awards – more  
than any other  
broadcaster*

**£43m**

news & current affairs  
spend on originations and  
acquisitions broadcast  
in 2012

**"Goodbye world, the time has  
come, I had some fun"**

@TonyNicklinson. Dispatches: Let our Dad Die



Our News and Current Affairs team had a year to be proud of, from the demands of the Paralympics to an impressive collection of headline-grabbing investigative scoops and a clutch of awards. Underpinning these highlights was a continuing story of commitment to in-depth coverage of news from around the world; to candid reporting of stories most media organisations choose to ignore; to uncovering injustice within the UK as well as beyond its shores; to experimenting with new ways of engaging our audience; and to building strong journalistic skills for the future.

#### The stories Britain needs to know

A series of agenda-setting investigations about life in the UK focused on holding power to account, and did so with great success. Our investigation into the Andrew Mitchell 'Plebgate' affair led news bulletins for days. A major undercover investigation, *Watching the Detectives*, resulted in an Information Commissioner's Inquiry into the allegations. For *The Great Ticket Scandal*, Channel 4 had to fight off a high court injunction to expose the practices of ticket-exchange website Viagogo and, following its broadcast, the issue was raised in Parliament. And *Cruises Undercover: The Truth Below Deck* took the lid off the cruise industry.

*Channel 4 News* also ran a series of award-winning breakthrough investigations on stories that weren't on the radar of other media organisations – from the problems faced by disabled users of public transport in *No Go Britain* to the protection of minors online (see case study). Social affairs editor Jackie Long tackled stories about disability benefit, work and pensions. And we identified issues of particular interest to younger audiences – such as youth unemployment – to build on Channel 4's strong connection with 16–34 year olds.



*Britain on the Sick* was mentioned in a Parliamentary debate about the issues raised in the programme

3 episodes of *Dispatches* in 2012 had higher ratings than any episode in 2011, peaking at 3.1m



Jordan Jarrett-Bryan

Disabled presenters trained to appear as part of the Paralympics have since presented *Channel 4 News* reports and Jordan Jarrett-Bryan has become a regular

### A summer of glory and its legacy

As Channel 4 prepared for the Paralympic Games, *Channel 4 News* put the excitement of the event in a wider context with in-depth reports about disability sport and controversial benefit changes for disabled people. During the Games, the News team anchored the programme from Stratford and interviewed the stars. And once the last medal had been awarded, and the world's media had moved away – we looked at how life had changed for the Paralympic champions, and for disabled people across the UK.

The country had been promised “the most accessible Games ever” but did that actually make life any easier for the thousands of disabled people trying to use our public transport network? And had life really changed for disabled people after a summer that saw the whole country cheer the ‘Superhumans’? We explored these issues in our editorial strand ‘A Legacy to Stand on?’

Some of the most promising presenters from the Paralympics also produced insightful and refreshing reports for *Channel 4 News*. Sophie Morgan allowed us to film the moment she walked using a newly-developed robot frame and she brought *No Go Britain* dramatically to life when an airline refused to let her fly unaccompanied. Daraine Mulvihill looked at the depressing reality of artificial limb provision in the UK. And Jordan Jarrett-Bryan went on to become a regular on the programme, making films on disability sport, as well as presenting the weekend sports results and providing analysis in the studio.

### New journalistic voices

The Paralympics was not the only opportunity to develop new talent and new perspectives. On-screen, *Channel 4 News* was consistently named as the news programme with the best balance of male to female experts. Off-screen, as always, we aimed to work with a broad range of suppliers. Four companies won tenders to produce regular films for *Dispatches* and to ensure that a new generation of journalists is given appropriate specialist training, our Current Affairs team launched a new investigative journalism training scheme (see page 69 for details).

Elsewhere we continued to develop individual reporters with unique perspectives, with some gratifying successes. One such is the Somali journalist and film-maker Jamal Osman. Jamal left school at the age of 10 and came to the UK as an asylum seeker. Initially working as a labourer and then minicab driver, he put himself through a South Thames College media course and then a journalism degree at Kingston University, where he made four films supported by the *Channel 4 News* Film Fund. Since then, Jamal has continued to report from his homeland for *Channel 4 News* and recently won the One World Media journalist of the year award and an RTS Independent Award.



Shaminder Nahal

**“It’s incredibly important to have women in senior editorial roles in the newsroom. It means we can match the fantastic breadth and diversity of our on-screen team behind the scenes”**

Shaminder Nahal, Deputy Editor, *Channel 4 News*

**5/6**

of new people joining the *Channel 4 News* senior management team in 2012 were women



### Greater collaboration

In 2011 we introduced a more joined-up approach between our news and current affairs strands, and in 2012 we sought to build on this even further. Seven *Dispatches* films across the year were presented by *Channel 4 News* reporters – including Jon Snow, Jackie Long and Jonathan Miller – while Krishnan Guru-Murthy continued to introduce *Unreported World*.

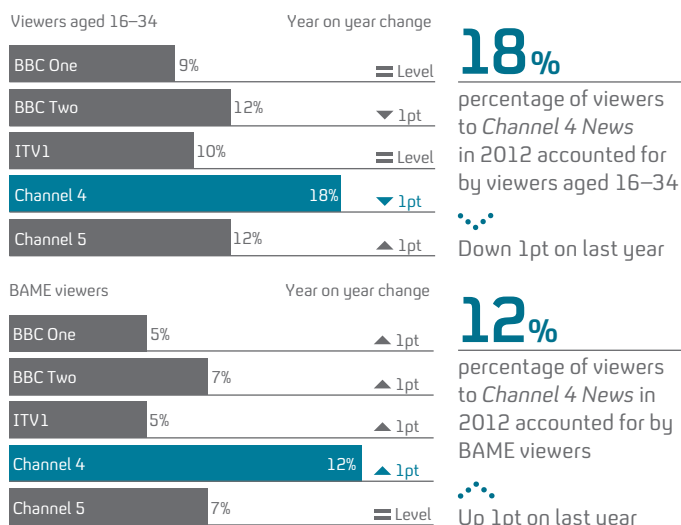
There was collaboration across the Channel 4 Commissioning team – whether that was continuing to combine topical political discussion with satirical comedy in *10 O'Clock Live* or a focus on disability inspired by the Paralympics.

Perhaps the most high-profile of these collaborations came with 'plebgate'. Late on Sunday 16th December the Metropolitan Police announced it had arrested the main witness in the Andrew Mitchell 'plebgate' saga. Within hours news outlets were speculating on the arrest, but what the press didn't know was the role Channel 4 *Dispatches* had played.

### VIEWING TO NATIONAL NEWS

*Channel 4 News* continues to have particular appeal to young and BAME audiences. 18% of its viewing in 2012 was accounted for by people aged 16–34, down slightly (by 1 percentage point) on 2011. BAME audiences represented 12% of viewing, and this proportion increased by 1 percentage point year on year. Both these figures continue to be markedly higher than the corresponding ones for news programmes on the other main PSB channels. In 2012, the audience reach of *Channel 4 News* (number of people watching for at least 15 consecutive minutes) was an average of 9.7 million people each month, a 9% year on year decrease. Other terrestrial news programmes saw declines year on year. The decline to *Channel 4 News* was mainly driven by older viewers.

Percentage of viewing of national news programmes on the main PSB channels in 2012 accounted for by viewers aged 16–34 and BAME viewers.



Source: BARB

Rounding differences may occur

DISTINCTIVE

9.7m

people watching  
*Channel 4 News*  
each month

Down 9% on last year



In 2012,  
reporter Jamal  
Osman won One  
World Media Journalist  
of the Year and The  
Independent  
RTS Award

9

9 *Dispatches* films  
featured undercover  
investigation in 2012

Just a week earlier *Dispatches* had obtained CCTV pictures of the incident and were quickly able to show evidence that the story was more complex than first presented. The programme was well into production and had established that the key 'witness' was not present on the night of the incident and, remarkably, was a serving police officer.

Almost immediately, the editor of *Dispatches* briefed the editor of *Channel 4 News* and they both agreed that the long-form film needed to be shown at the earliest opportunity.

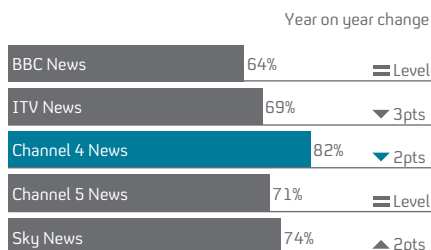
This was broadcast on *Channel 4 News* on Tuesday 19th December in its entirety, and immediately caused a furore, generating newspaper headlines for days to come and leading all radio and TV bulletins.

#### INDEPENDENCE OF TV NEWS

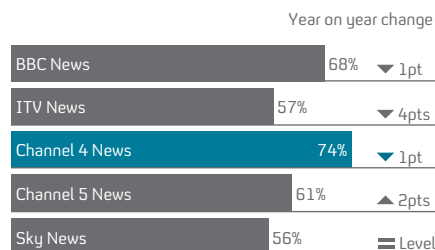
Viewers continued to perceive *Channel 4 News* as being more independent both from the influence of big businesses, and from the government, than other broadcasters' news programmes in 2012. 82% of regular viewers to *Channel 4 News* regarded it as being independent from government in 2012. This represented an 8 percentage point lead over Sky, the next highest-scoring broadcaster, but was slightly down (by 2 percentage points) year on year. 74% of *Channel 4 News* viewers agreed that the programme was independent from the influence of big business in 2012. This was a 1 percentage point decrease on 2011, but *Channel 4 News* maintained its 6 percentage point lead over the BBC, the next-highest scoring broadcaster, in 2012.

Percentage of regular viewers to news programmes in 2012 who agree with the following statements:

'It is independent from government'



'It is independent from the influence of big business'



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

#### DISTINCTIVE

82%

of *Channel 4 News* viewers regard it to be independent from government

Down 2pts on last year

"Without a good piece of investigative work by [...] Channel 4 News we wouldn't be talking about the murkier side of the Mitchell affair now"

The Guardian



Plebgate

### Reflecting a changing world

Channel 4 continued to shine a light on stories from around the world – unafraid to investigate dictatorial regimes and give voice to civilians living under fear and oppression. The civil war in Syria was a major focus of our international coverage, with a series of reports from journalists on the front-line (see case study).

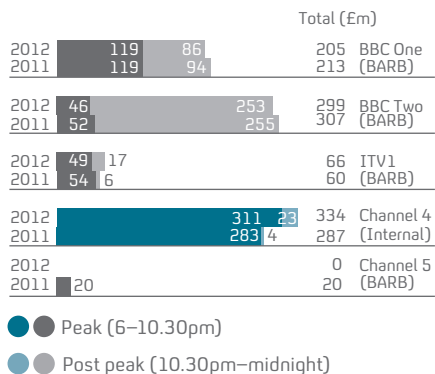
Elsewhere, we sustained our investigations into the Sri Lankan civil war, with a follow-up film to the acclaimed *Sri Lanka's Killing Fields*, which revealed more evidence of atrocities. Daniel Bogado's film *Unreported World: Terror in Sudan* provided evidence of horrific attacks by the Sudanese government on civilians living in the Nuba region of the country – a story that had been little-known before.

We sought to give our audiences greater insight into the massive economic and social advances in developing countries and the impact they are having on everyday lives. In the *Unreported World* strand, for example, we explored the story of young women in Mumbai whose social lives are being transformed by working in call-centres. Like their Western counterparts, they are going out clubbing after work, triggering outrage in more conservative sections of Indian society. These intriguing stories of everyday life have a freshness of approach that helps British audiences appreciate the complexities of life in developing nations.

### COMMITMENT TO LONG-FORM JOURNALISM

The transmission of news and single story current affairs programmes with extended running times allows topics to be covered in greater depth. In 2012, Channel 4 continued to significantly outperform the other main PSB channels in terms of the number of long-form news and single story current affairs programmes – defined as those running for at least 45 minutes and 15 minutes respectively – shown in peak (6–10.30pm) and post-peak (10.30pm – midnight). Its 311 titles in peak were more than twice the number on the next highest PSB channel: BBC One.

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



### STIMULATE DEBATE

# 311

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

Up 10% on last year

Source: Channel 4, BARB (other channels)

Current year methodology was changed from prior year for single story current affairs programmes. As a result all prior year comparatives have changed. For more details please refer to the online methodology document.

*Terror in Sudan* inspired viewers to donate money to the charity running the hospital for the wounded in the area

Producer Daniel Bogado was awarded the Rory Peck Sony Impact Award 2012 for *Terror in Sudan*





### Second-screen news

We continued to use digital platforms, whether blogs, social media or mobile apps to extend the depth of our journalism in 2012 and, in particular, to strengthen our relationship with younger viewers whose habits of news consumption are changing particularly rapidly. We prioritised innovation, becoming the first UK-wide broadcaster to launch a responsive design so that our sites can be viewed on any device, and a second-screen app for *Dispatches* viewers so they could access and share additional content, take part in discussions on Twitter and request official reports and documents relating to the films. The app was developed by two Newcastle-based companies working with Channel 4 for the first time.

*Channel 4 News* also launched a new blog feature 'live from the newsroom', which incorporated rolling video, social media and breaking news, and our reporters continued to use Twitter to find, discuss and share stories. This was demonstrated to great effect with our award-winning No Go Britain project, in which disabled viewers shared their experiences of using public transport by live-tweeting their journeys. The project built an engaged community of viewers via Facebook and Twitter, culminating in a live studio discussion between users and transport officials. Social media was also used to poignant effect for the *Dispatches* film *Let Our Dad Die*, in which we encouraged locked-in sufferer Tony Nicklinson to use Twitter to communicate directly with people for the first time.



*Sri Lanka's Killing Fields:  
War Crimes Unpunished*

**"Once again Channel 4 has brought to international attention important and disturbing evidence"**

Foreign Office statement referring to  
*Sri Lanka's Killing Fields: War Crimes Unpunished*

The charts on this page compare audiences' perceptions of Channel 4's current affairs output with those of the other main broadcasters (see methodology document for further details). They track 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
- providing a window on the wider world
- delivering in-depth coverage
- challenging viewers to see things differently
- giving a voice to those who might not otherwise be heard

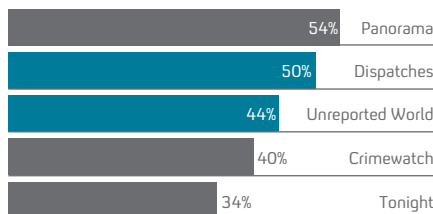
Channel 4's two main long-running current affairs strands, *Unreported World* and *Dispatches*, continued to achieve higher programme reputation scores across these five statements than any other strand in 2012. Their average scores were 47% and 45% respectively although both were down 3 points year on year. The next best performing programme, *Panorama* (BBC), scored 43% on average across the five statements (2011: 39%). Channel 4 had the top scoring strand on three of the five tracking statements in 2012.

*Unreported World* rated higher than any other strand for showing stories about parts of the world you would rarely see on British TV (selected by 57% of respondents, a substantial 20 point lead (difference due to rounding) over the next highest programme, *This World* – 2011: 61% and a 22 point lead) and giving a voice to groups that aren't always heard in mainstream media (selected by 45% of respondents, a 7 point lead over the next highest programme, *Question Time* – 2011: 44% and a 4 point lead over the next highest programme, *Watchdog*). *Unreported World* and *Dispatches* were joint top for making people see something in a different light (43% of respondents).

#### PROGRAMME REPUTATIONS: CURRENT AFFAIRS

People who believed the following statements applied to the current affairs strands they had watched...

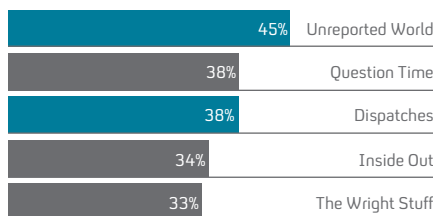
##### EDUCATIONAL COVERS THINGS IN GREAT DEPTH



EDUCATIONAL

Source: Ipsos MORI  
commissioned by  
Channel 4

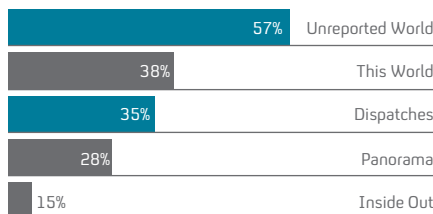
##### ALTERNATIVE VIEWS GIVES A VOICE TO GROUPS THAT AREN'T ALWAYS HEARD IN MAINSTREAM MEDIA



ALTERNATIVE VIEWS

Source: Ipsos MORI  
commissioned by  
Channel 4

##### ALTERNATIVE VIEWS SHOWS STORIES ABOUT PARTS OF THE WORLD YOU WOULD RARELY SEE ON BRITISH TV



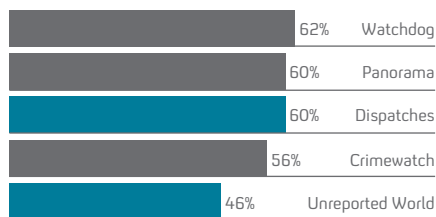
ALTERNATIVE VIEWS

Source: Ipsos MORI  
commissioned by  
Channel 4

● Channel 4 programmes

● Other broadcasters' programmes

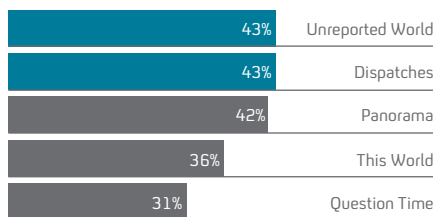
##### STIMULATE DEBATE UNCOVERS THE TRUTH



STIMULATE DEBATE

Source: Ipsos MORI  
commissioned by  
Channel 4

##### INSPIRE CHANGE MADE ME SEE SOMETHING IN A DIFFERENT LIGHT



INSPIRE CHANGE

Source: Ipsos MORI  
commissioned by  
Channel 4

CASE STUDY  
**Investigative  
Journalism  
Scheme**

ALTERNATIVE  
VIEWS

NURTURE  
TALENT

NEWS & CURRENT  
AFFAIRS

**“The training, access to senior industry figures, and hands-on experience is unparalleled for a young journalist”**

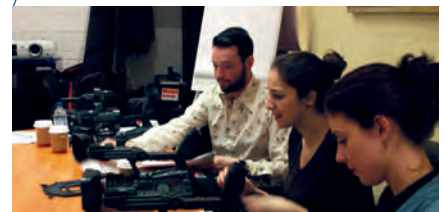
Keri Sutherlands,  
Investigative Journalism Trainee

Even in a digital world, where the available quantity of news is greater than ever, it is clear that investment in skilled, investigative journalism is coming under increasing pressure. To help counteract this, Channel 4 launched a £250,000 investigative journalism training scheme. Ten journalists from different stages of their careers were given the opportunity to work within a production company (for 6–12 months) to develop ideas for *Dispatches*. Participants had access to intensive training, from technical camera skills to financial journalism and data-mining, as well as mentoring and master-classes, and took part in workshops on digital technology and social media.

Anna Drury and Elham Rizi, who were placed within ITN Productions commented that it was “the perfect opportunity to hone our skills and the training provided has been tailored to ensure that we can hit the ground running. Seeing the programmes that we have intensively worked on coming to fruition has been such a rewarding experience...”

Trainees placed with production companies up and down the UK

**Scheme  
returning in  
2013**



Trainees worked on *Dispatches* including *Can you Trust your Bank?*, *The Real Mr & Mrs Assad* and *Secrets of your Partner's Past*



## CASE STUDY

## Channel 4 News: Investigating issues that matter

INSPIRE  
CHANGESTIMULATE  
DEBATE

DISTINCTIVE

***"Channel 4 News has been sharp, compassionate, balanced but never afraid to signal a view. News that believes in intelligence first."***

The Observer

In 2012, *Channel 4 News* invested in a number of long-running, high-impact and multiplatform investigations, efforts that resulted in the programme winning a record six RTS Journalism Awards, including Daily News Programme of the Year and National Presenter of the Year for Jon Snow. The year-long 'Jobs Report' was a powerful way to cover one of the biggest stories of the year – the recession – by focusing on job-seekers and capitalising on our relationship with younger audiences. The project included television reports, analysis, online videos and contributions from the public exploring different aspects of the youth unemployment debate, as well as a popular televised debate at Channel 4 entitled *Class of 2012* held in partnership with our education strand *Battlefront*, which brought together young people, politicians and industry leaders.

We tapped into contemporary concerns about online safety and child protection with an exclusive and shocking investigation into Habbo Hotel. After spending two months on the popular online teen community site posing as an 11 year old girl, reporter Rachel Seifert uncovered the fact that the platform had been used by paedophiles to engage with and abuse children. Immediately after the story broke, British and European politicians condemned the site, UK retailers stopped selling Habbo Hotel gift cards, investors withdrew financial support and the company was forced to announce new safety procedures.

A panel of leading industry figures – The C4 Jobs Ambassadors – offered key skills, advice and experience in the creation of the Jobs Report

***"...consistently in a class of his own. Beautiful writing, unequalled versatility and the sense he is as enthusiastic, inquisitive and committed to quality journalism as ever in his long career"***

RTS Journalism Awards – judges' comments on Jon Snow, National Presenter of the Year winner

Panel members at the Class of 2012 debate included Stella Creasy MP, Damian Collins MP and David Miliband MP

## CASE STUDY Syria

STIMULATE  
DEBATE

ALTERNATIVE  
VIEWS

DISTINCTIVE

NEWS & CURRENT  
AFFAIRS

### ***“Channel 4 News has produced a remarkable portrait of urban warfare in the Syrian city”***

*New York Times on **Horror of Homs***

*Channel 4 News’* reporting of the Syrian conflict epitomises our commitment to exploring complex and hard-to-access international stories. We sought to give viewers unrivalled insight into what was happening on the ground, with front-line correspondents, eye-witness films and testimonies from civilians living in Syria. The conflict was intertwined with global politics and fuelled by inaccuracies and half-truths from all sides – a reality we reflected, even when it meant challenging popular narratives.

Early in the year, a special report, *Horror of Homs*, was one of the first to distil a clear story from the mass of grainy amateur footage of the bombardment of the town of Homs.

After airing on *Channel 4 News* it was shown on other channels across the world, and went on to win the RTS Journalism Independent Award. *Channel 4 News* continued to work with Mani, the French photographer who made the film, and his reports from Syria provided a multi-faceted view of the conflict. Our chief correspondent, Alex Thomson, visited Syria several times during the year, and was the only international journalist to get into Houla, a town that suffered a shocking massacre in May 2012. Alex tried to get the story out as widely as possible – writing for national newspapers, tweeting and blogging as he travelled from house to house hearing stories of personal horror. Following his trip he was interviewed by the UN as part of their investigation into the massacre.

*Horror of Homs* had more than 1.3 million hits on YouTube and the Channel 4 website

A *Channel 4 News* video of wounded, blindfolded men chained to beds shocked the world and led to a UN investigation

Alex Thomson was the first British journalist to report from the town of Houla immediately after the massacre



# More than a laughing matter



## 2012 ambitions

- Broaden range of comedy and entertainment output
- Invest significantly in new formats, development and piloting
- Continue commitment to uncovering and developing new talent, while celebrating those with long-standing relationships with Channel 4
- Harness digital media's ability to provide interactive experiences around entertainment content



**91%**

of viewers surveyed said  
*The Midnight Beast* was  
original and different

**£190m**

comedy & entertainment  
spend on originations and  
acquisitions broadcast  
in 2012

As well as developing our role as the established hothouse for much of Britain's best comic talent, in 2012 we used our comedy and entertainment schedules to raise money for cancer research, change perceptions of disability and stimulate and inform our audience on a range of important issues. Entertaining people is one thing – but when we can make them laugh *and think* we know we are on to something special.

### More than just a laugh

In 2012 we sought to make the most of our 'mission with mischief' by using comedy and entertainment to focus on social issues – health, religion, the economy – that might otherwise have been entirely confined to our news or documentary programming. A highlight of the year was the hugely successful *Stand Up To Cancer* – a star-studded fund-raiser for cancer research (see case study).

Elsewhere, Derren Brown, better known as a magician and illusionist, asked some challenging questions about the nature of religious belief, *10 O'Clock Live* continued to engage young audiences with entertaining political debate and *The Work Experience* gave the very sober theme of youth unemployment a comic slant.



*I'm Spazticus*



*Stand Up For the Week*

**"One of the main reasons discrimination happens is because people are just not used to seeing disability. The more they do, the more normal it will be to see us and the less disconcerted they will feel"**

Tim Gebbels, Actor, *I'm Spazticus*

### Experimentation and innovation

2012 saw us maintain the flow of new titles and formats we began in 2011, allowing us to attract new talent and give existing talent the space to experiment. Our *Funny Fortnight* featured nine pilot sitcoms and one-off shows: including *Bad Sugar*, *I'm Spazticus*, *Toast of London*, *The Function Room* and *Just Around the Corner*. Other comedy pilots during the year included Ricky Gervais' *Derek* and Irish comedy duo *The Rubberbandits*.

