

Return on innovation

Channel Four Television Corporation
Report and Financial Statements 2013



Channel Four Television Corporation Report and Financial Statements 2013

Incorporating the Statement of Media Content Policy

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of Schedule 3 to the Broadcasting Act 1990

Contents

Chairman's statement
Chief Executive's statement
2013 at a glance

Statement of Media Content Policy (SMCP)

Investing in innovation
Making an impact
Our programmes
Thank you
Awards
Forward look
Assurance report

4	Financial report and statements	131
5	Strategic report	132
6	Report of the members	144
	Independent auditor's report	148
8	Corporate governance	151
10	Members	156
28	Audit Committee report	159
46	Members' remuneration report	163
114	Consolidated income statement and	
116	statement of comprehensive income	171
120	Consolidated statement of changes in equity	172
130	Consolidated balance sheet	173
	Consolidated cashflow statement	174
	Group accounting policies	175
	Notes to the consolidated financial statements	181
	Channel 4 financial statements	207
	Programmes and the licence	212
	Historical record	215

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Lord Burns

Chairman

Channel 4 is a unique and important organisation. Its focus is on delivering its public service remit – but it must fund its ability to do so by generating revenues in the commercial market place. This means that Channel 4 must consistently balance creative and commercial objectives. 2013 was another very successful year for Channel 4 in its delivery of both of these elements.

In 2012 the Board supported the executive's two-year plan to draw a relatively small proportion of the reserves, accumulated in previous years, in order to support its strategy of 'Investing in Innovation'. 2013 represented the second year of this approach, and I am pleased to see the returns of innovation ahead of plans to break-even in 2014. Creatively, 2013 was full of success stories. It is clear that Channel 4 still frequently sets the national conversation – whether through agenda-setting exclusives from *Channel 4 News*, or the charm and insight of *Educating Yorkshire*. Programmes such as *Southcliffe*, *Utopia*, *My Mad Fat Diary* and *The Mill* hailed a new era for drama on Channel 4, while *Murder Trial*, *Gogglebox* and *D-Day: As it Happens* broke new ground in factual formats. These programmes, and the many others highlighted in this report, are a credit both to Channel 4 and its partners across the industry.

It is the role of the Board to oversee the public service and commercial objectives of Channel 4, ensuring that its remit is effectively delivered and its finances are in good health. There are a range of metrics that the Board reviews to help inform this evaluation – looking at investment data, consumption trends, revenue figures, audience research, programming quality and social impact. These metrics are presented within the Statement of Media Content Policy that makes up the first half of this report. As is required of us, we have consulted with Ofcom around its preparation and taken into account its feedback on some particular areas of provision following last year's report. Our progress is referenced in the relevant genre chapters.



We are encouraged to see strong results in many areas of our performance – continued growth from Channel 4's digital channels and platforms for example, as well as significant uplifts in several of the remit reputational statements presented in this report – demonstrating the strength of Channel 4's public service impact over the last 12 months. This performance is evidence that the Investing in Innovation strategy that the Board approved is working. Drawing down on surplus cash reserves to boost investment in content and key strategic projects are proving successful creatively and commercially. Across the report, the Board is confident that Channel 4 is an organisation in good health – making a substantial public service contribution while also innovating to achieve a sustainable commercial future.

In regulatory terms, we are pleased that Ofcom has confirmed it will renew our ten-year public service broadcasting licence from 2015, providing crucial long-term stability to the organisation. I am confident that the renewal of this licence, along with the preservation of Channel 4's remit and status as a not-for-profit, publicly owned broadcaster, as well as a healthy balance sheet and its own plans for creative and commercial innovation, mean the organisation is in good stead for the future.

Finally, I would like to thank my colleagues on the Channel 4 Board for their valued contribution over the past year. I was pleased in July to have been able to appoint Mark Price to his role as Deputy Chairman and to renew the terms of Alicja Lesniak, Monica Burch and Richard Rivers. I would also like to welcome Stewart Purvis as a new non-executive member of the Board. I look forward to working with them all in the months ahead. I would like to thank Anne Bulford, who left the Corporation in April after eight years to take up a new role at the BBC. She made an immense contribution to the future of Channel 4, including a period when she acted as Chief Executive.



David Abraham

Chief Executive Officer

2013 was a year of tremendous quality and variety in the creative output of Channel 4. It was also the year in which we achieved significant scale in our plan to develop more connected relationships with our audience by attracting our 10 millionth registered viewer. As the findings of this report also demonstrate, we saw returns on our Investment in Innovation strategy, with strong public perceptions of Channel 4 delivering its remit in 2013.

Standout moments for me were comedies *Toast of London* and *Drifters*; *Bedlam* was phenomenal public service television; equally rewarding were our Film and Drama, which hit new heights of originality – from the Oscar-winning *12 Years A Slave* to *Southcliffe*, *Run* and *Utopia*. It was also another great year for original journalism as our award-winning team punched well above its weight in revealing both national and international stories. We now have many more popular series returning into the schedule such as *Gogglebox*, *The Mill* and *Gadget Man* as ongoing creative investment bears fruit.

With careful planning, for a third successive year we were able to invest more than £400 million in original UK content; advertising and sponsorship revenues remained stable for a fourth successive year at £846 million and we increased growth in revenues from our online activities to reach £61 million. Together with our partners at UKTV and BT Sport our sales house delivered record revenues of £1.03 billion. 4seven has achieved all its business plan objectives and is in profit within a year of launch.

From a viewing share perspective, 2013 was always likely to present challenges in terms of matching the heights created by the London 2012 Paralympics. In peak-time – where we deliver the bulk of our remit – the important 16–34s and ABC1 demographics saw stability. But across the daytime schedule we experienced some share erosion, largely as a result of BBC One moving out of children's programming. However, our portfolio channels continue to perform well and growth in VoD viewing is being maintained, which has also supported the stability of our topline revenues.

Other market challenges came in the form of a consumer shift away from DVD, especially when compared with the 2012 revenue spike from *The Inbetweeners Movie*.



Chairman's & CEO's statement

In 2013 we continued to focus on aspects of our remit that encourage us to work with emerging creative companies. We also focused on deepening relations, with a planned reduction in the total number of companies we worked with in 2013, and for the first time made more than half of our commissions in the Nations and Regions. Through tight control of costs, we also delivered on our plan to reduce the level of drawdown from reserves, ending the year with cash of £238 million, well ahead of the level required to operate the business. We remain on track to break even in 2014 having invested for the past couple of years from surplus reserves into strategic projects, including creative renewal and our data strategy. This Investing in Innovation strategy is now beginning to deliver returns – in delivery of the remit, more returning hits and growth in our data initiative.

Television is changing rapidly in an era of connected devices and we remain convinced that our focus on investing in content and in viewer engagement will position us well for the future. Globally, advertising revenues towards mobile, social and other digital segments such as short-form video are experiencing exponential growth and are predicted to continue to be an engine of advertising innovation for the rest of this decade.

Our leadership team remains focused on building upon the long term sustainability of our model by adapting the Channel 4 proposition to take advantage of these trends. We are accelerating the migration of 4oD away from its roots as a desktop-led experience and towards a more agile presence across multiple platforms. This, coupled with our award-winning data strategy, allows us to deepen engagement with advertising partners as well as the connection between our viewers and our content, and so remain competitive in the years ahead.

Channel 4 is a hugely rewarding place to work and to lead and I would like to thank all our staff and all our creative partners for delivering the amazing range of award-winning work that is included in this report, of which everyone deserves to be truly proud.

2013 was a year of
tremendous quality
and variety in the
creative output of Channel 4

2013 at a glance

Channel 4 is a unique organisation: a publicly owned but commercially funded public service broadcaster with a distinctive creative remit based around innovation, distinctiveness, diversity and supporting talent. In order to fulfil our remit we generate returns from our commercial activities and commission award-winning original content.

In practice, this calls for a sensitive balancing act, of delivering public value and commercial return through a cross-funding model that operates between programmes, channels and services. The delivery of our remit therefore requires an agile and pioneering commercial strategy.

2013 was the second year of Channel 4's Investing in Innovation strategy, in which we drew down on surplus reserves to fund additional investment in content and strategic projects.

This resulted in strong returns creatively and commercially, with Channel 4's reputation for delivery of the remit rising overall and revenues remaining broadly stable.

2013 performance

The creative aspect of our strategy saw broadly stable levels of original content investment, and a continued focus on experimentation with new ideas, coupled with a growing number of returnable series.

- £597 million of total content spend
- £429 million invested in original UK content, seeing original commissioning levels broadly flat for three years
- 247 new and one-off programmes
- for the first time, more than half of commissions made outside London
- we consolidated and deepened our range of suppliers, 367 of who were engaged in 2013
- our programmes and films won 314 awards in 2013, nearly double that in 2012
- of our top 50 shows, 26 were new titles
- strong remit delivery – the majority of our reputational tracking studies up or level in 2013, after a period of gradual decline

2013 presented some challenges in terms of audience levels – partly as a result of continued experimentation but largely as a combination of effects including the impact of the BBC's more competitive daytime schedule and of the Olympic and Paralympic Games in 2012.

- portfolio share remained broadly stable at 11%. Channel 4 share down but strong performance in peak-time
- for the first time in 2013, the combined 16–34s viewing share of Channel 4's main channel and E4 was higher than that for both BBC One and ITV, the two biggest UK channels
- our 10 millionth registered user signed up – and half of all 16–24s in the UK are now registered with Channel 4
- visits to Channel 4 websites, mobile sites and apps rising to 537 million; on-demand viewing also continued to rise, up 6% to 476 million full-length programme views

As a result our financial highlights are:

- total revenue of £908 million
- advertising and sponsorship revenue of £846 million – stable for a third successive year

Planned operating deficit of £15 million

- significant improvement on £29 million deficit in 2012

Utilisation of cash reserves reflects the continuation of our Investing in Innovation strategy

- total cash and funds on deposit remain above our self-imposed threshold at £238 million

* Channel 4 positioned to deliver a break-even operating result in 2014.

£1 billion+
sales team revenue

Strategic outlook

As part of our Investing in Innovation strategy we have been putting in place a plan to secure our independence and long term sustainability. While linear television viewing is set to remain remarkably robust for the foreseeable future, this also entails planning for how television will transition to a more connected environment in the longer term. Commercially, our approach has included new advertising sales partnerships to support more demographic targeting, optimising our digital channel estate and developing our market-leading position through innovative use of data.

Our investment strategy led to planned deficits in 2012 and 2013. Looking ahead to 2014, we intend to achieve at least financial break-even.

We will build on the diversification of new content from 2013, with greater focus on returning and longer-running series that will create a distinctive new spine to the schedule.

With the market outlook currently positive for television advertising and current estimates for 2014 growth ranging from between 2% and 5%, we have budgeted expenditures based on a prudent expectation of market growth. If further growth in the market allows, we will reinvest into new content.

The Channel 4 Growth Fund will provide access to funding for small and medium-sized, UK-based, independent production companies, to boost the independent sector and to generate additional commercial return for Channel 4.

537m

visits to Channel 4 websites, mobile sites and apps

6% increase on 2012

1/2 of all 16-24 yr olds are registered with Channel 4

16-34 viewing share of Channel 4 and E4 is higher than both BBC1 and ITV

10.2m core registered viewers

£429m spent on originated content

£20.7m invested in content in the Nations

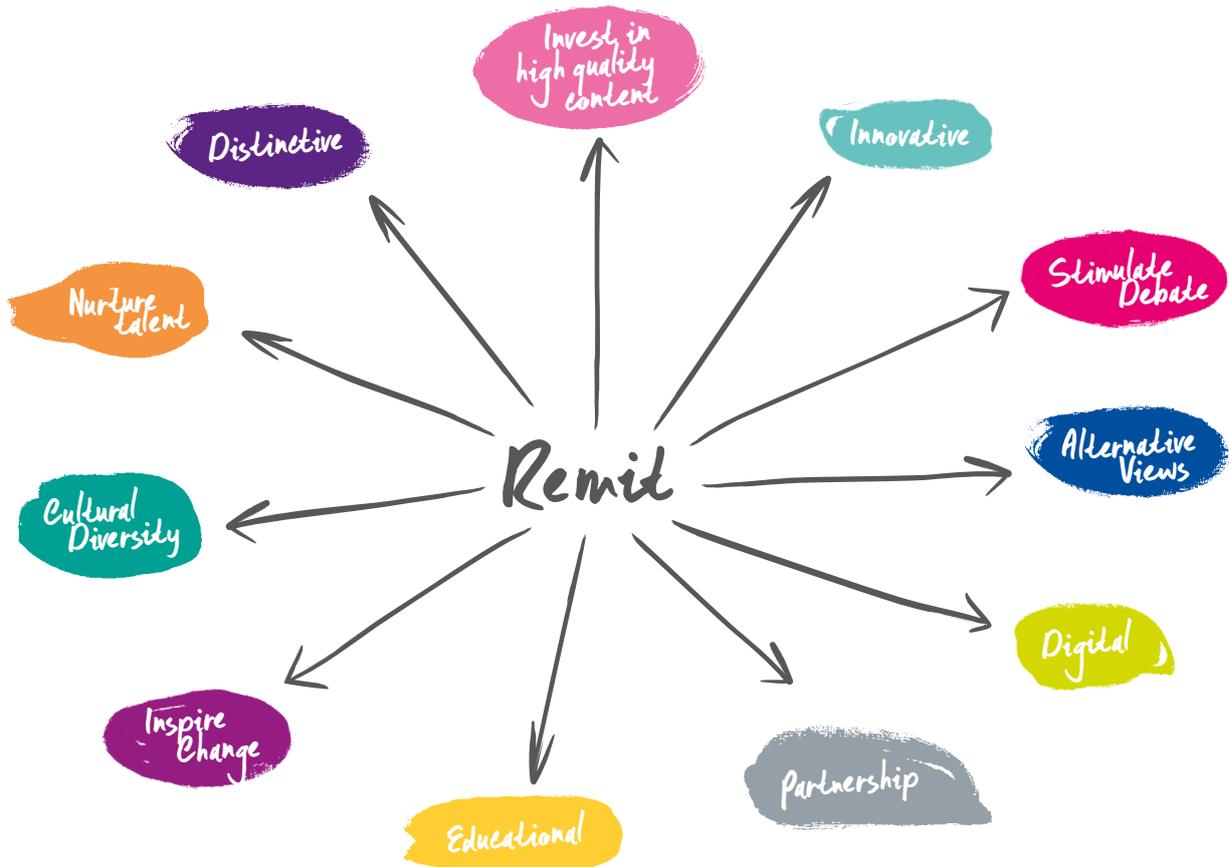
£846m advertising and sponsorship revenue in 2013

£11m increase in VoD revenue

314 awards in 2013



Statement
of Media
Content
Policy



Our detailed and wide-ranging public service remit is at the heart of everything we do. It is agreed by Parliament, enshrined in legislation, and gives us an important and unique role. It applies across all our genres and services: Channel 4, E4, More4, Film4, 4Seven, 4oD and digital projects such as websites and games.

In addition, Channel 4 must meet a set of specific, quantitative licence obligations, set and monitored by Ofcom, for news and current affairs, original production, regional production, subtitling and audio-description services – and much else besides.

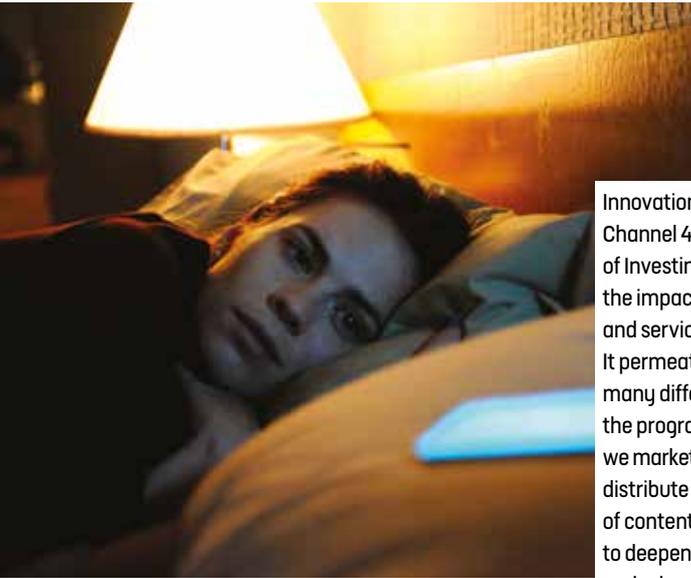
SMCP

The Statement of Media Content Policy (SMCP) was introduced to enable Channel 4 to report in the round on how it fulfils its public service remit. This means that rather than assessing the value of our public service solely through the quantitative licence requirements on the main channel, it should be assessed by looking across the full range of services Channel 4 offers. In this report, we aim to provide a transparent and comprehensive account of how we delivered against our remit, looking across a set of annual measures of success. This includes spend and viewing, reputation analysis and content-based case studies. This document also sets out our plans for the year ahead.

Note that some rounding differences may occur in the presentation of metrics. A detailed breakdown of the remit, along with background to the selection of public value measures and changes to metrics, can be found in the methodology document that accompanies this report channel4.com/annualreport. The component parts of the remit in the diagram above are included against each chart and case study contained in the report, as an indication of how we have delivered the remit across the year.

remit = at the heart of everything we do
→ gives us a unique role



Black Mirror

Innovation is one of the cornerstones of Channel 4's remit. Our long term strategy of Investing in Innovation is aimed at boosting the impact we make in our programmes and services, and the way we make them. It permeates the entire organisation and takes many different forms, from the creative – the programmes we commission and the ways we market them – to the technological – how we distribute our content and develop new kinds of content – to the ways in which we seek to deepen our relationships with audiences and advertisers.

The first phase of our strategy, in 2012, saw us take the deliberate step of drawing down on cash reserves to fund creative renewal. This supported an unprecedented level of investment in new programmes, as well as a pioneering data strategy. We repeated this approach in 2013.

A key challenge for all broadcasters is maintaining, and in many cases expanding, legacy linear distribution systems at the same time as investing in an ever expanding plethora of new platforms. Channel 4 is no exception. We now broadcast a portfolio of 14 linear channels, and make available more than 6,500 hours of on-demand content on 18 separate platforms. Channel 4 has established a strong reputation for technical innovation, which has been achieved by the skilful deployment of relatively limited resources. Specifically, we have been pioneers in the use of cloud-computing and open-source technologies, which have enabled us to save many millions in the costs of successfully evolving our business strategy.

Throughout 2013 our investment strategy allowed us to maintain a high level of creative regeneration. At the same time, we were able to commission further series of the most successful titles of recent years, enabling us to build a more stable and sustainable schedule.

To achieve these outcomes, we invested in relationships with a wide range of creative partners, as part of our ongoing diversity of supply strategy.

Innovation through content

Investment in content – particularly UK-commissioned content – is the primary way in which we fulfil our remit. Creative renewal is an evolving strategy that spans much more than the single year covered by this report. It involves constantly refreshing the programmes we offer our viewers, in part by phasing out long-running titles and experimenting with the new.

In 2013 we continued to experiment with new programme formats and themes across genres, and built on ideas that had been developed in previous years. Although slightly below the 2012 level, which was the highest in Channel 4's history, we invested £429 million in original content last year, while our overall investment in content also fell marginally (by 2%) to £597 million. A high level of the new and experimental was balanced by the return of popular and ambitious programmes from recent years. Since our Investing in Innovation strategy began in 2012, we have established no fewer than 171 new programmes and formats, including such successes as *Gogglebox* and *Black Mirror*. In fact, the number of returning programmes is itself testament to the success of our creative renewal strategy. It is also important, both in terms of our public service delivery and commercial impact, because the combination of new with established and familiar provides an environment in which we can better introduce viewers to new programmes.

247
new
and one-off
programmes

experiment
with new
programme
formats



Innovation through learning

Great innovations come from a readiness to take risks and experiment. We see Channel 4 as being on a constant journey of exploration, through which we can learn as much from failures as from successes. One of the common themes that binds many of our creative hits of the last two years is that they have stemmed from insights and learning from earlier projects, some of which may not have worked out as originally expected, but which revealed useful elements that could be built on elsewhere.

The Mill

On the main channel, a number of programmes, such as *Educating Yorkshire* and *The Mill*, proved to be both public service and commercial successes, attracting large audiences and widespread acclaim. Meanwhile, our model of cross-subsidy enabled us to provide a balance across the schedule, with more purely financial output supporting a wide range of programmes that delivered high public value but without the certainty of commercial return. More specialist areas, including news and current affairs, science and the arts all had a particularly strong year editorially with programmes such as *Chopin Changed my Life* and *How to Build a Bionic Man*. We maintained our investment in feature film production and development at £15.3 million and our central role as driver of contemporary British cinema with projects such as the acclaimed Oscar and BAFTA award-winning *12 Years a Slave* and smaller projects that nurtured new film-making talent, such as *For Those in Peril* and *The Selfish Giant*.