Our entertainment schedules were equally full of new ideas as part of our ongoing commitment to experimentation – efforts that have given us several shows that will return in 2013.

Innovation means new kinds of viewer experiences as well as new talent and titles – and this proved to be an area of great success in 2012. *Made In Chelsea* had an extensive multiplatform presence, including an online-only spin-off programme and partnerships with Spotify and YouTube.

The play-along game for *The Bank Job* became one of Channel 4's most popular games ever, and we launched mobile apps with exclusive content for hit comedy shows such as *Facejacker*. We updated our BAFTA-winning *Million Pound Drop* game and, in doing so, offered new game features to players who registered their details with Channel4.com. This, in turn, supports our viewer management strategy by giving us more information about who they are and enables us to develop a stronger relationship, especially with our younger audiences.



Morgana Robinson won Best Breakthrough prize at the 2012 British Comedy Awards

New smartphone versions of *Million Pound Drop* game were downloaded **1.6 million times**



*The Bank Job* online game played 7.3m times in 2012



### Stars of the future – and the past

At a time when there is more competition than ever for established comedy stars, we believe we should distinguish Channel 4 by backing the new and undiscovered. In 2012 we promoted a host of new comedians – with E4's *Cardinal Burns* winning a British Comedy Award and two Broadcast Awards and *I'm Spazticus* featuring a ground-breaking line-up of new disabled performers. *Midnight Beast* proved a huge hit amongst young audiences – with 64% of its viewers aged 16–34. Almost half the audience said they had talked about the programme with their friends, and the show inspired masses of comment on social media, as well as views on 4oD. Entertainment formats such as *Stand Up For the Week* and *8 out of 10 Cats* continued to play a major role in uncovering fresh comic talent for Channel 4, with graduates including Jon Richardson and Jack Whitehall. Other stars emerged during the year, such as Josh Widdicombe, Paul Chowdhury and Sara Pascoe.

Channel 4's history of discovering and nurturing the very best of the UK's comic stars was celebrated in our special 30th anniversary season, *Funny Fortnight*, which profiled classic comedy from our archives as well as brand new shows from some of today's comedy legends who began their careers on Channel 4.

### A broad slate

Finding new comedy and entertainment hits is, notoriously, one of the trickiest tasks in television – and in 2012 we tried out many different genres and formats, with chat shows, satire and impressionists sitting alongside sitcoms and sketch shows. With *Full English* we made our first venture into animated adult comedy. The show was the first commission from Two Brothers Pictures, and was accompanied by a multi-layered online game.

We vastly expanded our entertainment slate with a spread of new commissions – including the first live charity telethon in our history, *Stand Up To Cancer*, as well as panel shows, scripted reality, dating shows, magicians and topical review formats. *The Last Leg*'s warm-hearted banter not only helped to reshape the tone of entertainment on Channel 4 but also the language around disability generally. Derren Brown's specials, particularly the audacious *Apocalypse*, reflected our ambition for big, high-profile entertainment ideas.



Derren Brown: *Apocalypse*

"Really enjoying *The Last Leg* on C4. #isitok to have more programmes that aren't patronising about disability?"

@DaveRowntree – Viewer tweet



*Derren Brown: Apocalypse Part 1*: More than 1 million views on 4oD in 30 days



CASE STUDY  
**Funny  
Fortnight**

NURTURE  
TALENT

DISTINCTIVE

**"Channel 4 has been  
the home to the best  
British comedy from  
the day it started"**

The Times

A two-week celebration of Channel 4's huge contribution to British comedy over the last 30 years, *Funny Fortnight*, dedicated a massive 45 hours to comedy programmes, including 11 brand new shows as well as stand-up and archive classics. Many of today's big names came back to the channel that had helped launch them; there was new work from Vic and Bob and Kayvan Novak; new sitcoms from the writers of *Father Ted*, *Drop the Dead Donkey* and *Peep Show*; and fresh stand-up from Peter Kay, Russell Brand and Dylan Moran.

Female talent was a major focus – *Bad Sugar*, written by Sam Bain and Jesse Armstrong, starred three of the biggest female names in British comedy: Olivia Colman, Julia Davis and Sharon Horgan. Morgana Robinson and Sally Phillips starred in the sketch show *Them from That Thing*. In addition to this new material, we reflected on Channel 4's comedy past with previously unseen material, a countdown of Channel 4's greatest comedy shows and classic episodes of such cult series as *The IT Crowd*, *Father Ted*, *Brass Eye*, *Inbetweeners*, *Peep Show* and *Spaced*. The season was a huge hit – reaching 22 million viewers across the two weeks.

**22m**

viewers across  
two weeks

**11**

brand new  
shows

**49**

hours of programming



## CASE STUDY

## Stand Up To Cancer

**"Moved, inspired, encouraged, entertained, challenged by all that's happening tonight with *Stand Up 2 Cancer*"**

@abigregory – Viewer tweet



With a mission to inspire change and a strong track record of programmes that have had real-world impact, we held our first-ever live telethon and fundraising campaign, *Stand Up To Cancer*. This brought together an array of A-list celebrities, from George Clooney and Bradley Cooper to Gwyneth Paltrow and Cheryl Cole, to raise money for Cancer Research UK and became the most successful charity fundraiser debut on UK commercial television ever.

A week of highly emotional programmes, which included a documentary about a choir for people recovering from cancer and an *Embarassing Bodies* special on the disease, came to a climax with a six-hour live fundraising event. Hosted by Alan Carr, Davina McCall and Dr Christian Jessen, the evening featured live performances, celebrity games and some powerful films telling the stories of those affected by cancer or whose lives depend on new breakthroughs in cancer research.

More than 7 million viewers tuned in

**84% of viewers** said it made them feel they could make a difference to combating cancer







DIGITAL

EDUCATIONAL

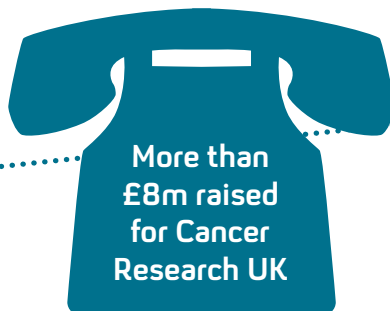
PARTNERSHIP

INSPIRE  
CHANGECOMEDY &  
ENTERTAINMENT

Dr Christian explained some of the science behind the ground-breaking new cancer trials that *Stand Up To Cancer* will be funding. The event had an enormous impact – trending on Twitter and with more than one million stories relating to *Stand Up To Cancer* shared on Facebook. Audience research found that the show raised awareness of the disease and inspired action – with viewers much more likely to donate to cancer charities after having seen the programme.

Viewers also felt it connected with Channel 4's values – with 84% of viewers sampled agreeing that *Stand Up To Cancer* was well-suited to Channel 4. Most importantly, the campaign raised more than £8 million for Cancer Research in the UK – becoming the most successful first-year telethon ever held in the UK.

**80% of viewers** said it made them more aware of the effects of cancer



**More than  
£8m raised  
for Cancer  
Research UK**

The most successful charity fundraiser debut on UK commercial television ever

**69% of viewers** were much more likely to donate to cancer charities after having seen the programme





# Educating Britain



## 2012 ambitions

- Build visibility and impact of education commissions by increasing integration and collaboration with other Channel 4 brands
- Expand television commissions to create balanced multiplatform presence
- Invest in major children's commission
- Maintain commitment to digital innovation through online games





Approximately 5,000 pencils were  
used in the making of *The Snowman*  
and *The Snowdog*

£7m

2012 spend including  
online and television  
projects



Rather than ghettoising educational content and children's content, in 2012 we aimed to bring them into the mainstream of our output and make them an integral part of what audiences love about Channel 4.

### Don't forget television

Channel 4's remit requires us to provide educational content for all ages, with an additional requirement that we focus on 14–19 year old teens. In recent years our educational projects for this teen audience have won critical acclaim and had tangible impact in the real-world – but in 2012 we wanted to do even better, and in particular reach wider audiences with our educational content. We therefore set out to use more of the biggest tool we have to drive attention: television. This meant developing online projects that tie in to TV programmes we know have powerful resonance with teenagers, as well as commissioning programmes in early evening and peak-time slots, along with series and single films.

We commissioned a dedicated website to support a *Hollyoaks* storyline on bullying, particularly focusing on the way social media can be used by teens to bully their peers (see case study). We worked with the producers of *Fresh Meat* to commission an online spin-off that would give teens resources and guidance on starting university and leaving home for the first time.

*Fresh Meat House* offered information on relationships, online safety, drugs, alcohol, sexual health, careers, budget planning and bereavement – all delivered in an informal and engaging tone. And we worked to make sure that wider social issues being explored across Channel 4 included a young person's perspective, for example our teen project *Battlefront* collaborated with *Channel 4 News* to examine the reality of youth unemployment.

A major peak-time three-part series, *Gok's Teens: The Naked Truth* attracted audiences of more than two million (see case study). *The Human Mannequin*, a documentary about 18 year old Louise Wedderburn, attracted 2.5 million viewers, with a disproportionately high share of young people. It also delivered fantastic online engagement, with young people taking to blogs, Twitter and Facebook to interact with Louise and her story of trying to break into the fashion industry despite a rare genetic condition. *Daredevils*, fronted by bike star Danny McAskill, was a documentary aimed at young boys and demonstrating how to enjoy dangerous sports while managing the risks involved. It was accompanied by a successful YouTube viral campaign.

More than 1.3m page views of the *Fresh Meat House* site in 2012



*Battlefront* took its campaign on youth unemployment to the Houses of Parliament

### Delighting children

We ended the year with a smash-hit sequel to iconic children's film *The Snowman*. Forming the centrepiece of our Christmas schedule, *The Snowman and The Snowdog* was made entirely in the UK by Lupus Films using the same hand-drawn animation techniques as the original film. With a total of 77 artists aged between 21 and 84 producing around 200,000 drawings over the course of two years, it represented a scale of investment in animation rarely seen in the UK.

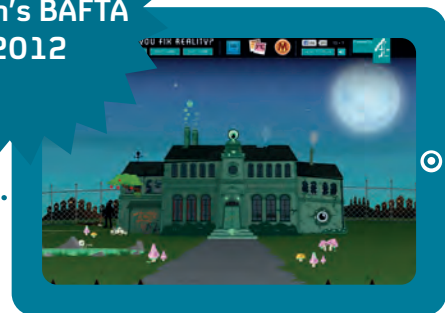
It was written and directed by Hilary Audus and Joanna Harrison – both of whom worked as animators on the original film, produced by original producer John Coates before his death, and was developed in consultation with children's author Raymond Briggs, the creator of *The Snowman*. To extend the fun, the characters were brought to life in a hugely successful children's game, created by East Midlands developer Crash Lab, which generated more than one million downloads, as well as an audio e-book featuring original illustrations and narration by Benedict Cumberbatch. The film itself was a huge hit – watched by more than 11 million viewers over the festive season.

### Digital innovation

Alongside the increased emphasis on television, we sought to maintain our reputation for digital innovation. Channel 4's newly appointed Games Commissioner worked closely with the education team to develop games on issues ranging from financial literacy to healthy eating and the environment. These included *International Racing Squirrels*, a financial literacy game for younger audiences; *Footfall*, a Facebook game that encourages entrepreneurial thinking; and *Nom Nation*, about the impact food can have on your health. We have also been active in building relationships with emerging games companies such as Big Robot, whose first commission, *Fallen City*, was nominated for a British Interactive Media Award.



Winner of a  
Children's BAFTA  
in 2012



*Nightmare High* – a schools-based game for 10–14 year olds that launched in 2011

"Louise Wedderburn is an inspiration.  
If only you could bottle that  
enthusiasm #thehumanmannequin"

@DanMcCready – Viewer tweet



CASE STUDY

## Hollyoaks: DocYou

DIGITAL

EDUCATIONAL

INSPIRE  
CHANGE

**"We are excited to have Channel 4's backing and their support in helping to raise awareness of our mission to make bullying unacceptable"**

Emma-Jane Cross, CEO of  
CyberMentors and BeatBullying

*Hollyoaks* has a history of tackling sensitive issues – most recently mental health, homelessness and drug abuse. In 2012 we wanted to highlight a 21st century problem: the risks young people can face online from cyberbullying. Working with the charity BeatBullying, we developed a ground-breaking multiplatform project, DocYou, which ran alongside an on-screen storyline about bullying. Through DocYou, viewers could see a *Hollyoaks* character suffer online abuse by her peers in real-time. The project was supported with videos, tips, forums and advice to help teens deal with their own experiences of cyberbullying.

While increasing awareness of cyberbullying in general, the DocYou project helped raise the profile of BeatBullying's cyber-mentoring scheme, a training scheme designed to help 11–17 year olds safely explore the internet and respond to bullying (online or off). Members of the *Hollyoaks* cast were trained as cyber mentors and Channel 4 funded mentor schemes in four schools across the country.

The on-screen storyline and DocYou project had a real impact – sparking debate across Facebook, Twitter and blogs.

**"Sites like DocYou and shows like *Hollyoaks* that are tackling the issue of cyberbullying are so important"**

Chan, Blogger

**1 in 3 young  
people have  
been victims of  
cyberbullying**

(Virtual Violence II – Report  
commissioned by BeatBullying)



CASE STUDY  
**Gok's Teens**

EDUCATIONAL

INSPIRE  
CHANGESTIMULATE  
DEBATEEDUCATION &  
OLDER CHILDREN

**"Wan is the inspirational presenter who lavishes warmth, advice and hugs on a nation with body confidence issues"**

The Daily Telegraph

The desire to 'fit in' and a fear of seeming different are perennial issues faced by teenagers. In *Gok's Teens*, Gok Wan set out to help young people through this turbulent time, showcasing inspiring young people and using his own personal experiences to help teenagers deal with such issues as body confidence, sexuality, bullying and eating disorders.

The series had a big and positive impact: more than half its 14–19 year old viewers said it made them feel better about themselves. Its educational elements were equally successful; here too, more than half the 14–19 year olds sampled said they had learnt something new about each of the key issues featured in the series, including sexuality, bullying and anorexia.



Two-thirds of 14–19 year olds surveyed said the programme should be shown in schools

**58%**

of 14–19 year olds surveyed said it helped them to feel more confident about themselves

81% of 14–19 year olds surveyed said the programme gave useful information on teen issues

# Engaging the audience

Audiences lie at the heart of everything we do at Channel 4. Our unique model means that we aim to have as wide an appeal as possible while also reaching out to specific demographics under-served by other broadcasters. We worked harder than ever in 2012 to engage with our viewers, harnessing new technologies to allow us to better understand their likes and dislikes and develop a more personal relationship with audiences that we expect to deepen further over time.

## Television

Traditional television has remained remarkably resilient in the face of increased competition from the likes of YouTube, Facebook and Twitter. Indeed, 2012 proved that huge television audiences are not just a hallmark of days gone by: all the main UK broadcasters drew large audiences to their coverage of major one-off events such as the London Olympics, the Queen's Jubilee and Euro 2012. The Olympics closing ceremony attracted a bigger average audience than any for more than 30 years.

For Channel 4 the Paralympic Games was a landmark moment, and we achieved some of our biggest viewing figures in a decade, with the Opening Ceremony peaking at 11.6 million. Meanwhile, more than 11 million people viewed *The Snowman* and *The Snowdog* over Christmas.

The high audience figures enjoyed by other broadcasters for major events meant that, even with the Paralympic Games, 2012 was a highly competitive year for audiences, which inevitably impacted our share of viewing. Our portfolio viewing share fell marginally to 11.5%.

The average monthly reach of our portfolio also saw a small drop of 1 percentage point year on year – in line with all other terrestrial broadcasters. We were pleased that, notwithstanding the intense competition, we were able to continue to stem decline on the main channel, with the smallest drop in share for more than five years (including time-shift channels). We had particular success in renewing the key 9.00pm peak time slot, with audiences up across 2012 for all individuals and amongst 16–34 year olds. The digital channels continued to grow strongly: E4 and Film4 both had record-breaking years, achieving their highest-ever share amongst all individuals and amongst 16–34 year olds. More4 also increased its reach.

Channel 4 continued to perform disproportionately well amongst hard to reach groups – in particular, profiling strongly amongst ethnic minorities and young audiences, in comparison to the other PSBs. We maintained our portfolio share amongst BAME audiences, following declines in some previous years, and the gap between the viewing share for white and BAME audiences continued to be narrower for Channel 4 than for the other public service broadcasters.

Amongst 16–34 year olds we attracted a 16.9% portfolio share. This was very slightly down from 2011, but we were still the only public service broadcaster whose share of 16–34s was higher than its share amongst the general population. E4 continued to be the most popular digital channel amongst 16–34 year olds, and the fourth most popular channel in total, ahead of BBC2, Channel 5 and ITV2.

Our audience tracker survey showed that Channel 4 continued to lead over other channels for being best for catering for audiences that other channels don't.

Channel 4's achievements are underpinned by our creative renewal, which allowed us to deliver a slate of distinctive new programmes across a range of genres. As powerful evidence of the success of these new programmes, 36 of the top 50 most viewed shows on Channel 4 in 2012 were brand new titles.

## AUDIENCE REACH

Average monthly reach of public service broadcasters' TV portfolios

	Total (%)	
2012	96.1	BBC
2011	96.6	
2012	91.4	ITV
2011	92.4	
2012	88.1	Channel 4
2011	88.8	
2012	72.0	Channel 5
2011	72.2	

## AUDIENCE IMPACT

# 88.1%

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

Down 0.7pts on last year

## AUDIENCE IMPACT

## TV VIEWING SHARE

Channel 4 portfolio share as a percentage of total TV viewing

	Total (%)	
2012	6.6	4.9
2011	6.8	4.8
2010	7.0	4.4
2009	7.4	4.1
2008	8.1	3.7

Channel 4 (main channel) Digital TV channels

# 11.5%

viewing share across the TV channel portfolio

Down 1% on last year

Percentage reach of individual TV channels in Channel 4 portfolio

	Total (%)	
2012	81.9	Channel 4
2011	82.9	
2012	36.8	E4
2011	39.0	
2012	39.5	More4
2011	38.6	
2012	35.9	Film4
2011	33.7	
2012	10.4	4Music
2011	10.8	

Source: BARB

15 minute consecutive, average monthly reach, all people

Note: Channel 4 2012 data includes 4Seven and the Paralympics channels. See methodology for further details.

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

	Total (%)	
2012	1.8	1.2
2011	1.8	1.2
2010	1.8	1.1
2009	1.7	1.1
2008	1.6	0.9

E4 More4 Film 4 4Music/The Hits

Source: BARB

Rounding differences may occur

Note: Channel 4 2012 data includes 4Seven and the Paralympics channels. See methodology for further details.



Paralympics Opening Ceremony

2012's highest-rated programme was *Paralympics Opening Ceremony*

2012's most praised programme was *Sri Lanka's Killing Fields: War Crimes Unpunished*



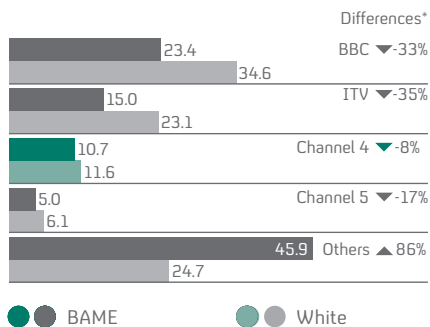
*Sri Lanka's Killing Fields: War Crimes Unpunished*



## CULTURAL DIVERSITY

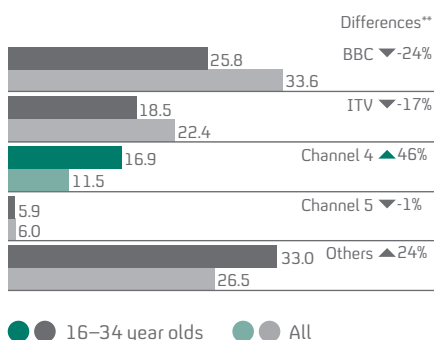
## SHARE AMONGST HARD TO REACH AUDIENCES

Public service broadcasters' portfolio viewing amongst white and BAME audiences as a percentage of total TV viewing by those audiences (2012)



\* Viewing by BAME audiences compared to white audiences

Public service broadcasters' portfolio viewing amongst 16–34 year olds and all audiences as a percentage of total TV viewing by those audiences (2012)



\*\* Viewing by 16–34 year olds compared to all audiences

Source: BARB  
Rounding differences may occur

10.7%

portfolio viewing share amongst BAME audiences

.....  
Level with last year

16.9%

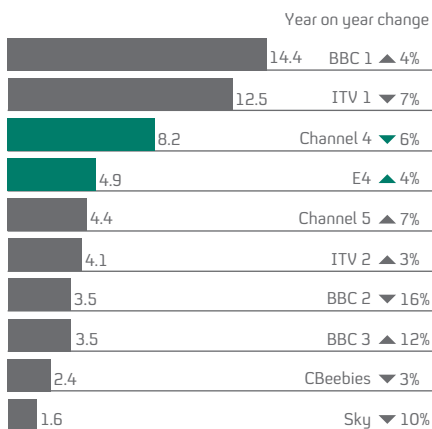
portfolio viewing share amongst 16–34 year olds

.....  
Down 1% on last year

## AUDIENCE IMPACT

## MOST POPULAR CHANNELS FOR YOUNG VIEWERS

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



Source: BARB  
Rounding differences may occur

4.9%

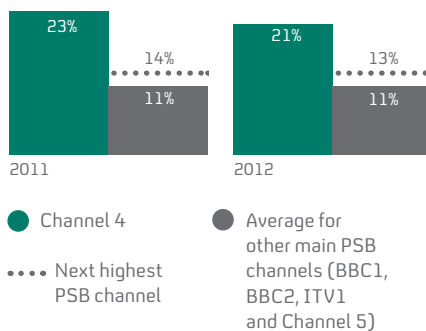
viewing share for E4 amongst 16–34 year olds

.....  
Up 4% on last year

## 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



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

## CULTURAL DIVERSITY

10pt lead

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

.....  
Down 2pts on last year

64% of total viewing across the main channel, E4 and More4 was accounted for by network originations

## Digital

In a world of rapid technological change, Channel 4 seeks to be on the front-line of innovation in digital media. In 2012 this saw us pursuing new platforms for our on-demand services, launching a new TV channel, 4Seven, innovating with mobile apps and connected televisions, and using the insights derived from online registrations to drive forward our business.

4oD is now available on a plethora of devices and platforms, including Xbox and YouView. It continued to grow in 2012, with total views up 5% to 450 million. Its particular popularity with younger audiences saw shows such as *Made in Chelsea* generate more than 10 million views in 2012 via Channel 4.com alone.

The year saw the launch of YouView, a connected TV service of which Channel 4 is a founding shareholder. YouView combines digital TV with video-on-demand services (including catch-up and archive libraries) and is subscription-free – addressing a large gap in the market by serving audiences who do not want to, or cannot, pay monthly fees for pay TV.

Reflecting the fact that it will take some years for penetration of connected TVs to grow to significant levels, we also launched 4Seven, a new digital channel providing further opportunities to catch up on Channel 4's most popular and talked about shows based on the 'buzz' from the last week.

Exclusive online content enables us to deepen the viewer experience. In 2012, there were 447 million visits to Channel 4's websites, mobile sites and apps, up 18% from 2011. This growth was particularly driven by an increase in visits to our apps – with popular products including those for *Facejacker*, *Misfits*, *Embarassing Bodies* and *Million Pound Drop* with 4oD and 4Seven.

We also started to see results from our initiatives to develop new forms of digital media, most notably with formats that embrace the potential of connected televisions. These included a series of prototype smart TV applications based around the Paralympics – one of which gave users access on their televisions to up-to-date information on upcoming events and medals tables as well as interactive 3D models of the specialist equipment used by the athletes. We also worked to develop products that let viewers instantly clip and share programmes via their TVs or smartphones and we continue to explore how connected televisions can make use of augmented reality, motion control, and face and gesture recognition technology.



Adam Hills

**"#isitok to ask channel 4 to keep this show going even when the paralympics have finished"**

@daddyfarmer – Viewer tweet



### Audience feedback

There are a plethora of ways in which we can gather and assess audience feedback, from contacts made to our Viewer Enquiries Centre to bespoke audience research and comments made on social media. As further evidence of the success of our creative renewal and in line with our remit to stimulate debate, the average 'buzz' score for Channel 4 programmes – a metric that tracks the extent to which people tell us they have talked about our shows – rose in 2012 by 9%. Programmes that achieved high levels of buzz included *Derren Brown's Apocalypse*, *The Snowman* and *The Snowdog*, *The Last Leg With Adam Hills*, Channel 4's coverage of the Paralympics and *The Undateables*.