Innovation in form and content of commissions includes developing 'fixed rig' documentaries. Our development of the 'fixed rig' – now being used increasingly by other broadcasters – involves discreetly installing cameras in real-life locations to give honest and uncontrived insights into many walks of life, from A&E departments to high street fried chicken shops.

In technological terms we were pioneers too, closely integrating digital experiences with TV viewing. We operate integrated online and TV commissioning teams to ensure a cross-platform approach across the whole organisation. This helped to deliver innovations in second screen (see spotlight on page 72), encompassing games and social media around programmes such as with the *Made in Chelsea* game (see case study on page 105). It also led to integrated TV and digital experiences such as *D-Day: As it Happens*, which recounted, online and in real-time, the events of 6 June 1944, and *Easter Eggs Live* (see case study on page 104). Recognising the particular desire for *Channel 4 News* to maintain audience levels, especially with younger people, we put in place a strategy to extend news across digital platforms, for example by building more social media presence and making our short-form content available online. Further developing our online news strategy to reach younger audiences will be a continued priority in 2014.

Gogglebox, one of 2013's major programme successes, loved by critics and audiences alike (see page 85) worked on multiple levels: a TV review show featuring larger-than-life characters full of humour and warmth which was, at the same time, a programme that reveals what goes on in people's living rooms. It can trace its heritage back through an evolution of ideas that started with *Seven Days*, a fast turnaround documentary series in 2010, the title of which referred to how quickly the programme was made. This was followed by a number of fast turnaround specialist factual documentaries – *The Sinking of Costa Concordia* and *Buried Alive: The Chilean Mine Rescue* – which developed our technical and creative expertise in making documentaries in a week. *Gogglebox's* heritage also included *The Audience*, a radical new take on the reality genre. This BAFTA-nominated show helped our commissioning teams explore the use of comedy in documentary programmes. Insights from all these programmes helped us to develop *Gogglebox* and bring it to screen.

£15.3m
investment
in feature film
production and
development



Gogglebox

367

creative partners

Other programmes have evolved in a similarly complex way. *Elephant: Life After Death* was a 2010 TV documentary succeeded by *Hippo: Nature's Wild Feast* in 2011, which was the first occasion we live-streamed events online starting weeks before the television show was on air. *Foxes Live: Wild In the City* took this further in 2012 when cameras live-streamed from fox dens before and between transmissions and the audience interacted with the story by reporting their own fox sightings and following tagged foxes online via GPS. In 2013 *Easter Eggs Live* drew on all these experiences with multiple streams from hatcheries around the world before, during and after the transmission period. We are working on where we can take this style of programming next and are proud to be pioneering this multi-platform evolution of ideas.

The metrics on page 18 set out in more detail our investment in content in 2013 and how that investment was spread across our services and programme genres.

Innovation through diversity

We approach our commitment to diversity at Channel 4 in two ways: through the creative partners with whom we work and through the talent and themes reflected on our screens. The broader and more diverse our range of creative partners, the greater the range of people and perspectives we cater for with our content. A central ambition of our investment strategy has been to boost creative diversity. This means supporting a diverse range of programmes made by a diverse range of independent companies, and content that celebrates the many communities in modern Britain.

This can be closely linked to the culture of innovation at Channel 4 – the wider the range of creative partners we engage, and the broader the range of themes, people and experiences we are covering, the better we are at finding new ideas, pushing boundaries, testing and innovating.

Following the huge success of London 2012 and our BAFTA-winning coverage of the Paralympics we have maintained a commitment to disability sport. Events broadcast in 2013 include the London Anniversary Games in September.

In 2013, we worked with 367 creative partners in TV, digital and film – including 240 independent TV production companies. This is 20% down on 2012's peak, a reflection of the deepening rather than broadening of our range of suppliers as we increase the number of returning series to the schedules (it also partly reflects the continued consolidation in the sector). Despite this, we worked with 74 companies who were new to Channel 4 across the portfolio, and of 89 new suppliers in 2011–2012, 28% were retained for 2013.

Within our programmes we actively seek to represent the diversity of the population in all the UK's Nations and Regions. Channel 4 is a pan-UK broadcaster, without a regionalised service, and we perform an important role in representing the diversity of the UK to the whole of the UK. We strive for balance of representation across genres, including in shows such as *Location, Location, Location*, the *Educating* strand, *Come Dine with Me* and *One Born Every Minute*, all of which are made in different parts of the UK and include contributors from the devolved Nations and the English regions.

insights +
learnings
Seven Days → Gogglebox



The Fried Chicken Shop

Regional supply base

Channel 4's creative diversity stems in part from the geographical spread of production companies that we work with. In 2013 we continued to exceed our regional licence quotas, commissioning 55% of first-run originated programmes (by hours) for the main channel target of 35% and spending 46% of all expenditure on first-run originations on the main channel on production companies outside of London against a target of 35%. This is the first time ever that Channel 4 has sourced more than half of its first-run commissions from outside of London. Across its TV portfolio, Channel 4 spent £173 million on content from production companies based outside of London in 2013. This included an investment of £21 million in the devolved Nations. On the main channel alone, 6.6% of hours and 5.9% of spend was invested in the Nations (3.8% in Scotland, 0.7% in Northern Ireland and 1.4% in Wales). Spend in Wales was down by comparison to 2012 by 32% due to *Renovation Game* not being re-commissioned, and *That Paralympic Show* episodes that were commissioned in Wales not being commissioned again in 2013. Spend in Northern Ireland was up 92% across the portfolio, due to the comedy series *Trojan Donkey* and *Nick Hower: Countdown to Freetown*. Channel 4 plans to further increase commissioning from the Nations in the coming years.

Nurturing talent

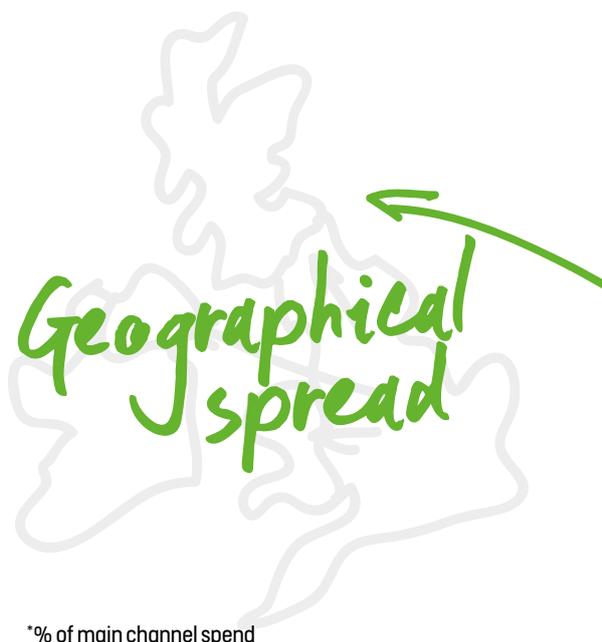
Nurturing talent within the creative supply base is an important part of our role as a publisher-broadcaster. Since its launch Channel 4's Alpha Fund has supported new production companies and start-ups ranging from small regional companies such as Liverpool-based Perfect Motion to disability-led start-up Zeitgeist and Edinburgh-based company Peachtree Productions. The Alpha Fund also supported companies working in new creative spaces brought about by innovations in digital media. *God Bless the Girl*, a web-funded feature film which recently won the Special Jury Award at Sundance, was an example of creative innovation on three fronts: the first film by Glasgow-based pop musician Stuart Murdoch of the band Belle and Sebastian, the first Channel 4 project to complete funding via the online site Kickstarter, and the first film which used an existing pop music fan base to participate in the casting and curating of the film.

Cultural diversity

Cultural diversity is central to the fulfilment of our mission. Channel 4 has a long history of representing minority communities and providing a platform for those whose voice is seldom heard on television. In 2013, this led to programmes breaking new ground in terms of subject matter and perspectives – and in some cases to influencing attitudes in society.

Disability

Our commitment to changing attitudes was most apparent in our pioneering work around disability, building on Channel 4's initiatives in this area over the last three years. In addition to our focus on Para-sport, we continued to represent disabled people across the schedules, whether through presenting talent, such as on *The Last Leg*, factual programmes such as *The Undateables*, or dramas such as *My Mad Fat Diary*, which tackled issues around mental health (see page 65). Behind the scenes, we have also extended our relationships with key disabled presenting talent to develop their careers.



*% of main channel spend

Ethnic diversity

We are committed to representing ethnic diversity across our schedules, in line with the changing face of modern Britain. Particular examples last year included the casting of contributors in programmes such as *Gogglebox*, documentaries such as *Educating Yorkshire* and *The Fried Chicken Shop*, all of which were located in the heart of diverse communities, and dramas such as *Top Boy*, *Youngers*, *Run* and *Utopia*, which featured diverse casts and storylines as well as off-screen talent. Through our dedicated Creative Diversity team, we continued to engage with new and emergent companies from the UK's Black and Minority Ethnic (BAME) talent base, recognising that some groups are less well-represented in industry. All broadcasters paid obituary tributes to Nelson Mandela, but Channel 4 took the opportunity to commission a special film – *Nelson Mandela: Superstar* – produced by the Hey Buddy company, which told the story of how music and soul culture brought Mandela's story to young people in the UK.

Hey Buddy was one of a number of BAME-led companies that worked with Channel 4 in 2013 – others include Maroon, Voltage, Acme Films and Factory Fifteen.

Regional diversity

We continued to make sure our programmes reflect people and places from across the UK. We do this across our schedule – setting our dramas in locations as diverse as Lincoln (*My Mad Fat Diary*), Faversham (*Southcliffe*) and Cheshire (*Hollyoaks*), and building a portrait of public services across the country in documentaries such as *Educating Yorkshire* (filmed in Dewsbury), *One Born Every Minute* (Leeds, Bristol) and *Murder Trial* (Glasgow). We also actively look to cast participants from

across the UK in many of our shows, from *Deal or No Deal* and *Come Dine with Me* through to *Gogglebox* and *Location Location Location*.

Social mobility

4Talent, Channel 4's initiative to diversify the range of people who enter the industry, has run workshops and talent identification programmes across the UK, often going to places that are not normally on the broadcaster radar, such as Dundee, where there is a vibrant digital games sector and Derry/Londonderry, the 2013 City of Culture and host city of the Turner Prize. 4Talent's day-schools are aimed at increasing social mobility in the industry, one recent example being in Govan, a deprived area of Glasgow, which attracted 176 young people to participate in industry workshops and network with Channel 4 editorial staff and independent producers. Social mobility is a challenging area for broadcasters and the production sector more broadly and Channel 4 is determined to play an affirmative role in recruiting from wider sections of society.

Global view

Channel 4's programmes covered a number of international themes across a wide range of genres in 2013. This amounted to 70 hours of first-run programmes with an international theme on the main channel (excluding *Channel 4 News*) and in the dedicated international *True Stories* documentary strand (which runs across the main channel, More4 and Film4). This was up 29% on last year primarily due to the greater number of *True Stories* films shown on the digital channels.

Current Affairs programmes represented almost half of the international programming in 2013, which included the *Unreported World* strand and *Dispatches* investigations such as *Syria: Across The Lines*.

Elsewhere in the schedule, in Drama, French-subtitled *The Returned* was the first foreign language drama to be shown on Channel 4 in 20 years. The Film4 channel also offers a wide range of films from around the world. In 2013, 892 hours of films from outside the UK and US were shown (21% more than in 2012).

Innovation through data

Channel 4's pioneering and award-winning data strategy aims to harness the arrival of two-way connectivity to television by building direct viewer relationships, and using the resulting data to help drive viewing and commercial returns.

Our strategy reached new heights in 2013 – with total registrations exceeding 10 million by the end of the year (up from 6 million at the end of 2012). Impressively, half of all 16–24s in the UK have signed up as members – reflecting the unique relationship Channel 4 has with younger audiences. As well as continued growth in the number of registered users, we also focused on consolidating levels of 'logged-in viewing'. We finished the year with 29.5% of all the VoD views coming from logged-in registered viewers, giving us even more precise data about what our registered users are watching.

In 2013 our priority was to test ways in which this significant database can be used to aid both creative and commercial innovation. To do this, we built innovative relationships with advertisers, academic institutions and technology platforms, putting Channel 4 at the forefront of research and development in this field. Recognising that a database of millions of viewers can give us unprecedented access to what our viewers enjoy, think and want, we also used the database to launch a pioneering new viewer panel, Core4, to be made up of 10,000 registered viewers who give us, our programme makers and advertisers ever more insight into the mindset of our audiences.

3.8%
spend in
Scotland*

0.7%
in Northern
Ireland*

1.4%
in Wales*



Tribes

The viewer experience

Registered users to our database in 2013 had access to a huge range of previews and exclusive content including episodes of some of our most popular series, such as *Homeland*, *Made in Chelsea* and *Scandal*. The launch of 4Now as a companion app for registered users gave viewers further opportunities to access additional content, enjoy curated social media feeds about shows on TV and interact through enhancements such as live polls and votes and play-along games.

One of the early innovations we were able to roll out through our database was personalised recommendations about Channel 4 programmes based on our improved understanding of viewer behaviour. We did this by learning about the audiences' interests and viewing habits and offering them bespoke recommendations through a feature called "watch next", which appears at the end of every VoD view. These have seen double the conversion to viewing compared with non-personalised recommendations. Such algorithms offer huge opportunities to better optimise the success of new content but we also want to surprise our viewers – just as we've always done with the way we manage our TV schedules. So, we are currently developing a "challenge" algorithm to ensure Channel 4's unique recommendations reflect our public service purpose and, at the same time, deliver an element of surprise.

Challenge
algorithm

We have applied similar techniques to ensure our communications are also more relevant for viewers, for example increasing the personalisation of our weekly emails, which 1.24 million of our registered viewers choose to receive. Where we have used demographics and viewing behaviour to tailor email communications we have seen open rates and click-through rates double.

This personalisation of the broadcast experience allows Channel 4's viewers to more easily discover, watch and enjoy our programmes, and will be a key focus for us in 2014 and beyond.

Advertising innovation

Channel 4's commercially self-sufficient business model means our ability to fulfil the remit is entirely dependent on generating revenue in the marketplace. The bulk of Channel 4's revenue comes from advertising and sponsorship. Because we operate on a not-for-profit basis, the more revenue generated the more that can be reinvested in content and services that fulfil the remit.

One of the purposes of our data strategy has been to enable commercial innovation and this is now leading to some exciting new ways of working with advertisers. Linear television remains an extremely effective way of reaching mass audiences quickly, but connected viewing also enables us to tell advertisers more about the people they are reaching.

It means viewers can receive more targeted and relevant advertising – and advertisers can be sure that they are reaching the people they want to. In 2013, we ran a series of trials with advertisers to see how data might be used, introducing the first-ever demographically targeted ad packages for premium online videos to the market. Results showed that targeting delivered double the efficiency (% of impressions on target) of competitor sites and double the click-through rates when compared with a standard 4oD campaign.

We've also made valuable insight on our youth audiences available to agency and advertising partners through our industry-leading and award-winning youth research UK Tribes. Recruiting from our registered user base, which now includes half of all UK 16–24s, we have built an online insight community of young people whose opinions advertisers seek on a weekly basis, receiving bespoke feedback from them in real-time. With results also published on our website uktribes.com this access, combined with the data we have following the fusion of UK Tribes to our viewer database, has resulted in many brands, from The Home Office to Jimmy Choo, using Tribes to help plan their campaigns.

In 2013 we expanded this work to offer comprehensive demographic targeting on 4oD. Advertisers are now able to promote products more precisely suited to viewers, and to plan and buy seamlessly across television and online. Such targeting not only benefits advertisers, but has allowed Channel 4 to further grow its digital premiums and revenues.

We are currently developing further insight and planning tools, as well as the next phase of commercial data targeting, which will see the expansion of the inventory available for targeting and the development of new targeted products to take to market.

Our promise to viewers

As a publicly owned public service broadcaster it is important to us that our viewers know why we are collecting data about them and what we do with it. The relationship we have with our viewers is sacrosanct and we take the responsibility that comes with handling their data very seriously. We issued our ground-breaking Viewer Promise, which sets out clearly how our commercial model works.

always
ask first

The Viewer Promise comprises three core principles, which in short are:

1. *When we ask for data it's to give something back* – so, for example, registered users have access to the full library of programmes on 4oD, they get to see some programme before they go on TV and can save their favourite tips or recipes in *My Scrapbook* – an online service that enables viewers to clip information from programmes digitally.
2. *We are clear on what data we hold and what we do with it* – we have developed clear, easy-to-read policies that explain what we do with data we ask for and why we ask for it.
3. *You control the data we hold on you* – we recognise that personal information is valuable and needs to be treated with care – so we won't sell it on or clutter inboxes. Registered viewers can amend or close their profiles when they wish and can request that all details are wiped from our system if they wish.

Alan Carr also fronts an online video that explains the Viewer Promise in an engaging way at channel4.com/viewers.

Both our viewer engagement strategy and our UK Tribes 16–24s research initiative won prestigious Marketing Week Data Strategy Awards in 2013, in recognition of the successful way in which this approach to data sits at the heart of Channel 4's commercial model and future strategy. Our strategy was cited by judges as "thoughtful, meaningful and engaging in a way rarely seen in business today".



Dates

Investing in innovation

Innovation through content

£597m

spent on content across all services

- 2% on last year

Invest in high quality content

Investment in all content

In 2013, Channel 4 spent a total of £597 million on content across all of its services – the main channel, digital TV channels and digital media services. This represents a slight decline, of 2%, on the £608 million spent in 2012, when the creative renewal programme was at its peak.

Channel 4 continues to spend the bulk of its content budget – £486 million in 2013, equivalent to 81% of the total – on the main channel, which continues to attract more viewing than any other channel in the portfolio. Just over £100 million was spent on the digital TV channels. The budgets for the main channel and the digital channels were, respectively, 1% and 3% below their corresponding 2012 levels.

Expenditure on digital media – which includes Channel 4's websites and cross-platform media – was £8 million in 2013, down from £10 million in 2012. This decline, of 23%, was primarily due to one-off costs associated with the online coverage of the London 2012 Paralympic Games.

Spend across the Channel 4 network on all content (£m)

	Total (£m)			
2013	486	103	8	597
2012	492	106	10	608

Channel 4 (main channel) Digital TV channels
Digital media

Source: Channel 4

£429m

spend on originated content across all services

- 1% on last year

Invest in high quality content

Investment in originated content

Channel 4's public service remit is delivered primarily through the broadcaster's investment in original content on TV and in digital media. Its total investment in originated content across its TV channels and online services was £429 million in 2013, marginally down (by 1%) on the 2012 figure.

90% of this originations investment was spent on the main channel, reflecting its continued position at the heart of the broadcaster's remit. Channel 4 spent £385 million on original programming on the main channel in 2013, 1% down on 2012's figure. This included expenditure of £192 million on key PSB genres – News, Current Affairs, Education and schools programming, Entertainment, Drama series and single dramas, Arts and Religion and Film on Four – a 3% higher level than in 2012.

Away from the main channel, a further £36 million was spent on originations for the digital channels, also down 1% year-on-year, and, as noted above, £8 million was spent on digital content beyond the TV channels in 2013.

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

	Total (£m)			
2013	385	36	8	429
2012	387	36	10	434

Channel 4 (main channel) Digital TV channels
Digital media

Source: Channel 4

8.6hrs

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

- 10% on last year

Invest in high quality content

Originated output

Channel 4 broadcast an average of 8.6 hours of new commissioned programmes (first-run originations) each day in 2013 across the main channel, E4, More4 and Film4. The main channel accounted for 8.1 of these hours, with the remaining 0.5 hours per day on the digital channels.

The total volume of first-run originations across all channels was down 10% on the 2012 figure, 9.5 hours per day. This decline is accounted for entirely by the main channel, on which the volume of new commissions fell by 11% to an average of 8.1 hours per day (there was in fact a small increase in the volume on the digital channels). The decline on the main channel may be attributed to a number of factors. First, 2012 was the peak of the creative renewal process, when commissioning volumes were particularly high. Second, Channel 4's coverage of the London 2012 Paralympic Games boosted first-run originated hours that year, particularly in daytime, when originated hours are generally lower. And third, in some genres – including Drama and Comedy – Channel 4 chose to focus on a smaller number of higher cost titles in 2013, enabling the programme makers to enhance their creative ambitions.