During the year, our Viewer Enquiries Centre was contacted 141,196 times, the majority requests for further information. Of the rest, we received 18,929 complaints and 4,482 appreciative comments. The Paralympics received both the biggest number of positive and negative comments across the two-week period it was broadcast (the majority of complaints were in reference to advertising breaks) while the most praised individual programme was our follow-up film on the Sri Lankan conflict, *Sri Lanka's Killing Fields: War Crimes Unpunished*, which received 150 positive comments.

The most complained about individual programme was *Islam: The Untold Story* – although it also received a high volume of appreciative comments, as is common with polemical pieces on sensitive subjects. Other programmes that were particularly praised by viewers included *The Last Leg with Adam Hills* and the Ricky Gervais comedy pilot *Derek*, while programmes that received complaints included *True Stories: Gypsy Blood* and *Big Fat Gypsy Weddings*.



*One Born Every Minute*

**"Touches of the extraordinary among the everyday make this midweek series charming. Midwives and miracles, babies and biscuits"**

Daily Telegraph on *One Born Every Minute*



## ON DEMAND VIEWING

Full-length Channel 4 programme views initiated, millions



Source: Channel 4

## DIGITAL

450m

full-length programme views initiated on demand

Up 5% on last year

## STIMULATE DEBATE

## PRODUCING TALKED ABOUT TV

Top 10 most talked about programmes across the Channel 4 portfolio (2012)

	Buzz (%)*
<i>Derren Brown: Apocalypse</i>	76
<i>My Big Fat Fetish</i>	74
<i>Is Our Weather Getting Worse?</i>	70
<i>The Snowman and The Snowdog</i>	70
<i>The Last Leg With Adam Hills</i>	66
<i>Paralympic Games 2012**</i>	66
<i>Make Bradford British</i>	65
<i>Paralympics Closing Ceremony</i>	65
<i>Paralympics Opening Ceremony</i>	65
<i>The Undateables</i>	65
<b>Average for top 10</b>	<b>68</b>

Source: Kantar Media commissioned by Channel 4

\* Buzz measures the proportion of viewers who had talked or communicated about the programme in some way. See methodology document for further detail.

\*\* Weighted average all coverage

68%

average buzz score for Channel 4's 10 most talked about programmes

Up 9pts on last year

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

Total visits to Channel 4's digital media, millions



Visits to websites and mobile sites

Visits to apps

Source: Channel 4

Rounding differences may occur

## DIGITAL

447m

total visits to Channel 4's websites, mobile sites and apps

Up 18% on last year



Ricky Gervais' new show, *Derek*, was one of our most praised programmes



# Thank you

This list includes all our suppliers of first-run originated television programmes that transmitted across the portfolio in 2012, and the digital companies that received project funding from us in 2012. 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.

12 Yard Productions  
13 Strides  
15 Nine Studio  
2le media  
3Dd Productions  
7BN  
Acme Films  
Alchemy Television  
Alienation Digital  
Alleycats  
Amberlight  
Apposing  
Arrow International Media  
Art Public  
Associated Rediffusion Television Productions  
Atomized Entertainment  
Aver Media  
Ayers Media  
Baby Cow Productions  
Back2back Productions  
Ballet Boyz Productions  
Barkatt Productions  
Bertie Films  
Betty TV  
Big Talk Productions  
Bigballs  
Blakeway  
Blast! Films  
Blink Films  
Bold Yin  
Boomerang Plus  
Cactus Television  
Capabue  
Caterpillar Television  
CC Lab  
Century Films  
Century TV  
Chimerica Media  
Chocolate Media  
Chunk Ideas  
Cineflix Productions  
Clean Film  
Clearleft  
Clearstory  
Clerkenwell Films  
Cloud Nine Films  
Clusta  
Company Pictures  
Conker Media  
Contented Productions  
Corporation Pop  
Crackit Productions  
Crash Lab  
CTVC  
Cube Interactive  
CX Partners

Darkside Animation Films  
Darlow Smithson Productions  
Dazed Group  
DCD Media  
Deltatre Media  
Demand Media Incorporated  
Derek Productions  
Deuce Films  
Devotion TV  
Digital Accessibility Centre  
Digital Brand Services  
Discovery Communications  
Done And Dusted  
Don't Panic  
Dragon Digital Intermediate  
Dragonfly Film And Television Productions  
Dream Team Television  
E.M.U. Films  
East London Productions  
Ecosse Films  
Edge Ux  
Endemol  
Exclusive TV  
Eyeworks Television  
Fast Track  
Filmnova Production  
Films Of Record  
Finestripe Productions  
Firecracker Films  
Firecrest Films  
Fish In A Bottle  
Flow Interactive  
Fluent Interaction  
Fly Film Company  
Foolproof  
Fox Searchlight  
Fractured Films  
Frank Design And Communications  
Freeform Productions  
Fremantle Media  
Fresh One Productions  
Gem  
Giant Film & TV  
Globe Productions  
Goldcrest Film And Television  
Greedy Media  
Greene Light Films  
Halidom Productions  
Hardcash Productions  
Hat Trick  
Hay Fisher Productions  
Heehaw Digital  
Hidden Flack  
Hide And Seek Productions  
Highflyer Productions  
Hot Sauce Television

Hyphen Films  
Ignite  
Imano  
IMG Media  
Impossible Pictures  
Infinite Media  
Iso  
It's Nice That  
ITN  
ITV  
Iwc Media  
Jamie King  
JJ Stereo  
Johnston North  
Kanoti  
Kent Lyons  
Keo Films  
Kerb  
Kissanut Productions  
Kite Entertainment  
Kotv  
Kudos Film And Television  
Lambent Productions  
Left Bank Pictures  
Lemonade Money  
Leopard Films  
Liar Productions  
Liberty842  
Lime Pictures  
Lion Television  
Littleloud  
Live From Abbey Road  
Livework Studio  
Livity  
Lm Map  
Lone Star Productions  
Love Productions  
Lovelace Consulting  
Lucky Day Productions  
Lucky Features  
Lucky Frame  
Lupus Films  
Made Media  
MadeByPi  
Magnum Media  
Many Rivers Films  
Maroon Productions  
Matchbox TV  
Maverick Television  
Maya Vision  
Maztec  
Mcdougall Craig  
Mentorn Media  
Mercury Prize  
Meta Broadcast  
Michael C Christie

Minnow Films  
 Mint Digital  
 Mobloguk Technology  
 Mock Tudor Films  
 Modern Toss Productions  
 Monkey Kingdom  
 Monterosa Productions  
 Mousepickle  
 Mtm Research  
 Mubaloo  
 Mysociety  
 National Geographic Television  
 Never.No  
 New Entertainment Research And Design  
 New Studio London  
 Nfl  
 Nice Agency  
 Nick Crossland  
 Nine Lives Media  
 North One Television  
 Numiko  
 Objective Productions  
 Oblong Films  
 October Films  
 OMD  
 One Potato Two Potato  
 Open Mike Productions  
 Optimum Releasing  
 Optomen Television  
 Orion TV  
 Ostmodern  
 Outlandish  
 Oxford Films  
 Pathe Distribution  
 Patient Opinion  
 Peach Tree Films  
 Peekabu Studios  
 Perfectmotion  
 Pett Television  
 Pioneer  
 Pipoca Pictures  
 Pixiu Productions  
 Playerthree  
 PlayThisNext  
 Plum Pictures  
 Popkorn Media  
 Presentable  
 Press Productions  
 Princess Productions  
 Prospect Pictures  
 Protein  
 Public Zone  
 Quicksilver Media  
 Raise The Roof Productions  
 Ralph Creative  
 Rare Day  
 Raw TV  
 RDF Television  
 Realise  
 Redhouse Dox  
 Red House Television  
 Red Lion  
 Reef Television  
 Remarkable Television  
 Remedy Productions  
 Render Positive  
 Renegade Pictures  
 Revolution Films  
 Ricochet  
 Rize Television

Roast Beef Productions  
 Rob Manuel  
 Rocket Science Solutions  
 Ronachan Films  
 Rondo Media  
 Roughcut TV  
 Rubber Republic  
 Running Bare Pictures  
 Saltbeef Productions  
 Sassy Films  
 Screen Yorkshire  
 Screenchannel Television  
 Screenmedia Design  
 Secret Peter  
 Seneca Productions  
 September Films  
 Serco Experience Lab  
 Shine  
 Shiver  
 Sideline Productions  
 Silver River Productions  
 Snowdog Enterprises  
 Somethin' Else Sound Directions  
 Special Edition Films  
 Social Media Factory  
 Splash Media  
 Spring Films  
 Spudnick  
 Squirrelman Productions  
 Standing Stone Productions  
 Stardotstar  
 Starstruck Media  
 Steve Boulton Productions  
 Studio Lambert  
 Succulent Pictures  
 Sundog Pictures  
 Sunset & Vine  
 Super User Studio  
 Syndicut Communications  
 Tag Games  
 Talkback  
 Thames  
 Tate Media  
 Telling Tales  
 Tempero  
 Ten Alps Broadcasting  
 Tern Television Productions  
 Testimony Films  
 The Bespoke Film Company  
 The Brothers Mcleod  
 The Bureau Film Company  
 The Comedy Unit  
 The Connected Set  
 The Foundation For Art And Creative  
 Technology  
 The Garden Productions  
 The Mob Film Company  
 The Usability Lab  
 Thin Man Films  
 Tiger Aspect  
 Tigerlily Films  
 Tigress Productions  
 Time Line Films  
 Touchpaper Television  
 Tripitaka  
 True North Productions  
 True Vision  
 Tuna Technologies  
 Twenty Twenty  
 Two Four Productions

Underwater Gardening  
 Unique Television  
 Universal Spirits  
 User Vision  
 Utmost Media  
 Vera Productions  
 Vertigo Films  
 Vice Media  
 Videocracy  
 Videotext  
 Waddell Media  
 Wall To Wall  
 Warp Films  
 Watershed Television  
 What Larks! Productions  
 Whisper Films  
 Whitespace  
 Whizz Kid Entertainment  
 Wild Dream Films  
 Windfall Films  
 WNW  
 World Productions  
 Young Bwark Productions  
 ZCZ Films  
 Zeitgeist Television  
 Zeppotron  
 ZKK  
 Zodiac Media  
 Zone Worldwide



# Awards

## Television – UK

### AIB Awards (Association of International Broadcasting)

*Channel 4 Paralympics* (Sunset & Vine)  
Best coverage of London 2012

*Sri Lanka's Killing Fields: War Crimes Unpunished* (ITN) Best Investigative Documentary

*Mummifying Alan: Egypt's Last Secret* (Blink Entertainment)  
Best Science Documentary

### Amnesty International Media Awards

*Sri Lanka's Killing Fields: War Crimes Unpunished* (ITN) Documentary Award

*Channel 4 News – Horror in Homs* (ITN)  
Gaby Rado Memorial Award for News Journalism

### BAFTA Television Awards

*Mummifying Alan: Egypt's Last Secret* (Blink Entertainment) Specialist Factual

*This is England '88* (Warp Films)  
Mini-series

*Channel 4 News – Japan Earthquake* (ITN) News Coverage

*Derren Brown: The Experiments* (Objective Productions) Entertainment Programme

*Random* (Hillbilly Television)  
Single Drama

### British Comedy Awards

*Cardinal Burns* (Left Bank Pictures)  
Best Sketch Show

Best Comedy Breakthrough Artist  
(Morgana Robinson)

### Broadcast Awards

*Top Boy* (Cowboy Films)  
Best Drama Series

*Cardinal Burns* (Left Bank Pictures)  
Best Multichannel Programme  
Best Comedy Programme

*Educating Essex* (TwoFour Productions)  
Best Documentary Series

*Make Bradford British* (Love Productions)  
Best Popular Factual

*Sri Lanka's Killing Fields: War Crimes Unpunished* (ITN) News/Current Affairs Programme

*The Audience* (The Garden Productions)  
International Programme Sales

### Channel of the Year Awards (Edinburgh International Television Festival)

*Educating Essex* (TwoFour Productions)  
Producer/Director Debut of the Year  
(Grace Reynolds)

### Foreign Press Awards

*Channel 4 News – Horror in Homs* (ITN)  
Best TV News

*No Go Britain* (ITN)  
Best Digital Innovation

### Freesat Awards

*Educating Essex* (TwoFour Productions)  
Best New Television Series

*Million Pound Drop* (Endemol)  
Best Digital Initiative

### Grierson Awards

*Hell and Back Again* (Roast Beef Productions) Best Documentary on a Contemporary Theme – International

*Gypsy Blood* (ClearStory) Best Newcomer Documentary Award (Leo Maguire)

### Media Week Awards

*Andrex Washlets Clean Campaign* (Channel 4) Winner – Media Idea Medium

### NME Awards

*Fresh Meat* (Objective Productions)  
Best Comedy Award

### One World Media Awards

*Sri Lanka's Killing Fields: War Crimes Unpunished* (ITN) Television Award  
Documentary Award

*Channel 4 News* (ITN) Journalist of the Year (Jamal Osman)

### Rory Peck Awards

*Channel 4 News – Horror in Homs* (ITN)  
Rory Peck Award for News

*Unreported World: Terror in Sudan* (Quicksilver Media) Sony Impact Award

### RTS Midlands Awards

*Embarrassing Bodies: Live from the Clinic* (Maverick Television) Digital Innovation

### RTS Programme Awards

*Derren Brown – The Experiments* (Objective Productions) Entertainment

*Graffiti Wars* (TwoFour Productions) Arts

*24 Hours in A&E* (The Garden Productions) Documentary

*Dambusters: Building the Bouncing Bomb* (Windfall Films) History

*Mummifying Alan: Egypt's Last Secret* (Blink Entertainment) Science and Natural History

*Deal or No Deal Live* (Endemol)  
Daytime Programme

*Hugh's Big Fish Fight* (Keo Films) Popular Factual and Features

*Top Boy* (Cowboy Films) Drama Serial

*Fresh Meat* (Objective Productions) Writer – Comedy (Sam Bain & Jesse Armstrong) Scripted Comedy

#### TV Choice Awards

*Supersize vs. Superskinny* (Remarkable TV – Endemol) Best Lifestyle Show

### Television – International

#### Banff Television Festival

*Embarrassing Bodies: Live from the Clinic* (Maverick Television) Rockies Program Award – Cross-Platform

#### Impact Media Awards

*Embarrassing Bodies: Live from the Clinic* (Maverick Television) Best Digital Programme

#### International Digital Emmy Awards

*Embarrassing Bodies: Live from the Clinic* (Maverick Television) Digital Program: Non-Fiction

#### International Emmys

*Black Mirror* (Zeppotron) Winner – Mini-series/TV Movie

#### New York Festivals

*Inside Nature's Giants: Sperm Whale* (Windfall Films) Gold World Medal – Nature and Wildlife

#### New York International Short Film Festival

*Derek* (Derek Productions) Best Comedy

#### Rose d'Or

*Friday Night Dinner* (Big Talk productions/ Popper Productions) Best Sitcom

*Black Mirror* (Zeppotron) Best Comedy

*The Million Pound Drop Live* (Remarkable Television – Endemol) Best Game Show

#### Screen Actors Guild Awards

*Homeland* (Twentieth Century Fox) Best Actress in a Drama Series (Claire Danes)

#### US Emmys

*Homeland* (Twentieth Century Fox) Outstanding Lead Actor in a Drama Series (Damian Lewis)

Outstanding Lead Actress in a Drama Series (Claire Danes)

Outstanding Drama Series

Outstanding Writing for a Drama Series

### Film – UK

#### BAFTA Film Awards

Outstanding British Contribution to Cinema (Tessa Ross)

*The Imposter* (AGE Indie Films) Outstanding Debut by a British Writer, Director or Producer (Bart Layton and Dimitri Doganis)

#### British Academy Scotland Awards

*The Inbetweeners Movie* (Young Bwark Productions) Award for Special Achievement in 2012 (Chris Young)

#### British Independent Film Awards

*Berberian Sound Studio* (Illuminations Films/Warp X)

Best Director (Peter Strickland)

Best Actor (Toby Jones)

Best Achievement in Production

Best Technical Achievement

*Hyde Park on Hudson* (Daybreak Pictures) Best Supporting Actress (Olivia Colman)

*The Imposter* (AGE Indie Films)

Best Documentary

Douglas Hickox Award –

Best Debut Director (Bart Layton)

*Sightseers* (Big Talk Productions/Studio Canal/Rook Films) Best Screenplay

#### Empire Awards

*Tyrannosaur* (Warp Films/Inflammable Films) Best Actress (Olivia Coleman)

*The Inbetweeners Movie* (Young Bwark Productions) Best Comedy

*Kill List* (Warp X/ Rook Films) Best Horror

#### Evening Standard Awards

*Berberian Sound Studio* (Illuminations Films/Warp X) Best Actor (Toby Jones)

*Sightseers* (Big Talk Productions/Studio Canal/Rook Films) Peter Sellers Award for Comedy

*The Imposter* (AGE Indie Films) Best Documentary

#### London Film Critics Circle Awards

*Sightseers* (Big Talk Productions/Studio Canal/Rook Films) Breakthrough British Film-maker (Alice Lowe and Steve Oram)

*The Imposter* (AGE Indie Films) Documentary of the Year

*Berberian Sound Studio* (Illuminations Films/Warp X) British Film of the Year British Actor of the Year (Toby Jones)

### Film – International

#### Austin Film Critics Association

*The Imposter* (AGE Indie Films) Best Documentary

#### Boston Society of Film Critics Awards

*Seven Psychopaths* (Blueprint Pictures) Best Ensemble Cast

#### Central Ohio Film Critics Association

*The Imposter* (AGE Indie Films) Breakthrough Film Artist (Bart Layton)

#### CineFest International Film Festival 2012

*Berberian Sound Studio* (Illuminations Films/Warp X) Adolph Zukor Prize

#### Cannes Film Festival

*Sightseers* (Big Talk Productions/Studio Canal/Rook Films) Palm Dog

*The Curse* (Kasbah Film-Tanger /Quark Films) Illy Prize (Best Short Film) (Fyzal Boulifa)

#### Dubai International Film Festival

*The Curse* (Kasbah Film-Tanger /Quark Films) Muhr Arab Short – Best Director (Fyzal Boulifa)

### European Film Awards

*Shame* (See-Saw Films) Best Cinematographer (Sean Bobbitt)

Best Editor (Joe Walker)

### Fangoria Chainsaw Awards

*Attack the Block* (Big Talk Pictures) Best Makeup/Creature FX (Mike Elizalde, Spectral Motion, Paul Hyett)

### Golden Trailer Awards

*Shame* (See-Saw Films) Most Innovative Advertising for a Feature Film

### Hamptons International Film Festival

*The Curse* (Kasbah Film-Tanger/Quark Films) Golden Starfish Award (Fyzal Boulifa)

### Hollywood Film Festival

*On the Road* (MK2 Productions) Supporting Actress of the Year (Amy Adams)

### Kansas City Film Critics Awards

*The Imposter* (A&E Indie Films) Best Documentary

### Mar Del Plata International Film Festival

*Sightseers* (Big Talk Productions/Studio Canal/Rook Films) Best Screenplay (Alice Lowe, Steve Oram and Amy Jump)

### Miami International Film Festival

*The Imposter* (A&E Indie Films) Knight Foundation Grand Jury Prize – Knight Documentary Competition

### National Board of Review

*On the Road* (MK2 Productions) NBR Award – Top Ten Independent Films

### New York Film Critics' Circle Awards

*The Deep Blue Sea* (Camberwell/Fly Films) Lead Actress Award (Rachel Weisz)

### Online Film Critics Society Awards

*The Imposter* (A&E Indie Films) Best Documentary

### PRISM Awards

*Shame* (See-Saw Films) Feature Film – Mental Health

### Sitges – Catalanian International Film Festival

*Sightseers* (Big Talk Productions/Studio Canal/Rook Films) Best Actress (Alice Lowe)

Best Screenplay (Alice Lowe, Steve Oram and Amy Jump)

### Toronto Film Critics Association Awards

*The Deep Blue Sea* (Camberwell/Fly Films) Best Actress (Rachel Weisz)

### Toronto International Film Festival

*Seven Psychopaths* (Blueprint Pictures) People's Choice Award – Midnight Madness (Martin McDonagh)

### Vancouver Film Critics' Circle

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

### Zurich Film Festival

*The Imposter* (A&E Indie Films) Golden Eye – Best International Documentary Film

## Craft

### BAFTA Television Craft Awards

*Live from the Clinic* (Maverick Television) Digital Creativity

*Educating Essex* (TwoFour Productions) Director, Factual (David Clews)

*Top Boy* (Cowboy Films)

Original Music (Brian Eno)

### RTS Craft and Design Awards

*Noel Fielding's Luxury Comedy* (Secret Peter) Costume Design Award (Entertainment and Non-Drama) Make-up Design Award (Entertainment and Non-Drama)

## Digital Media

### BIMA (British Interactive Media Awards)

*Embarrassing Bodies: Live from the Clinic* (Maverick Television) Public Life Award

*Foxes Live: Wild in the City* (Windfall Films/Numiko) Mashups & Data-Visualisation

### Broadcast Digital Awards

*Sexperience* (Mint Digital/Endemol) Best Website

*Facejacker* (Hatrick/Widebeam Digital) Best App

*The Bank Job* (Remarkable Television/Chunk Games) Best Game

*Sri Lanka's Killing Fields* website (ITN) Best News/Current Affairs Content

*Embarrassing Bodies: Live from the Clinic* (Maverick Television) Best Multiplatform Project

### Broadcasting Press Guild TV & Radio Awards

*Million Pound Drop* – Online game (Monterosa Productions/Remarkable Television) Innovation Award

### The Herald Scottish Digital Business Awards

*The Bank Job* (Chunk Games) Games Award

## Diversity

### Creative Diversity Network Awards

*Channel 4 Paralympics* (Sunset & Vine Productions) Outstanding Achievement Award

*The Last Leg* (Open Mike Productions) Best Comedy & Entertainment

*Make Bradford British* (Love Productions) Best Nations & Regions

*Fresh Meat* (Objective Productions) Zawe Ashton Best Break-through On-screen Talent

*Acme Films* Company of the Year



### Mind Mental Health Media Awards

*Homeland* (Twentieth Century Fox) Best Drama Series (Claire Danes' Portrayal of Bipolar Disorder)

*Channel 4 News – Antipsychotic Drugs for Kids Report* (ITN) News & Current Affairs

## Marketing

### BTA Craft Awards

*Meet the Superhumans* (4creative) Best Direction (Tom Tagholm – Blink)

Best Achievement in Production (Gwilym Gwillim and Rory Fry)

Best Editing (Tim Hardy)

Best Use of Recorded Music (Tom Tagholm and Tim Hardy)

### Cannes International Festival of Creativity

*More4 Rebrand – Flip, Flop & Puzzle* (4creative) Gold Lion Award – Graphic Design & Design Crafts

### Creative Circle

*Street Summer Logo* (Channel 4) Silver in Design – Best Logo Silver in Design Craft – Best Illustration

*April Fool's Ident – Containers* (4creative) Silver in Film – Best Idents

### Creative Out of Home Awards

*Thanks for the Warm Up* (4creative) Award – 48 or 98 Sheet Poster

### D&AD

*Street Summer – On Air, Street Tag & Logo* (4creative) Yellow Pencil – TV & Cinema Communications / Multi-platform Branding & Promotions

### Marketing Week Engage Awards

*Hugh's Fish Fight Online* (Keo Digital) Winner – Media Category

### Promax Awards

Channel 4 Gold – Channel of the Year

*Meet the Superhumans Campaign* (4creative) People's Choice Award Gold

Best Launch Gold

Best Long-Form Gold

Best Direction Gold

Best Editing Gold

Best Sports Promo (Originated)

*Paralympian Campaign* (4creative) Gold – Best On-Air Campaign TV Promotion

*The Midnight Beast* (E4/4creative) Gold – Best Use of Digital Media

*More4 Scrapbook* (More4/4creative) Gold – Best Promotion for a Website or Interactive Service

*Turner Prize* (Channel 4/4creative) Gold – Best Graphic Design or Animation Promo

*New Year's Eve London Underground Takeover* (4creative) Gold – Best Print or Digital Outdoor

*Paralympians 2012* (4creative) Silver – Best On-Air Media Planning

*Paralympics on 4* (4creative) Silver – Best Cross-Media Campaign

*4oD Jon Snow* (4creative) Silver – Best Promotion for a Website or Interactive Service

*4Seven* (4seven/4creative) Silver – Best Ident Branding Package

*4Seven Takeover* (4seven/4creative) Silver – Best Direct Response Promo

*Jimmy and the Giant Supermarket* (4creative) Silver – Best Print or Digital Outdoor

*Great Directors Season* (Film4/4creative) Silver – Best Design

*How to Cook Like Heston* (Channel 4/4creative) Silver – Best Leisure and Lifestyle Promo

*Snakes on a Plane* (E4/4creative) Silver – Best Film Promo

*T4 Presenter Brand Spot* (4creative) Silver – Best Entertainment Promo (Originated)

*Derren Brown: The Experiments* (4creative) Bronze – Best Entertainment Promo (Originated)

*Films for Life* (Film4/4creative) Bronze – Best Film Promo

*Gordon's Christmas Cookalong* (4creative) Bronze – Best Leisure & Lifestyle Promo

*House Party* (Channel 4/4creative) Bronze – Best Design

*Meet the Paralympians – Injuries* (4creative) Bronze – Best Long-form

*Hollyoaks – Black Wedding* (4creative) Bronze – Best Drama (Originated)

### Sportel Monaco

*Meet the Superhumans* trailer (4creative) International Olympic Committee Grand Prize

*Acme Films* Company of the Year – Diversity

## Other

### Marketing Week Data Strategy Awards

*Viewer Centric Big Data Programme* (Channel 4) Winner, Gold Award – Entertainment and Gaming

### Campaign Magazine Awards

*Meet the Superhumans/Paralympics* (4creative) Campaign of the Year

*Meet the Superhumans* trailer (4creative) Best TV and Cinema Ad



# Looking back

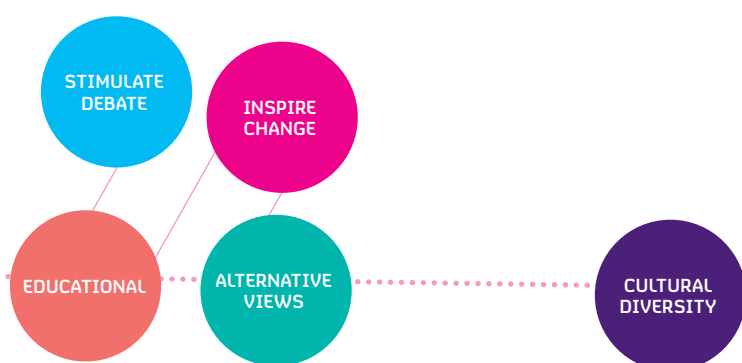
# Looking forward





# Making a noise

2013 will be an important year for Channel 4 as we continue our strategy of creative renewal and commercial evolution: delivering a diverse schedule of bold, noisy projects that feel truly distinctive while building a stronger and more personalised relationship with our viewers.