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

	Total (hrs)			
2013	8.1	0.5		8.6
2012	9.0	0.5		9.5

Channel 4 (main channel) Digital TV channels

Source: Channel 4

Investing in innovation

Innovation through content

70%

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

- 3% pts on last year

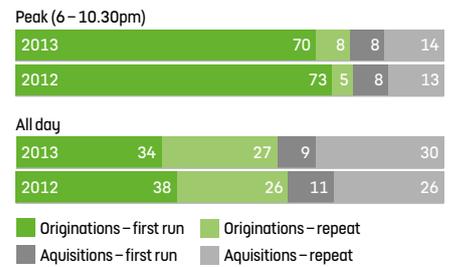
Invest in high quality content

Output mix on Channel 4

Notwithstanding the growing importance of its digital portfolio, Channel 4 continues to attract the largest audiences to its peak-time programmes on the main channel, and this is where most new programming is showcased. In peak time (6–10.30pm), 70% of all hours on the main channel were made up of first-run originated programming in 2013. When repeats are included, all originations accounted for 77% of peak-time hours, comfortably exceeding the Ofcom licence requirement of 70%. These figures represent small declines on the corresponding 2012 levels – the proportion of first-run originations in peak was down by 3 percentage points, while the proportion of all originations fell by 1 percentage point in peak.

While there is a more balanced spread of originations and acquisitions in day-time on Channel 4 (as on other network channels), originations still accounted for 61% of all output on the main channel across the whole day in 2013, exceeding the Ofcom quota of 56%. There was a small reduction, of 2 percentage points, in the proportion of originations across the day in 2013. The all-day decline was more pronounced for first-run originations, which fell by 5 percentage points, as Channel 4 refocused more of its commissioning spend in peak, where it can have the greatest impact.

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



Source: Channel 4

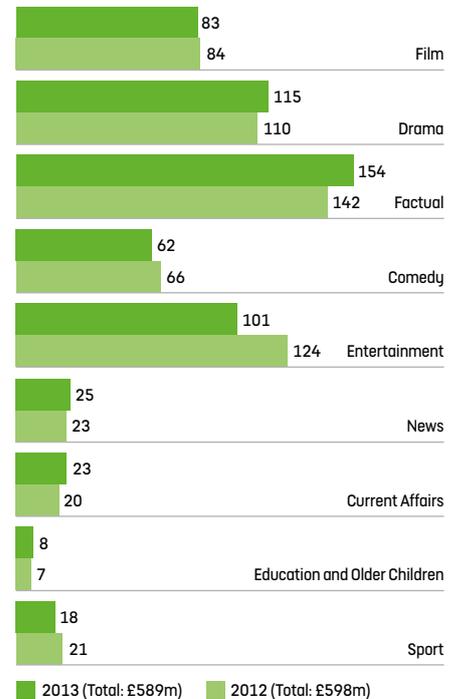
Invest in high quality content

Investment in programming by genre

Across the TV portfolio, the genres that accounted for the largest amounts of content investment in 2013 were Factual (£154 million), Drama (£115 million) and Entertainment (£101 million). Of these, content spend in Factual rose by 8%, thanks to investment in major series such as *Educating Yorkshire*, *First Time Farmers* and *First Dates*. Drama spend rose by 5%, with the transmission of major series, including *The Mill*, *Run* and *Dates*. Investment in Entertainment fell by 19%, the biggest decline for any genre. This was partly due to a planned reallocation of budget to these other genres. In addition, returning series, such as *Million Pound Drop*, came back with shorter runs.

In the year following the London 2012 Paralympic Games, there was inevitably a decline in content spend on Sport (of 14%). The reallocation of funds away from Entertainment and Sport allowed extra investment to be made in News (up 5%), Current Affairs (up 15%) and Education and Older Children (up 16%).

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



Source: Channel 4

Investing in innovation

Investing in innovation

Innovation through content



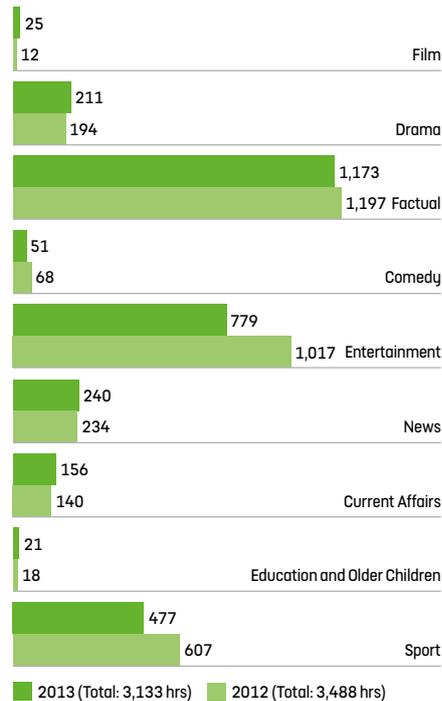
Volume of first-run originations by genre

Channel 4 broadcast 3,133 hours of first-run originated programming across its TV portfolio in 2013 (10% down on the 2012 level).

The biggest genres in 2013 were Factual (1,173 hours), Entertainment (779 hours) and Sport (477 hours). Compared with the corresponding levels in 2012, the volume of Factual programming was relatively stable (down 2% year-on-year), while Entertainment was down by 23%, in line with the reduction in its budget (see page 19). The other notable declines were in Comedy (down 25%), as there was no equivalent to the *Funny Fortnight* season run in 2012, and in Sport (down 21%), following the 2012 peak due to Channel 4's coverage of the London 2012 Paralympic Games.

There were increases in several other genres. The volume was up for Drama (by 9%), reflecting its increased budget and the launch of several major series (see opposite). Current Affairs hours were up by 11%, due to a full run of the new half-hour format for *Dispatches*, along with new series such as *Why Don't You Speak English?* and *Hugh's Fish Fight*. The amount of programming for Education and Older Children was up 17%, due to extra drama commissioning on E4. And the volume of Film4-supported films rose by 97% – there is always a degree of variation on when Film4 titles are released theatrically and when their subsequent TV window opens. In 2013, 13 films were premiered, including *The Iron Lady* and *The Eagle*, up from five in 2012.

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



Source: Channel 4

Meeting Channel 4's licence obligations

Average hours per week	Compliance minimum	2013	2012
News			
In peak-time (6–10.30pm)	4	4	4
Current Affairs			
Overall	4	5	4
In peak-time (6–10.30pm)	1.54	3	3
Hours per year			
Schools	0.5	10	24
Percentage			
Origination production			
Overall	56	61	63
In peak-time (6–10.30pm)	70	77	79
Independent production			
European independent production	10	45	47
European origin	50	66	68
Subtitling for the deaf and hard of hearing	90	100	100
Audio description	10	31	26
Signing	5	5	5
Regional production			
Regional hours	35	55	48
Production in the Nations			
Nations hours	3	6	5.4
Nations hours	3	7	7

Please note that this table is excluded from the scope of the KPMG Independent Assurance Report.

Investing in innovation

Innovation through diversity

£382m

investment in first-run external UK commissions on the main channel in 2013

- 1% on 2012



Broadcasters' investment in the production sector

Channel 4 has no in-house production base, and sources 100% of its investment in originations from external suppliers, providing vital support for the independent production sector. In 2013, Channel 4 spent £382 million on first-run originations for the main channel, marginally down (by 1%) on the 2012 figure. 77% of this total was spent on qualifying independent production companies.

In 2012, the most recent year for which cross-industry data is available (from Ofcom), Channel 4's spend on first-run external commissions on the main channel exceeded that of any of the other public service broadcasters on their network channels – including BBC One and BBC Two combined.

Looking across the broadcasters' TV portfolios, Channel 4's £421 million expenditure on first-run external commissions in 2012 was only 5% less than the combined investment of the BBC channels, and exceeded by more than £100 million the total combined spend of ITV and Channel 5 across their portfolios.

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

	Total (£m)		
2012	351	90	441
2011	339	86	425
BBC			
2012	221		221
2011	224		224
ITV			
2012	385	36	421
2011	370	36	406
Channel 4			
2012	98		98
2011	94		94
Channel 5			

■ Main channel ■ Digital channels

Source: Channel 4, Ofcom (other channels)
2013 data not available for other channels

367

companies working with the Channel 4 portfolio across TV, film and digital media in 2013, of which 240 were independent TV production companies

- 20% on 2012



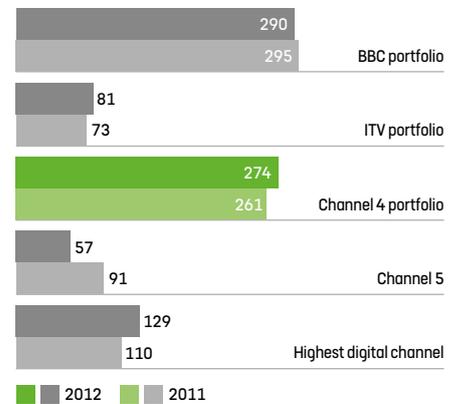
Diversity of supply base

Channel 4 worked with 367 companies to provide the TV, film and digital media content that it commissioned in 2013. Of these, 240 were independent TV production companies. There were 103 online suppliers and 81 film companies – some suppliers worked across TV, film and online. Across the portfolio, 74 companies were new suppliers to Channel 4.

While Channel 4 continues to seek new companies to work with, these figures are down on the corresponding 2012 levels, as the organisation deepens its relationships with suppliers with which it began working in the earlier stages of the creative renewal process. In particular, the total number of suppliers fell by 20% relative to the all-time high achieved in 2012, while the number of independent TV production companies was down by 12%. The number of new suppliers fell by 46%, relative to the 2012 figure at the peak of the creative renewal process.

In 2012, the most recent year for which comparative TV industry data is available for the public service broadcasters across their TV portfolios, Channel 4 worked with 16 fewer independent TV production companies than the BBC, and with almost twice as many companies as the other commercially funded public service broadcasters, ITV and Channel 5, combined.

Number of independent TV production companies supplying the PSBs



Source: Channel 4, Broadcast (other channels), Attentional (Channel 5)
2013 data not available for other channels

Investing in innovation

Investing through diversity

Output from suppliers based outside London

55%

of first-run originated programme hours

+ 7% on last year

46%

of the value of first-run originations

+ 5% on last year



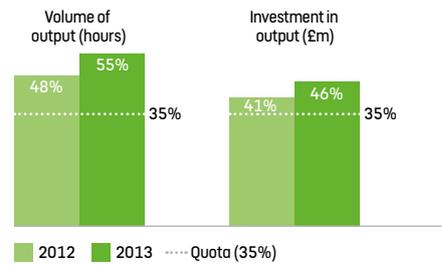
Investment in the Nations and Regions (main channel)

In both volume and spend terms, Channel 4 increased its investment in first-run originated content from outside London for the main channel in 2013, reflecting longer runs of series such as *24 hours In A&E*, *Black Mirror* and *Educating Yorkshire*, as well as the multi-regional commission *The Mill*. 55% of all hours of first-run originated programmes on the main channel were sourced from suppliers based outside London in 2013, up 7 percentage points on 2012. This is the first time in its history that Channel 4 has sourced more than 50% of first-run commissions from outside London.

There was also a marked increase in the corresponding level of investment in 2013. 46% of Channel 4's expenditure on first-run originated programming on the main channel was spent in the Nations and Regions, up 5 percentage points on 2012. In both volume and spend terms, these figures comfortably exceed the 35% licence quotas set by Ofcom.

A total of 177 hours of first-run programming on the main channel came from commissions in the Nations. Scotland saw a small increase in the volume of programming (130 hours in 2013, up from 127 in 2012), while total investment was up by 17% to £13 million. The amount of programming commissioned from Wales fell by more than 50%, from 67 hours to 29 hours, as the 2012 figures included programming related to the London 2012 Paralympic Games, and also *The Renovation Game* was not re-commissioned. Total investment in Wales fell by a smaller amount, 29%, to £5 million. In Northern Ireland, programming was down by 1 hour in 2013, but the amount invested rose by 81% in 2013, to more than £2 million, due to new commissions *Trojan Dankey* and *Nick Hower: Countdown to Freetown*.

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



Source: Channel 4

£173m

spent with production companies based outside London

+ 10% on last year

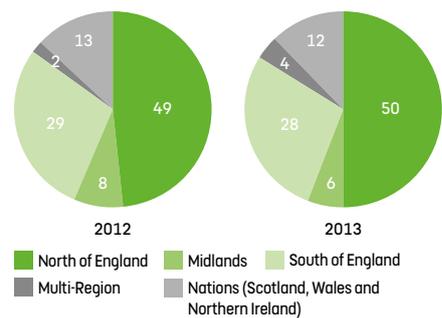


Spend by region across the Channel 4 portfolio

Across its TV portfolio, Channel 4 spent £173 million on content from production companies based outside London in 2013. Reflecting its commitment to source more programming from around the UK, this was a 10% increase on the 2012 figure. Channel 4's commissions from the English regions span many genres, including the likes of *Deal Or No Deal* (South of England), *Superscrimpers* (Midlands) and *Hollyoaks* (North of England).

£21 million of this expenditure went to production companies in the Nations in 2013, and included programmes such as *Location, Location, Location* (from Scotland), *Edward VIII's Murderous Mistress* (Wales) and *Trojan Dankey* (Northern Ireland). The largest component of expenditure in the Nations, £14 million, was spent in Scotland, 14% up on 2012. A further £5 million was spent in Wales. The remaining £2 million was spent in Northern Ireland, almost double the 2012 figure (see above for explanations of the trends in the Nations).

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



Source: Channel 4

Investing in innovation

Investing in innovation

Different voices

70hrs

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

+ 29% on last year



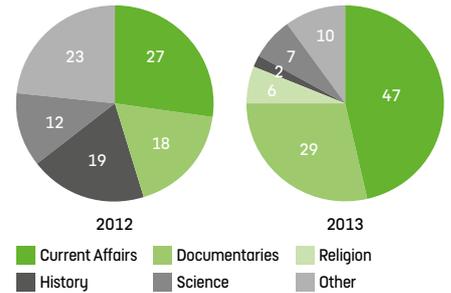
Range of international programming

Channel 4's programmes cover international topics across a wide range of genres. In 2013, there were 70 hours of first-run programmes with an international theme on the main channel (excluding *Channel 4 News*) and in the dedicated international *True Stories* documentary strand (which runs across the main channel, *More4* and *Film4*). This was up 29% year-on-year, primarily due to the greater number of *True Stories* films shown on the digital channels.

Current Affairs programmes represented almost half of the international programming in 2013, which included the *Unreported World* strand and *Dispatches* investigations such as *Syria: Across The Lines*. The next biggest category was Documentaries, which primarily comprised the *True Stories* films. Other international-themed programmes included *The World's Weirdest Weather* (Science) and *Ramadan Diaries* (Religion).

In addition to showing *True Stories*, the Film4 channel offers a wide range of films from around the world. In 2013, 892 hours of films from outside the UK and US were shown (21% more than in 2012).

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



Source: Channel 4
2012 percentages have been restated to incorporate international *True Stories* on the main channel, which were excluded in error. Refer to online methodology for further detail
Note that the total for religion in 2012 was 0

103hrs

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

- 66% on last year

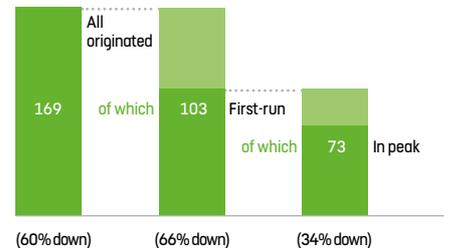


Diversity output on the main channel

In 2013, Channel 4 showed 169 hours of originated programmes on the main channel which covered diversity issues (religion, multiculturalism, disability or sexuality). Of these, 103 originated hours were first-run programmes, and 73 of the first-run hours related to programmes that were shown in peak time, including the *4thought* strand (religion), Drama *Top Boy* (multiculturalism), topical comedy show *The Last Leg* (disability) and documentary *Bi-Curious Me* (sexuality).

The amount of diversity-related programming fell sharply in 2013, following the peaks achieved in 2012 due to Channel 4's coverage of the London 2012 Paralympic Games – total originated hours were down by 60%, first-run hours by 66% and first-run peak hours by 34%. While the 2013 figures include some programming that builds on the talent and formats developed as part of its coverage of the London 2012 Paralympic Games, such as the continuation of *The Last Leg*, they do not fully reflect Channel 4's Paralympic legacy initiatives, which include working with key presenting talent to help them develop their careers in television (on Channel 4 and beyond).

Total hours of programming covering diversity issues shown on the main channel (2013 with trends relative to 2012)



Source: Channel 4

Investing in innovation

Film



Diversity of Film4 channel schedule

Whereas many film channels rely predominantly on Hollywood studio titles, the Film4 channel showcases a diverse range of films from the UK and around the world. In 2013, 22% of the output on the channel comprised British films, including those co-funded by Film4 Productions. One of those, *A Field in England*, received a groundbreaking simultaneous release across cinemas, DVD, VoD and TV. These British films, along with those from continental Europe and other parts of the world outside the US, together accounted for 40% of all output on the channel. This is an increase of 3 percentage points on the corresponding proportion for 2012.

In 2013, Film4 featured seasons from acclaimed Japanese director Mikio Naruse, a short season of five award-winning documentaries, including Lucy Walker's *Waste Land*, the premiere of Oscar-nominated *Monsieur Lazhar*, and a comprehensive season of films from the legendary Studio Ghibli. The channel's key weekly international slot enjoyed a 21% year-on-year rise in audiences.

40%
of the
Film4 channel's
output came from
outside the US, with
22%
being British

Investing in innovation

Investing in innovation

News and Current Affairs

340

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

+ 9% on last year



Commitment to long-form journalism

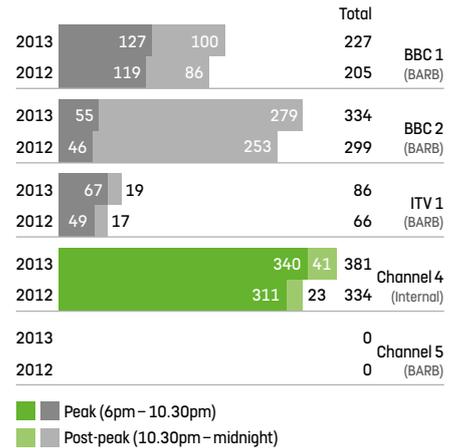
The transmission of News and Current Affairs programmes with extended running times allows topics to be covered in greater depth. Channel 4 believes that it is especially important to offer such programmes at a time when citizens are increasingly consuming news from a greater range of platforms, including digital and social media, many of which focus on short-form content that does not offer comparable levels of rigour and analysis.

In 2013, Channel 4 showed 340 long-form News and Current Affairs programmes – defined as those running for at least 45 minutes (for News) and 15 minutes (for Current Affairs) – in peak time (6–10.30pm) on the main channel.

This represents a 9% increase on the corresponding figure for 2012, as a result of a longer run of *Dispatches*. Channel 4 showed more long-form news and current affairs programmes in peak than the other main PSB channels combined.

Including the post-peak period up to midnight, the corresponding figure for Channel 4 was 381 titles. This was again more than for any of the other main PSB channels, ahead by 47 titles of the next highest channel, BBC Two, which showed 334 long-form titles between 6pm and midnight (with *Newsnight* accounting for the bulk of the post-peak entries).

Number of long-form News programmes 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



Source: Channel 4, BARB (other channels)

My Tattoo Addiction



← 10.8%
audience share



Location, Location, Location



Edward VIII's Murderous Mistress

ratings
hit

Spotlight

Creative diversity

Spotlight: Creative diversity

Part of the rationale behind the creation of Channel 4 was to provide a platform for the best of Britain's independent TV and film makers. Indeed, Channel 4 can claim a major role in transforming the UK's indies sector into the most successful and diverse in the world. That support remains core to our purpose, which is why we ensure that our output and the people that make our programmes represent and reflect today's UK in all its diversity.

We work with as wide as possible a spread of new and emerging companies and concentrate on cultural and regional diversity. Many of the independent producers who make our programmes are based in creative centres across the country and so, by supporting them, we are also supporting economic growth in regional cities away from London.

In 2013 we continued to support two funds aimed at stimulating the next generation of creative industries, and designed to match or exceed our regional targets online, on digital interactive platforms.

We also pioneered ways of supporting digital creativity across games, interactive education and cross-platform commissioning. Dedicated cross-platform commissioners sit within each TV genre, working with new and emergent companies and digital agencies. Alongside our highly successful Alpha Fund, which supports innovation in smaller companies, our Convergent Formats Fund invested in ideas, apps and creative concepts for the next generation of connected TV.

As well as working across the English regions, 2013 saw us intensify our commissioning work in the Nations.

Glasgow is a significant hub for the production of features programming and the home base of two of our most successful suppliers, IWC media, the makers of the evergreen *Location, Location, Location*, and *Raise the Roof*, a relatively new company based in a pop-up shop in Glasgow's Merchant City, which produced *Phil Spencer's Secret Agent* and *Kirsty's Fill Your House for Free*.

Welsh companies also accounted for some of our key peak-time programmes. Rondo Media's single film *My Tattoo Addiction* – their first commission for Channel 4 – was followed up with a three-part series which was broadcast in September and October during prime time, with an average of 10.8% audience share.

2013 proved to be a seismic year for Cardiff-based Boomerang, which rebranded as Boom Pictures and merged with Two Four, the makers of Channel 4's fixed rig-documentary *Educating Yorkshire*. Boom was one of the small group of companies that contributed to Channel 4's stellar success with the *2012 Paralympics* and has since gone on to produce more prime-time shows such as *Posh Pawn*, a mini-series about wealthier people pawning their lives against the backdrop of recession.

Other Welsh companies that contributed to a successful year were Swansea's Telesgop, who delivered a critical and ratings hit with *Edward VIII's Murderous Mistress* in early 2013; TIFiNi Productions with their first commission for Channel 4, *Finding Mum and Dad*; and the *Time Team* franchise, based in Cardiff, which continued to deliver special programmes such as *1066 – The Last Battlefield*, which transmitted in December.

Queen Victoria and the Crippled Kaiser, by Belfast-based DoubleBand Films, told the story of the hidden childhood of Queen Victoria's grandson, the future Kaiser Wilhelm II. Many of these shows trace their origins back to the Alpha Fund.



supporting digital creativity



The Cruel Cut**Engaging the audience**

Given our public service remit, simply looking at the 'inputs' and 'outputs' outlined in the previous chapter cannot be the whole story. It is important to measure the impact we are also making with audiences.

At Channel 4 we explore how audiences respond to individual programmes and how they perceive us as a brand. Our metrics include reputational brand trackers linked to the remit, bespoke case studies around key programmes (as reported in the following genre sections) and social media monitoring to quantify the wider 'buzz' our shows generate. Taken together, the metrics we use to measure our performance present a positive picture for 2013, particularly when it comes to our reputation with the audience.

Reputational impact

We assess our reputation by tracking public opinion on whether or not we're achieving the ambitions set out in our remit, such as stimulating debate or taking a distinctive approach. We measure ourselves against other public service channels and against our previous record. 2013 saw a significant overall improvement in these perceptions of remit delivery, with some metrics recording their highest ever scores. This reflects the success of Channel 4's creative renewal strategy.

On all reputational measures associated with our remit, we outperform the other public service broadcasters. When it comes to cultural diversity, our reputation has improved year on year, with increases for statements such as challenging prejudice (up 1 percentage point), showing different kinds of cultures and opinions (up 3 percentage points) and showing viewpoints of minority groups (up 3 percentage points).

We are seen as distinctive, with strong increases in particular for taking a different approach to subjects compared with other broadcasters – up 9 percentage points. We were also particularly strong in 2013 for showing documentaries that present alternative views (up 11 percentage points). All of these statements were at their highest ever levels in 2013. Our reputation for being experimental was as strong in 2013 as in previous years, and although there was a slight decline in the extent to which viewers felt we took risks and encouraged them to think about subjects in new and different ways, we have maintained a substantial lead over other channels in both these areas.

In addition to this brand-level research, we gauge our performance in a number of specific genres that are explicitly referenced in the remit (for example, News and Current Affairs and Film) or which make up a particularly large proportion of our total output (for example, Factual).

Thanks to our unique approach to subject matter and our commitment to alternative views, our documentaries stand out from those of other broadcasters. In 2013 we had a 21 percentage point lead over the average for other main public service broadcasters, and a 14 percentage point lead over the next highest public service broadcaster, BBC Two. Our lead over the next highest channel is our strongest performance since we started reporting on this measure.

21pt
lead over other
broadcasters for
documentaries that
present alternative
views

Educating Yorkshire



Television

Linear television viewing continues to defy predictions of its imminent demise and remains one of the UK's favourite leisure activities; according to the latest Ofcom research, the UK population watches an average of 4 hours a day¹. Equally remarkable is the fact that watching scheduled live programmes continues to account for around 90% of all viewing². Nevertheless, the competitive environment for traditional television becomes ever more complex given the choice of channels and the increasing number of ways in which content can be viewed. Within this competitive landscape, in which profile and familiarity are so significant, it is a particular challenge for Channel 4 to attract audiences to the new and one-off programmes that are such a prominent part of our schedule.

Channel 4 is watched by almost the whole TV viewing population at some point every month. Last year the monthly average reach for the portfolio was 86.8%, a slight decrease on 2012, but one that mirrors the experience of other public service broadcast channels. The reach of the main channel dropped 2 percentage points to 79.9%. While there were small declines in the reach of the digital channels, More4 and Film4 remained ahead of their 2011 levels, and the digital channels contributed more overall to Channel 4's portfolio reach in 2013 than in previous years. Our TV channels attracted an 11.0% share of all UK viewing, down 4% on 2012. The main channel attracted a 6.1% share of viewing. Among 16–34s the main channel attracted an 8% share of viewing, making it the third most popular channel for this age group. The portfolio channels performed strongly, with E4, More4, Film4 and 4Music collectively attracting 4.9% of viewing – up 1% year on year, with particular growth among 16–34s, with a viewing share of 5% among this age group.

With a remit to cater for the needs of a culturally diverse society, one of our key tasks must be to connect with audiences that are traditionally hard to reach, in particular younger audiences and black and ethnic

minority (BAME) viewers. Here, the gap between white and other audiences narrowed and our total viewing share amongst 16–34s remained broadly stable.

We continued to buck the trend of other channels by appealing disproportionately more to 16–34s – Channel 4 is the only public service broadcaster to draw a higher share of young viewers than of audiences overall. No surprise, then, that E4 continued to be the fourth most popular channel with this younger age group, ahead of both BBC Two and Channel 5, continuing the trends we established in 2011 and 2012.

Channel 4 looks in detail at the audience for News and Current Affairs. As a proportion of overall viewers, Channel 4 attracted more young people (18%) than any other public service broadcaster. The same is true for BAME viewers, who form a lower share of viewers among other broadcasters' News and Current Affairs audiences, compared with Channel 4.

Viewing figures for the main channel were influenced by a number of factors. Both Channel 4 and the BBC experienced something of a '2012' effect, making it inevitable that we would see a drop in audiences in comparison with the extraordinary summer viewing figures triggered by the Olympic and Paralympic Games. Our audience share in daytime, between midday and 6pm, was also hit by BBC One turning from children's to more competitive mainstream programming at the time.

Crucially, viewing among 16–34s and ABC1s (the most commercially valuable audience) is broadly stable. Furthermore, early evening schedules have become more competitive as older viewers turn more often to other digital channels, which are available in every home now that digital switchover is complete.

Significantly our share was substantially built on successful programmes in peak-time, which is also where we place the majority of our programmes that most effectively fulfil our remit, particularly at 9pm. In 2013, 38% of our main channel's viewing came between 8pm and 11pm, the highest level for five years. This compared with four-year peak-time lows for BBC One and ITV1.

In addition, our strategy of creative renewal showed positive results, spreading our audience across a broader range of programmes than before. In 2009 just ten programmes accounted for 50% of our cumulative audience share on the main channel; in 2013 it was 16 programmes. While the proportion of Channel 4's portfolio viewing that is accounted for by network originations – that is, programmes commissioned by Channel 4 – was slightly down, they continued to outperform acquired programmes in terms of levels of viewing relative to their volume in the schedules. A number of major original commissions performed strongly in peak time such as *Educating Yorkshire*, *Skint* and *The Mill*.

¹ Ofcom Communications Market Report, August 2013

² Ibid

Non-linear

We continued to innovate in digital media, developing new content, both to accompany the TV experience and as stand-alone, and making it available across a wide range of platforms. 4oD, the first long-form on-demand service to launch in the UK, is now available on multiple devices and platforms, from tablets to games consoles, with 4oD apps being launched on a range of new platforms in 2013, including Android and Samsung connected TVs. Video on demand views continued to rise – to 476 million views.

The full range of Channel 4 websites, mobile sites and apps attracted an impressive 537 million total visits. This includes programme-related sites such as *Fresh Meat* and apps. Apps – a particular focus of development in 2013 – drove much of the surge with an annual increase of 24%.

Our digital offer last year also focused on News and, in particular, the use of digital media to engage younger audiences. We have sought to build our presence on social media platforms, with exclusive content on newer platforms such as Instagram and Vine as well as strengthening our presence on YouTube with daily curated playlists. We have also increased our volume of shareable, short-form video clips on the main News website – leading to average monthly video views increasing by 50%.



Sex Box

Audience feedback

We gather insights and feedback from our audience in a number of ways, from contacts made to our Viewer Enquiries Centre to individually commissioned audience research streams, to traffic on our social media sites and directly from our registered users sites. We have developed a metric that tracks the extent to which people tell us they have talked about our shows. The newly revamped *Channel 4 Racing* was the most talked about programme in 2013, with 75% of its viewers talking about it or commenting online. The Top 10 also includes documentaries that highlighted social issues, such as *Bank of Dave* and *Britain on Benefits*, and factual shows looking at health and body issues, such as *Gok Live* and a *Bodyshock* special. *Easter Eggs Live*, an innovative take on nature programming, also featured.

During 2013 our Viewer Enquiries Department was contacted 154,703 times, the majority of these being requests for information. Of the rest, we received 16,835 complaints and 5,174 appreciative comments. Our Ramadan season as a whole received both the largest number of positive and negative comments, with 2,011 complaints and 321 appreciative comments. For single programmes, the *4Ramadan Call to Prayer* received the most number of complaints with 1,658, followed by *Crazy about One Direction*, which received 1,056 complaints. *Gogglebox* was the single series that received the most number of positive comments from viewers, with 257 appreciative contacts.

75%
of users
commented
on revamped
Channel 4 racing

Making an impact

Different voices*

*Note in 2013 all the channel reputation statements were tracked using a new online survey. These statements were also tracked under the old surveys for comparability. Full results from the old surveys compared with the new survey are presented in the online methodology statement. Summarised results are presented under each relevant metric in this section. This applies to channel reputation statements only.

24pt

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

+ 3pts on last year



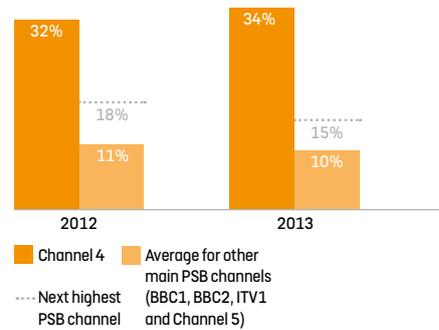
Channel reputations – shows different kinds of cultures and opinions

In 2013, 34% of people selected Channel 4's main channel as being best for showing different kinds of cultures and opinions. This represents a lead of 24 percentage points over the average for the other main PSB channels, and is 19 percentage points ahead of the next highest channel, BBC One.

Channel 4's strength in this area has increased in recent years. Relative to 2012, the proportion choosing Channel 4's main channel, and its lead over the average for the other PSB channels, both rose by 3 percentage points. As the proportion of people choosing other channels declined in 2013, Channel 4's lead over BBC One (the next highest channel in both years) rose by 6 percentage points.

In both absolute and relative terms, these figures are the highest that Channel 4 has achieved since it began reporting this metric in 2008.

Shows different kinds of cultures and opinions



Source: Ipsos MORI commissioned by Channel 4
No change under old survey

23pt

lead over average for other channels for challenging prejudice

+ 1pt on last year



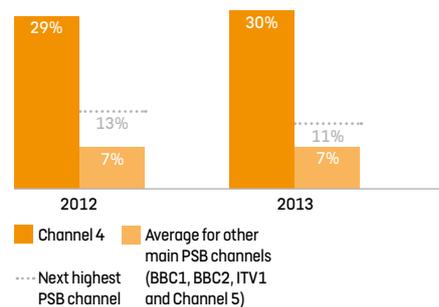
Channel reputations – challenges prejudice

30% of respondents most associated programmes on Channel 4's main channel with challenging prejudice in 2013. This is 23 percentage points more than the average for the other main PSB channels, and 19 percentage points more than chose the next highest channel, BBC One.

This is the second year for which Channel 4 has strengthened its performance on this metric. The proportion of respondents choosing Channel 4's main channel rose by 1 percentage point year-on-year, equivalent to a 6 percentage point rise since 2011. Its lead over the average for other channels also rose by 1 percentage point year-on-year, and is 5 percentage points up since 2011. Compared with the next highest channel, BBC One, Channel 4's year-on-year lead rose by 3 percentage points, and by 6 percentage points over the last two years.

Following these increases, the proportion of people choosing Channel 4, and its lead over other channels, were higher in 2013 than at any time since Channel 4 began reporting this metric in 2008.

Challenges prejudice



Source: Ipsos MORI commissioned by Channel 4
Lead over average for other channels under old survey: 26pts

25pt

lead over average for other channels for showing the viewpoints of minority groups

+ 3pts on last year

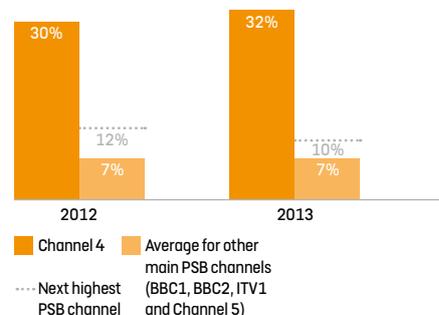


Channel reputations – shows the viewpoints of minority groups in society

Channel 4's main channel was chosen by 32% of respondents for being best for showing the viewpoints of minority groups in society, significantly more than any other channel. Its lead over the average proportion of people who chose the other main PSB channels was 25 percentage points, while the lead over the next highest channel, BBC One, was 22 percentage points.

Even without the boost provided by its coverage of the London 2012 Paralympic Games, in which disability issues were foregrounded, Channel 4 improved its performance on this metric in 2013. The proportion of people choosing Channel 4 rose by 2 percentage points, its lead over the average for the other PSB channels rose by 3 percentage points, and its lead over the next highest PSB channel (BBC One in both years) rose by 4 percentage points.

Shows the viewpoints of minority groups in society



Source: Ipsos MORI commissioned by Channel 4
Lead over average for other channels under old survey: 27pts

Making an impact

Different voices*

20pt

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

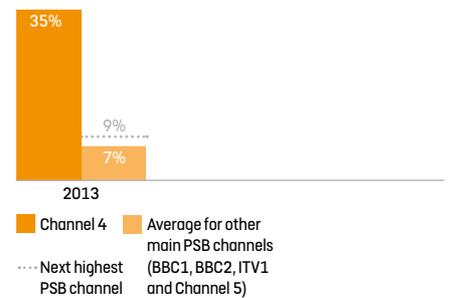


Channel reputations – home for alternative voices

In a new reputational statement, 35% of people selected Channel 4's main channel as being the home for alternative voices in 2013. This was 28 percentage points higher than the average proportion of respondents choosing the other main PSB channels, and 26 percentage points above Channel 5, the next highest channel.

This statement replaces "Allows people an alternative point of view", which was reported in previous years. It is one of two new statements that we adopted – the new statements are intended to be clearer and easier for respondents to understand. Please refer to the online methodology document for further details.

Home for alternative voices



Source: Ipsos MORI commissioned by Channel 4. Wording changed in 2013, therefore no comparative presented, refer to online methodology for results of old metric

Distinctive approaches

14pt

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

- 1pt on last year



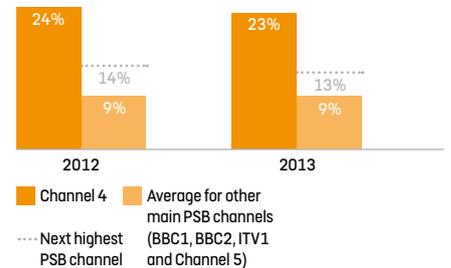
Channel reputations – makes me think about things in new and different ways

In 2013, 23% of respondents selected Channel 4's main channel as being best for making them think about things in new and different ways, substantially more than chose any other channel. Its lead over the average for the other main PSB channels was 14%, while the Channel 4 figure was 10 percentage points more than the next highest channel, BBC Two.

Channel 4's performance has held relatively steady over the last year, with marginal declines in the scores. The proportion of people choosing Channel 4 dipped slightly, by just under 1 percentage point. Its lead over the average for the other PSB channels also fell by 1 percentage point. With the proportion of people choosing BBC Two also falling slightly, Channel 4's lead over the next highest channel remained at the same level as in 2012.

Despite these small dips, Channel 4's performance has still increased over the last two years, with both the proportion of people selecting Channel 4, and its lead over the other PSB channels, higher in 2013 than in 2011.

Makes me think about things in new and different ways



Source: Ipsos MORI commissioned by Channel 4. Lead over average for other channels under old survey: 15pts

36pt

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

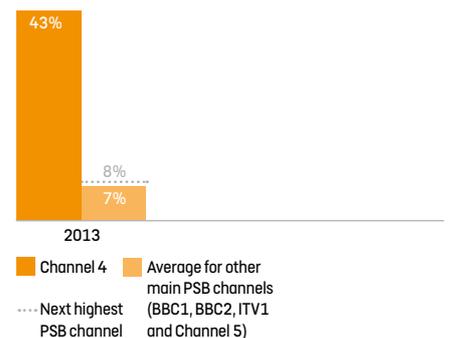


Channel reputations – tackles issues other channels wouldn't

In a new reputational statement, Channel 4's main channel was selected by 43% of respondents for tackling issues that other channels wouldn't. This represents a huge lead over the other channels. Channel 4's lead over the average for the other main PSB channels was 36 percentage points, and that over the next highest channel, BBC One, was only slightly lower at 35 percentage points.

This statement replaces "Covers ground other channels wouldn't", which was reported in previous years. It is one of two new statements that we adopted; the new statements are intended to be clearer and easier for respondents to understand. Please refer to the online methodology document for further details.

Tackles issues other channels wouldn't



Source: Ipsos MORI commissioned by Channel 4. Wording changed in 2013, therefore no comparative presented, refer to online methodology for results of old metric

Making an impact

Distinctive approaches

28pt

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

+ 9pt on last year

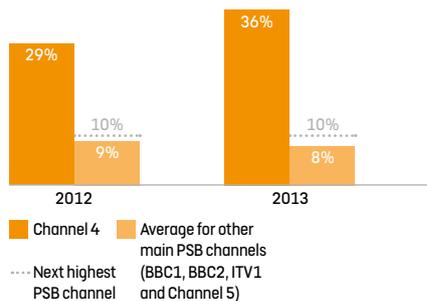


Channel reputations – takes a different approach to subjects compared with other channels

In 2013, Channel 4's main channel was selected by 36% of respondents as being best for taking a different approach to subjects compared with other channels, ahead of the other PSB channels by a substantial margin. It had leads of 28 percentage points over the average for other PSB channels, and of 27 percentage points over the next highest channel, Channel 5.

As Channel 4's creative renewal strategy continues, with experimentation across a range of genres, it is gratifying that its performance on this metric has improved so significantly in 2013 after a couple of years of modest declines. The proportion of people selecting Channel 4's main channel rose by 7 percentage points year-on-year, to the highest level in more than five years. Its lead over other channels rose by even more: relative to the average of the other main PSB channels, its lead was up by 9 percentage points in 2013, while its lead over the next highest channel (BBC One in 2012, Channel 5 in 2013) rose by 8 percentage points. These leads are higher by some margin than the corresponding ones over the previous five years.

Takes a different approach to subjects compared with other channels



Source: Ipsos MORI commissioned by Channel 4
Lead over average for other channels under old survey: 24pts

247

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

- 5% on last year

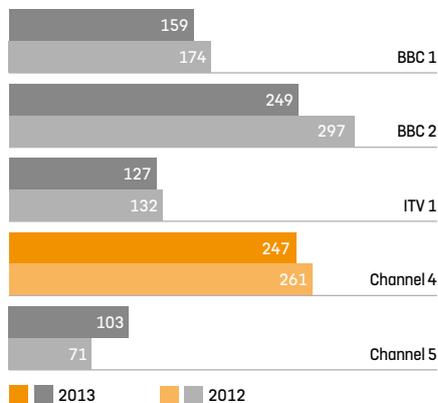


New and one-off programming

Channel 4's commitment to experimentation as part of its creative renewal strategy is reflected in part by the number of new and one-off programmes that it shows. In 2013, there were 247 of these programmes on the main channel between 6pm and midnight (when audiences are at their highest levels). This figure is 5% down on the 2012 level, when creative renewal was at its peak.

Whereas in 2012, BBC Two showed considerably more new and one-off programmes in the evening than any other channel (297 of them), a 16% decline in this figure over the last year meant that it showed only two more such programmes than Channel 4 did in 2013. Channel 4 was well ahead of the other PSB channels this year, leading BBC One by 88 titles, and with more new and one-off programmes than the other commercially funded public service broadcasters, ITV and Channel 5, combined.