## Engaging with the world

We want Channel 4 to feel relevant and connected to the wider world – a space where people can participate in difficult conversations on important issues. We will do this by addressing themes that really matter to people – such as religion, inequality, multiculturalism, mental health, sex and relationships – and harnessing interactive technology so our audience can join in these conversations more directly. Stand-out ‘seasons’ throughout the year will bring together pieces from drama, current affairs and factual to reflect, provoke and, at times, challenge the views and behaviour of contemporary Britain.

## A quiet revolution in disability portrayal

Following the London 2012 Paralympics, a major priority for Channel 4 in 2013 will be to continue blazing a trail in how we portray people with disabilities. As we build towards the Winter Games in Sochi and the Summer Games in Rio in 2016, we will air major para-sports competitions such as July’s IPC Athletics World Championships. But our commitment goes beyond just changing attitudes to disability sport – we want to be the home for the most ground-breaking programmes on disability in the UK. Disabled presenters will feature across the schedule – not just in disability-related programmes but in genres as varied as entertainment and specialist factual.

Many of these will be the presenters Channel 4 found and developed for the Paralympics. Provocative series such as *The Undateables*, *I’m Spazticus* and *The Last Leg* will return to tackle head-on our attitudes towards disabled people. New series such as *The Mad House* and *My Mad Fat Diary* will examine mental health, while our news and current affairs strands will put disability issues under the spotlight. We hope the cumulative impact will be to deliver a meaningful legacy in how disability is portrayed on television.



Utopia

## DISTINCTIVE

**Risk and range**

In addition to taking risks by working with new talent, we will innovate in both form and content and invest in an array of new titles. Our aim is to be bold and make a noise. 'Event' programmes throughout the year will make sure we can stand out. This will include more live content – and experimentation with how digital media can transform and enhance the live viewing experience. Becoming the exclusive broadcaster of British racing on terrestrial television for the first time provides us with a great opportunity for experimentation, as we look to cover the national events in ways that feel new and different. And because we need to make sure we are catering to a diverse range of tastes and interests, we will look to broaden the range and tone of the projects we do, whether in film, drama, factual or comedy.

NURTURE  
TALENT**Backing the new**

As we explore life in contemporary Britain, working with the best and brightest British talent will be key. Creative ideas from original voices are the lifeblood of Channel 4. Several drama series will come from up and coming writers while strands such as *Coming Up* and *First Cut* will showcase debut film-makers. On-screen we will focus on developing new presenting talent, with new presenters for our sports and factual entertainment output in particular. Being as open as possible to companies of all sizes, of all backgrounds and of all creative disciplines will remain a key objective and our Creative Diversity team will continue to help companies win their first commission with Channel 4.

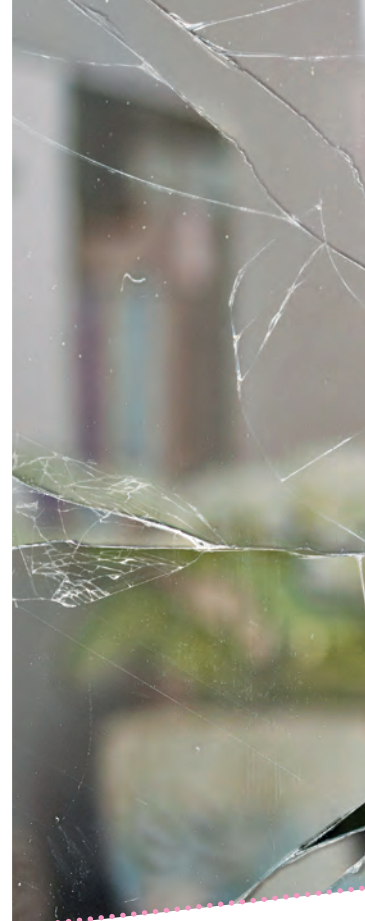
## INNOVATIVE

**Building relationships through digital**

It has always been Channel 4's role to innovate on-screen, but we are now also leading the way in how we use technology to drive our business. Channel 4's 'data-centric' strategy is unique among UK public service broadcasters and 2013 will see us make further progress in how we use the information we get from our viewers to improve both our commercial and creative offering. Building on our strong base of registered viewers, we will reward those viewers with exclusive content and personalised recommendations, and we will work with agencies to roll out more relevant and targeted advertising to our viewers. This includes allowing advertisers, for the first time, to provide targeted ads to 4oD users based on their age, gender and location.

## DIGITAL

# Investing in creativity



## Total content budget

As outlined elsewhere in the report, the 2012 budget represented a peak in the creative renewal process.

In light of market conditions, the 2013 budget is slightly reduced year on year. However, we will again take the bold step of injecting additional investment from our built-up surpluses and will continue to prioritise investment in original British content.

Most of the change in the overall budget has come from a reduction in our acquisitions spend following savings to some key shows, as well as a fall in the commissioning budget for entertainment following a peak of experimentation in 2012. The major story of 2013 will be an increased investment in original fiction – particularly drama, with a resurgence of original commissions coming to the screen in the early part of the year.

Spend on racing coverage will also increase as a result of Channel 4 winning the rights to the 'crown jewels' racing events: the Grand National, Royal Ascot and the Epsom Derby. Comedy and news will also see increases in investment as we look to remain competitive in these areas.



Black mirror

LOOKING  
FORWARD

### Breakdown by platform

The main Channel 4 service will continue to deliver original and distinctive content across a range of genres for all age groups. In a competitive media landscape, our aim will be to increase the creative impact of the channel and ensure that as many programmes as possible can cut through. It will continue to be the major recipient of the overall content budget, funding a mixed schedule of established series alongside new innovative shows.

Our digital channels will continue to deliver commercial and public value. E4 will look to retain its position as the number one digital destination for 16–34 year olds, with a commitment to showcasing some of the best US comedy and drama series alongside fresh British programming. There will be a renewed focus on original new drama series, alongside comedy and factual entertainment shows aimed at the under-35s audience.

More4 will receive an increased origination budget, with new features and lifestyles shows as well as drama acquisitions debuting on the channel. Film4 will look to maintain its reputation as the UK's leading film channel following a period of exceptional growth, and 4Seven will continue to show the best and most talked-about of Channel 4's programmes from the previous seven days.

A major focus of our online operations will be to deliver to our viewer management strategy by driving further registrations and providing more detailed data insight. We will also focus on enhancing our platforms – introducing new features such as allowing Channel 4 to be watched live on mobile devices and enabling 4oD to be watched offline on mobile and paused and resumed across multiple platforms.

We will continue to invest in ambitious multiplatform investment, but will prioritise key genres where it can add real value, such as in factual, news and entertainment, and our Online Commissioning and Commercial Product teams will work more closely together to develop fully converged digital formats.

In feature film production, Film4 will strive to use our annual budget of £15 million to develop 10 to 15 distinctive feature films that have the potential to resonate with national and international audiences.

# Creative ambitions



Richard III: The King in the Car Park

## Drama

2013 will see a new era for drama on Channel 4, as we increase investment and provide a rich slate of distinctive pieces. A central part of this strategy will be to introduce a range of contemporary dramas that are tonally different from previous shows: starting with *Utopia*, a six-part conspiracy thriller about a mysterious graphic novel which also touches on issues around identity and privacy. Feature-length single drama *Complicit* will explore the ethical questions surrounding the use of torture in the War on Terror. *Southcliffe* will centre on a fictional market town, devastated by a series of shootings that take place over the course of a day. *Run*, the first drama commission for ACME Films, will comprise four tightly-paced thrillers, examining the interconnectedness of modern city life. And a new nine-part series *Dates*, from the creator of *Skins*, will explore the highs and lows of modern dating. We will also be taking more risks with commissions by experimenting with cross-genre collaborations, such as drama/factual hybrid *The Mill*, which takes real historical records from a mill in Cheshire to deliver a powerful exploration of life in industrial Britain.

2013 will see the return of breakthrough dramas *Top Boy*, *Devil's Whore* sequel *New World* and *Black Mirror*. Identifying a returnable series to replace *Shameless* will remain a priority, and we will also strive to introduce a new reputational drama series for the 9pm slot that builds on the success of *Homeland*. Because engaging younger audiences with original and unexpected stories is an ever-present priority, we will continue to monitor the success of long-running show *Hollyoaks* and build on the cross-platform success of *Fresh Meat*.

Experimenting with new formats on E4 will also be central to our strategy of reaching younger audiences. *My Mad Fat Diary* portrays a 16 year-old heroine from Lincolnshire as she battles with issues around mental illness and body image, and *Youngers* tells the unique story of wannabe grime DJs in Peckham.

Our feature film production arm Film4 will continue to work with internationally acclaimed directors, writers and actors as well as finding and building relationships with new talent. 2013 projects include Kevin McDonald's adaptation of the critically acclaimed novel *How I Live Now*, Steve McQueen's feature *Twelve Years a Slave*, Danny Boyle's *Trance* (starring James McAvoy), Richard Ayoade's *The Double*, Roger Michell's *Hyde Park on Hudson* and Jonathan Glazer's *Under The Skin* (starring Scarlett Johansson). We will encourage established talent to explore new directions: Shane Meadows will deliver his debut documentary on *The Stone Roses* and Ken Loach will be releasing his polemical documentary, *Spirit of '45*. Searching for the next generation of directors who can take British film-making to the next level will also be a principal objective. We are also working with debut directors Jeremy Lovering (*The Horror*) and Paul Wright (*Seaside Stories*), as well as with Clio Bernard on her follow-up film to her acclaimed debut *The Arbor*.

We will continue to develop Film4.0 as a strong online platform for film-making talent, and Film4's website and social media platforms will also play a crucial role in widening the reach of the brand and helping us to build a direct relationship with our audiences.





My Mad Fat Diary

### Factual

Across our factual output, we will seek to identify engaging means of bringing audiences to contemporary social issues, to inspire greater audience interaction with the topics and themes we explore, and to build on our reputation for covering 'traditional' PSB subjects in daring and audacious ways.

A major theme for the year will be a suite of programmes that have interactivity at their very heart. We will look to commission multiplatform projects of real scale, and push viewer interactivity into new areas. *Date Night* will be an interactive twist on the dating show format, allowing viewers to pitch themselves as potential dates for the following week's episode. Our innovative parenting show *Bedtime Live* will allow viewers to feed in their own experiences via Skype and Twitter, and our natural history event *Easter Eggs Live* will give viewers access to live online streaming footage of hatching eggs. *D-Day: As It Happens* will be a live 24-hours history event in which we mark D-Day's anniversary by playing it out in real-time across TV, mobile, tablets, the web and social media.

A fascination with understanding contemporary Britain runs through the slate of factual programming in 2013. In *Do They Speak English?* we will ask whether our cultural acceptance of segregated micro communities is consistent with an integrated, inclusive society, and we will look to mark Ramadan with some innovative programming on-screen.

We will engage with the continuing economic down-turn – with hard-hitting documentary series such as *The Estate* providing an honest portrayal of the UK's disenfranchised communities and a new series presented by Hilary Devey in which she offers talented and ambitious young people the opportunity to win internships with some of the most exciting employers in the UK. We will also update viewers on issues that have already had real-world impact, with follow up programmes on *Hugh's Fish Fight* and *Bank of Dave*.

In documentaries, we will seek to broaden the range and tone of our output, with a mixture of short series, big formats and single films. Insightful and educational 'state of the nation' series *24 Hours in AGE* and *999: What's Your Emergency?*, which we know have been successful ways of engaging young audiences with public service content, will return alongside new series such as *The Estate* (about life in one of the worst council estates in the country) and *Murder Trial* (a fly-on-the-wall examination of the Scottish court system). 2011's insightful look at the UK education system, *Educating Essex*, will also return – but this time taking its cameras to a school in Yorkshire as it wrestles with issues of cultural diversity. We will continue to refresh our single-film strands – embedding the changes made to *True Stories* and *Cutting Edge*, and extending the length of *First Cut* films to 60 minutes. The strand will be located in a new, post-watershed slot, and will give film-makers greater freedom and enable them to produce more ambitious work.

We believe these changes will establish *First Cut* as the industry's most significant new talent strand for documentary directors.

Our central aim for our specialist factual content will be to produce history, science, arts and religion output that feel noisy, contemporary and impactful. Programmes such as *The Mill*, *Easter Egg Live*, *D-Day: As It Happens* and *Richard III: King In A Car Park* all demonstrate our ability to tell stories in distinctive ways. We will focus on finding engaging hooks – such as climate change and the weather – into scientific issues. In arts, we are planning a series of programmes on music including a documentary on the evolution of music (featuring Bjork and natural history presenter David Attenborough) and a classical music season that examines the relationship between music and our mental and emotional health. In addition to focusing on music in our arts output, we will reinvigorate our broader music offering by replacing T4 with a live Friday night music show and adding the Mercury Music Prize to our suite of music events. It will now sit alongside the V Festival and the iTunes Festival, embedding Channel 4 as a destination for the very best in contemporary music.

Finally, we will seek to develop new presenting talent, particularly developing the potential of 'non-presenters' who have shone in previous C4 series, such as Dave Fishwick, Katie Piper and Grayson Perry.





Derek



How I Live Now

### Comedy and entertainment

In a crowded marketplace where there is huge investment in comedy, the challenge for Channel 4 is to make sure our comedy shows stand out. We will do this by taking risks, and creating a diverse slate of programmes, from the boutique to the broad. The key to getting it right, though, is our relationship with talent. What Channel 4 does exceptionally well is to give new talent creative opportunities and existing talent creative freedom.

New talent is what makes our content distinctive – and alongside continuing to nurture and develop talent through returning series of *PhoneShop*, *Cardinal Burns* and *I'm Spazticus*, our *Comedy Blaps* will be a vital tool in discovering and testing out new comic performers. On television, *The Mimic* will give Terry Mynott his first lead role, and following the success of YouTube-discoveries *Midnight Beast* and the multi-award winning *Cardinal Burns*, we will look to uncover talent from outside the usual avenues. We will seek to increase the number of female comic voices on our screens, a group often under-represented in comedy. This includes a sketch show from comedians Anna Krilly and Katy Wix and *London Irish*, a brand new sitcom based around a community of Northern Irish 20-somethings in London, written by Derry-born Lisa McGee.

We are also working with writer Caitlin Moran on a new pilot. Finding new comedy programmes for E4 will be a particular focus – with commissions including a new series, *Drifters*, from the producers of *The Inbetweeners*, which will follow three 20-something young women experiencing their first slice of the real world post-University.

We will also seek to commission series that have broad appeal – with a Christmas special from *The IT Crowd* alongside brand new titles from acts who originally made their name on Channel 4. Ricky Gervais quirky comedy creation *Derek* will return as a full series in February, and Welsh comedian and *Inbetweeners* star Greg Davies will star in *Man Down* later in the year. Peter Kay also returns to Channel 4 to star in a one-off comedy drama *Malachy's Millions*.

In entertainment we will continue to experiment with a broad range of formats – although not at the same scale as in 2012. This will include a series of new pilots, and a major new game show presented by Davina McCall, *Five Minutes to Fortune*. *Stand Up To Cancer*, *The Comedy Gala* and *The British Comedy Awards* will provide a series of key moments throughout the year that we can build around, and shows such as *10 O'Clock Live*, *Alan Carr: Chatty Man*, *Stand Up For the Week* and *Eight Out Of Ten Cats* will all return.

We are developing ideas with existing stars such as Jack Whitehall, Derren Brown, Sean Lock and Jon Richardson, but we will also launch a show featuring Ben Earl, a magician Channel 4 has been developing for two years. We will extend our relationship with emerging talents Adam Hills, Josh Widdicombe and Alex Brooker by reinventing their hugely acclaimed *The Last Leg* as a returnable entertainment format for Friday nights, while maintaining its ground-breaking, but good-natured approach to talking about disability. We will continue pioneering in the field of interactive and two-screen accompaniments to entertainment, including investing in new play-along games.



### News and current affairs

Our key objectives in news and current affairs will be to deliver challenging, independent journalism that challenges authority, holds power to account and takes risks. We will look for new opportunities for collaboration between our News and Current Affairs teams, and will unearth more hard-hitting stories through investigative journalism. This genre will also be a key vehicle for sustaining the legacy of the Paralympics – disability stories will be a recurring theme on *Channel 4 News* and presenters such as Ade Adepitan will present films for our current affairs strands.

2013 will be the first year for *Channel 4 News* under its new management team – headed by editor Ben De Pear. Following recent declines to the sizes of its television audience, in 2013 our priorities will be to amplify the strengths of the main news programme as well as responding to changes in news consumption by investing strongly in online platforms. This includes further development of the *Channel 4 News* website to ensure it reflects the distinctive brand of the programme, as well as innovating with other digital platforms and devices to ensure we stay at the forefront of innovation. We will continue to identify stories of particular interest to 16–34 year olds, with a view to strengthening our relationship with this audience.

In current affairs we will further develop *Dispatches* as a defining brand for Channel 4: risk-taking, revelatory, topical and investigative. We will continue the mix between 30-minute and hour-long programmes to ensure we have the flexibility to give each story as much space as it needs, including ground-breaking specials from either side of the Syrian War. We will experiment with innovative multiplatform concepts for the strand that build on successes such as *Train Journeys From Hell* and *Let Our Dad Die*. Our *Unreported World* strand will uncover unexpected stories from around the world, including the changing nature of the developing world.



Giles Duley

### Education and older children

Alongside our wider delivery of engaging, educational projects for all age groups, a new Head of Formats will take on responsibility for delivering our educational remit for 14–19 year olds. 2012 saw a strategic shift in this area that recognised that television remains a key driver of attention, enabling us to reach more young people than we were able to do through digital platforms alone. We will build upon this success in 2013 – with original shows and projects around some of the most pressing issues for Britain's young audiences, including body image and self-esteem (*My Mad Fat Diary*, *SuperMe Game*), media literacy (*Don't Blame Facebook*), alongside bespoke educational content around other major Channel 4 shows with strong teen appeal, such as *Made In Chelsea* and *Fresh Meat*.

We will use our portfolio to drive audience engagement, working across C4, E4 and online. While the focus of this strategy will be on factual content, we will also seek to use other genres to connect with young audiences – for example, our teen drama series *My Mad Fat Diary* will be a sensitive, yet comedic, exploration of a range of teen issues including mental health, sexuality and body image. We will continue to explore ways of reaching older children and young people through our content – including new drama series *Youngers*, which will follow the lives of two young teens as they navigate their way into maturity.

## 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 12, 14, 31, 32, 33, 34, 36, 38, 44, 47, 56, 64, 65, 66, 68, 87, 88, 91 of Channel 4's Annual Report for the year ended 31 December 2012 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 2012 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 2012 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 2012 and the comparisons with the immediate prior year. We have not examined the key measures for years prior to the year ended 31 December 2011 other than in the following cases:

- Where the summary metrics for which the source of the data is Ofcom or Broadcast for which the 2012 data was not yet available, we have examined the information for the years ended 31 December 2011 and 2010 found on page 31; and
- We have checked the extraction of TV viewing share from BARB from 2008 to 2012 found on page 87.

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 online data service providers:

- Total visits to Channel 4 websites, mobile sites and apps on page 91 and
- Full length Channel 4 programme views initiated 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, Kantar Media, Attentional, Ofcom and Broadcast) we have relied upon the information supplied by BARB, Ipsos MORI, Kantar Media, 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 online 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 2011, 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 2012 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 TV viewing share from 2008 to 2012 are not fairly stated.

**Hugh Green**  
for and on behalf of KPMG LLP  
Chartered Accountants  
London  
27 March 2013



# Financial report and statements



## Report of the members

The members present their report and the audited financial statements for the year ended 31 December 2012.

### 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 – we optimise returns from our commercial activities.

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 came into force on 24 January 2012. The primary functions of the group now extend beyond the main Channel 4 service to include content delivery across our digital channels, digital media and exploitation of content rights.

Following this change, Channel 4 carried out an internal business transfer to move the business and assets of those public value functions within 4 Ventures Ltd (4 Ventures), a 100% owned subsidiary of Channel Four Television Corporation, into the Corporation. The assets were transferred at their book value and included:

- the Ofcom licences in respect of our digital channels, controlled by 4 Ventures through its wholly owned subsidiary, Life One Broadcasting Limited

- 4 Ventures' share in the 50:50 joint venture company Box Television Limited (Box), which owns and operates the DTT 4Music channel and six other pay music channels, and
- the operation of the digital channels (E4, More4 and Film4, their associated '+1' and high definition (HD) channels, and Channel 4 +1 and Channel 4 HD), the operation of video on demand services (4oD) and the activities of 4Rights.

The main Channel 4 service is available in both SD and HD on the main broadcast platforms: Freeview, Freesat, Sky and Virgin Media. E4, Film4, More4 and 4seven are also available on all main broadcast platforms; E4 HD is available on Sky and Virgin; Film4 HD on Virgin; and (as of February 2013) More4 HD on Sky. Our content including archive programming is made available on the 4oD service. As well as being accessed via channel4.com, we have extended the reach of 4oD to other devices, including integration with the new YouView platform, and the launch of applications for, amongst others, PS3, XBOX 360, Apple iOS, Android and Windows 8. 4oD is also syndicated to Sky (as of March 2013), Virgin Media, BT Vision, YouTube, Netflix and Lovefilm. Selected TV content is available to purchase from iTunes, while some Film4 content is available on iTunes as well as Film4oD, a transactional film partnership with Film Flex. Channel 4, E4, More4 and Film4 are also available in the Republic of Ireland via the Sky, UPC and other cable platforms.

In 2012 Channel 4 continued to participate in the YouView project, the internet connected set top box, with the first set top box launched on 4 July 2012. YouView enables users to watch, pause and rewind live television and access content from the past seven days.

The Chairman and Chief Executive present their statements on pages 6–7 and 8–9 respectively. A review of the group, outlining its development and performance during the financial year together with its position at 31 December 2012, 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 124 to 167.

## Report of the members continued

### Principal activities

Our business comprises three operating segments:

#### 4Broadcast

4Broadcast comprises the broadcast and supporting activities of the Corporation. These activities include five free-to-air television channels, available on terrestrial, satellite and cable platforms, which help to maintain the Corporation's scale and creative impact in the multichannel world.