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



Source: Attentional commissioned by Channel 4

39pt

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

- 2pts on last year

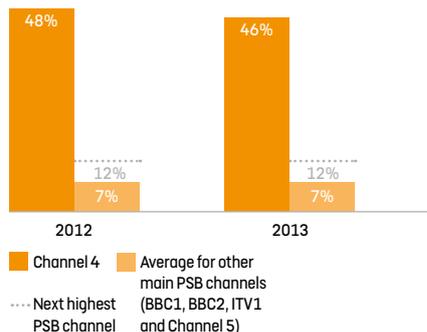


Channel reputations – takes risks with programmes that others wouldn't

Channel 4's main channel was chosen by 46% of respondents as being the one that most often takes risks with programmes that others wouldn't – one of the largest figures for any of the reputational statements in 2013. Its lead over the average of the other main PSB channels was 39 percentage points, and it was 34 percentage points ahead of the next highest channel, Channel 5.

Channel 4's performance was slightly down year-on-year: the proportion of people choosing it fell by 2 percentage points, as did its lead over the average for the other main PSB channels and its lead over the next highest channel. Despite these falls, this remained one of the strongest reputational statements for Channel 4 in 2013 in absolute terms and in terms of its lead over other channels.

Takes risks with programmes that others wouldn't



Source: Ipsos MORI commissioned by Channel 4
Lead over average for other channels under old survey: 45pts

Making an impact

Making an impact

Distinctive approaches

28pt

lead over average for other channels for being experimental

= with last year

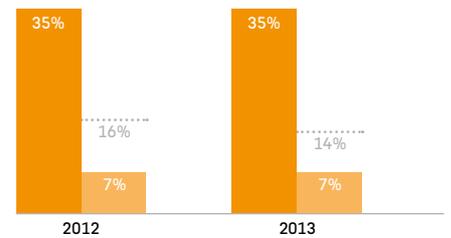
Innovative

Channel reputations – is experimental

In 2013, 35% of people associated Channel 4's main channel more than any other with being experimental. This represented a 28 percentage point lead over the average for the other main PSB channels, and a 21 percentage point lead over Channel 5, which was the next highest channel.

These results were relatively stable year on year. There was no change in the overall proportion of people selecting Channel 4, and its lead over the average of the other main PSB channels was also the same as in 2012. Channel 4's lead over the next highest channel rose by 3 percentage points, following a decline in Channel 5's performance.

Is experimental



Source: Ipsos MORI commissioned by Channel 4
Lead over average for other channels under old survey: 33pts

Film

26pt

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

+ 5pts on last year

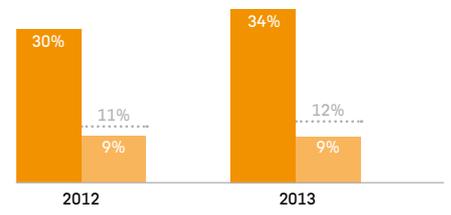
Dislntive

Channel reputations – is best for modern independent film

In 2013, 34% of respondents thought that Channel 4's main channel is best for modern independent film. Channel 4 had a lead of 26 percentage points over the average for the other main PSB channels, and a 23 percentage point lead over Channel 5, the next highest channel. Key premieres included Film4 titles *The King's Speech*, which drew almost three million viewers, and *The Iron Lady*, which was viewed by 2.7 million.

Channel 4 strengthened its reputation in 2013: the proportion of respondents selecting it rose by 5 percentage points year-on-year, as did its lead over the average for the other main PSB channels. Its lead over the next highest channel also rose, by 3 percentage points (a smaller rise, as Channel 5's own score also rose slightly). The proportion choosing Channel 4's main channel in 2013 was the highest level since 2008.

Is best for modern independent film



Source: Ipsos MORI commissioned by Channel 4

Factual

21pt

lead over average for other channels for being the best for documentaries that present alternative views

+ 11 pts on last year

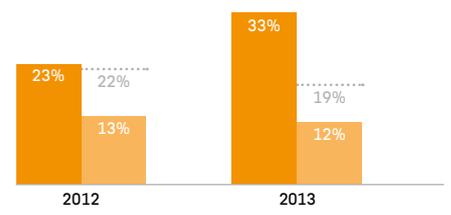
Alternative Views

Channel reputations – is best for documentaries that present alternative views

In its documentaries, Channel 4 seeks to differentiate its output from that of other broadcasters in part through its subject matter and approach, in particular by offering alternative views that are less often shown on television. In 2013, 33% of respondents selected Channel 4's main channel as being best for documentaries that present alternative views. This represents a 21 percentage point lead over the average for the other main PSB channels, and a 14 percentage point lead over the next highest PSB channel, BBC Two.

Channel 4 strengthened its performance significantly this year: the proportion selecting the main channel rose by 10 percentage points compared with 2012, and its lead over the average for the other main PSB channels rose by 11 percentage points. Its lead over the next highest channel was even bigger, at 13 percentage points. This is by far the strongest performance for Channel 4 since it began reporting this metric in 2010.

Is best for documentaries that present alternative views



Source: Ipsos MORI commissioned by Channel 4

Making an impact

Factual

69%

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

+ 1pt on last year

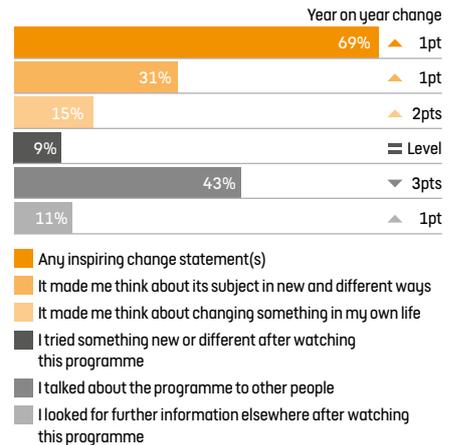


Inspiring change through factual programming

In line with its public remit, Channel 4 seeks to inspire people to make changes in their lives through its factual programming. Programmes may encourage people to think about things in new and different ways, or think about making changes in their own lives. Programmes may also inspire more active engagement, encouraging people to talk about the subjects of the programmes to other people, or to seek out further information. At the highest level of engagement, programmes can lead to people actually trying something new or different. 69% of viewers said that Channel 4's factual programmes inspired them in one or more of these ways in 2013, 1 percentage point more than in 2012.

The individual programme that scored highest in the year was hidden camera series *Eye Spy*, which confronted participants with moral dilemmas, and which 84% of respondents said had inspired change in their lives in some form. The programme that most inspired people to actually try something new was Jamie's *Money Saving Meals*, which prompted 41% of viewers to go back to the kitchen.

Percentage of viewers who said that Channel 4's factual programmes inspired change in their lives (2013)



Source: Ipsos MORI commissioned by Channel 4

News and Current Affairs

79%

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

- 2pts on last year



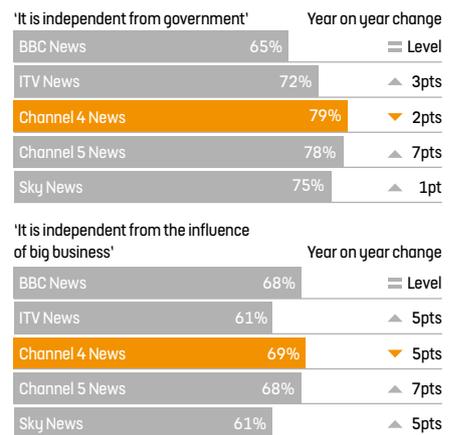
Independence of TV news

Channel 4 News is perceived by its viewers to be the most independent of the main broadcasters' news programmes. In 2013, 79% of regular viewers to Channel 4 News regarded it as being independent from the government. This was 7 percentage points more than the 72% average for the other public service broadcasters and Sky, and 2 percentage points more than the corresponding figure for the news on Channel 5, which was the next highest scoring channel.

Channel 4 News was also regarded to be independent from the influence of big businesses by a higher proportion of regular news viewers than any other news programme, with 69% of regular Channel 4 News viewers agreeing with the statement in 2013. This was 4 percentage points more than the average for the news programmes on the other channels, and 1 percentage point ahead of the next highest scoring channel (Channel 5).

While Channel 4 News remained ahead of the other channels' news programmes in 2013, its scores fell compared with 2012, by 2 percentage points for the proportion of regular viewers who believed it to be independent from the government, and by 5 percentage points for the proportion who believed it to be independent from the influence of big businesses.

Percentage of regular viewers to news programmes in 2013 who agree with the following statements:



Source: Ipsos MORI commissioned by Channel 4

Making an impact

News and Current Affairs

47%
the average programme reputation statement for *Unreported World*
= with last year

Programme reputation statements – Current Affairs

In their Current Affairs output, the approach and subject matter adopted by the public service broadcasters varies. In its two main Current Affairs strands, *Dispatches* and *Unreported World*, Channel 4 places a particular emphasis on investigative journalism which uncovers the truth, on challenging viewers to see things differently, on giving a voice to those who might not otherwise be heard and, especially in *Unreported World*, on providing a window on the wider world. With its one-hour specials, it also commits to delivering in-depth coverage for important stories.

43%
the average programme reputation statement for *Dispatches*
- 2pts on last year

Channel 4's strength in these areas is highlighted by five audience reputational statements that assess perceptions of the current affairs programmes – both regular strands and one-offs – on the main PSB channels. In 2013, *Unreported World* scored higher than any other programme or strand for "gives a voice to groups that aren't always heard in mainstream media", selected by 44% of respondents, and for "shows stories about parts of the world you would rarely see on British TV", with 57% of respondents. And it achieved the second highest score for "made me see something in a different light". Across the five statements, its average score was 47%, the highest of any programme or strand on any of the main PSB channels.

Stimulate Debate

Educational

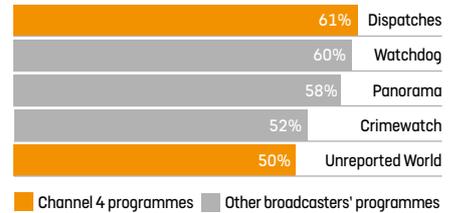
Alternative Views

Inspire Change

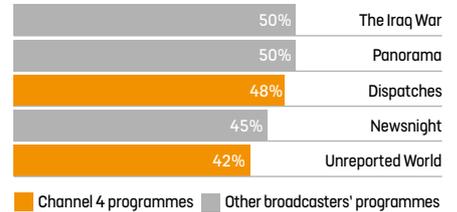
Dispatches was rated in the top three programmes in all five reputational statements. It scored higher than any other programme or strand for "uncovers the truth" (selected by 61% of respondents). And it was rated second highest for "gives a voice to groups that aren't always heard in mainstream media" and for "shows stories about parts of the world you would rarely see on British TV", behind only *Unreported World* in both cases. Its average score across the five statements was 43%, placing it in second place.

There was little variation relative to the 2012 figures, with Channel 4's two main strands scoring higher average scores than the Current Affairs programmes on other channels in both years. *Unreported World* had the highest average score in both years, with 47% in each year. While *Dispatches*' score fell by 2 percentage points in 2013, its lead over the next highest programme rose by 2 percentage points.

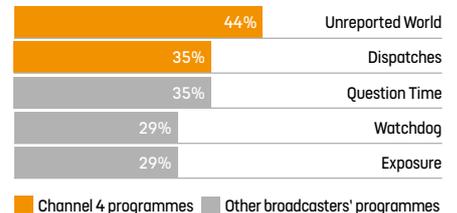
Uncovers the truth



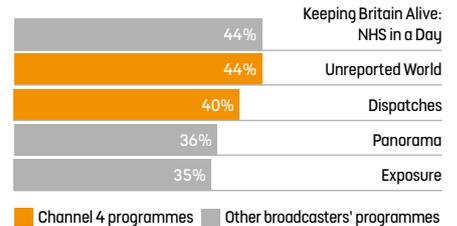
Covers things in great depth



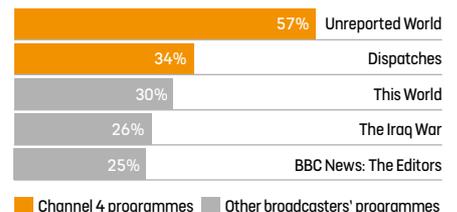
Gives a voice to groups that aren't always heard in mainstream media



Made me see something in a different light



Shows stories about parts of the world you would rarely see on British TV



Source: Ipsos MORI commissioned by Channel 4

Making an impact

Engaging the audience

86.8%

of all TV viewers reached every month across Channel 4's TV channels
- 1.3pts on last year



Audience reach

86.8% of all TV viewers watched Channel 4's TV channels for at least 15 consecutive minutes each month on average in 2013. Reach for the main channel was 79.9%, while Channel 4's digital channels reached 66.2% of viewers. Channel 4's portfolio reach was behind that of BBC and ITV, and well ahead of that of Channel 5.

Total reach fell by 1.3 percentage points compared with the 2012 levels. While all the public service broadcasters suffered declines in 2013, Channel 4 was particularly affected by a combination of the '2012 effect' (there was nothing comparable to the ratings boost the Paralympic Games provided last year), and BBC One's strengthened performance in daytime after it replaced children's programmes with a more competitive genre mix. While the BBC also had an equivalent '2012 effect', as the Olympic broadcaster, and ITV and Channel 5 were also affected by BBC One's improvement in daytime, only Channel 4 was hit by both factors.

Looking at the individual channels in the Channel 4 portfolio, the main channel experienced the largest decline in reach, of 2.0 percentage points, while reach to the digital channels fell by between 0.4 and 0.9 percentage points. Overall, the digital channels contributed more to Channel 4's portfolio reach in 2013 than in previous years.

Average monthly reach of public service broadcasters' TV portfolios

Year	Reach (%)	Broadcaster
2013	95.2	BBC
2012	96.1	
2013	90.9	ITV
2012	91.4	
2013	86.8	Channel 4
2012	88.1	
2013	70.9	Channel 5
2012	72.0	

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

Percentage reach of individual TV channels in Channel 4 portfolio

Year	Reach (%)	Channel
2013	79.9	Channel 4 main channel
2012	81.9	
2013	35.9	E4
2012	36.8	
2013	38.8	More4
2012	39.5	
2013	35.0	Film4
2012	35.9	
2013	10.0	4Music
2012	10.4	

Source: BARB, 15 minute consecutive, average monthly reach, all people
Channel 4 2012 data includes the Paralympics channels.
See online methodology for further details

Making an impact

Making an impact

Engaging the audience

11.0%

viewing share across the TV channel portfolio

-4% on last year

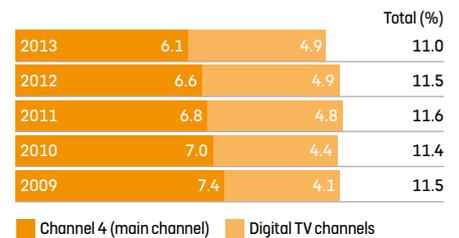


TV viewing share

Total viewing share for Channel 4's TV portfolio was 11.0% in 2013. The main channel, with a share of 6.1%, represented 56% of this total, while the digital channels had a combined share of 4.9%. E4 was the biggest digital channel, with a 1.9% share, followed by Film4 (1.5%), More4 (1.2%) and 4Music (0.3%).

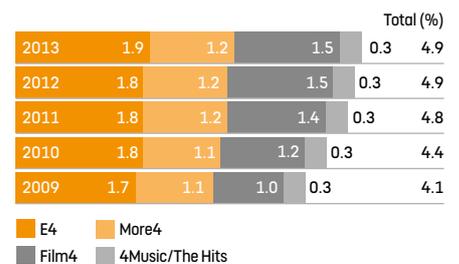
Overall portfolio share was 4% down on the 2012 level. The main channel's share fell more sharply, by 8%, as a result of the '2012 effect' and strengthened BBC One daytime performance (as described opposite), while the digital channels continued to grow. They were up by 1% overall, with E4 enjoying the biggest growth, of 3%.

Channel 4 portfolio share as a percentage of total TV viewing



Source: BARB
Channel 4 2012 data includes the Paralympics channels.
See online methodology for further details

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



Source: BARB
Channel 4 2012 data includes the Paralympics channels.
See online methodology for further details

10.4%

portfolio viewing share among BAME audiences

-3% on last year



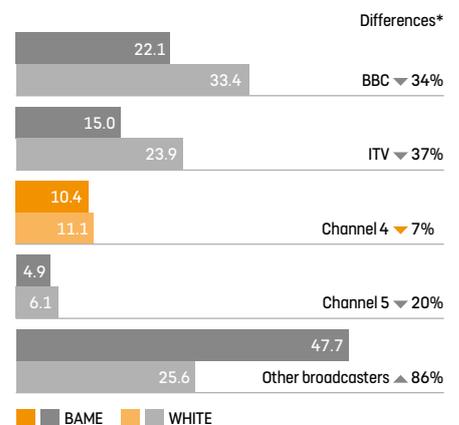
Share among hard to reach audiences – BAME

Channel 4's remit requires it to make programmes that appeal to people from different cultural backgrounds, and it is particularly important for the broadcaster to attract ethnic minority audiences. Achieving this is challenging, given that BAME audiences watch disproportionately high levels of digital channels, as a result of which their viewing of the public service broadcasters' channels tends to be lower on average than that of white audiences.

In 2013, Channel 4's TV portfolio share among BAME audiences was 10.4%, while the corresponding share among white audiences was 11.1%. This differential, of 7%, was considerably lower than the corresponding differentials between viewing by white and BAME audiences to the TV portfolios of the other public service broadcasters, all of which attracted much smaller BAME audiences to their programmes relative to the viewing levels of white audiences.

In line with the overall decline in its TV portfolio viewing share, the viewing shares of both white and BAME audience groups to Channel 4 fell in 2013. However, the BAME viewing share fell by slightly less, 3% versus 4% for white audiences, as a result of which Channel 4 narrowed the viewing differential between white and BAME audiences.

Public service broadcasters' portfolio viewing shares among white and BAME audiences as a percentage of total TV viewing by those audiences (2013)



Source: BARB
*Viewing by BAME audiences compared with viewing by white audiences

Making an impact

Engaging the audience

16.7%

portfolio viewing share among 16-34 year olds

- 1% on last year

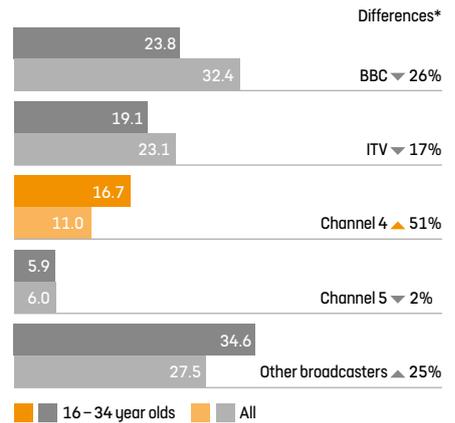


Share among hard to reach audiences – 16-34s

Channel 4 is the only public service broadcaster that attracts a larger share of viewing among hard-to-reach 16-34s than across the general population. In 2013, its TV portfolio viewing share among 16-34s was 16.7%. This was 51% higher than the corresponding all-audience share. By contrast, ITV's 16-34s share was 17% less than its all-audience portfolio share, and the BBC's was 26% less.

Channel 4 is also managing to retain its young audiences better than other age groups. While viewing to Channel 4's portfolio by 16-34s fell in 2013, the decline was just 1%, markedly less than the 4% decline across all audiences.

Public service broadcasters' portfolio viewing shares among 16-34s and all audiences as a percentage of total TV viewing by those audiences (2013)



Source: BARB
*Viewing by 16-34 year olds compared with all audiences

5.1%

viewing share for E4 among 16-34 year olds

+ 3% on last year

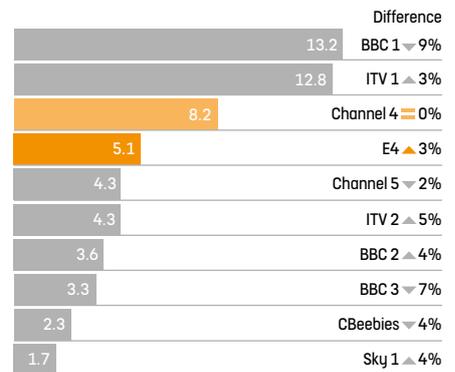


Most popular channel for young viewers

E4's continued growth in viewing, particularly among 16-34s, meant that it enjoyed a 5.1% viewing share in 2013 among this age group, making it the fourth most popular channel in the UK, ahead of BBC Two and Channel 5. E4's 16-34s share was up by 3% year-on-year.

Channel 4's main channel also performs disproportionately well among 16-34s, and had an 8.2% share in 2013 (level with 2012), making it the third most popular channel for this age group. For the first time in 2013, the combined 16-34s viewing share of Channel 4's main channel and E4 was higher than that for both BBC One and ITV, the two biggest UK channels.

Viewing share for the top 10 channels among 16-34s as a percentage of total viewing by this age group



Source: BARB

Making an impact

Making an impact

Engaging the audience

18%

of viewing to *Channel 4 News* programmes on the main channel in 2013 accounted for by viewers aged 16–34

- 1pt on last year

Viewing to national news

Channel 4's approach to its main evening news programme means it has particular appeal to young and BAME audiences. Young audiences aged 16–34 accounted for 18% of viewing to *Channel 4 News* in 2013, a considerably higher proportion than the corresponding figures for news programmes on the other main PSB channels, which ranged from 9% to 12%.

BAME viewers represented 13% of all viewing to *Channel 4 News*, broadly in line with their corresponding share in the national population. By contrast, the other main PSB channels all had disproportionately low shares of BAME viewing to their news programmes, ranging from 5% to 8%.

Percentage of viewing to national news programmes on the main PSB channels in 2013 accounted for by viewers aged 16–34 and BAME viewers

Viewers aged 16–34	Year on year change
BBC 1 9%	= Level
BBC 2 11%	▼ 1 pt
ITV 1 10%	= Level
Channel 4 18%	▼ 1 pt
Channel 5 12%	= Level

13%

of viewing to *Channel 4 News* programmes on the main channel in 2013 accounted for by BAME viewers

+ 1pt on last year

There was little variation, for Channel 4 or the other broadcasters, between 2012 and 2013. Compared with 2012, the proportion of viewing to *Channel 4 News* accounted for by viewers aged 16–34 fell by 1 percentage point, while the proportion of BAME viewers rose by 1 percentage point.

BAME viewers	Year on year change
BBC 1 5%	= Level
BBC 2 8%	▲ 1 pt
ITV 1 5%	= Level
Channel 4 13%	▲ 1 pt
Channel 5 7%	= Level

Source: BARB

Distinctive

Distinctive

Reach of *Channel 4 News*

In 2013, *Channel 4 News* was watched (for at least 15 consecutive minutes) by an average of 8.4 million people a month. Reach among *Channel 4 News* viewers fell by 13% year-on-year.

Channel 4 is conscious that there have been continued declines in reach to this programme over the last few years. As a news programme lasting 55 minutes, this decline is consistent with broader industry trends around long-form journalism in TV and other media, as new forms of short-form news consumption on digital and social media have become more popular. As well as continuing to focus on maintaining its reputation for high-impact, quality journalism, Channel 4 will seek to develop further its content and distribution strategies to broaden reach online, such as investing in short-form video content and syndicating content to other platforms (see Forward Look section).

8.4m people watched *Channel 4 News* each month
13% down on last year

20pt

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

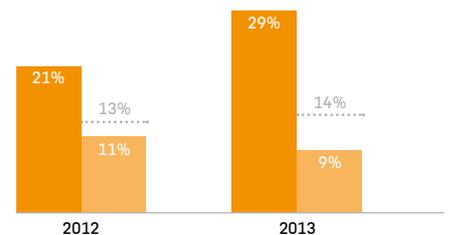
+ 10pts on last year

Channel reputations – catering for audiences other channels don't cater for

In 2013, 29% of respondents selected Channel 4's main channel as being best for catering for audiences other channels don't cater for. This was 20 percentage points more than chose the average of the other main PSB channels, and 15 percentage points more than the next highest channel (Channel 5).

In a digital multichannel world, it is ever harder for Channel 4 to fulfil its remit requirement to meet the needs of diverse audiences, and in particular those least well served elsewhere. It is, therefore, impressive, that Channel 4 significantly improved its performance in this area in 2013, reaching a five-year high. The proportion of people selecting the main channel rose by 8 percentage points year-on-year, and its lead over the average for the other main PSB channels was up by 10 percentage points. It also increased its lead over the next highest channel by 7 percentage points (as Channel 5's own performance increased slightly).

Caters for audiences other channels don't cater for



Legend: Channel 4 (solid bar), Average for other main PSB channels (BBC1, BBC2, ITV1 and Channel 5) (dashed bar), Next highest PSB channel (dotted line)

Source: Ipsos MORI commissioned by Channel 4
Lead over average for other channels under old survey: 15pts

Cultural Diversity

Making an impact

Engaging the audience

476m

full-length programme views initiated on demand

+ 6% on last year



On-demand viewing

As viewing habits continue to evolve, with a steady shift towards catch-up services, on-demand viewing to Channel 4's programmes continued to grow. In 2013, 476 million full-length programme views were initiated across all platforms on which Channel 4 makes its content available, including PCs, smartphones, tablets, games consoles and connected TVs. This was 6% more than the corresponding figure in 2012. Mobile and connected TV platforms performed especially well in 2013 – Channel 4 saw increased viewing on established mobile platforms such as iOS, and also benefited from launching 4oD on a greater number of platforms and devices.

Full-length Channel 4 programme views initiated, (m)

2013	476
2012	450

Source: Channel 4

537m

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

+ 6% on last year



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

Channel 4's websites, mobile sites and apps attracted 537 million visits in 2013. Just under two-thirds of this total was accounted for by websites and mobile sites, while apps grew their share from 30% of the total in 2012 to 35% in 2013. The growth in visits to apps – up by 24% year-on-year – more than offset a slight decline in web and mobile visits, of 1%, and drove an overall 6% rise in visits across all platforms.

Monthly visits to Channel 4's websites, mobile sites and apps, (m)

			Total
2013	351	186	537
2012	356	150	506

- Visits to websites and mobile sites
- Visits to apps

Source: Channel 4

Visit to apps on certain platforms were excluded in error in 2012. The 2012 number has thus been restated from 447 million to 506 million, to incorporate a wider range of platforms as our digital operations expand. Refer to online methodology for further detail

Making an impact

Making an impact

Engaging the audience

69%

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

+ 1pt on last year

Stimulate Debate

Producing talked about TV

"Buzz" scores are one of the ways in which Channel 4 assesses audience reactions to its programmes. Based on a daily survey of around 1,000 respondents, it tracks the proportion of Channel 4 viewers who talked about programmes that they watched or commented on them on social media (including Facebook and Twitter). It thus enables Channel 4 to determine which programmes are engaging audiences and stimulating debate the most.

Looking across the ten most talked-about programmes on Channel 4 in 2013, the average "buzz" score for these programmes was 69%, 1 percentage point higher than in 2012. The newly revamped *Channel 4 Racing* was the most talked about programme in 2013, with 75% of its viewers talking about it or commenting online. The Top 10 also includes documentaries that highlighted social issues, such as *Bank of Dave* and *Britain on Benefits*, and factual shows looking at health and body issues, such as *Gok Live* and a *Bodyshock* special. *Easter Eggs Live*, an innovative take on nature programming, also featured.

Programme	2013 Buzz (%)*
Channel 4 Racing	75%
Bank of Dave: Fighting the Fat Cats	74%
Crufts 2013: Best In Show	73%
Britain on Benefits: Channel 4 Dispatches	68%
Easter Eggs Live	68%
Richard III: The King in the Car Park	67%
The Man With The 10-Stone Testicles: A Bodyshock Special	66%
Hugh's Fish Fight	66%
Gok Live: Stripping for Summer	66%
The IT Crowd: The Final Episode	65%
Average Buzz Score for top ten programmes	69%

*Buzz measures the proportion of viewers who had talked or communicated about the programme in some way.

Source: Ipsos MORI commissioned by Channel 4. Note there has been a supplier change from Kantar Media to Ipsos MORI in 2013. Refer to online methodology for further detail.

Viewing to network originations

"Network originations" – that is, programmes commissioned by Channel 4 and transmitted on the main channel or across its TV portfolio – accounted for 63% of total viewing to the main channel, E4 and More4 in 2013. This is slightly down (by 2%) on the corresponding proportion in 2012.

In terms of the volume of output, network originations accounted for 60% of all hours across the schedules of the main channel, E4 and More4. Bringing together the two figures for network originations – 63% of all viewing and 60% of all hours across these channels – it follows that programmes commissioned by Channel 4 outperformed acquired programmes, in that they accounted for a disproportionately high share of viewing relative to the amount of programming in the schedules.

63%
of total viewing across the main channel, E4, and More4 accounted for by network originations

1/3 of viewers claimed the ad made them more likely to watch C4

BORN RISKY



Reposition

- 1. Keep the audience
- 2. Get younger people interested

It's an extreme race



campaign for the new series
* give it to the Kids?

result

18%
share of ratings

Spotlight

Telling the story of 4



Spotlight: Telling the story of 4

With our public service remit to be 'innovative and distinctive', Channel 4 must remain at the cutting edge of TV and online marketing. And with our status as a commercially funded not-for-profit broadcaster we must do so with enough style and success to cut through an ever more crowded media landscape and be noticed. In 2013 we worked to fulfil those ambitions, with innovative marketing campaigns running across all our own network of channels and services and through PR and social networks. Here are three examples.

Born Risky

Buoyed by the evidence of our brand tracking measures that our reputation for being innovative and taking risks differentiates us from other broadcasters, Autumn 2013 saw the launch of an ad campaign to articulate key aspects of our remit to audiences, including that Channel 4's uniqueness stems from our willingness to take risks and our not-for-profit business model. The resulting campaign highlighted a wide range of Channel 4's most risky programmes, explaining that Channel 4 could take risks because of its not-for-profit model. In research conducted to gauge responses to the campaign, we found it had strengthened Channel 4's reputation for taking risks (from 47% pre-campaign to 69%) and increased the belief that having a broadcaster that takes risks is important (50% to 72%).

The Grand National

After 50 years as a BBC event, the Grand National was broadcast on Channel 4 for the first time in 2013. Our primary goal was to maximise the number of viewers, and at the same time, reposition coverage of the race to appeal to more, and especially younger, viewers.

The Grand National's reputation as the definitive test for horse and jockey was the starting point of our *Original Extreme Sport* campaign. To demonstrate the excitement, adrenaline and drama of horse racing, the power of the horses and the skill of the jockeys, we brought the magic of the race into a city centre's bustling streets with a spectacular 90-second advert, the Liverpool street race.

This ran through the allotments, back gardens and parks of Liverpool with cars, fences, park benches and a skate park taking the place of such legendary jumps as The Chair, Becher's Brook and Canal Turn.

Our coverage of the Grand National itself peaked at 8.9 million people, an impressive 60% share of the available audience, beating four of the ten previous peaks on the BBC. We also succeeded in our aim to win a new audience for the race, with a peak of 1.6 million 16–34s and 4 million ABC1 adults, both figures representing 3% increases on the BBC's five-year average.

Educating Yorkshire

Who would be better placed to tell people why they should watch 2013's returning series of *Educating Yorkshire* than the pupils of Thornhill Community Academy themselves? To test this risky assertion we handed over the design of the marketing campaign to the pupils who starred in the show. Channel 4's creative marketing team trained pupils and staff on the principles of advertising and explained the process involved in developing strong marketing ideas. They then left the pupils to get on with it. The enthusiastic response was more than 100 drawings and paintings – many with a healthy dose of mischief and a gratifyingly strong Channel 4 feel.

Several designs were chosen for a national poster campaign, with some of the posters sited near the school itself, as well as digital and press ads. More of the children's work was displayed in an online gallery at channel4.com/Yorkshire.

Educating Yorkshire was a huge ratings success, opening with an audience of 4.8 million and 18% share – more than double the opening audience for our previous show, *Educating Essex*.

8.9m
people
tuned in to see the
Grand National



**Our
Programmes**

Innovation was a hallmark of our creative approach in 2013. As part of our commitment to creative renewal, we set out to meet the obligations of our remit with energy and imagination, phasing out older brands, launching new shows and refreshing or re-focusing some of the successes of 2012.

The result was a pleasing number of runaway successes and many great examples of experimental new programmes and formats – many of which will be returning – although some of which inevitably didn't cut through with audiences as strongly as others. We celebrated our triumphs, learned our lessons, with a close eye on the detail of our remit, and built our creative strategy around six key themes.

Reflecting the diversity of life across the UK

We celebrated the rich variety of life in the UK, looking at the ingenuity and resourcefulness of people in a recession (*The Fried Chicken Shop* and *How to Get Rich in the Recession*), shining a spotlight on people with the mental illnesses that society often chooses to overlook or ignore (*Obsessive Compulsive Cleaners*, *Bedlam* and *My Mad Fat Diary*) and celebrating school life in a hugely diverse community in Yorkshire, a follow-on to the highly successful 2012 series, *Educating Essex*.

The uncomfortable realities of a fractured society were reflected in such programmes as *Run*, *999: What's your Emergency?*, *Skint* and *Southcliffe*. We tackled the taboos of disability in new and accessible ways with *I'm Spazticus*, *Obsessive Compulsive Cleaners*, *The Undateables*, *The Last Leg* and *Derek*. We asked how gender roles and relationships are changing in Britain in *The Mating Season*.

Stimulating debate

Channel 4's reputation for setting the agenda was reinforced with the film *Sri Lanka: No Fire Zone*, which exposed atrocities committed by the Sri Lankan military leadership in the final months of the civil war and drew acknowledgement from the Prime Minister for its impact. The *4Ramadan* season won praise for its promotion of cross-cultural understanding and sparked public debate on Islam and Islamophobia, not just in Britain but across the world. *The Cruel Cut* documentary boosted the campaign against FGM (female genital mutilation), leading to a parliamentary inquiry and action by government and the NHS.

The *Dispatches* exposé *Plebs, Lies and Videotape* led to five officers of the Diplomatic Protection Unit and three civilians being arrested and the programme won a British Journalism Award. Our *Campaign for Real Sex* may have been dismissed by parts of the media as ratings-chasing, but it provoked a public debate about the malign impact of the porn industry and audience research showed its message had particular impact with younger audiences.

Inspiring people

George Clarke's Amazing Spaces and *Kevin McCloud's Man Made Home* presented inspirational views of home owners overcoming the challenges of life in the midst of an economic downturn, while *Gadget Man*, with Richard Ayoade, helped viewers get their head around the latest twists of technological change, while programmes such as *Jamie's Money* *Saving Meals* inspired viewers to action.

Nurturing talent and original ideas

Our ability to be original and take risks was demonstrated when, for the first time on television, we broadcast a murder trial from inside a British courtroom.

Run was a series of three interconnected modern urban stories written by two new writers and made by an entirely new drama company. It was so successful that a second series is now in development. *Toast of London* was an original late-night comedy that quickly became a much talked-about cult show.

The Paralympic legacy

In the wake of the 2012 Paralympics, we continued to showcase paralympic sport and the wonderful team of presenters we had recruited for 2012. We worked with the team to raise their profile beyond disability or sport-related programming, including Jordan Jarrett-Bryan and Arthur Williams. And to further challenge popular perceptions of disability, we ended the year by asking a number of people with disabilities to become Channel 4's continuity announcers for a two-week period – those disabilities included stammering, Tourette's, deafness and cerebral palsy.

Active consumers of technology

Our commitment to technological innovation brought a new twist to coverage of a historic anniversary. *D-Day: As It Happens* enabled viewers to follow, through archive footage on television and via Twitter, the lives of seven individuals who were involved in D-Day. During the 24-hour period, a thousand media updates – including archive footage, stills, documents and testimonies – were posted to a specially developed, mobile-accessible website. We were similarly innovative in our approach to two live broadcasts on Channel 4 over the Easter weekend.

The commitment to bringing such creativity and boldness to our remit represents much more than the work of a single year. While this report necessarily focuses on 2013, it is the result of many years of continuous and continuing experiment by writers, producers, presenters, commissioners, engineers and others – all contributing to Channel 4's unique role in the UK's media. In the following sections of this report we look in more detail at the work of Channel 4's commissioning teams, while the Forward Look section will set out how we intend to go on building on the good work of our creative renewal strategy.



2013 Ambitions

- Boost the range of comedy shows across Channel 4 and E4
- Develop grassroots talent on and off screen including a new generation of female writers
- Balance new and returning titles
- Greater innovation and experimentation



An interview with
Phil Clarke, Head of Comedy

Of all TV genres, Comedy is the most difficult to get right and the easiest to get wrong. Channel 4's comedy output for 2013 not only got it right by entertaining millions of viewers, but it also stimulated debate, promoted alternative viewpoints and nurtured new talent, with strong emphasis on cultural diversity, innovation and distinctiveness. It also experimented with an exceptionally wide range of formats.

What were the key ambitions for Comedy?

Channel 4 has always been seen as the home, some would say the birthplace, of alternative comedy but for us the question was: "What is the alternative now that the Channel 4 style of comedy has percolated onto other channels? What can we do that is now different?"

Our big thrust was on narrative comedy, and as a result of commissioning a raft of new pilots including *Scrotal Recall*, *Raised by Wolves*, *Catastrophe* and *Sit.com* this year, we'll be seeing many new comedy series in 2014 and 2015.

We also wanted to have some strong returning shows and with *PhoneShop*, *I'm Spazticus* and *Cardinal Burns* I think we achieved that. We said we'd find new commissions for E4 and we did that too, with shows such as *Drifters*.

We wanted more female voices. *Drifters* had a female writer and cast. *London Irish* was by a new female writer. The pilots we have coming in reinforce this new direction, including a show co-written by and starring Sharon Horgan. On the New Talent front, we're still commissioning *Blaps* (online showcases for up-and-coming comedy talent) which gives anyone, however new or inexperienced, an opportunity to pitch to us. A Blap commission can be a stepping stone to launch a career. Roisin Conaty made a Blap for us and is now a regular on *Man Down*, as well as having her own pilot. >>

Drifters

"Lovely and funny."
The Guardian



Black Mirror → Technology ≠ Drug Side Effects?!

Black Mirror

@charltonbrooker you are a genius. Sir I doth my cap to u. #blackmirror has been amazing. Best TV I've seen in a long time.

@StevieHume, Twitter



Channel 4 comedy has often been iconic, and has always punched above its weight. Comedy is often the first way of expressing an alternative voice. *The Inbetweeners* had a very quiet first series and then took off. *Peep Show* has never had huge audiences, but has had a resonance and impact far beyond the number of people that actually watch it.

How do you feel 2013 went?

Black Mirror made a big impact and *Toast of London*, which we always knew was a late-night, cult show, really resonated. That's what a Channel 4 show can do – start quietly and then grow.

Man Down did well too but there were also hidden gems deserving of a larger audience, shows like *London Irish* with its terrific writing, a raw and unapologetic comedy performed by an amazing young cast, and also the outstanding *PhoneShop* another brilliant series, again with great writing and great performances.



Man Down

Genre: Comedy



Fresh Meat

Blaps, our online showcase for new talent, is all about new ideas and new approaches to commissioning. We take submissions from anyone – they don't need to come through a production company – and the best ideas get funded to become a short film or series. That's an exciting and innovative way of discovering and nurturing new talent. Nurturing talent also means looking after established talent, giving people freedom to move in a new direction, such as Ricky Gervais doing *Derek*.

What are the key challenges?

It's always about new talent and taking risks. You spot a fantastic writer or performer and you think "Are they ready yet?" We should always be ready to say "Let's give it a go." Catching people just as they're ready is the hardest thing to do in comedy. An example is Jessica Knappett, who wrote *Drifters*. Her writing gets stronger and stronger, and she was a different writer at the end of that series than she had been at the beginning.

Our impact goes beyond audience numbers. Noel Fielding's series made a really big impact without getting particularly large audiences. He doesn't compromise. He's an artist, and giving someone like him a platform is exactly what we should be doing.

Mitchell
British Comedy Awards
Jack Whitehall
Best comedy actor
↓
Alan Carr
Best comedy personality

How did Comedy help deliver the remit?

Channel 4 comedy aims to innovate, to experiment, and to be distinctive and original. This year Noel Fielding and *Toast of London* excelled in providing a platform for alternative voices. *Cardinal Burns* was innovative – it's unlike any other sketch show out there. It deservedly won awards last year. And so did Charlie Brooker's *Black Mirror*, which gave us another outstanding series of experimental cutting-edge television.

When it comes to working with a particular writer, we would never say "Oh, I don't think many people are going to like that." We try to work with writers to hone what makes them unique and original. My job is to make sure that, overall, our output caters to a variety of ages, demographics and tastes, but you don't do that by asking individual artists to broaden their appeal; we encourage them to find their true voice. I've worked with other broadcasters who have talked in that language, and tried to make programmes more populist by covering too many bases, but in my opinion that's always a disaster.

2014 strategy

There are three strands to our output. There's the genuinely alternative voice, like Noel Fielding's *Luxury Comedy*, or *Toast of London* – things you really won't find anywhere else. Then there's the 'big joke' strand, where there are big laugh out loud jokes and big energy – shows like *Man Down*. And the third strand, which I want to do more of, is witty, acerbic, knowing comedies. You might not laugh out loud, but they're clever and sophisticated. You admire them. Watch out for *Scrotal Recall* – the first of more exciting shows to come.