- Channel 4 – The main service channel continues to maintain its core focus on the values of innovation, creativity and diversity through original UK commissioned programming. It also encompasses our delayed transmission service C4+1 and high definition service, C4 HD and 4seven. 4seven is a new channel providing another opportunity to watch Channel 4 programmes from the past week that have generated public, media and social media attention. 4seven was launched on 4 July 2012
- E4 – focusing on comedy, drama and entertainment including original commissions and US acquisitions. E4 is the leading digital channel for 16–34s and the third most popular digital channel in the UK. E4 also includes a delayed transmission service E4+1 and high definition service E4 HD
- More4 – offering life enhancing content to help viewers to get the most out of their everyday lives, More4 focuses on popular factual and features including homes, property, food, health and fashion. More4 also includes a delayed transmission service More4+1 and high definition service More4 HD
- 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.

In addition, 4Broadcast includes interactive platforms which have helped to extend the depth and impact of programming output for more than a decade. 4Broadcast 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. Channel4.com and E4.com host a variety of microsites 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.

#### 4Rights

4Rights includes our UK secondary rights business generating income through the distribution of programmes, sale of DVDs, syndicated video on demand through third-party digital platforms and other associated products.

#### 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 service channel to include programmes of an educational nature and other programmes of educative value, and
- exhibits a distinctive character'.

The 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



## Report of the members continued

- 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 the main Channel 4 service, the digital channels and online services. In 2012 these public value measures have been published for a fifth 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 2012 the presentation of the measures builds on the work done in the previous four years. It is structured around the key genres and for a third 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. Portfolio audience share

In 2012, portfolio audience share declined by 0.1 percentage point to 11.5% (2011: 11.6%), reflecting the underlying impact of digital migration.

A key measure of how we are delivering on our remit is the impact of the main Channel 4 service's programming, which we measure in terms of our share of audience. In 2012, the main service channel's share of audience was 6.6% (2011: 6.8%).

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.

With the growth of multi-channel television, our portfolio of digital channels allows us to deliver 4-branded content to a wider audience. In 2012 our digital channels grew their share of viewing by 0.1 percentage point to 4.9% (2011: 4.8%).

### 2. Ofcom requirements

As a public service broadcaster, the 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 190. In 2012 and 2011 we met or exceeded all of our licence requirements.

During 2012 the main channel achieved 63% of overall 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 41% (£152 million) of Channel 4's originated programming, excluding *Channel 4 News*, being supplied by production companies located outside the M25.

### 3. Total advertising and sponsorship revenue

Channel 4 is funded solely from commercial activities without direct public subsidy. The revenue the group derives from advertising and sponsorship drives overall financial performance and enables the delivery of our remit. Our commercial performance is dependent on delivering valuable airtime to advertisers, which in 2012 accounted for 91% (2011: 90%) of total revenue.

### 4. Operating result

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 loss of £29 million (2011: profit of £41 million) are explained below.

## Report of the members continued

### Financial review and outlook

Despite challenging TV advertising market and economic conditions, and the pressures of digital migration, the significant cash reserves accumulated over the past few years have enabled investment in a number of strategic initiatives. As a not-for-profit public service broadcaster, we believe it is right that cash reserves should be invested back into content and digital innovation rather than building up beyond levels necessary to keep the Corporation self-reliant. These initiatives are designed to meet the opportunities and challenges of the next phase of digital migration and evolve our commercial business model to maintain the relevance and reach of our remit, including creative renewal of our schedule, further investment in original content, and innovations through data and viewer relationship management.

Our investment in these initiatives has led to a planned temporary reduction in our pre-tax result, from a surplus of £28 million in 2011 (before exceptional one-off items relating to our pension obligation and the revaluation of our Horseferry Road property) to a deficit of £27 million in 2012. We expect to continue investing in 2013 to support these initiatives, with operating results breaking even in 2014, provided TV advertising market conditions remain close to flat.

The group generated revenues of £925 million (2011: £941 million) and a deficit before tax of £27 million (2011: adjusted surplus of £28 million), which led to a decrease in cash and funds on deposit of £29 million in the year (2011: an increase of £29 million) to £261 million (2011: £290 million).

After our planned investments, we continue with a robust financial position, reflected by a strong balance sheet and significant cash reserves, providing funds for our strategic investment plans, as well as contingency against future advertising market volatility.

Our key corporate and financial priority in 2012 was to increase investment to ensure the long term sustainability of Channel 4's unique business model. This included increased investment in content, the launch of 4seven, supporting the Paralympics, ongoing support of YouView in the year of its launch, continued innovation in data and viewer relationships and maximising the reach of 4oD through digital platforms.

In August and September Channel 4 broadcast the London 2012 Paralympic Games, dedicating 252 hours across Channel 4, 4seven and More 4, as well as the 4oD video on demand platform. The coverage was the most comprehensive ever of a Paralympic Games, and included 193 hours of Games coverage, as well as 59 hours of analysis and documentary programming showcasing key disability sport.

On 4 July 2012 Channel 4 launched a new type of TV channel across all major TV platforms. 4seven schedules the most popular and talked about Channel 4 shows from the past seven days, providing viewers an opportunity to watch Channel 4 programmes from the past week that have generated public, media and social media attention, increasing the impact of our investment in original content.

As part of our creative renewal process, and to support the UK independent production industry, we have invested our highest amount ever into originated content in 2012 (£434 million), including high profile and ground-breaking shows such as *Plane Crash*, *The Undateables* and *The Snowman and The Snowdog*. Investment in video on demand platforms has extended the reach of 4oD resulting in increased registrations, views and revenue growth. By December 2012 6.3 million viewers had registered with 4oD, a key milestone in achieving more direct engagement with viewers.

The sales portfolio includes television and online advertising and sponsorship revenues for Channel 4, UKTV and Box. Our advertising sales team exceeded their sales target of £1 billion for a second year in spite of a challenging market and a number of one-off televised events on competitor channels.

During 2012, we completed the programme of refurbishment at our Horseferry Road property. The refurbishment included the conversion of the lower ground floor to office accommodation and a refresh across the upper floors.

Average headcount for the year rose in 2012 to 795 (2011: 763), mainly to support the launch of 4seven, continue to strengthen our audience data capability, support our advertising sales initiatives and extend our 4Talent intern programme.

In 2013, our plans are to continue to invest in the initiatives begun in 2012. As part of this strategy we will further reinvest our cash reserves in compelling content and viewer relationship management.

## Report of the members continued

As noted on page 115, our principal risk remains the volatility of 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 2013, we will seek to reinvest into the content budget and our strategic initiatives.

### Financial performance

Despite advertising sales market volatility, the Board decided to increase investment in content and other strategic priorities including the launch of 4seven by drawing down reserves built up in previous years. As a result we report an operating loss of £29 million funded from cash reserves.

	Advertising & Sponsorship revenue £m	Other revenue £m	Total revenue £m	Operating profit/(loss) £m
<b>2012</b>				
4Broadcast	833	17	850	(52)
4Rights	11	67	78	23
Other	—	1	1	—
Eliminations	—	(4)	(4)	—
	<b>844</b>	<b>81</b>	<b>925</b>	<b>(29)</b>
<b>2011</b>				
4Broadcast	843	15	858	2
4Rights	2	82	84	22
Other	—	—	—	—
Eliminations	—	(1)	(1)	—
	<b>845</b>	<b>96</b>	<b>941</b>	<b>24</b>

\* Operating profit/(loss) is presented before £17 million of exceptional one-off items recorded in 2011 relating to our pension obligation and the revaluation of our Horseferry Road property

#### 4Broadcast

Significant cash reserves enabled us to invest despite the decline in the TV advertising market. Additional funds were made available for the Paralympics and other programming content as part of our creative renewal. Investment increased in strategic initiatives including data innovation and viewer relationship management, advertising sales innovation, the launch of 4seven, the extension of our video on demand offering and the launch of YouView. Revenues declined by £8 million in 2012 driven mostly by decline in the TV ad market.

#### 4Rights

4Rights generated operating profits of £23 million in 2012 (2011: £22 million) reflecting the growth of syndicated online platforms partly offset by the impact of *The Inbetweeners Movie* in 2011.

Revenues declined by £6 million from £84 million in 2011 to £78 million in 2012 due to the success of DVD sales of *The Inbetweeners Movie* in 2011.

#### Other

Other revenues include creative design and production services.

### Net finance income

Net finance income in 2012 was £1 million (2011: £2 million). The decline in net finance income reflects a reduction in interest receivable on short term deposits due to a lower level of cash reserves and lower interest rates, as well as a decrease in the expected return on pension plan assets.

### Financial position

The balance sheet on page 126 of the financial statements shows that the net assets of the group decreased in the year by £36 million to £464 million (2011: £500 million). This is a result of the 2012 draw down on reserves of £27 million and an increase in the defined benefit pension plan obligation recorded in Other Comprehensive Income, partly offset by the increase in the revaluation reserve due to the revaluation of the Horseferry Road freehold property.

### Cashflow

As shown in the group cashflow statement on page 127, the investment strategy adopted in 2012 resulted in a £24 million net operating cash outflow (2011: net operating cash inflow of £39 million). Net cash outflows from financing activities were £44 million as money was placed on deposit (2011: net cash inflows of £65 million) to maximise the return on surplus cash. Group cash and cash equivalents were £173 million at 31 December 2012 (2011: £246 million) with a further £40 million held on deposit for three months or longer (2011: £34 million) and £48 million held as variable net asset value funds (2011: £10 million).



## Report of the members continued

### Pension

The assets and liabilities of the Channel Four Television Staff Pension Plan have been valued at 31 December 2012 in accordance with IAS 19 'Employee Benefits' and the net accounting deficit of £40 million has been recorded in the year end balance sheet (2011: £21 million) (note 21). The deficit has increased in 2012 primarily as a result of changes in actuarial assumptions, including a lower discount rate applied to the pension obligation due to declining bond rates. This has been partly offset by additional employer contributions and better than expected returns on plan assets. The most recent independent triennial valuation was carried out as at 1 January 2009 and updated subsequently at 1 January 2010. The subsequent valuation and recovery plan were approved by the Board in March 2010 (note 21). A new triennial valuation will be performed in 2013. The Channel Four Television Staff Pension Plan was closed to new joiners with effect from 1 September 2007 and a new Defined Contribution Scheme opened from the same date.

### Accounting policies

A summary of significant accounting policies is provided in pages 128–134 of this report.

### Risks

Outlined below are the key risks that the group faces, and the key steps taken to mitigate them. Further details of our governance structure are provided in the Corporate Governance section on pages 168–178.

#### 1. Dependence on advertising and sponsorship revenues

Ninety one per cent of Channel 4's revenue (2011: 90%) was derived from advertising and sponsorship in 2012. 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 and sponsorship 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 the advertising market.

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 to protect against the impact of a decline in the television advertising market. The Treasury Risk Committee regularly reviews the group's cashflow forecast and requirements for cash.

#### 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 189 and 190 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 2010, Channel 4 is required to publish an annual Statement of Media Content Policy containing a retrospective review of performance of the previous year and our strategy for the next year. This Statement is compiled in accordance with Ofcom guidelines and in consultation with Ofcom, and is published in the front section of this Annual Report. The Statement of Media Content Policy incorporates the Statement of Programme Policy also required by current legislation.

#### 3. Legal and regulatory obligations

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

- Breach of regulatory codes, including in particular the Ofcom Broadcasting Code, resulting in the imposition of a statutory sanction
- Breach of the civil law (to which we have no defence in law), and
- Breach of the criminal law (to which we have no defence in law).

## Report of the members continued

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.

The Board performs an annual review of the compliance process.

### 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 179–182. Since 1 January 2012, the following members have been appointed or have retired:

On 1 January 2012 MT Rainey, Paul Potts and Josie Rourke 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.

On 25 November 2012 Lord Hall resigned from the Board.

Details of members' remuneration are contained within the report on members' remuneration on pages 183–187.

Subsequent to the year end, on 26 February 2013 Anne Bulford resigned from the Board.

### Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members' interests. During 2012, members, in addition to their salaries, benefits and/or fees as disclosed on pages 183–187, 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 and MT Rainey Vice Chair of Skillset. Channel 4 paid £181,000 to Skillset for funding during 2012.

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 £13,000 to Business in the Community for sponsorship during 2012. Mark Price is also Managing Director of Waitrose. Waitrose is a sponsor of programming on Channel 4.

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

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.

### 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.

## Report of the members continued

### People

We pride ourselves on the wide range of passionate and talented people we employ. Not only does this reflect our audience more accurately, it also promotes creative thinking both on and off screen.

#### Staff survey results 2011/12

For the first time we are publishing the results of our staff survey. The survey is compiled by a third party and all submissions are anonymous.

- 84% response rate
- 96% proud to be part of Channel 4
- 94% enjoy working for Channel 4
- 80% engagement score.

By attracting people from different backgrounds and walks of life, we have created an environment in which everyone feels free to contribute to the way we work. Channel 4 believes diversity is being all-inclusive, regardless of culture, nationality, religious persuasion, physical and mental ability, sexual orientation, race, age and background.

- Ethnic minorities representation among permanent staff in 2012 was 16% (2011: 14%; 2010: 13%). Ethnic minorities represent 14% of the UK population (according to 2011 Census data)
- The majority of our staff are female at 58% (2011: 57%; 2010: 57%).

We received 17,761 applications for employment from 1 January 2012 to 31 December 2012. Of these, 29% were of ethnic minority origin, 58% were female and 42% were male.

#### Breaking down barriers to entry

We continue to break down barriers to entering the media industry by using online and social networking, face to face events and structured new entrant programmes. In 2012 we launched the Channel 4 Graduate and Scholarship Programme (in partnership with Creative Skillset and UCL) to complement our Apprenticeship, Internship and Production Training Programme.

Via these programmes we offered 32 new entrants the opportunity of paid work and on the job training in a mix of office and production-based roles at Channel 4, our music partner Box TV and at independent production companies including Shed Media Group and SB:TV.

During 2012 60% of our 2011 apprentices gained permanent or freelance employment at Channel 4 on completion of their apprenticeship.

#### Social mobility

In 2012 Channel 4 signed the Deputy Prime Minister's Business Compact to improve social mobility by making access to our organisation fair and open so that every individual is free to achieve and succeed.

We ran six open days in areas with high youth unemployment figures: Derry, Barnsley, Penzance, Cardiff, London and Dundee.

Of the open day participants surveyed, 53% said their parents or guardians did not complete a university degree course or equivalent and 17% surveyed said their household had received income support during their school years.

We plan to continue our work in this area during 2013, specifically continuing our work to establish measures and track data on the impact of our social mobility work.

#### Work experience and open days

We received 956 applications to attend open days and work experience placements. Of overall applicants:

- 62% were successful and attended work experience and / or open days between 1 January 2012 and 31 December 2012
- 28% were aged 21–30 years of age
- 32% were of ethnic minority origin, 9% preferred not to say
- 68% were female, 32% were male
- 3% declared themselves as having a disability.



## Report of the members continued

### Diversity

Diversity is part of the DNA of Channel 4 and helps us to innovate, be distinctive and encourages people to think in different ways. In December 2012 a diversity strategy was created to:

1. Continue to diversify creative supply while building on the success of our innovative approach to on-screen diversity
2. Further increase the diversity of Channel 4 staff through programmes such as our Internship Programme, Production Trainee Scheme, All Inclusive 4 events and our involvement in the Creative Diversity Network (CDN)
3. Use data captured by our audience research department to continue to inform and help shape our thinking around diversity
4. Use our purchasing power to build and challenge our suppliers to share our diversity ambitions.

### Creative Diversity Network

We are a founder and active member of the Creative Diversity Network. The CDN is a coalition between the biggest names in broadcasting, working together to promote diversity, both on and off screen. The CDN was previously known as the Cultural Diversity Network until its convergence with the Broadcasting and Creative Industries Network (BCIDN) in September 2011. As a result, the CDN has an even wider remit to include all aspects of diversity, including disability, gender and age.

### Creative diversity

Channel 4's Creative Diversity Department introduced 'Lexi', a revolutionary new graphical system which aided the viewing experience of this summer's Paralympic Games by debunking the often confusing classifications that govern Paralympic sport. Research revealed that some viewers were confused by the disability classifications in Paralympic sports but would be more engaged with the Paralympics Games if they had a better understanding of why athletes with different disabilities compete against each other.

### 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 2012, 1,123 individual staff bookings were placed to attend Channel 4 workshops and training courses. Of these, 80% were for bespoke training sessions tailored around specific business needs, 11% attended courses offered through an outsourced training provider and 9% attended specific training on Information Systems.

### Channel 4 Leadership Programme

In 2012 Channel 4 launched its first ever leadership programme, bringing together people from across the business. Thirty four Heads of Department, Senior Managers and future talent attended the bespoke programme.

### London 2012 Paralympic Games training and development

Channel 4 pledged to bring Paralympic sport to a mainstream audience and to add authenticity, knowledge and experience to its programming. More than £0.6 million was invested in identifying, training and developing 10 new disabled presenters and reporters who have played major roles in the coverage of the games.

### Health and wellbeing

We are committed to providing a working environment and practices that promote staff wellbeing. We give our employees information to help them adopt and maintain a healthy lifestyle within and outside work. Occupational Health and Wellbeing advice is available on-site, which provides help to staff and managers through confidential and impartial support and advice. On-site facilities such as a studio offering fitness classes and therapy rooms are also made available. An Employee Assistance Programme offering 24 hour confidential personal support, counselling and advice is also provided.

All staff receive Private Medical Insurance as part of our core benefits offering. Through our flexible benefits package staff can purchase other benefits such as health screenings, a bike-to-work scheme, discounted gym membership and critical illness insurance for themselves and their partners.

## Report of the members continued

### 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. In 2012 we were members of Business in the Community and the Media CSR Forum. Since 2004, we have reported on our approach to Corporate Responsibility and our performance in our Annual Report and Accounts.

### 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

Channel 4 is a member of 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 TV industry in the UK.

#### European Broadcasting Union Green Broadcasting Group

Channel 4 is a member of 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 2012 the group donated £2 million to charities (2011: £2 million). This 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 also support staff fundraising through a match fundraising scheme which encourages 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.

#### Open House

For the third year running, we supported Open-City's Architecture in Schools programme by giving Years 3 and 4 students a tour of the building along with a question and answer session. We also provided tours separately for UK and overseas graduates who wanted to understand how C4 fulfils its facilities management role and how we completed the refurbishment of our office space while remaining occupied.

In addition, we participated in Open-City's Open House for the Changing Face of London open day in September and received 1,600 visitors over a two day period.

#### 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.

### Environmental sustainability

We want to ensure that the way we conduct our day-to-day activities reflects our commitment to reducing any negative impact we may have on the environment. To support this, we have had an Environment Policy in place since 2004. This policy was revised in 2011, committing us to energy, waste and water reduction targets. In 2012 we have introduced an Environmental Monitoring System to support these commitments. During 2013 we will be reviewing our in-house campaigns and creating a framework of quarterly employee engagement activities aimed at raising awareness of issues surrounding the environment and sustainability as well as focusing on specific campaigns such as volunteering and charitable giving.

## Report of the members continued

### 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 2012, we continued to implement energy reduction measures, including the introduction of energy efficient technology and raising employee awareness on environmental issues. 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 from the previous year by 12% (2011: 29%).

### Waste

We recycled 163,500 tonnes of general office waste during 2012, representing 97% of identified recyclable waste. In addition, general municipal unsorted waste reduced to 31% of total waste in 2012 (2011: 40%).

The refurbishment of Horseferry Road is now complete and 100% of waste generated during this project was recycled or recovered.

### Water

During 2012 our water consumption was 9,500m<sup>3</sup>, a 32% decrease on the 2010 estimated baseline of 14,000m<sup>3</sup>. These efficiencies have been gained primarily from implementing new efficient water systems as part of the refurbishment of the Horseferry Road property. In order to target, monitor and reduce consumption effectively, during 2013 we will continue to monitor our smart metering solutions and water-efficient technology.

## Development

The group devotes substantial resources to the development of scripts for possible commissioning. Research and development expenditure charged to the income statement in 2012 amounted to £10 million (2011: £12 million).

## 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, with a minimum long term credit rating of A.

## 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 Corporation'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 Corporation's auditors are aware of that information.

## Auditor

KPMG LLP has been appointed as auditor to Channel 4 with the approval of the Secretary of State for Culture, Media and Sport, and has expressed their willingness to continue in office.



## Report of the members continued

### 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 110–121). 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 Corporation and the undertakings included in the consolidation taken as a whole, and
- the report of the members' includes a fair review of the development and performance of the business and the position of the Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board:

**David Abraham**  
Chief Executive  
27 March 2013

## Independent auditor's report

### 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 2012 set out on pages 124–167. 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 168, 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 2012 and of the Group's loss 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 group financial statements have been prepared in accordance with the Companies Act 2006, as if that Act applied to the Corporation.

## Independent auditor's report continued

### 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; and
- the information given in the Members' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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; or
- 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 121, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 168–176 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  
27 March 2013



## Consolidated income statement for the year ended 31 December

	Note	Group 2012 £m	Group 2011 £m
<b>Revenue</b>	1	<b>925</b>	941
Cost of transmission and sales	2	<b>(924)</b>	(883)
<b>Gross profit</b>		<b>1</b>	58
Revaluation of freehold property – reversal of previous impairments	4	–	6
Past service pension cost credit	4	–	11
Other operating expenditure	3	<b>(30)</b>	(34)
<b>Operating profit/(loss)</b>		<b>(29)</b>	41
Financial income	6	<b>13</b>	16
Financial expense	6	<b>(12)</b>	(14)
<b>Net finance income</b>		<b>1</b>	2
Share of profit of investments accounted for using the equity method, net of income tax and amortisation	9	<b>1</b>	2
<b>Profit/(loss) before tax</b>		<b>(27)</b>	45
Income tax expense	7	–	(10)
<b>Profit/(loss) for the year</b>		<b>(27)</b>	35

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

	Note	Group 2012 £m	Group 2011 £m
<b>Profit/(loss) for the year</b>		<b>(27)</b>	35
Net actuarial gains/(losses) on pension scheme	21	<b>(21)</b>	(4)
Revaluation of freehold land and buildings	4, 11	<b>7</b>	11
Deferred tax on pension scheme recognised directly in other comprehensive income	13	<b>5</b>	–
<b>Other comprehensive income/(cost) for the year</b>		<b>(9)</b>	7
<b>Total comprehensive income/(cost) for the year</b>		<b>(36)</b>	42

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

### Group statement of changes in equity

	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2011	458	—	458
Profit for the year	35	—	35
Other comprehensive income	(4)	11	7
<b>Total comprehensive income for the year</b>	<b>31</b>	<b>11</b>	<b>42</b>
<b>At 31 December 2011</b>	<b>489</b>	<b>11</b>	<b>500</b>
At 1 January 2012	489	11	500
Loss for the year	(27)	—	(27)
Other comprehensive income	(16)	7	(9)
<b>Total comprehensive income/(cost) for the year</b>	<b>(43)</b>	<b>7</b>	<b>(36)</b>
<b>At 31 December 2012</b>	<b>446</b>	<b>18</b>	<b>464</b>

### Channel 4 statement of changes in equity

	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2011	392	—	392
Loss for the year	(40)	—	(40)
Other comprehensive income	(4)	11	7
<b>Total comprehensive income/(cost) for the year</b>	<b>(44)</b>	<b>11</b>	<b>(33)</b>
<b>At 31 December 2011</b>	<b>348</b>	<b>11</b>	<b>359</b>
At 1 January 2012	348	11	359
Loss for the year	(29)	—	(29)
Other comprehensive income	(16)	7	(9)
<b>Total comprehensive income/(cost) for the year</b>	<b>(45)</b>	<b>7</b>	<b>(38)</b>
<b>At 31 December 2012</b>	<b>303</b>	<b>18</b>	<b>321</b>

## Balance sheets as at 31 December

	Note	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
<b>Assets</b>					
Investments accounted for using the equity method	9	25	26	–	–
Equity investments	10	2	2	28	–
Freehold land and buildings	11	62	56	62	56
Fixtures, fittings and equipment	11	19	18	19	16
Intangible assets	12	5	4	5	3
Deferred tax assets	13	11	8	11	8
<b>Total non-current assets</b>		<b>124</b>	114	<b>125</b>	83
Programme and film rights and other inventories	14	219	206	219	178
Trade and other receivables	15	173	199	173	127
Other financial assets	16	88	44	88	44
Cash and cash equivalents	16	173	246	173	246
<b>Total current assets</b>		<b>653</b>	695	<b>653</b>	595
<b>Total assets</b>		<b>777</b>	809	<b>778</b>	678
<b>Liabilities</b>					
Employee benefits – pensions	21	(40)	(21)	(40)	(21)
Provisions	18	(3)	(4)	(3)	(4)
Deferred tax liabilities	13	(1)	(2)	(1)	(1)
<b>Total non-current liabilities</b>		<b>(44)</b>	(27)	<b>(44)</b>	(26)
Trade and other payables	17	(267)	(274)	(412)	(289)
Current tax liabilities	17	(1)	(4)	–	–
Provisions	18	(1)	(4)	(1)	(4)
<b>Total current liabilities</b>		<b>(269)</b>	(282)	<b>(413)</b>	(293)
<b>Total liabilities</b>		<b>(313)</b>	(309)	<b>(457)</b>	(319)
<b>Net assets</b>		<b>464</b>	500	<b>321</b>	359
Revaluation reserve		18	11	18	11
Retained earnings		446	489	303	348
<b>Total equity</b>		<b>464</b>	500	<b>321</b>	359

The financial statements on pages 124–167 were approved by the Board of members on 27 March 2013 and were signed on its behalf by:

**Lord Burns**  
Chairman  
**David Abraham**  
Chief Executive

The notes on pages 135–167 form part of these financial statements.



## Cashflow statements for the year ended 31 December

	Note	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
<b>Cashflow from operating activities</b>					
Profit/(loss) for the year		(27)	35	(29)	(40)
<b>Adjustments for:</b>					
Income tax expense/(credit)		–	10	–	(2)
Depreciation	11	6	4	6	4
Amortisation of intangibles	12	2	2	2	1
Net financial (income)/expense	6	(1)	(2)	(1)	–
Share of profit from investments accounted for using the equity method, net of income tax and amortisation	9	(1)	(2)	(1)	–
Current service pension cost	21	3	5	3	5
Past service pension cost credit	4	–	(11)	–	(11)
Revaluation of freehold property – reversal of previous impairments and depreciation	4, 11	–	(6)	–	(6)
<b>Operating cashflow before changes in working capital and provisions</b>		<b>(18)</b>	<b>35</b>	<b>(20)</b>	<b>(49)</b>
<b>Changes in working capital and provisions:</b>					
(Increase)/decrease in programme and film rights and other inventories	14	(13)	(1)	(41)	9
(Increase)/decrease in trade and other receivables	15	26	(43)	(46)	(11)
Increase/(decrease) in trade and other payables	17	(7)	69	95	105
Increase/(decrease) in provisions, excluding unwinding of discounts	18	(4)	–	(4)	–
<b>Cash generated from operations</b>		<b>(16)</b>	<b>60</b>	<b>(16)</b>	<b>54</b>
Pension contributions	21	(6)	(13)	(6)	(13)
Tax (paid)/repaid		(2)	(8)	(2)	–
<b>Net cashflow from operating activities</b>		<b>(24)</b>	<b>39</b>	<b>(24)</b>	<b>41</b>
<b>Cashflow from investing activities</b>					
Proceeds from disposal of investment		–	1	–	–
Purchase of property, plant and equipment	11	(6)	(14)	(6)	(13)
Internally developed software	12	(3)	(1)	(3)	(1)
Interest received		2	2	2	2
Dividends received	9	2	2	2	–
<b>Net cashflow from investing activities</b>		<b>(5)</b>	<b>(10)</b>	<b>(5)</b>	<b>(12)</b>
<b>Cashflow from financing activities</b>					
(Increase)/decrease in other financial assets*	16	(44)	65	(44)	65
<b>Net cashflow from financing activities</b>		<b>(44)</b>	<b>65</b>	<b>(44)</b>	<b>65</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(73)</b>	<b>94</b>	<b>(73)</b>	<b>94</b>
Cash and cash equivalents at 1 January		246	152	246	152
<b>Cash and cash equivalents at 31 December</b>		<b>173</b>	<b>246</b>	<b>173</b>	<b>246</b>

\*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 2012 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 27 March 2013. 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 million. The financial statements have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of HM 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 may ultimately differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of 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).

### 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.

### 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 110–121). 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.

## Significant accounting policies continued

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 amendment, effective for the first time from 1 January 2012 has not had a material effect on the financial statements:

- Amendments to IAS 12 – Income Taxes

A number of new standards, amendments to standards and interpretations have been issued and are not yet effective. These have not been applied in preparing the consolidated financial statements. None of these is 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 over 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.

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 collectability 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.



## Significant accounting policies continued

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 of 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.

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 2011 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.

### Broadcasting spectrum

As noted on page 110, Channel 4 receives free spectrum in return for fulfilling public service obligations. As such, there are no imputed costs in the financial statements in respect of the use of this broadcasting spectrum.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is also recognised directly in other comprehensive income.

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

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

The following temporary timing differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## Significant accounting policies continued

### 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 joint ventures are carried at historical cost in the balance sheet of their immediate parent company.

These investments are recognised in the consolidated balance sheet 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.

### 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.

## Significant accounting policies continued

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

Goodwill 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.

### 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.

### 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.



## Significant accounting policies continued

### 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.

Channel 4 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 Channel 4 has identified forward foreign exchange derivative instruments within certain contracts (embedded derivatives), these have been included in the balance sheet at fair value. Fair value of these derivatives is determined by reference to quoted market rates. The value of the derivatives is reviewed on an annual basis or when the relevant contract matures.

### Leases

Assets held under finance leases (those in which the group assumes substantially all the risks and rewards of ownership) are treated as property, plant and equipment and depreciation is charged accordingly. The capital elements of future obligations are recorded as liabilities. Interest is charged to the income statement over the period of the lease in proportion to the capital outstanding.

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

### Employee benefits – pensions

#### Defined benefit scheme

The group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine 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.

## Significant accounting policies continued

---

---

### 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.

---

### Transfer of assets

As a result of changes in legislation (page 110), on 1 January 2012 Channel 4 carried out an internal business transfer to move some activities from 4 Ventures Ltd (4 Ventures), a 100% owned subsidiary of Channel Four Television Corporation, into the Corporation. The assets were transferred at their carrying value and included:

- the Ofcom licences in respect of our digital channels held in 4 Ventures and two of its wholly owned subsidiaries
- 4 Ventures' share in the joint venture company Box Television Ltd
- the operation of the digital channels (E4, More4 and Film4, and their associated '+1' and the 'HD' channels), the operation of video on demand services and 4Rights.

## 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.

Following the implementation of the Digital Economy Act 2010 and the internal transfer of activities (page 110), the underlying activities of the group have been rearranged. The segmental information presented in these financial statements reflects the new arrangement of activities and the financial information presented to the Board. The 2011 comparative segmental information has been re-presented to reflect the new operating segments as required by IFRS 8.

Summaries of the principal activities, products and services and financial performance for each segment are provided within the Report of the members on pages 110 to 114.

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 176). 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 three individual external customers comprised more than 10% of the group's revenues in 2012 were £123 million, £105 million and £103 million (2011: one external customer amounting to £117 million). The group's major customers are all media buying agencies and these revenues are attributable to the 4Broadcast and 4Rights segments. Approximately 3% of the group's revenues (2011: 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

The following is an analysis of the group's investment in content and revenue by reportable segment.

Year ended 31 December 2012	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
<b>Programme and other content (note 2)</b>	(619)	(1)	–	3	(617)
Funded by:					
External sales	849	75	1	–	925
Inter-segment sales	1	3	–	(4)	–
<b>Total revenue</b>	<b>850</b>	<b>78</b>	<b>1</b>	<b>(4)</b>	<b>925</b>
<b>Operating profit/(loss)</b>	<b>(52)</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>(29)</b>
Net finance income					1
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					1
<b>Loss before tax</b>					<b>(27)</b>

Programme and content spend is funded by television advertising and other commercial operations. The £29 million 2012 group operating loss includes investment in content and other strategic initiatives and is financed from reserves accumulated in prior years. A summary of cash reserves is shown below.

Cashflow information	£m
Cash and cash equivalents at 1 January (note 16)	246
Other financial assets at 1 January (note 16)	44
<b>Total cash and cash equivalents and other financial assets at 1 January 2012</b>	<b>290</b>
Net cashflow from operating activities	(24)
Net cashflow from investing activities	(5)
<b>Total cashflow</b>	<b>(29)</b>
Cash and cash equivalents at 31 December (note 16)	173
Other financial assets at 31 December (note 16)	88
<b>Total cash and cash equivalents and other financial assets at 31 December 2012</b>	<b>261</b>

As at 31 December 2012	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
<b>Balance sheet</b>					
Segment assets	801	115	35	(174)	777
Segment liabilities	(375)	(29)	(83)	174	(313)
<b>Net assets/(liabilities)</b>	<b>426</b>	<b>86</b>	<b>(48)</b>	<b>–</b>	<b>464</b>

## Notes to the financial statements continued

### 1. Segment reporting continued

The 2011 comparative segmental information, as presented in our 2011 Annual Report, has been re-presented to reflect the new segments as required by IFRS 8.

Year ended 31 December 2011	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
<b>Programme and other content (note 2)</b>	<b>(590)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(590)</b>
Funded by:					
External sales	858	83	–	–	941
Inter-segment sales	–	1	–	(1)	–
<b>Total revenue</b>	<b>858</b>	<b>84</b>	<b>–</b>	<b>(1)</b>	<b>941</b>
<b>Operating profit</b>	<b>19</b>	<b>22</b>	<b>–</b>	<b>–</b>	<b>41</b>
Net finance income					2
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					2
<b>Profit before tax</b>					<b>45</b>

<b>Cashflow information</b>	<b>£m</b>
Cash and cash equivalents at 1 January (note 16)	152
Other financial assets at 1 January (note 16)	109
<b>Total cash and cash equivalents and other financial assets at 1 January 2011</b>	<b>261</b>
Net cashflow from operating activities	39
Net cashflow from investing activities	(10)
<b>Total cashflow</b>	<b>29</b>
Cash and cash equivalents at 31 December (note 16)	246
Other financial assets at 31 December (note 16)	44
<b>Total cash and cash equivalents and other financial assets at 31 December 2011</b>	<b>290</b>

As at 31 December 2011	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
<b>Balance sheet</b>					
Segment assets	804	115	29	(139)	809
Segment liabilities	(319)	(52)	(77)	139	(309)
<b>Net assets/(liabilities)</b>	<b>485</b>	<b>63</b>	<b>(48)</b>	<b>–</b>	<b>500</b>

## Notes to the financial statements continued

### 2. Cost of transmission and sales

	Programme and other content	Indirect programme costs	Transmitter and regulatory costs		Cost of sales	Cost of marketing	Total
	£m	£m	Analogue £m	Digital £m	£m	£m	£m
<b>2012</b>							
4Broadcast	619	44	4	102	59	47	875
4Rights	1	5	—	3	40	4	53
Other	—	—	—	—	—	—	—
Eliminations	(3)	—	—	—	—	(1)	(4)
<b>Group continuing operations</b>	<b>617</b>	<b>49</b>	<b>4</b>	<b>105</b>	<b>99</b>	<b>50</b>	<b>924</b>

The 2011 comparative cost of transmission and sales, as presented in our 2011 Annual Report, has been re-presented to reflect our new segments as required by IFRS 8.

	Programme and other content	Indirect programme costs	Transmitter and regulatory costs		Cost of sales	Cost of marketing	Total
	£m	£m	Analogue £m	Digital £m	£m	£m	£m
<b>2011</b>							
4Broadcast	590	40	9	93	47	43	822
4Rights	—	6	—	2	48	4	60
Other	—	—	—	—	1	—	1
Eliminations	—	—	—	—	—	—	—
<b>Group continuing operations</b>	<b>590</b>	<b>46</b>	<b>9</b>	<b>95</b>	<b>96</b>	<b>47</b>	<b>883</b>



## Notes to the financial statements continued

### 3. Other operating expenditure

Other operating expenditure includes:

	2012 £m	2011 £m
Depreciation of property, plant and equipment (note 11)	6	4
Amortisation of intangible assets (note 12)	2	2
Restructuring costs	1	5
Research and development (page 120)	10	12
Members' remuneration (page 185)	3	2
Operating lease rentals (note 20)	1	1
Charge for doubtful debts	–	1
Other administrative expenses	7	7
<b>Other operating expenditure</b>	<b>30</b>	<b>34</b>

Consistent with the exemption provided by section 408 of the Companies Act 2006 Channel 4 has not presented its own income statement. Within the loss for the year of £27 million (2011: profit of £35 million) recorded in the consolidated income statement, a loss of £29 million (2011: £40 million) results from Channel 4.

#### Auditors' remuneration

Fees in respect of services provided by the auditors were:

	2012 £000	2011 £000
Audit of these financial statements	74	72
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	63	72
Other audit related and assurance	75	74
<b>Total audit and assurance</b>	<b>212</b>	<b>218</b>
Taxation compliance services	122	80
All other services	32	55
<b>Total other services</b>	<b>154</b>	<b>135</b>
<b>Auditors' remuneration</b>	<b>366</b>	<b>353</b>

In addition to the above services £21,500 (2011: £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 were presented separately in the income statement in 2011.

#### **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 £17 million to £56 million. Of the increase, £6 million was recorded in the income statement to the extent that it reversed previous impairments recorded in the income statement. The remaining £11 million was recognised as a gain on revaluation in the Statement of Other Comprehensive Income.

Freehold land and buildings were revalued as at 31 December 2012 to £62 million, resulting in an increase of £7 million recognised as a gain on revaluation in the Statement of Other Comprehensive Income.

#### **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 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 included CPI as the inflation measure for the deferred members for the first time, resulting in a cost credit of £11 million. There were no similar items in 2012.

## Notes to the financial statements continued

### 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 183–187.

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

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Aggregate gross salaries	55	52	55	37
Employer's national insurance contributions	6	6	6	4
Employer's defined benefit pension contributions (note 21)	3	4	3	4
Employer's defined contribution pension contributions	1	1	1	1
<b>Total direct costs of employment</b>	<b>65</b>	<b>63</b>	<b>65</b>	<b>46</b>

In addition to the above, in 2012 £1 million was expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the group (2011: £5 million). All employee costs are borne by Channel 4 in 2012 as a result of the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

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

	2012 £000	2011 £000
Total remuneration of highest paid employee (page 185)	744	701
Total remuneration of median employee	51	55
<b>Multiple of highest paid to median employee</b>	<b>14.6</b>	<b>12.7</b>

Total remuneration is defined as base salary, variable pay, employer pension contribution and other benefits. 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, were as follows:

	2012 Number	2011 Number
<b>4Broadcast</b>		
Programme commissioning	225	221
Advertising and sponsorship sales and research	190	188
Marketing and creative services	100	99
Corporate affairs and press office	34	34
Information systems	46	45
Corporate and strategy	21	21
Transmission and engineering	27	15
Finance, human resources and facilities management	68	69
4Talent	16	5
	<b>727</b>	<b>697</b>
4Rights	68	66
<b>Group employees</b>	<b>795</b>	<b>763</b>
Permanent employees	716	688
Contract staff	79	75
	<b>795</b>	<b>763</b>
Male	334	331
Female	461	432
	<b>795</b>	<b>763</b>

Travel, subsistence and hospitality expenditure was as follows:

	2012 £000	2011 £000
Members	59	47
Channel 4	2,150	2,018
	<b>2,209</b>	<b>2,065</b>

Staff loans outstanding at 31 December were as follows:

	2012 £000	2011 £000
Season ticket loans	217	270

There were no loans to members.

## Notes to the financial statements continued

### 6. Net finance income/(expense)

Net finance income recognised in the year comprised:

	2012 £m	2011 £m
Interest receivable on short-term deposits	2	3
Expected return on plan assets (note 21)	11	13
<b>Financial income</b>	<b>13</b>	<b>16</b>
Interest on pension scheme liabilities (note 21)	(12)	(13)
Other financing costs	–	(1)
<b>Financial expense</b>	<b>(12)</b>	<b>(14)</b>

### 7. Income tax expense

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

	2012 £m	2011 £m
Current tax:		
Current year	–	6
Adjustment for prior years	(1)	–
	<b>(1)</b>	<b>6</b>
Deferred tax: origination and reversal of temporary differences		
Current year	1	4
Prior year	–	–
Income tax expense	–	10
Share of income tax of investments accounted for using the equity method	1	1
<b>Total income tax expense</b>	<b>1</b>	<b>11</b>

Corporation tax is charged at the standard UK rate of 24.5% for the year (2011: 26.5%).

## Notes to the financial statements continued

### 7. Income tax expense continued

	2012 %	2012 £m	2011 %	2011 £m
Profit /(loss) after tax		(27)		35
Total income tax expense		–		10
		(27)		45
Income tax of investments accounted for using equity method		1		1
Profit excluding income tax		(26)		46
Income tax using the domestic corporation tax rate	24.5%	(6)	26.5	12
Effects of:				
Non-deductible expenses		1		1
Non-taxable gains		(1)		(2)
Deferred tax not recognised		6		
Other tax adjustments		–		–
Income tax adjustments	–	–	23.3	11

#### Current tax assets and liabilities

The current tax liability of £1 million (2011: £4 million) represents the amount of income tax payable in respect of current and prior periods (note 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:

	2012 £m	2011 £m
Relating to employee benefits	(5)	–
Deferred tax recognised in other comprehensive income	(5)	–



## Notes to the financial statements continued

### 8. Investments in subsidiaries

#### Subsidiaries

The cost of investments at 31 December was:

	Channel 4 2012 £000	Channel 4 2011 £000
4 Ventures Ltd	1	1

4 Ventures Ltd is a 100% owned subsidiary of Channel 4. On 1 January 2012 a number of activities were transferred to Channel 4 (page 110).

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	Non-trading	1,000	100
Life Two Broadcasting Ltd*	Non-trading	1,000	100
Life Showcase Ltd*	Non-trading	1,000	100
Channel 4 Radio Ltd	Non-trading	1	100
Channel 4 Radio Services Ltd*	Non-trading	1	100

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

It is the members' intention to wind up Life One Broadcasting Ltd, Life Two Broadcasting Ltd and Life Showcase Ltd following the transfer of their broadcast licences to Channel 4 on 1 January 2012 (page 110).

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 (Box) broadcasts a number of music television channels on free to air and pay platforms. The investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box.

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 2017 using a pre-tax discount rate of 11% (2011: 10%), reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 2.1% (2011: 2.0%), an equity risk premium of 6.9% (2011: 7.0%), and a sector premium of 2.0% (2011: nil). Cashflows were based on management's best estimate of future performance to 2016 and flat growth into perpetuity, reflecting management's cautious view of the long term potential in music viewing commercial television. The present value of the cashflows accruing to the group was compared with the carrying value of the investment held on the balance sheet. No impairment was required as a result.

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

The broadcast licence acquired as part of the investment in Box is amortised over the duration of the licence period (eight years). This amount is included within the carrying value of the investment.

There are no contingent liabilities and no capital commitments in respect of Box or other joint ventures to be included within the group's financial statements.

The carrying value of the group's investment in Box was as follows:

	2012 £m	2011 £m
Carrying value at 1 January	26	26
Share of post acquisition profits, net of income tax	2	3
Amortisation	(1)	(1)
Share of dividends received	(2)	(2)
<b>Total carrying value at 31 December</b>	<b>25</b>	<b>26</b>

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
<b>2012</b>						
<b>Box Television Ltd</b>	<b>13</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>37</b>	<b>(33)</b>
<b>2011</b>						
<b>Box Television Ltd</b>	<b>18</b>	<b>–</b>	<b>(10)</b>	<b>–</b>	<b>37</b>	<b>(28)</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. The group recognises its share of the funding contributions of these organisations 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 2012, 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 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

#### Channel 4

On 1 January 2012 the investment in Box Television Ltd was transferred to Channel Four Television Corporation from 4 Ventures Ltd, a wholly owned subsidiary, at its carrying value of £28 million (page 110).

The investment in Box Television Ltd is recorded on Channel Four Television Corporation's balance sheet at historical cost. The balance as at 31 December 2012 was £28 million.

#### Group

Equity investments held for the group comprise:

	2012 £m	2011 £m
At 1 January	2	2
<b>At 31 December</b>	<b>2</b>	<b>2</b>

#### Espresso Broadband Ltd

£1.5 million of the equity investments held by the group at 31 December 2012 relate to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007.

#### Protagonist Pictures Ltd

£0.1 million of the equity investments held by the group reflect a 15% equity holding in Protagonist Pictures Ltd.

#### Other

The group further holds investments in School of Everything Ltd, AudioBoo Ltd, ScraperWiki Ltd and MyBuilder Ltd. These are recorded at nil value as at 31 December 2012.

## 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	Other Fixtures, fittings and equipment £m	Group Total £m
<b>Cost or valuation</b>				
At 1 January 2011	40	95	10	145
Additions	–	13	1	14
Revaluation	16	–	–	16
<b>At 31 December 2011</b>	<b>56</b>	<b>108</b>	<b>11</b>	<b>175</b>
At 1 January 2012	56	108	11	175
Additions	–	6	–	6
Transfer of assets	–	11	(11)	–
Revaluation	6	–	–	6
<b>At 31 December 2012</b>	<b>62</b>	<b>125</b>	<b>–</b>	<b>187</b>
<b>Depreciation</b>				
At 1 January 2011	–	89	9	98
Charge for the year	1	3	–	4
Revaluation	(1)	–	–	(1)
<b>At 31 December 2011</b>	<b>–</b>	<b>92</b>	<b>9</b>	<b>101</b>
At 1 January 2012	–	92	9	101
Charge for the year	1	5	–	6
Transfer of assets	–	9	(9)	–
Revaluation	(1)	–	–	(1)
<b>At 31 December 2012</b>	<b>–</b>	<b>106</b>	<b>–</b>	<b>106</b>
<b>Net book value</b>				
At 1 January 2011	40	6	1	47
<b>At 31 December 2011</b>	<b>56</b>	<b>16</b>	<b>2</b>	<b>74</b>
At 1 January 2012	56	16	2	74
<b>At 31 December 2012</b>	<b>62</b>	<b>19</b>	<b>–</b>	<b>81</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 (2011: none).

## Notes to the financial statements continued

### 11. Property, plant and equipment continued

#### Valuation of freehold property

The freehold property at 124 Horseferry Road, London, SW1P 2TX, was valued at 31 December 2012 by external valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the members believe approximates to current value. In reaching their conclusions, the valuers have paid attention to comparable transactions which have taken place in recent months within the Victoria area of London.

The open market value for this property was £62 million (2011: £56 million). After depreciation charged on the open market value at 31 December 2012 (£1 million), a gain on revaluation of £7 million has been recognised in the Statement of Other Comprehensive Income.

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

	2012 £m	2011 £m
Cost	62	62
Accumulated depreciation	(17)	(16)
Impairment	(6)	(6)
<b>Net book value based on cost</b>	<b>39</b>	<b>40</b>



## Notes to the financial statements continued

### 12. Intangible assets

	Channel 4 Developed software £m	Channel 4 Broadcasting licence £m	Other Broadcasting licence £m	Group Total £m
<b>Cost</b>				
At 1 January 2011	19	–	5	24
Internally developed	1	–	–	1
<b>At 31 December 2011</b>	<b>20</b>	<b>–</b>	<b>5</b>	<b>25</b>
At 1 January 2012	20	–	5	25
Transfer of assets	–	5	(5)	–
Internally developed	3	–	–	3
<b>At 31 December 2012</b>	<b>23</b>	<b>5</b>	<b>–</b>	<b>28</b>
<b>Amortisation</b>				
At 1 January 2011	16	–	3	19
Amortisation for the year	1	–	1	2
<b>At 31 December 2011</b>	<b>17</b>	<b>–</b>	<b>4</b>	<b>21</b>
At 1 January 2012	17	–	4	21
Transfer of assets	–	4	(4)	–
Amortisation for the year	1	1	–	2
<b>At 31 December 2012</b>	<b>18</b>	<b>5</b>	<b>–</b>	<b>23</b>
<b>Carrying amount</b>				
At 1 January 2011	3	–	2	5
<b>At 31 December 2011</b>	<b>3</b>	<b>–</b>	<b>1</b>	<b>4</b>
At 1 January 2012	3	–	1	4
<b>At 31 December 2012</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>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 in the income statement (note 3).

The Broadcasting licences acquired as part of the acquisition of Life One Broadcasting Ltd on 30 April 2007 (note 8) were considered to have a useful economic life of six years. On 1 January 2012 the licence was transferred to Channel Four Television Corporation at its carrying value (page 110). These licences have been amortised on a straight line basis over this period and were fully amortised at the balance sheet date.

## Notes to the financial statements continued

### 13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 23% (2011: 25%), reflecting the corporation tax rate substantially enacted as at 31 December 2012. The UK Government has announced a phased reduction in the main corporation tax rate to 21%.