1.9m
Black Mirror viewers

Case study
Toast of London

"Toast is a wonderful creation"

Radio Times



"Toast of London is an appealingly off-the-wall and original show."

The Independent

Toast of London upheld a long standing tradition of wicked, cutting-edge comedy on Channel 4.

Matt Berry (*The IT Crowd* and *Garth Meringue's Dark Place*) starred as eccentric Steven Toast, a middle aged actor with a chequered past, far more engaged with his personal off-stage problems than his professional on-stage performances. Doon Mackichan, of *Smack the Pony* fame, gave support as Toast's agent.

Written by Berry and *Father Ted* writer Arthur Mathews, *Toast* was a critical success, while attracting a niche but loyal cult following. The series followed an original pilot episode, first broadcast in August 2012 as part of Channel 4's *Funny Fortnight*, a season of comedy which marked Channel 4's 30th birthday. A second series is planned for 2014.

Innovative

Nurture
Talent

Dislinctive



"Channel 4 drama is doing exactly what it should be doing: testing out boundaries and being bold."

Boyd Hilton

2013 Ambitions

- Boost the range of contemporary dramas with tonal distinction
 - Experiment with cross-genre collaborations
 - Engage younger audiences with original and unexpected stories
 - Experiment with new formats
- 

DRAWN





An interview with
Piers Wenger, Head of Drama

Channel 4 has been working hard to build the range and quality of its drama – to get it “closer to the heart of the schedule”. In 2013 that meant creating single dramas and series that epitomised the core Channel 4 values of innovation, diversity and the promotion of new voices and distinctive talent.

What were the key ambitions for Drama?

Our ambition was to put Channel 4 drama back on the map. I wanted to return to the things I'd really loved as a viewer before I came to Channel 4, like *Red Riding*.

I also wanted a real range across the year so, in among the darker and more penetrating, grown-up pieces like *Utopia* or *Southcliffe*, we had comedy-dramas such as *Dates* and *Fresh Meat* that would particularly appeal to a younger audience.

In a world where there is so much choice, and so much lighter stuff on other channels, we looked for original stories, stories that would matter to people, that an audience could really connect with emotionally.

Drama does now sit closer to the heart of the schedule than it has done at any time in the last ten or 15 years because, when we stopped doing *Big Brother*, a lot of money was freed up that could flow into the drama budget. The shows that work best on Channel 4 are often those that champion the outsider – that have a lot of ‘heart’ – it’s something people can connect with. Innovation is important, too. Last year we commissioned projects that allowed the audience to engage with stories on several different platforms and we gave writers a kind of latitude no other broadcaster would dream of.

How do you feel 2013 went?

In terms of the quality of work onscreen, originality and a sense of innovation, *Utopia* felt unique. It was even greater than its ratings suggested. It felt like a real badge of honour to have done something so new, that had the channel's values absolutely at its heart. It was also a real achievement that *Southcliffe* reached as big an audience as it did. It was extremely difficult material, told in a very particular and highly authored way, which could have alienated a lot of people but attracted them instead – and held them. >>

Southcliffe



MA!

Red Riding
Tony Grisoni influence

Top Boy came back for a second series in 2013 but reminded us that our audience always wants something new and that, sometimes, we have to be prepared to move on, even from something that's been a success.

I didn't expect *Southcliffe* to get the acclaim that it did, but I think all of our shows were pretty well received. We made some bold choices, and I think people, both audience and critics, appreciate Channel 4 when it's being bold.

How did Drama help deliver the remit?

Run and *Top Boy* were both culturally diverse, showing pockets of urban life in a way that drama often shies away from. Our collaboration with the Education commissioning team on *Youngers* and *My Mad Fat Diary* – both written by first-time TV writers – were also shows with diversity, *Mad Fat* for its treatment of mental illness, *Youngers* for providing an aspirational show for young black people.

Southcliffe was incredibly provocative. It was unflinching in the way it told the story of a spree-killing and posed questions about a community. *Complicit* was another to stimulate debate, discussing the rights and wrongs of torture. And *Utopia* addressed the same issue; is the suffering of one person right if there's a chance to save thousands of lives?

There's risk in every new launch. You can know whether something is good or not, but you can never know whether it's going to be successful. Everything we spend – millions of pounds – is spent on something that may or may not work.

We innovated with *Dates*, which was a nine-part, half-hour series, and was like an anthology, as it was largely self-contained stories. And that's important because, outside the soaps, there are very few half-hour dramas on any terrestrial channels now. It also felt very unusual to have a series of two-handers shown in primetime.

We've also run another season of the *Coming Up* films, which are for new writers and directors, and we've taken over sponsorship of what was previously the Pearson Playwriting Scheme, which gives bursaries to new theatre writers so they have the space to write their first full-length play.

What are the key challenges?

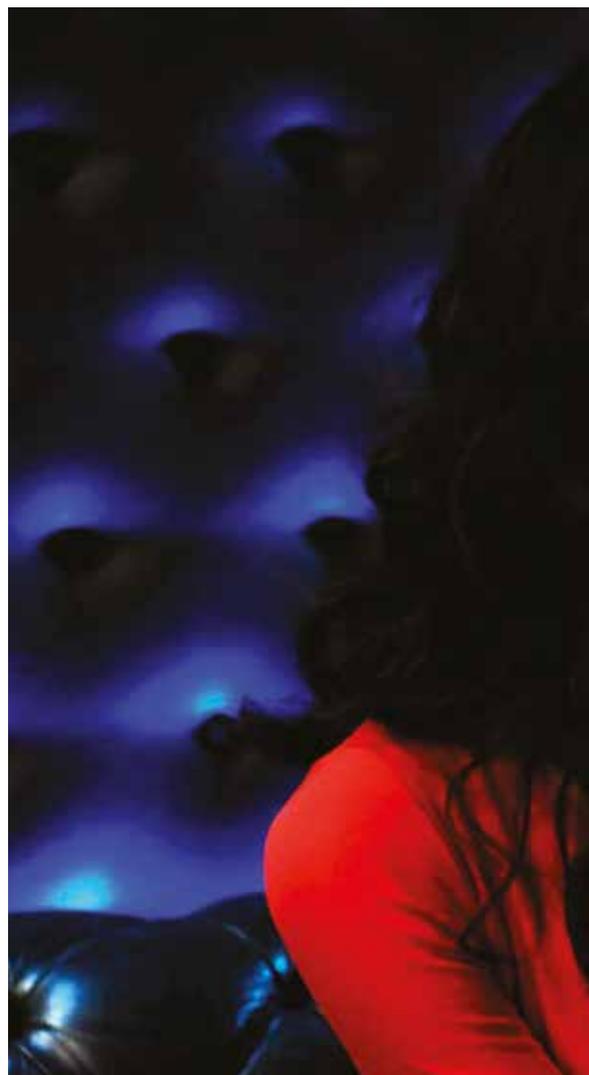
Over the next few years we aim to build a credible slate of series, that can sustain an audience over a longer run. There's a risk in that – it may make us feel too much like other channels. So we have to go for range within the schedule – have a couple of 'banker' shows that sustain our audience share, and so buy us the latitude to do some more singular pieces.

3.2m
The Mill
average viewers
76% up on
slot average



Top Boy

"An involving and wonderfully well-acted piece of television."
The Independent



Dates

Winner
Best drama series
Broadcast Awards
Top Boy

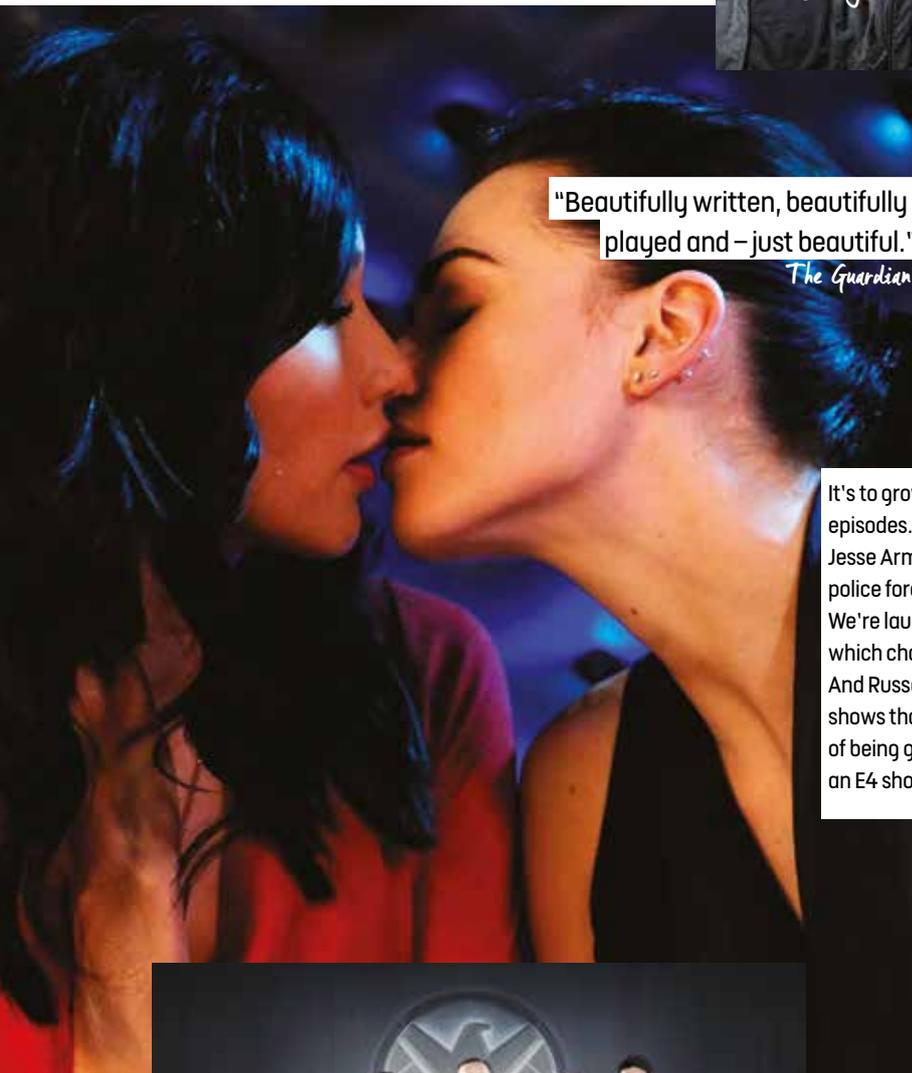
unlimited possibilities



"Run rattled along at a thrilling pace with blade-sharp dialogue."
The Daily Telegraph

Run

Genre: Drama



"Beautifully written, beautifully played and – just beautiful."
The Guardian

2014 strategy

It's to grow a slate of successful returning series with multiple episodes. We're launching the pilot of Danny Boyle, Sam Bain and Jesse Armstrong's look at the way social media has impacted on the police force. We're bringing *Utopia* back in a bold and unexpected way. We're launching Paul Abbott's new eight-part police procedural series, which challenges preconceptions about criminals and the police. And Russell T Davies is returning to Channel 4 to write a trilogy of shows that, 15 years after *Queer as Folk*, will highlight the reality of being gay in contemporary Britain. It will be a Channel 4 show, an E4 show and an online offering.



Opening episode attracted the biggest audience for a Channel 4 drama since 2006.

Agents of S.H.I.E.L.D

Marvel Agent Coulson
Comic-con went nuts
Cult hit?

Case study

The Returned

French language drama *The Returned* (*Les Revenants*) was the first fully subtitled drama broadcast on Channel 4 in 20 years.

The hotly anticipated eight-part drama series was based on the 2004 film *Les Revenants* and was soundtracked by Scottish post-rock band Mogwai.

The supernatural crime thriller, written by Fabrice Gobert, Emmanuel Carrere and Fabien Adda, is set in a small Alpine village and follows a group of men, women and children who return home in a state of confusion, and who don't yet know that they have been dead for several years.

To celebrate the subtitled drama, we also ran an exclusive themed ad break of French adverts with subtitles during the first episode. The ad break was collaboratively devised and managed by Channel 4 Sales, working with agency partners ZenithOptimedia, MGOMD, OMD and Starcom.

International Emmys 2013

Winner – Drama Series

No.1 in Guardian TV of 2013

"...the best French import for years. It might even be the best drama of the year."

The Sunday Times Culture

"a triumph of mood and underplayed emotion"

The Independent

Alternative Views

Distinctive

Case study

Utopia

Genre: Drama

Enigmatic thriller *Utopia* was one of the highlights of 2013, a year which saw a raft of original drama hit Channel 4 screens to widespread critical acclaim.

Penned by Dennis Kelly, six-part thriller *Utopia* centred around 'The Utopia Experiments', a legendary graphic novel shrouded in mystery. When a small group of previously unconnected people, who meet on an online forum, find themselves in possession of an original manuscript of the fabled book, their lives suddenly and brutally implode, relentlessly pursued by a shadowy unit called The Network who will stop at nothing to keep its origin and meaning secret.

With a striking visual style from director Mark Munden and stunning original soundtrack from composer Cristobal Tapia de Veer, *Utopia* garnered praise from critics and the public alike. The cast included Channel 4 alumni Nathan Stewart-Jarrett (*Misfits*), Alexandra Roach (*The Iron Lady*) and Adeel Akhtar (*Four Lions*).

RTS Craft & Design Awards

Winner – Effects – Picture Enhancement

Winner – Music Original Score

Innovative

Nurture
talent

Distinctive

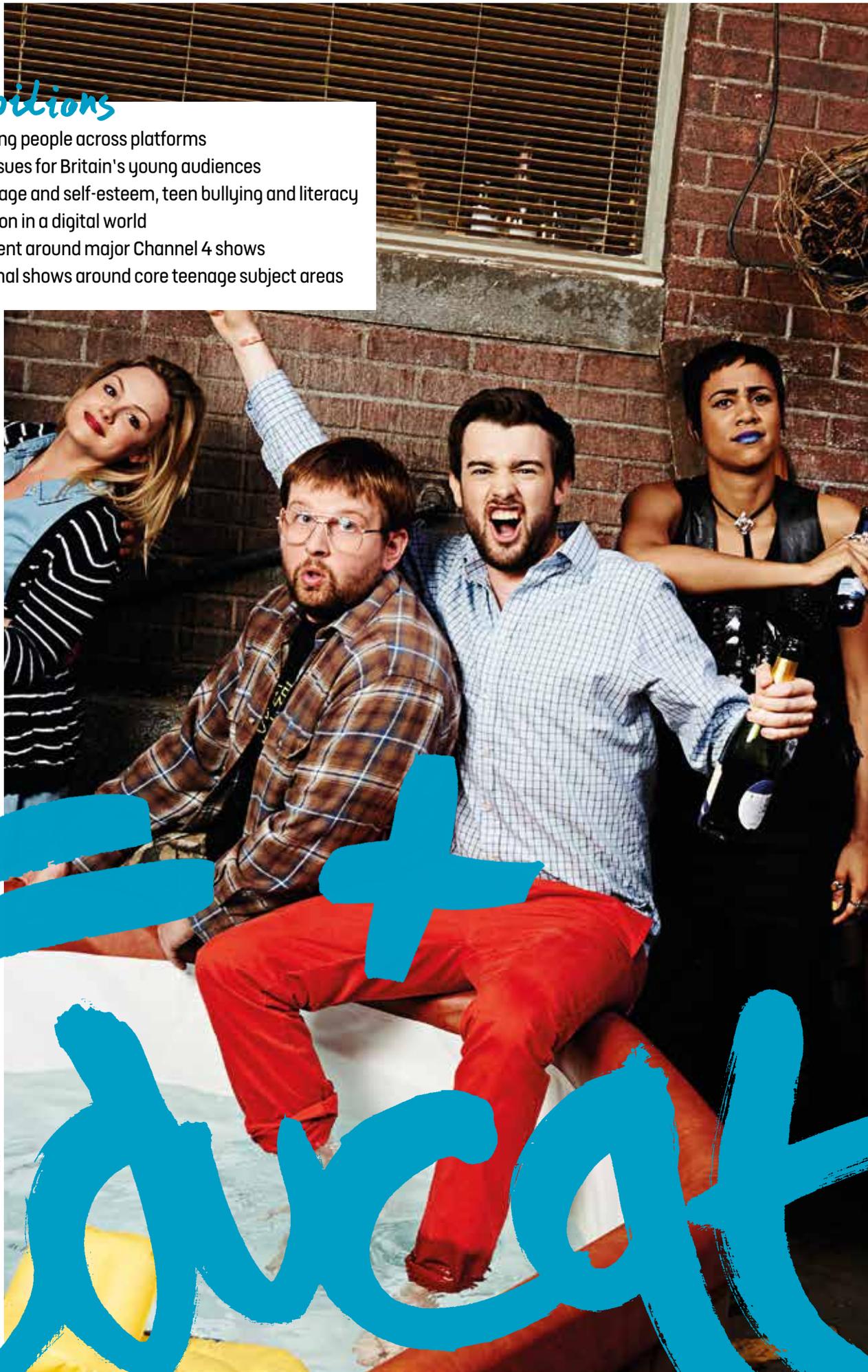
"a dark
tantalisingly
mysterious
overture"

The Independent



2013 Ambitions

- Connect with young people across platforms
- Tackle pressing issues for Britain's young audiences including body image and self-esteem, teen bullying and literacy and communication in a digital world
- Build special content around major Channel 4 shows
- Commission original shows around core teenage subject areas





An interview with
Dominic Bird, Head of Formats



Channel 4 provides educational content for all ages – with a particular commitment to school-aged teens aged 14–19. Our strategy seeks to help them develop the kind of life skills and knowledge not always acquired elsewhere. In 2013, commissioned content focused on areas where Channel 4 already has a strong reputation, including relationships, sex, friendships and social media. We also have a remit to provide content for older children and young adults, which includes a younger audience of 10–14 year olds.

What were your key ambitions for last year?

Channel 4's educational content for teens aims to reach the 14–19 age group and to equip them with life skills that neither schools nor parents usually teach. We're better placed than any other broadcaster to do that, because we're seen as alternative, as a counter to established, conventional views. The message is, if it's something you don't learn from your parents or your teachers, Channel 4 can help you fill the knowledge gaps. Under our Older Children remit we similarly wanted to offer content that reflected the lives of children in this age group.

In terms of the older age group, Channel 4 has always enjoyed a unique relationship with young people, which puts us in a great position to connect them firmly with educational content without preaching to them.

Building on the successes of 2012, our priority was to boost our engagement with audiences, using the slipstream of the medium we know best, television, in a more targeted way, to increase our impact with young audiences. We sought to continue to shift the focus of our output from standalone online-only propositions and apps, to TV-based commissions and more closely targeted online support that ensure we can reach a wider volume of young people.

We also wanted to make sure that we were addressing the issues that young people themselves want to know about, so we put a lot of focus on research. This helped identify some central themes that teens care about but where they have told us that they don't have access to other educational resources: sex, relationships and digital and social media. >>

Fresh Meat





We began to explore these themes in 2013: for example, we tackled media literacy in the second episode of *Don't Blame Facebook*, an entertaining yet cautionary programme, highlighting the dangers of social media. We broadcast a 90-minute peak time end-of-year review show called *Twit of the Year*, which exhibited all of the values of a traditional entertainment programme, but contained a powerful underlying message of 'Be careful what you tweet'.



Hollyoaks

Don't Blame Facebook

We also looked to work across other genres to explore issues relevant to teen lives. We funded two extraordinary dramas: *My Mad Fat Diary*, for 14–19 year olds, and *Youngers* aimed at the 10–14 age group. Both resonated powerfully with their target audiences, addressing those critical and hard to get to areas that young people tend not to discuss with teachers or parents. *My Mad Fat Diary* tackled some really difficult areas including mental health and body image, in an extremely accessible and thought-provoking way. *Youngers* told a brilliantly engaging story about a diverse group of young people as they attempted to navigate their way through teenage lives.

The concept of successfully using entertaining output as a Trojan horse for our educational output is one that allows us to connect with an extremely elusive demographic, and one we plan to continue to build on in the future. Online, the work that we have done has been more tightly targeted in 2013 and aligned successful television shows that hit our target 14–19 year old demographic.

We harnessed the existing audience loyalty for successful brands such as *Made in Chelsea* and *Fresh Meat*, to attract exactly the demographic we're trying to reach online. This enabled us to accurately focus our online education propositions to the most relevant young audience available and through association with brands we know they already love.

What went particularly well? What went less well than expected?

We are proud of the work we did with different genres to deliver our education remit. For example, *My Mad Fat Diary* and *Youngers* had real reach with the specific audience we were looking to connect with, although they weren't formally branded as 'educational'. It was implicit. It may not look or feel like traditional public service output, but we are reaching the right audiences in an authentic way with entertaining programmes that have educational values in their DNA.