	Assets 2012 £m	Assets 2011 £m	Liabilities 2012 £m	Liabilities 2011 £m	Net 2012 £m	Net 2011 £m
Property, plant and equipment	2	2	–	–	2	2
Intangible assets – internally developed software	–	–	(1)	(1)	(1)	(1)
Employee benefits	9	5	–	–	9	5
Other short term timing differences	–	1	–	–	–	1
<b>Channel 4 deferred tax assets/(liabilities)</b>	<b>11</b>	<b>8</b>	<b>(1)</b>	<b>(1)</b>	<b>10</b>	<b>7</b>
Other short term timing differences	–	–	–	(1)	–	(1)
<b>Group deferred tax assets/(liabilities)</b>	<b>11</b>	<b>8</b>	<b>(1)</b>	<b>(2)</b>	<b>10</b>	<b>6</b>

#### Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2012 £m	2011 £m
Revaluation of freehold land and buildings	–	2
Carried forward capital losses	1	1
Carried forward trading losses	7	1
<b>Tax assets</b>	<b>8</b>	<b>4</b>

Unrecognised deferred tax assets include trading and 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 in the near future against which the deductible temporary difference can be utilised.

#### 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 31 Dec 11 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised in joint venture £m	Balance at 31 Dec 12 £m
Property, plant and equipment	2	–	–	–	2
Intangible assets – internally developed software	(1)	–	–	–	(1)
Employee benefits	5	(1)	5	–	9
Other short term timing differences	1	–	–	(1)	–
<b>Channel 4 deferred tax assets/(liabilities)</b>	<b>7</b>	<b>(1)</b>	<b>5</b>	<b>(1)</b>	<b>10</b>
Other short term timing differences	(1)	–	–	1	–
<b>Group deferred tax assets/(liabilities)</b>	<b>6</b>	<b>(1)</b>	<b>5</b>	<b>–</b>	<b>10</b>

The movement recognised in other comprehensive income includes a reduction in the deferred tax asset of £nil 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 31 Dec 10 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised in joint venture £m	Balance at 31 Dec 11 £m
Property, plant and equipment	2	–	–	–	2
Intangible assets – internally developed software	(1)	–	–	–	(1)
Employee benefits	9	(4)	–	–	5
Other short term timing differences	1	–	–	–	1
<b>Channel 4 deferred tax assets/(liabilities)</b>	<b>11</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>7</b>
Other short term timing differences	(1)	–	–	–	(1)
<b>Group deferred tax assets/(liabilities)</b>	<b>10</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>6</b>

### 14. Programme and film rights and other inventories

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Programmes and films completed but not transmitted	91	83	91	75
Acquired programme and film rights	50	49	50	37
Programmes and films in the course of production	75	72	75	66
Other inventories	3	2	3	–
<b>Programme and film rights and other inventories</b>	<b>219</b>	<b>206</b>	<b>219</b>	<b>178</b>

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

Programme rights and other inventories to the value of £596 million were recognised as expenses in the year (2011: £570 million). Of this amount, obsolete programmes and developments written off totalled £26 million for the group (2011: £29 million) and £26 million for Channel 4 (2011: £25 million).

Other inventories represent amounts held within the 4Rights segment for DVDs.

The increase in Channel 4 programme and film rights and other inventories includes the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).



## Notes to the financial statements continued

### 15. Trade and other receivables

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Trade receivables	142	174	142	114
Prepayments and accrued income	27	23	27	13
Distribution and producer advances	4	2	4	–
<b>Trade and other receivables</b>	<b>173</b>	<b>199</b>	<b>173</b>	<b>127</b>

Trade receivables are shown net of impairment charges amounting to £0.3 million (2011: £0.5 million) recognised in the current year in relation to outstanding balances from customers, the receipt of which management view as unlikely.

Distribution and producer advances are shown net of impairment charges amounting to £4 million (2011: £2 million) recognised in the current year in relation to advances paid on DVD development deals, which management consider are unlikely to be recouped through future sales.

The increase in Channel 4 trade and other receivables includes the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

### 16. Cash and cash equivalents

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Bank balances	23	23	23	23
Money market funds*	114	167	114	167
Money market deposits maturing in less than three months	36	56	36	56
<b>Cash and cash equivalents</b>	<b>173</b>	<b>246</b>	<b>173</b>	<b>246</b>
Money market deposits maturing after three months	40	34	40	34
Investment funds	48	10	48	10
<b>Other financial assets</b>	<b>88</b>	<b>44</b>	<b>88</b>	<b>44</b>

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

## Notes to the financial statements continued

### 17. Trade and other payables and current tax liabilities

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Trade payables	16	13	16	13
National insurance	1	1	1	1
Other creditors	37	35	37	35
Amounts due to subsidiaries	–	–	146	96
Accruals	197	201	196	130
VAT	16	24	16	14
<b>Trade and other payables</b>	<b>267</b>	<b>274</b>	<b>412</b>	<b>289</b>
Corporation tax	1	4	–	–
<b>Current tax liabilities</b>	<b>1</b>	<b>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 2012, as calculated using average payable balances, was 6 for both the group and Channel 4 (2011: 7). 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.

The increase in Channel 4 trade and other payables includes the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

## Notes to the financial statements continued

### 18. Provisions

	Group and Channel 4		
	Onerous contracts £m	Restructuring costs £m	Total £m
At 1 January 2011	7	–	7
Utilised in the year	(4)	–	(4)
Charged to the income statement	–	5	5
<b>At 31 December 2011</b>	<b>3</b>	<b>5</b>	<b>8</b>
At 1 January 2012	3	5	8
Utilised in the year	(1)	(5)	(6)
Charged to the income statement	1	1	2
<b>At 31 December 2012</b>	<b>3</b>	<b>1</b>	<b>4</b>

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

	2012 Group and Channel 4 £m	2011 Group and Channel 4 £m
Current	1	4
Non-current	3	4
	<b>4</b>	<b>8</b>

#### Onerous contracts

The provision relates to the rental deficit on a building which is surplus to requirements but for which we have contracted commitments at the balance sheet date. The property rental agreement is set to expire in 2020. The provision represents the discounted net cash flows of the property rental agreement until its expiry in 2020. An amount of £0.4 million (2011: £0.4 million) has been recognised as an interest cost relating to the passage of time of the discounted provision.

#### Restructuring costs

The restructuring provision as at 31 December 2012 relates to costs associated with the restructuring initiatives undertaken to improve the operational efficiency of the group. The provision held at the balance sheet date is expected to be fully utilised in 2013.

#### 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 while managing these risks. The group's policy is not to engage in speculative financial transactions. The group does not seek to apply hedge accounting. Group treasury operates within clearly defined objectives and controls and is subject to periodic review by the business assurance function (page 173).

#### 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 £0.1 million lower/higher (2011: £0.2 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 £0.2 million lower/higher (2011: £0.3 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 2012 and 31 December 2011 is set out below:

#### Interest rate risk

	Group and Channel 4	
	Effective interest rate %	Total £m
2012		
<b>Cash and cash equivalents</b>		
Interest bearing deposits maturing in less than three months held in Sterling	0.5	172
Interest bearing deposits maturing in less than three months held in foreign currencies	0.1	1
	<b>0.3</b>	<b>173</b>

	Group and Channel 4	
	Effective interest rate %	Total £m
2011		
<b>Cash and cash equivalents</b>		
Interest bearing deposits maturing in less than three months held in Sterling	0.7	245
Interest bearing deposits maturing in less than three months held in foreign currencies	0.2	1
	<b>0.6</b>	<b>246</b>

	Group and Channel 4	
	Effective interest rate %	Total £m
2012		
<b>Other financial assets</b>		
Money market deposits maturing after three months held in Sterling	0.6	40

	Group and Channel 4	
	Effective interest rate %	Total £m
2011		
<b>Other financial assets</b>		
Money market deposits maturing after three months held in Sterling	1.2	34

## 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 2012 was £267 million for the group (2011: £274 million) and £412 million for Channel 4 (2011: £289 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 six months or less at 31 December 2012 and 2011.

#### Credit risk

Credit risk is the risk of a financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

##### (i) Trade receivables

Credit risk with respect to trade receivables is principally related to amounts due from advertising agencies and retailers. A risk strategy exists to protect against exposure to these receivables working to approved terms of reference including insurance for most customers. Exposure is monitored 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 advertising agencies must settle their debts before advertising transmissions are broadcast.

##### (ii) Counterparty

See Interest rate risk exposure on page 157.

#### 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 £142 million for the group (2011: £174 million) and £142 million for Channel 4 (2011: £114 million), with £88 million of other financial assets for both the group and Channel 4 (2011: £44 million) and cash and cash equivalents for both the group and Channel 4 of £173 million (2011: £246 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £142 million for the group (2011: £173 million) and £142 million for Channel 4 (2011: £114 million). The maximum exposure to credit risk for trade receivables for other regions for the group and Channel 4 was £nil (2011: £1 million).

## Notes to the financial statements continued

### 19. Derivatives and other financial instruments continued

Trade receivables of £142 million for the group (2011: £174 million) and £142 million for Channel 4 (2011: £114 million) were aged under six months. Included in receivables due under six months are receivables of £142 million for the group (2011: £166 million) and £142 million for Channel 4 which were not yet due under standard credit terms at the balance sheet date (2011: £114 million). £112 million of the receivables of the group and Channel 4 were insured at the balance sheet date (2011: £113 million) and £132 million has been subsequently collected by the group and Channel 4 since the balance sheet date.

The allowance for impairment of trade receivables was £0.3 million at the balance sheet date (2011: £0.5 million).

#### Capital structure and management

Channel 4 is a statutory corporation without shareholders. Whilst returns to shareholders are therefore not relevant, the group maintains cash reserves to help protect against short term fluctuations in revenue and meet its business objectives in a timely and efficient manner. The group is committed to efficient utilisation of the cash resources at its disposal to generate an appropriate return taking into account the liquidity needs of the business and the scope of treasury policy.

#### Derivative financial instruments

At 31 December 2012, the total value of forward contracts used as economic hedges of monetary liabilities was £14 million (2011: £12 million). This represents 14 Euro and 1 US Dollar forward purchase contracts. All of these contracts had a fixed maturity date with settlement within 12 months from the balance sheet date. At the 2012 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £0.4 million has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2012.

#### Fair values

The table below sets out a comparison of book values and corresponding fair values of all the group's financial instruments by class:

	2012 Book value £m	2012 Fair value £m	2011 Book value £m	2011 Fair value £m
<b>Financial assets</b>				
Cash and cash equivalents (note 16)	173	173	246	246
Other financial assets (note 16)	88	88	44	44
Trade and other receivables (note 15)	173	173	199	199
Investments accounted for using equity method (note 9)	25	25	26	26
Equity investments (note 10)	2	2	2	2
	<b>461</b>	<b>461</b>	517	517
<b>Financial liabilities</b>				
Trade and other payables (note 17)	267	267	274	274

## Notes to the financial statements continued

### 19. Derivatives and other financial instruments continued

The investment in Box Television Ltd is recorded at historical cost on the balance sheet of Channel Four Television Corporation. The book and fair value as at 31 December 2012 is £28 million.

As there is no publicly traded market for the equity investments held, the members believe that valuation at cost is a reasonable approximation of fair value.

The major methods and assumptions used in estimating the fair values of the group's financial instruments are summarised below.

#### **Forward exchange contracts**

The fair value of forward exchange contracts is based on their quoted market price.

#### **Trade and other receivables/payables**

For trade and other receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

#### **Interest rates used for determining fair value**

The group's cost of capital at the reporting date is used to discount future cash flows to determine the fair value of financial assets and liabilities.

Except where otherwise stated, the disclosures in respect of derivatives and other financial instruments for Channel 4 are the same as for the group.



## Notes to the financial statements continued

### 20. Commitments

#### a) Programme and film commitments

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

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Within one year	296	279	245	245
After one year	297	203	234	166
	593	482	479	411

#### b) Digital 3 and 4 Ltd commitments

Under the terms of the shareholder agreement for Digital 3 and 4 Ltd, Channel 4 is committed to meeting its share of contracted costs entered into by that company. Digital 3 and 4 Ltd's exact annual monetary commitment is dependent upon the timing of the roll-out of the digital transmission network.

Channel 4's share of Digital 3 and 4 Ltd's committed payments was £23 million in 2012 and is forecast to be £30 million in 2013. Digital 3 and 4 Ltd has entered into long term distribution contracts that expire in 2022 and 2034 and Channel 4 is committed to funding its contractual share.

#### 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:

	2012 £m	2011 £m
Operating leases which expire:		
Within one year	–	–
Within two to five years	1	1
After five years	11	20
	12	21

The group leases office space in a number of properties in the UK under operating leases expiring between 2015 and 2020. Annual rentals of £1 million were charged to the income statement in respect of this property in 2012, partly offset by the utilisation of onerous contract provisions. The total future rental commitment amounts to £12 million. Where possible vacant office space has been sublet by the group, with the minimum future payments receivable amounting to £7 million on sub-leases expiring between 2019 and 2020.

## Notes to the financial statements continued

### 20. Commitments continued

#### d) Capital commitments

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

	2012 £m	2011 £m
Property, plant and equipment		
Contracted but not provided in the financial statements	1	2

#### 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:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of funded obligations	(284)	(249)	(238)	(221)	(170)
Fair value of plan assets	244	228	202	176	149
<b>Recognised liability for defined benefit obligations</b>	<b>(40)</b>	<b>(21)</b>	<b>(36)</b>	<b>(45)</b>	<b>(21)</b>

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

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets at 1 January	228	202	176	149	167
Expected return on plan assets	11	13	11	9	12
Benefits paid	(4)	(4)	(9)	(3)	(3)
Employer contributions net of charges*	6	13	10	6	4
Employee contributions net of charges	1	1	1	1	2
Actuarial gain on plan assets	2	3	13	14	(33)
<b>Fair value of scheme assets at 31 December</b>	<b>244</b>	<b>228</b>	<b>202</b>	<b>176</b>	<b>149</b>

\*The employer contribution includes an additional contribution of £5 million paid in December 2011 and £3 million paid in December 2010.

The fair value of the plan assets and the return on those assets were as follows:

	2012 Actual return £m	2011 Actual return £m	2010 Actual return £m	2009 Actual return £m	2008 Actual return £m	2012 Actual return %	2011 Actual return %	2010 Actual return %	2009 Actual return %	2008 Actual return %	2012 Actual value £m	2011 Actual value £m	2010 Actual value £m	2009 Actual value £m	2008 Actual value £m
Equities	7	(9)	17	20	(28)	9.5	(8.2)	19.5	28.5	(26.3)	64	74	102	98	77
Bonds	6	25	8	3	7	5.2	21.3	9.0	2.5	11.2	179	144	94	74	69
Other	–	–	–	–	–	–	–	–	–	–	1	10	6	4	3
	<b>13</b>	<b>16</b>	<b>25</b>	<b>23</b>	<b>(21)</b>						<b>244</b>	<b>228</b>	<b>202</b>	<b>176</b>	<b>149</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:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of scheme liabilities at 1 January	249	238	221	170	176
Current service cost	3	5	5	4	6
Past service cost	–	(11)	–	–	–
Gain on curtailments	–	–	(1)	–	(1)
Employee contributions net of charges	1	1	1	2	1
Interest on pension scheme liabilities	12	13	13	10	10
Benefits paid	(4)	(4)	(9)	(3)	(3)
Actuarial (gain)/loss on plan liabilities	23	7	8	38	(19)
<b>Present value of scheme liabilities at 31 December</b>	<b>284</b>	<b>249</b>	<b>238</b>	<b>221</b>	<b>170</b>

Expense recognised in the income statement:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Current service cost	3	5	5	4	6
Past service cost credit	–	(11)	–	–	–
Gain on curtailments	–	–	(1)	–	(1)
Interest on pension scheme liabilities	12	13	13	10	10
Expected return on plan assets	(11)	(13)	(11)	(9)	(12)
<b>Net (credit)/charge to income statement</b>	<b>4</b>	<b>(6)</b>	<b>6</b>	<b>5</b>	<b>3</b>

The expense has been recognised in the following lines in the income statement:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Cost of transmission and sales	2	(5)	4	3	3
Other operating expenditure	1	(1)	1	1	1
Net financial (income)/cost	1	–	1	1	(1)
<b>Net charge to income statement</b>	<b>4</b>	<b>(6)</b>	<b>6</b>	<b>5</b>	<b>3</b>



## Notes to the financial statements continued

### 21. Employee benefits – pensions continued

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience (loss)/gain on plan liabilities	(23)	(7)	(8)	(38)	19
Experience gain/(loss) on plan assets	2	3	13	14	(33)
<b>Actuarial gain/(loss)</b>	<b>(21)</b>	<b>(4)</b>	<b>5</b>	<b>(24)</b>	<b>(14)</b>

The cumulative amount of net actuarial losses recognised in the Statement of Comprehensive Income since transition to IFRS is £61 million.

#### Principal actuarial assumptions at the balance sheet date

	2012 %	2011 %	2010 %	2009 %	2008 %
Discount rate	4.45	4.81	5.42	5.75	6.00
Rate of increase in salaries	2.50	2.90	4.00	4.50	3.65
Rate of increase in pensions	3.00	3.10	3.50	3.60	2.75
Inflation	3.00	3.10	3.50	3.60	2.75
Expected return on plan assets – equities	7.00	7.00	8.20	8.40	7.00
Expected return on plan assets – bonds	3.55	3.90	4.80	5.00	5.00
Expected return on plan assets – cash	2.00	2.00	1.00	1.00	3.00

	2012 years	2011 years	2010 years	2009 years	2008 years
Life expectancy from 60 (now aged 40) – male	28.5	28.4	28.4	28.3	28.3
Life expectancy from 60 (now aged 40) – female	29.3	29.2	29.2	29.2	29.1
Life expectancy from 60 (now aged 60) – male	26.9	26.8	26.8	26.7	26.6
Life expectancy from 60 (now aged 60) – female	28.2	28.2	28.1	28.1	28.0

These assumptions were adopted in consultation with the independent actuary to the Channel Four Television Staff Pension Plan. If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the group balance sheet. The expected returns on plan assets are set by reference to historical returns, current market indicators and the expected long term asset allocation of the Plan. It is estimated that if the discount rate was increased/decreased by 0.1% points at the balance sheet date the net liability for defined benefit obligations would have been £7 million lower/higher.

Contribution rates to the scheme are determined by a qualified independent actuary (the Actuary to the Plan) on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2009 and this valuation was subsequently updated at 1 January 2010. The results of the valuation at 1 January 2010 showed that the scheme's assets represented 85% of the benefits that had accrued to members, reflecting a deficit of £30 million. The next triennial valuation will be performed as of 1 January 2013.

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 £0.3 million during 2012 to reduce the Plan's funding deficit.

The estimated employer contributions in 2013 are £7 million.

## Notes to the financial statements continued

### 22. Related party transactions

Details of transactions in which members have an interest are disclosed on page 116. Details of members' remuneration are shown in the remuneration report on pages 183–187.

#### Subsidiary undertakings

On 1 January 2012 Channel 4 acquired the activities of 4 Ventures Limited (page 110). At 31 December 2012 Channel 4 owed subsidiary undertakings £146 million (2011: £96 million).

#### Joint ventures

During 2012, Channel 4 received a dividend of £2 million (2011: £2 million) from Box Television Ltd (Box). Channel 4 also sold £8 million (2011: £8 million) of services to Box including commissions earned on advertising sales and made payments on Box's behalf for other services including transmission, programme costs, brand royalties, marketing, facilities management, information systems, finance and other administrative support and pensions. Box owed Channel 4 £1 million at 31 December 2012 (2011: £2 million) in respect of these services. Channel 4 paid £1 million (2011: £1 million) to Box in 2012 and owed Box £0.1 million at 31 December 2012 (2011: £0.1 million).

Channel 4 paid £1 million of funding to Clearcast Ltd (2011: £1 million), £20 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2011: £17 million), £2 million to BARB for research services (2011: £2 million), £1 million to Thinkbox TV Ltd for marketing services (2011: £1 million) and £2 million to DTV Services Ltd for marketing services (2011: £1 million). Channel 4 also received £1 million from Digital 3 and 4 Ltd and £0.1 million from Digital UK Ltd in service fees. No amounts were due to or from these companies at 31 December 2012 (2011: £nil).

Channel 4 also recognised equal revenue and expense of £5 million with DTV Services Ltd (2011: £5 million), £1 million with Thinkbox TV Ltd (2011: £1 million) and £2 million with YouView Ltd (2011: £nil), reflecting the group's contribution of promotional airtime in respect of marketing services with these companies. No amounts were due from or owed to these companies at 31 December 2012 (2011: £nil).

Channel 4 paid £7 million in respect of fees (2011: £5 million) and received £0.3 million in respect of management services and brand royalty fees (2011: £1 million) to other joint ventures. No amounts were due from these entities as at 31 December 2012 (2011: £nil).

#### Equity investments

During 2012, Channel 4 received £0.2 million brand fee income from Espresso Education Ltd (2011: £0.4 million). No amounts were owed to Channel 4 at 31 December 2012 (2011: £0.1 million).

Channel 4 also paid £0.2 million to Protagonist Pictures Ltd for agency sales and film acquisition services (2011: £0.2 million). No amounts were due at 31 December 2012 (2011: £nil).

## Corporate governance

The Board is committed to high standards of corporate governance. The members have decided to prepare voluntarily a Corporate Governance Statement to demonstrate compliance with the main principles, where relevant, of the UK 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 170.

### 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 group and Corporation's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and Corporation.

The members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003, as set out on page 176. Following the Digital Economy Act 2010, revised arrangements, approved by Ofcom, were implemented from 24 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 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.



## Corporate governance continued

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 2012, Lord (Terry) Burns continued as Chairman and David Abraham continued as Chief Executive.

### Senior independent member

Lord Hall was appointed Deputy Chairman and senior independent member on 1 February 2012 replacing Lord Puttnam after the expiry of his term on 31 January 2012. Lord Hall resigned his position on the Board on 25 November 2012.

### Members and members' independence

The names of the 2012 Board members, together with their brief biographies, are set out on pages 179–182.

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 116)
- 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 and resigned on 25 November 2012) served on the Board for more than six years from the date of their first election.

### Board members 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 Chair is appointed by Ofcom for a fixed term with the approval of the Secretary of State for Culture, Media and Sport
- the Chief Executive is appointed by the Board
- other executive members are appointed to the Board after nomination by the Chief Executive and the Chairman acting jointly
- the Board Secretary is appointed jointly by the Chairman and Chief Executive.

## Corporate governance continued

### 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.

A formal Board evaluation process that uses a detailed questionnaire to allow Board members to express both qualitative and quantitative views on Board performance is undertaken annually. The process is managed by the Board Secretary, with results anonymised in order to enable an impartial discussion of results. Results are fully discussed at a Board meeting and proposals tabled and agreed to address any actions arising. We 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.

### Board information

Regular reports and papers are circulated to the members before Board and committee meetings. These papers are supplemented by information specifically requested by the members from time to time. A monthly Performance Pack is prepared covering all key areas of the business and providing a month by month report on progress against the main performance indicators set by the Board.

The Board Secretary's responsibilities include ensuring an effective flow of information within the Board and its committees and between senior management and non-executive members, induction of new members and assisting with professional development as required.

The Head of Legal, Governance, Regulatory and Trading is responsible for advising the Board through the 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.

## Corporate governance continued

### Board meetings

The number of full Board meetings and committee meetings attended by each member during the year is shown in the table below:

		Number of meetings attended		
	Appointed/resigned/retired	Board	Audit committee	Remuneration committee
Executives				
David Abraham		9 (9)	3 (3)	4 (4)
Anne Bulford	resigned 26 February 2013	8 (9)	3 (3)	3 (4)
Jay Hunt		9 (9)	–	–
Jonathan Allan		9 (9)	–	2 (2)
Dan Brooke	appointed 1 February 2012	8 (8)	–	–
Non-executives				
Lord Burns		9 (9)	3 (3)	4 (4)
Lord Puttnam	retired 31 January 2012	–	–	–
Lord Hall	resigned 25 November 2012	8 (8)	–	4 (4)
Monica Burch		8 (9)	3 (3)	–
Alicja Lesniak		8 (9)	3 (3)	–
Mark Price		7 (9)	–	3 (4)
Richard Rivers		8 (9)	–	4 (4)
Paul Potts	appointed 1 January 2012	9 (9)	2 (2)	–
MT Rainey	appointed 1 January 2012	9 (9)	2 (2)	–
Josie Rourke	appointed 1 January 2012	7 (8)	–	–
Martha Lane Fox	retired 31 January 2012	–	–	–

Figures in brackets indicate the maximum number of meetings in the period in which the individual was a Board/committee member.

## Corporate governance continued

### Internal control

In accordance with good corporate governance practice the Board:

- is responsible for the company's system of internal control
- sets appropriate policies on internal control
- seeks regular assurance and receives regular reports that enable it to satisfy itself that the system is functioning effectively
- ensures that the system of internal control is effective in identifying key risks and reporting on the adequacy of actions to respond to and manage those risks
- is responsible for the group's process for the preparation of the consolidated accounts.

### Control environment

Clear management responsibilities are established for the executive members. 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 176, the Board and management have a clear responsibility for the identification of risks facing the Corporation and for putting in place procedures to monitor and mitigate such risks. The Board and Executive operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. This framework has been developed in accordance with relevant good practice guidance on internal controls and risk management.

A summary of the key risks that the group faces, together with how those risks are mitigated, is presented in the business review of the members on pages 113 and 114.

### Editorial and compliance

Channel 4 has a long established compliance culture which is fully integrated to its commissioning process and provides clear editorial reference-up to senior executives and appropriate Board oversight. Its importance is widely recognised and understood by independent production companies we work with and they share equal responsibility for ensuring that programmes and online content conform to the compliance culture we work within. The Commissioning team works in close collaboration with the Legal and Compliance department on all significant commissions. There are strong editorial, legal and compliance systems and controls in place over the content commissioned by Channel 4. These include specific guidance and protocols contained within the Channel 4 Producer's Handbook which encompasses the Ofcom Broadcasting Code, other relevant regulations, media law and best practice guidelines. This is supported by extensive training to both staff and independent producers. At the heart of Channel 4's creative risk-taking and compliance is the editorial 'reference-up' procedure, which exists to ensure that difficult or fine-cut decisions on editorial and compliance issues are properly considered by the most appropriately experienced and senior editorial executives and programme lawyers within Channel 4.

### Management systems

Detailed annual budgets and business plans are prepared for each area of the business, and are approved by the Board. 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 2012, 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.



## Corporate governance continued

The audit committee reviews the output and performance of business assurance and reports these to the Board.

### Remuneration committee

During 2012 the remuneration committee comprised Richard Rivers (Chair), Mark Price and Lord Hall (appointed 1 February 2012, resigned 25 November 2012). The remuneration committee met four 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 recommend to the Board 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 183–187.

### Audit committee

During 2012 the audit committee comprised Alicja Lesniak (Chair), Martha Lane Fox (retired 31 January 2012), Monica Burch, Paul Potts (appointed 1 June 2012) and MT Rainey (appointed 1 June 2012). 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 Head of Business Assurance and the KPMG LLP external audit partner (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 2012 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

## Corporate governance continued

- 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.

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 2012 the committee discharged its responsibilities by:

- reviewing the group's draft financial statements for the year ended 31 December 2011 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.

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 2012 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 whistleblowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, and with suitable subsequent follow-up action. 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, Veritas Funds plc and F&C Fund Management Ltd at least once a year.

During the year the trustees were Alicja Lesniak; two of Channel 4's executives, Anne Bulford (Chief Operating Officer) and Diane Herbert (Director of Human Resources); two member-nominated trustees, Julie Kortens (Head of Corporate Services) and Neil Pepin (Deputy Head of Legal and Compliance); Independent Trustee Services were appointed on 18 July 2012 as the independent trustee to the plan, replacing Louise Botting who resigned on 23 February 2012.

Anne Bulford resigned as a Trustee on 19 March 2013. Glyn Isherwood, Director of Finance, will be formally nominated as Channel 4's representative at the next meeting of the Trustees.

## Corporate governance continued

### 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 2012* and *Stand Up To Cancer*. The members are satisfied that Channel 4 has in place suitable procedures to fulfil the requirements of paragraph 3b of the Licence.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance with the Arrangements to be checked regularly by a person (other than Channel 4's auditor) appointed in accordance with that provision. Revised arrangements came into force on 24 January 2012 following the extension of the public service remit following the Digital Economy Act 2010.

Channel 4 has appointed Deloitte LLP to review compliance with the Arrangements and their report is shown on page 177. Copies of the Arrangements are available from the Board Secretary and at [channel4.com](http://channel4.com).

### 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.

## 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 2012 with the arrangements approved by Ofcom in January 2012 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 20th December 2012 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 21st February 2013), for our work, for this report, or for the opinions we have formed.

Respective responsibilities of Channel Four Television Corporation and Reporting Accountants.

The Corporation has agreed arrangements with Ofcom to secure the following objectives ("the Objectives") as set out in Schedule 9 of the Communications Act 2003:

- So far as reasonably practicable, secure that all significant risks that their other activities will have an adverse effect on the carrying out, during the relevant licence period, of their primary functions are:
  - a) identified;
  - b) evaluated; and
  - c) properly managed.

- The transparency objectives of securing:
  - a) an appropriate financial and organisational separation between the activities of the Corporation that relate to the carrying out of their primary functions and their other activities; and
  - b) an appropriate degree of transparency in financial and other reporting where resources are shared between separate activities or where there is some other financial or practical connection between otherwise separated activities.

The arrangements agreed between the Corporation and Ofcom are available from <http://stakeholders.ofcom.org.uk/binaries/consultations/c4-arrangements/statement/approved.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 2012 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;
- review of the relevant internal procedures and controls and examining of the financial records relating to the above; and
- review of which of the Corporation's activities fall under the primary functions and which fall under 4Ventures Limited.



## Corporate governance continued

---

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 2012. 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 2012.

### Deloitte LLP

Chartered Accountants

London

27 March 2013

## Members

### Non-executive members

#### Current

Chairman

#### Lord Burns GCB

Appointed as Chairman on 28 January 2010, his initial appointment ran 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 a professor of Economics in 1979. In 1980 he was appointed Chief Economic Advisor to HM Treasury and Head of the Government Economic Service. In 1991 he became Permanent Secretary to HM 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.

#### Monica Burch

Monica Burch joined the Board on 1 October 2010. Monica is Senior Partner of law firm Addleshaw Goddard LLP, and chairs the firm's Board. Monica also chairs the firm's Charitable Trust and is a board member of charitable organisation PRIME, which promotes fair and equal access to quality work experience in the legal profession.

Monica is a partner in Addleshaw Goddard's litigation practice where she heads contentious IP. Prior to her appointment as Senior Partner in 2011, Monica was a Board member for six years. She 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 named by The Lawyer magazine as one of the "Hot 100 Lawyers" in 2007 and 2011.

Monica graduated from Oxford University with a degree in Jurisprudence in 1987, and gained a distinction in her Masters Degree in Commercial Intellectual Property from Nottingham Trent University in 2007. Monica has worked in the US and UK, and has advised a variety of businesses, mainly in the consumer sector, across the globe.

#### Alicja Lesniak

Alicja Lesniak is a Fellow of the Institute of Chartered Accountants in England and Wales. She 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

Mark was appointed to the Board on 1 October 2010. Mark joined 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.

#### Richard Rivers

Joined the Board on 1 October 2010. Richard Rivers is a former Chief of Staff and Head of Corporate Development at Unilever. 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.

## Members continued

### 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 newspapers, including the Daily Telegraph and Daily Express, where he was Deputy Editor. He joined the Press Association in 1995 as Editor-in-Chief. Paul was appointed Group Chief Executive in 2000 and Executive Chairman in 2008. He retired from PA Group in 2010.

Paul became a Commander of the Order of the British Empire (CBE) in 2009. 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 Chairman of 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, [horsemouth.co.uk](http://horsemouth.co.uk). [horsemouth.co.uk](http://horsemouth.co.uk) is an online social network for informal mentoring and now has 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 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 Theatre (where she was Associate Director), the Royal Shakespeare Company, the Chicago Shakespeare Theatre, the National Theatre and in the West End. Productions as Artistic Director of the Donmar include: *The Recruiting Officer*, *The Physicists* and *Berenice*.

### Retired

#### Lord Puttnam

Joined the Board in February 2006. His term ended on 31 January 2012.

David Puttnam spent thirty years as an independent producer of award-winning films including *The Mission*, *The Killing Fields*, *Local Hero*, *Chariots of Fire*, *Midnight Express*, *Bugsy Malone* and *Memphis Belle*, but retired from film production in 1998 to focus on his work in public policy as it relates to education, the environment and 'creative and communications' industries. He founded the national Teaching Awards in 1998, and served as first Chair of the General Teaching Council 2000–2002. He was President of UNICEF UK 2002–2009.

He is chairman of Atticus Education, an online education company he founded to deliver interactive seminars on film and a variety of other subjects to educational institutions around the world. He is Chair of TSL Advisory Board, Chancellor of the Open University, President of the Film Distributors' Association, Deputy Chairman of Profero and a trustee of the Eden Project. He was recently appointed Prime Minister's Trade Envoy to Vietnam, Laos and Cambodia.

He was created a Life Peer in 1997, and has received more than 40 honorary degrees from universities in the UK and overseas.

#### Martha Lane Fox

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.

## 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.

##### Jay Hunt

Jay Hunt became Chief Creative Officer (CCO) of Channel 4 in January 2011 from her position as Controller BBC One. Jay's commissions during this time include critically acclaimed shows such as: *Sherlock*, *Luther*, *Mrs Brown's Boys*, *The Day the Immigrants Left* and *Bang Goes the Theory*.

From joining the BBC as a researcher on *Breakfast News* in 1989, she worked on *Newsnight* and *Panorama*, and then went on to be the Editor of both the *One O'Clock News* and *Six O'Clock News*. In 2005 Jay became Controller of BBC Daytime, where she strengthened the factual output with RTS Award-winning shows such as *Through Hell and High Water* and *The Estate We're In*. She also launched a huge range of new programmes including *Great British Menu*, *Heir Hunters*, *Real Rescues*, *Animal 24:7* and *Put Your Money Where Your Mouth Is*, which continue to perform well with audiences.

As Director of Programmes at Channel 5 in 2008, she commissioned a number of successful returning features shows including *Cowboy Builders* and *Extreme Fishing with Robson Green*.

##### 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. He joined the TV department at the major London media agency, OMD UK, in 1995 and was appointed to the board as TV Director in January 2000. He then moved into planning for a number of years and was appointed Deputy Managing Director in February 2005 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.

##### 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 Monitoring Observatory.



## Members continued

Resigned

### **Anne Bulford**

Anne Bulford joined Channel 4 as Group Finance Director in 2005 and was appointed Chief Operating Officer in 2010.

Previously, Anne had senior Finance roles at the Royal Opera House, Carlton Productions and the BBC. She qualified as a Chartered Accountant with KPMG and is a fellow of the Institute of Chartered Accountants.

Anne became an officer of the Order of the British Empire (OBE) in 2011.

Anne graduated from University College London where she was a lay member of Council and Honorary Treasurer until September 2012. She is a Trustee of the Motor Neurone Disease Association and of the Teacher Awards Trust. She was a non-executive member of the Ministry of Justice Corporate Management Board and Chair of the Corporate Audit Committee from 2008 to 2011, and Chair of Ofcom's Audit Committee from 2003 to 2005.

### **Board Secretary**

Paula Carter joined Channel 4 as the first Viewers' Editor, before becoming Board Secretary in 2011. Her background includes experience in advertising, marketing, public and commercial broadcasting and digital media. She worked for the BBC for 10 years before joining ITV to create a new digital channel jointly owned by Granada and Boots. Prior to joining Channel 4 in 2007, she ran her own communications consultancy where her clients included Ofcom, the BBC Governors, HMRC, the Royal Opera House, the Joint Scrutiny Committee for the 2003 Communications Bill and the Cabinet Office.

Paula is a magistrate on the Central Kent Bench and Chairman of Governors at St. Michael's Prep School in Otford, Kent.

## 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 169. 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 2011 to set targets for staff and executives for the 2012 financial year, which were designed to promote the long term success of the group, and which were consistent with investment plans for the year. The committee met again at the end of 2012 and early in 2013 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%	6.6%
Portfolio share	11.6% – 11.9%	11.5%
Core registered viewers	2.4m – 3.2m	6.3m
Share of net advertising revenue – sales house (including UKTV and Box)	27.0% – 27.8%	27.4%

Achievement of at least the budgeted financial result for the year 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 2012, 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. The remuneration committee also wished to recognise that the Paralympics had been an exceptional success in 2012 involving huge effort across the Corporation and used their discretion to award an additional, one-off, across the board bonus of 2.5% or a minimum of £1,000 as a reward for both the effort that had been applied and successful outcomes. After detailed consideration of all the elements of the scheme, staff were awarded an amount equivalent to 7.5% of salary (75% of the maximum under the scheme) and to senior staff and executives an amount equivalent to between 14% and 19.5% of salary (69% and 65% of the maximum under the scheme), inclusive of the additional Paralympics Bonus, 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 final level of award, the remuneration committee were mindful of the restraint necessary for a publicly owned body at a time of considerable economic uncertainty.

## Report on members' remuneration continued

---

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 2012 was 75% of salary and the average payout was £15,000.

In 2012, the remuneration committee determined that pay awards from 1 April 2012, made on the basis of personal performance, should not exceed 2.5% on average for the group. In 2013, the remuneration committee determined that the pay awards from 6 April 2013 should be in line with the 2012 average award and not exceed 2.5% of total salaries for the group.

The remuneration committee has 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.

---

### 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, car allowance and membership of a private medical insurance scheme (which is open to all staff). These benefits are not pensionable. In line with the group's expenses policy, no expenses claimed by executive members were chargeable to UK income tax.

---

### Remuneration policy for non-executive members of the Board

Ofcom appoints non-executive Board members for fixed terms and determines their fees. They are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board meetings. Service contracts are subject to a maximum of three years or less.

## Report on members' remuneration continued

### Members' remuneration

	Salary and fees £000	Variable pay £000	Benefits £000	2012 Total £000	2011 Total £000
<b>Executive members</b>					
David Abraham	515	100	129	<b>744</b>	701
Anne Bulford (resigned 26 February 2013)	375	73	41	<b>489</b>	456
Jay Hunt	390	116	36	<b>542</b>	487
Jonathan Allan	320	138	24	<b>482</b>	113
Dan Brooke (appointed 1 February 2012)	270	53	25	<b>348</b>	–
Andy Barnes (resigned 31 March 2011)	–	–	–	–	211
Jon Gisby (resigned 30 April 2010)	–	–	–	–	41
<b>Non-executive members</b>					
Lord Burns	100	–	–	<b>100</b>	100
Lord Puttnam (retired 31 January 2012)	2	–	–	<b>2</b>	30
Lord Hall (resigned 25 November 2012)	29	–	–	<b>29</b>	22
Monica Burch	22	–	–	<b>22</b>	22
Alicja Lesniak	22	–	–	<b>22</b>	22
Mark Price	22	–	–	<b>22</b>	22
Richard Rivers	22	–	–	<b>22</b>	22
Paul Potts (appointed 1 January 2012)	22	–	–	<b>22</b>	–
MT Rainey (appointed 1 January 2012)	22	–	–	<b>22</b>	–
Josie Rourke (appointed 1 January 2012)	22	–	–	<b>22</b>	–
Martha Lane Fox (retired 31 January 2012)	2	–	–	<b>2</b>	22
Stephen Hill (resigned 31 December 2011)	–	–	–	–	22
<b>Total</b>	<b>2,157</b>	<b>480</b>	<b>255</b>	<b>2,892</b>	<b>2,293</b>

The remuneration committee awarded David Abraham a 5% increase in salary effective from 1 January 2013. In 2011 he elected to reduce his maximum variable pay-out from 50% to 30% bringing him in line with other executive team members. David Abraham received an allowance of £128,625 in 2012 as part of his benefits package as a contribution to his personal pension plan (2011: £122,500).

Jay Hunt received £35,100 in 2012 as part of her benefits package as a contribution to her personal pension plan (2011: £34,000). Jay Hunt also received a separate bonus of £40,000 in 2012 which is included in her £116,000 variable pay figure. This was to recognise her outstanding contribution during 2012.

Jonathan Allan was appointed in September 2011 so has a full year of remuneration in 2012.

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.



## Report on members' remuneration continued

### 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. During the year Anne Bulford left the Channel Four Television Staff Pension Plan.

The executive members of the plan during 2012 were as follows:

	Increase in accrued pension entitlement during 2011 £000	Total accrued pension entitlement at 31 December 2012 £000	Transfer value of increase in accrued pension entitlement less members' contributions £000	Transfer value at 1 January 2012 £000	Increase in transfer value less members' contributions £000	Members contributions during 2012 £000	Transfer value at 31 December 2012 £000
Anne Bulford	1	28	7	511	22	4	537

- 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 to the date of leaving
- 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 2007 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.

## Report on members' remuneration continued

---

---

### 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  
27 March 2013

## Programmes and the licence

### Sources of programmes

#### Channel 4

Channel 4 commissions programmes from qualifying independent producers and other companies and purchases programmes in the international markets. The source and cost of the programmes transmitted on the main Channel 4 service in 2012 are shown in the table below:

	2012 Hours	2011 Hours	2012 £m	2011 £m
<b>Originated</b>				
Qualifying independents	4,046	4,223	315	304
Other	1,525	1,153	73	69
	5,571	5,376	388	373
Acquired	3,213	3,384	104	122
Programmes total	8,784	8,760	492	495
Other direct programme costs			7	7
<b>Total programme and other costs</b>	<b>8,784</b>	<b>8,760</b>	<b>499</b>	<b>502</b>
<b>All hours</b>	<b>Hours</b>	<b>Hours</b>	<b>%</b>	<b>%</b>
Originated	5,571	5,376	63	61
Acquired	3,213	3,384	37	39
	8,784	8,760	100	100
<b>Peak hours</b>	<b>Hours</b>	<b>Hours</b>	<b>%</b>	<b>%</b>
Originated	1,295	1,295	79	79
Acquired	352	348	21	21
	1,647	1,643	100	100

Independent production companies are the most important source of originated programmes. A total of 257 qualifying independent (2011: 239) and 17 other companies (2011: 14) provided programmes transmitted on Channel 4 in 2012.

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 2012 amounted to £152 million (2011: £143 million).

## Programmes and the licence continued

### Programme transmissions\*

#### Channel 4

The main Channel 4 service broadcast 8,784 hours in 2012 (2011: 8,760) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows:

	2012 Hours	2011 Hours	2012 £m	2011 £m
Drama	760	1,020	90	98
Entertainment	2,040	1,734	138	127
Education	2,364	2,274	96	100
Feature films	1,221	1,214	48	65
Other factual	183	206	24	12
News	234	233	23	22
Current affairs	217	218	20	18
Documentaries	153	194	14	20
Arts and music	336	473	9	11
Sport	884	774	21	14
Quiz and gameshows	359	381	7	5
Religion	33	39	2	3
	<b>8,784</b>	<b>8,760</b>	<b>492</b>	<b>495</b>

\*The data in the table above is consistent with prior years and based on Channel 4's internal reporting genres. Data presented in the Statement of Media Content Policy (SMCP) is structured around the key genres reflecting Channel 4's internal commissioning structure.

#### E4, More4 and Film4

The E4 channel broadcasts for a total of 8,784 hours in 2012 (2011: 8,760 hours) with 100% of these hours being subtitled (2011: 100%) and 48% including audio description (2011: 35%).

The More4 channel broadcasts for 6,859 hours (2011: 6,918 hours) with 100% of these hours being subtitled (2011: 100%), and 24% including audio description (2011: 25%).

The Film4 channel broadcasts for 6,089 hours (2011: 6,064 hours) with 100% of these hours being subtitled (2011: 100%), and 27% including audio description (2011: 25%).

### 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 four breaches of its Code on standards in programmes by the main Channel 4 service in 2012 (2011: one). None was judged serious enough to merit a statutory sanction (2011: none). In 2012 two complaints about fairness/privacy in Channel 4's programmes was upheld (2011: one) and two complaints were upheld in part (2011: three).

#### E4, More4 and Film4

One recorded breach of the Code on standards in programmes was noted against More4 (2011: one) and one recorded breach of the Code on standards in programmes was noted against E4 in 2012 (2011: one). There were no recorded breaches of the Code on standards against Film4 in 2012 (2011: none). In 2012 no complaints about fairness/privacy were upheld against E4, More 4 or Film4 (2011: one upheld against More4).



## Programmes and the licence continued

### ASA

ASA regulates all broadcast and non-broadcast UK advertising. All non-broadcast advertising should comply with the Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing ('the CAP Code'). All broadcast advertisements and programme sponsorship credits on television services licensed by Ofcom should comply with the UK Code of Broadcast Advertising ('the BCAP Code'). Ofcom retains direct responsibility under the BCAP Code for sponsorship, product placement and Participation TV advertising. The ASA recorded three breaches of the CAP code in 2012 (2011: none) relating to one billboard campaign. The breaches related to only two of four posters in this campaign. The ASA directed that neither of the two posters must appear again.

### The licence

The wide range and diversity of programmes broadcast in 2012 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	2012	2011
<b>Average hours per week</b>			
<b>News</b>			
– in peak-time (6pm to 10.30pm)	4	4	4
<b>Current affairs</b>			
– overall	4	4	4
– in peak-time (6pm to 10.30pm)	2	3	2
<b>Hours per year</b>			
Schools	1	24	3
<b>Percentage</b>			
Original production			
– Overall	56	63	61
– in peak-time (6pm to 10.30pm)	70	79	79
Independent production*	25	78	83
European independent production*	10	47	52
European origin	50	68	69
Subtitling for the deaf and hard-of-hearing	90	100	100
Audio description	10	26	24
Signing	5	5	5
Regional production	35	41	42
Regional hours	35	48	48
Production in the nations	3	5	4
Nations hours	3	7	5

The 2012 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 2004.

\*There are material differences in the definitions contained in the European and UK legislation for qualifying independent production.

Several of the measures reflected in this section of the report are discussed in more detail on pages 111–112 of this report.

## Historical record

	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
<b>Consolidated results:</b>										
Revenue	770	841	894	937	945	906	830	935	941	925
<b>Operating profit/(loss)</b>	56	60	57	14	(9)	(1)	4	49	41	(29)
Net financial income/(expense)	–	4	10	7	10	14	(2)	2	2	1
Share of profit/(loss) in joint venture	(11)	–	–	–	1	(3)	–	3	2	1
<b>Profit/(loss) before taxation</b>	45	64	67	21	2	10	2	54	45	(27)
Taxation	(11)	(19)	(18)	(7)	(1)	(8)	(2)	(15)	(10)	–
<b>Profit/(loss) for the year</b>	34	45	49	14	1	2	–	39	35	(27)

Figures for 2003 are shown under UK GAAP in force at the time. Figures for 2004 onwards are shown under Adopted IFRS.

<b>Advertising sales</b>	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
Channel 4 sales house	662	720	769	777	825	790	707	819	939	916
Other	2,520	2,695	2,718	2,523	2,608	2,487	2,179	2,490	2,442	2,430
<b>Total broadcast</b>	<b>3,182</b>	<b>3,415</b>	<b>3,487</b>	<b>3,300</b>	<b>3,433</b>	<b>3,277</b>	<b>2,886</b>	<b>3,309</b>	<b>3,381</b>	<b>3,346</b>
	%	%	%	%	%	%	%	%	%	%
Channel 4 sales house share	20.8	21.1	22.1	23.5	24.0	24.1	24.5	24.8	27.8	27.4
Other share	79.2	78.9	77.9	76.5	76.0	75.9	75.5	75.2	72.2	72.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<b>Audience share (portfolio)</b>	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %
BBC (nine channels)	38.3	36.6	35.2	34.5	34.0	33.5	32.6	32.9	32.9	33.6
ITV (five channels)	24.6	24.1	24.0	22.9	23.1	23.2	23.1	22.9	23.1	22.4
<b>Channel 4 excl S4C (six channels)</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>	<b>11.5</b>
Channel Five (three channels)	6.5	6.6	6.4	5.9	6.0	6.1	6.1	5.9	5.9	6.0
Other (> 350 channels)	20.5	22.4	23.6	24.8	25.2	25.4	26.7	26.9	26.5	26.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The number of channels in brackets indicates the number of channels in that portfolio as at 31 December 2012.

Source: BARB all individuals

<b>Audience share</b>	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %
BBC1	25.6	24.7	23.3	22.8	22.0	21.8	20.9	20.8	20.7	21.3
BBC2	11.0	10.0	9.4	8.8	8.6	7.8	7.5	6.9	6.6	6.1
ITV and GMTV	23.7	22.8	21.5	19.6	19.2	18.4	17.9	17.0	16.6	15.7
<b>Channel 4 excl S4C</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>	<b>6.6</b>
Channel Five	6.5	6.6	6.4	5.7	5.2	5.0	4.9	4.5	4.4	4.5
Other	23.8	26.3	29.8	33.5	36.4	38.9	41.4	43.8	44.9	45.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BARB all individuals



Designed by Bisqit  
Printed by Park Communications

Channel 4  
Television Corporation  
124 Horseferry Road  
London SW1P 2TX

Telephone +44 (0) 20 7396 4444  
[channel4.com](http://channel4.com)