Fresh Meat Unlocked was another major online proposition that used the power of an incredibly popular television series to drive young people to a life skills website. The site had hugely valuable educational content in among the fun stuff – for instance, student support and counselling services on a range of issues that had been thrown up by the series. By connecting the online content to the hugely popular comedy series, it achieved almost two million hits in just three months.

Equally, some shows, such as *Made in Chelsea*, absolutely attract our teen demographic. While we recognise that they are not educational propositions, they are a brilliant way to reach young people, and so we looked at ways to harness that reach. In this case, we commissioned a strand of educational online support films called *The Seven Deadly Sins* – a series of online shorts featuring the cast of the show which contained frank and open discussions on moral issues that reached more than half a million young people.

Hollyoaks wins media recognition award for representing LGBT characters attitude awards 2013

Last year was very much about research and development. The next phase for us will be about continuing to develop the move to on-air and tailored support content around the issues our research identified as mattering to our audience.

Channel 4's remit demands that we are innovative and experimental, demonstrate cultural diversity, stimulate debate, inspire change and promote alternative voices. Which of these do you feel shone through most in what you were doing last year?

Innovation was a priority. The *Fresh Meat* site was highly innovative – it exactly mimicked the screens of the TV characters' own iPhones and was a really creative way to deliver content, perfectly matched to a young audience who live on their phones. I think *My Mad Fat Diary* did an important job of promoting an alternative voice by showing that not everyone is outgoing, confident and gregarious and that it's not abnormal to feel introverted and anxious or be affected by mental health issues.



My Mad Fat Diary

And *Don't Blame Facebook* successfully illustrated the sometimes terrifying hidden perils of social networking through an entertaining prism.

In terms of taking risks, putting Education into primetime TV is inherently risky. It has to be good enough to earn its place in the schedule. Using new writers and new talent and tackling topics that affect young people in engaging and affecting ways and are not being tackled elsewhere in the media – that's risky.

What are the key challenges for Education?

The key challenge is continuing to find the places where we can most successfully reach our specific demographics. That means looking at our current output and establishing how we can add value to existing programming or creating new output that reaches these age groups most successfully.

We must also look at our impact beyond direct ratings measures. If we can identify, through research, areas where young people, particularly those in our 14–19s target group, have gaps in their knowledge and life skills, and we can deliver popular programming and content that addresses those areas, then I think that's a very important job.

2014 strategy

For 14–19 year olds, we now have the building blocks in place – a clear strategy, an expert team and evidence-based editorial themes – and so our focus will be on the content. We will be looking at the programmes and brands that resonate best with our young audiences and commission educational content around them. We also want to commission short-form films and bespoke online support that we can place online around the very best of our most relevant television output, in a way in which they can be easily discovered and consumed. Ultimately, we want to have content with educational values that reaches as many of the people who need it as possible. For 10–14s there will be a return of *Youngers* in a longer series and with online support, which will again look to reflect the lives of children at this stage of their lives.

medical history fat
angsty teen
Smile

2.1m
14-19 yr olds reached - up 40%

Case study Youngers



Channel 4 has a remit to serve older children, aged 10–14. That audience was targeted in 2013 with *Youngers*, a comedy drama set in South London that followed a group of friends struggling to negotiate their way through teenage life with a dream of making it big on the urban music scene.

With an original soundtrack from UK composer Aiden Hogarth (aka SKITZ Beatz) and with fresh up-and-coming talent in the three lead roles, including *Coming Up* alumnus Levi David Addai, *Youngers* was a big hit with the young audience. Offering something distinct to that age group, the programme attracted 60% more 10–14 year old viewers than the average for that slot in the schedule.

More than three-quarters of 10–14s agreed that *Youngers* was aimed at people like them, and it showed young people in a different way compared with other TV programmes.

"This is a well-acted drama with lots of punch, energy and rapport with its intended audience"
The Sunday Times

Nurture talent

Cultural Diversity

Distinctive

Case study

My Mad Fat Diary

Genre: Education & Older Children

My Mad Fat Diary took a hilarious but honest look at teenage life from the perspective of Rae (Sharon Rooney) – a funny, music-mad 16 year old who, at the start of the series, leaves a psychiatric hospital, re-joining her group of friends while battling depression, binge-eating and body image anxiety.

In her first major TV role, Rooney was joined by a cast of other newcomers for the six-part series, and received a Scottish BAFTA nomination for her portrayal of Rae.

Adapted from Rae Earl's real-life diaries and subsequent book, *My Fat Mad Teenage Diary*, the series was written by Tom Bidwell, an alumnus of Channel 4's talent scheme, *Coming Up*, and an Oscar-nominee for his short film *Wish 143*. The series has been re-commissioned and will return to the screen in 2014.

78% of all viewers surveyed agree that the programme gave them an insight into issues that affect young people.

80% agree that E4 talks about issues young people have to deal with in a way that other channels wouldn't.

"It's lovely - honest and painfully real and very funny"

Sam Wollaston, *The Guardian*

"A hilarious yet touching exploration of teen angst."

The Sun TV Magazine

Nurture talent

Educational

Inspire change



2013 Ambitions

- Experiment with a broad range of formats
- Nurture new talent alongside strengthening existing talent
- Pioneer in the field of interactive and two-screen accompaniments to entertainment, including in investing in new play-along games
- Improve diversity of supply



An interview with
Justin Gorman,
Head of Entertainment



Just as much as any other part of the schedule, Channel 4's Entertainment commissioning aims to nurture talent, be innovative and engage young audiences with mischievous and irreverent programming. But it also aims to combine a risky and distinctive approach with shows that have warmth, scale and broad appeal.

What were the key ambitions for Entertainment?

We wanted to continue to be at the forefront of developing second screen. *The Million Pound Drop* is Channel 4's most successful TV app, with 2.7 million downloads. We partnered with Twitter for *Was It Something I Said?*, to enable viewers to use the platform as part of the game so they could watch the show and play along on Twitter at the same time.

We wanted to give new talent creative opportunities – and we did that, too, with *Stand Up for the Week* and *8 Out of 10 Cats*, and also with Ben Earl, whose show went out on a Friday night at 9pm.

We wanted more diversity in our programming and we've done that, both in terms of what we show and who makes it. We wanted to broaden our range of suppliers, in particular the digital companies and independent production companies we work with. We commissioned developments from three brand new companies. We also matched independent production companies with digital companies and gave them a brief to work on. Out of the 16 companies we put together, we now have four really big ideas going into development, which means we're getting a closer fit between what's on TV and what's on the second screen.

Channel 4 Entertainment is edgy, provocative and mischievous. With shows such as *Chatty Man*, *The Million Pound Drop* and the always thought-provoking *Derren Brown* we are diverse in our output. >>

Derren Brown: *Great Art Robbery*

"The caper and its twisting denouement made for a seamless, exhilarating entertainment."

The Guardian

What went particularly well, and what went less well than expected in 2013?

We've grown some well-established formats in 2013. We continued to invest in Alan Carr and we've also built *8 Out of 10 Cats Does Countdown* to enormous success. *Fifteen to One* launched as a celebrity special and we will see that return later in 2014.

We have also taken creative risks, placing gameshows with primetime values earlier in the schedule.

Were there any programmes that weren't received in the way you expected them to be?

We knew *The Last Leg* had been brilliant in the Paralympics last year and we wanted to grow the brand but as a broader show that didn't just rely on sport. It was audacious, live, it had a brilliant talent line-up working well together. It's been universally well-received and has won multiple awards.

8 out of 10 cats + Countdown

How did Entertainment help deliver the remit?

On *Stand Up for the Week*, we get new comedians to tackle topical comedy that is always provocative. *Derren Brown* always surprises and pushes the boundaries. *10 O'clock Live* brings together big talent and has a unique voice.

We continue to innovate with second screen and the use of Twitter embedded in our new panel show *Was It Something I Said?*, which was a TV first.

What are the key challenges?

We want to make broad exciting entertainment shows that have Channel 4 values. We want to build on the returning shows to help launch new titles and shows that innovate. We want to back new and existing talent so they can take creative risks.



11th series of Alan Carr: Chatty Man



Alan Carr: Chatty Man

Genre: Entertainment



This #benearl stuff is blowing my mind. I just don't get it. And I hate it when I don't get things. #hooked

Sarah Christian
@harassyam

Ben Earl



We want to continue to rejuvenate the 9pm and 10pm slots. We are continuing to innovate on second screen and new technology. The goal is to have primetime shows with new technology working in parallel. We'll be looking to find new talent, and give established talent new opportunities, while maintaining quality across our output.

Case study

The Last Leg



Gro night Ch4 HQ
 hosting #isidok
 Proud 2 be part of a channel that
 has such a commitment to making
visible difference.
 disability not an issue
 Katie Piper. @KatiePiper

The award-winning show *The Last Leg* returned to our screens for a second and third series in 2013, with Adam Hills, Josh Widdicombe and Alex Brooker's witty, alternative look at the week's most significant and not so significant events.

A year after its launch as part of Channel 4's approach to the Paralympics, the series continued to demolish many of the barriers around disability with humour and unabashed candour. At its heart was the all-encompassing question: "Is it ok?" – an invitation to viewers at home and a live studio audience to ask, without fear of judgement, any question they wanted relating to disability, or to any relevant topic under discussion in the show, with the three hosts giving their own forthright responses to difficult and delicate questions.

The show continued to be a hit with audiences and with critics in 2013.

Adam Hills: Winner of Best Comedy Entertainment Personality and Best Comedy Breakthrough Artists at the 2013 British Comedy Awards.

Nurture
Talent

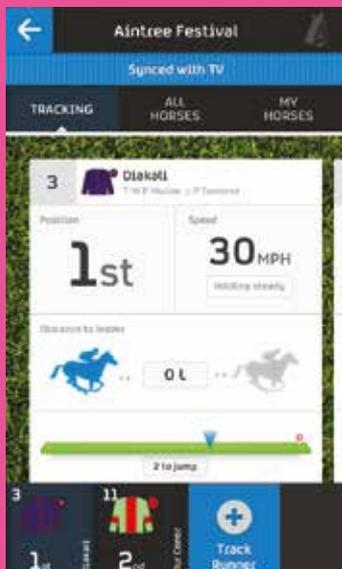
Distinctive

Inspire
Change

Stimulate
Debate



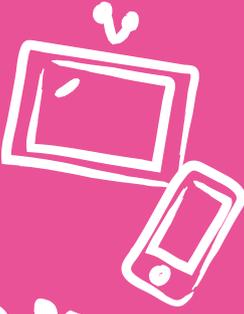
2m downloads of The Million Pound Drop App on iOS



beta phase
 * do people like the name?
 * what do people think?

Spotlight

Second screen



Spotlight: Second screen

Channel 4 has an enviable history of delivering innovative, market-leading technology projects. We were first to market with long-form video on demand, with HD simulcast channels, and to launch '+1' services. Today we are leading the terrestrial market in delivering technological innovation as a central part of our strategy to give audiences greater and more direct engagement with all our content.

10m registered users
engaging directly with us

Specifically, Channel 4 has led the way in delivering synchronised second screen experiences. For example, the ground-breaking *Million Pound Drop* game was an incredible success; with almost two million downloads and more than 100,000 viewers regularly playing along with the programme. The Channel 4 *HorseTracker* app – which offers users the ability to track the position and speed of their chosen horse in real-time during races – was downloaded 140,000 times in the week leading up to the Grand National.

Building upon these successes, Channel 4 became the first UK broadcaster to make available an aggregated 'companion' application with the launch of 4Now in September 2013. 4Now provides a centralised destination for synchronised experiences that support the vast majority of the schedule across our channel portfolio. The product was released in 'beta' exclusively to registered users and has enabled them to engage with the shows they are watching in a variety of ways. For example, 4Now provides access to rich programme information, character blogs/videos, integration with social media networks, and the ability to engage with real-time polls, votes and quizzes.

From a commercial perspective, 4Now facilitates a range of opportunities for advertisers. In addition to interactive sponsorship opportunities, it enables new synchronised advertising and sponsorship formats.

During the 'beta' trial, we have run an extensive user feedback programme allowing registered users to help shape the proposition going forward (including naming the service; 4Now is a working title). This is consistent with our broader ambition of enhancing our overall engagement with our ten million registered users.

4Now has provided a valuable insight into consumer demand for alternative second screen experiences. Given these learnings, we are now exploring a variety of ways to implement such experiences into the core of our digital estate.

best, best, best



2013 Ambitions

- Build on reputation for distinctive and innovative programmes
- Single documentaries and series that reflect modern Britain
- Cross-platform projects of scale; with greater viewer interactivity with more events and live programmes
- Diversity of onscreen talent
- Prominent religion, ethics and history programming and renewed constructed formats and factual drama
- Distinctive, contemporary arts output





An interview with
Ralph Lee, Head of Factual



Documentaries on Channel 4 reflect life in contemporary Britain by offering viewers a distinctive, opinionated and often provocative view of the world. Our specialist factual programmes cover religion, science, history and the arts, providing a space in which alternative views and voices can reach a mainstream audience and bringing a new approach to learning. They certainly did that in 2013. And sometimes our viewers surprised us as much as we surprised them.

What were the key ambitions for Factual?

To maintain the strength of returning documentary series like *One Born Every Minute*, *24 Hours in A&E* and *Educating Yorkshire*. They're a key part of the schedule, bringing large audiences to subjects with strong public service values. And we wanted to diversify the observational techniques of those series into other areas, with *First Dates*, *Murder Trial* and *Gogglebox*. The latter grew in the course of the year from a modest, experimental pilot to a full series and will return in 2014.

At the same time, we increased commissioning of single documentaries, totalling 40–50 across the year, which meant we could cover a wide range of subjects including age discrimination, the justice system, welfare and drugs. We wanted greater impact, and got it with *Richard III*, capturing an extraordinary moment in Britain's history with the archaeological discovery of his remains in a Leicester car park. We experimented with a pioneering drama collaboration, *The Mill*. We also wanted to move back into a more experimental space with our history programming, and we did it with *Benefits Britain 1949*.

We try to reflect the big issues of our time in ways that are in keeping with the particular tone of Channel 4. So we examined the effects of the recession through *Skint*, *How to Get a Council House* and *The Fried Chicken Shop*, which opened a window on London's night-time economy as seen from a cheap inner-city takeaway.

More than other broadcasters, we try to make public service television feel surprising, contemporary and engaging – not homework or medicine. We have to find innovative ways to fulfil our public service ambitions. >>



How do you feel 2013 went?

Our returning series, such as *One Born...*, *24 Hours in A&E* and *Educating Yorkshire* all performed incredibly well. So did much of our new programming such as *Bedlam* and we established new titles *Skint* and *Gogglebox*, which will return in 2014. The diversity and range of our single documentaries was notable with *Richard III* and *Murder Trial* providing real highlights. It was also great to see shows such as *Educating Yorkshire* really move people.

The level of Islamophobia we encountered with the *4Ramadan* season was unexpected, though much of it came from communities that were either very polarised or very un-diverse. It was balanced by an incredibly positive reaction from British Muslims, who were grateful for the acknowledgement of an important moment for them.

How did Factual help deliver the remit?

Sex Box, *Gogglebox* and *First Dates* were entirely experimental and innovative. With *4Thought*, *Random Acts*, our arts output, *4Ramadan*, there were plenty of projects which were about Britain and its diversity. And, rather than saying, for example, "Here's a programme for Muslims" we wove diversity into many of our bigger documentary projects, such as *Educating Yorkshire*. *The Cruel Cut* documentary, about FGM, was a campaigning film by a young Somali-British woman, Leila Hussein, which absolutely spoke to our remit to "promote alternative voices and inspire change". Following the broadcast of her film, she was invited to meet Ministers of State, the police, the CPS and an influential parliamentary committee, all of whom wanted to support the aims of her campaign. And we certainly took risks. There's creative risk with a new format or a new formula, as with *Gogglebox* and *First Dates*. Then there's the editorial risk associated with doing things that are challenging to some sections of the audience, such as *Sex Box*, *4Ramadan* and *The Cruel Cut*.

What are the key challenges?

Maintaining the scale and impact of our output in the face of greater competition and viewer choice. And we need to keep a balance between building returning series and making way for new things. One of Channel 4's great strengths is that we keep trying things, even if not all of them succeed.

Another challenge is how we measure and demonstrate our impact. Viewing figures matter for us not just commercially but because we want public service programmes to have impact. But impact comes in lots of ways. With a project such as *4Ramadan*, we measure it not just in terms of ratings, but from the credit we get with Muslim and non-Muslim faith communities. We judge things by the buzz they create, whether they are discussed in the press, whether they have long-term resonance.

Two areas that we think can be further improved in 2014 are the diversity of our onscreen talent and finding space for more international output.



Educating Yorkshire

family
community
1. recession
2. no jobs
3. no money



Richard III

Genre: Factual

Repo Man



2014 strategy

We will be looking at three areas that reflect our modern society: how social networking is changing adolescence (and adolescent behaviour); how fast and cheap DNA sequencing is radically changing the world we live in; and climate change – reflected through programmes about natural history, food production and globalisation.

Those are three of the big thematic areas of our time that we'll revisit throughout the year. And we're commissioning documentary series of a scale that Channel 4 has never seen before, with *24 Hours in Custody*, *Marines*, *Teens*, *Freshers* – all in addition to our returning series.

Educating Yorkshire
Best Doc Series
 Broadcast Awards



"It's all touching, funny, a bit gross sometimes and very much right here, right now."

Radio Times

The Fried Chicken Shop



2013 Ambitions

- Seek to identify engaging means of bringing audiences to contemporary social issues
- Cover traditional public service broadcasting subjects in daring and audacious ways
- Inspire people to think about things in new and different ways



Undateables

Factual Entertainment

An interview with Liam Humphreys, Head of Factual Entertainment

What were the key ambitions for Factual Entertainment?

To explore important contemporary issues and bring them to the biggest possible audience. It's our job to make difficult issues accessible and entertaining, to work with independent producers to find subjects that other broadcasters don't, or won't, tackle.

For example, *The Undateables* looked at disability issues in a daring way. The series proved to be a very effective lightning rod for debate. The deliberately provocative title, combined with the brilliantly executed concept, was a combination that delivered unmissable television.

A large audience was engaging with issues surrounding disability and very importantly the show was having a huge impact on the 16–34 age group. That's a key part of what we aim to do – engaging a young audience with public service broadcasting and helping them see the world differently.

Our role is to deal with important issues in an entertaining way. Nothing gives me more pleasure than hearing viewers discussing how much they enjoy our programmes, and also engaging with the subject matter. We want our content to help shape their view of the world, but not in a way that feels like homework or in a preachy way.

We have a world-class roster of onscreen talent – it helps us forge our identity but it's also important to keep our roster fresh and diverse. Finding new talent, and diverse talent, for primetime on a terrestrial channel is always a priority. That was one of my key ambitions for 2013, and is again for 2014.

How do you feel 2013 went?

One of the things I'm most proud of is that we spoke to a young audience. Of the top 50 rating factual titles in 2013 across all British channels in the 16-34s demographic, ten came from Channel 4 Factual Entertainment.

A number of our programmes including *The Undateables*, *Big Fat Gypsy Weddings*, *16 Kids and Counting* and *What Happened In Kavos?* had a huge impact, which is key to what we do. We are all about engaging a young audience with PSB, and making them see the world slightly differently.

We will continue to make shows that speak to a young audience in 2014 with new programmes including *The Jump*, *Troy*, and *Island of Lost Blokes*.

Were there programmes that weren't received in the way you expected them to be?

Gadget Man with Richard Ayoade is a show we are immensely proud of. It was a challenge replacing Stephen Fry as the presenter, but Richard felt distinctly Channel 4. He has a very iconoclastic view of life and that felt like a risk, but the press and viewers fell in love with him and the show very quickly. Taking innovative risks is at the heart of what we do and with Richard at the helm *Gadget Man* is unlike any other factual format on terrestrial television.

How did Factual Entertainment help deliver the remit?

We promoted alternative voices with our examinations of youth unemployment, mental illness and disability.

And we took risks. My view is that if you take the right risks it attracts viewers, it doesn't repel them. Risk is a good thing, not just in terms of our remit, but also in terms of finding a distinctive voice and consequently finding an audience on Channel 4. The competitive format of *Child Genius* is a good example. Finding a distinctive competitive format can be a challenge. We wouldn't do one on business and we wouldn't want to do a traditional competition as these are already well catered for elsewhere. In order to innovate and break new ground we took what had formerly been a documentary series, *Child Genius*, and reinvented it as an ambitious, competitive format, with MENSA as our partners. It worked really well, and it was a series we're very proud of. The series will return in 2014. >>



Troy

Dating
+ Disability
impossible?
Quest to find love...
Change
attitudes

exciting
New talent

We discovered a new onscreen talent called *Troy* who is coming to E4 in February 2014. He's a young black magician from South London, and he's one of the most natural TV talents I've seen and one of the best close-up magicians in Britain, if not the world, today. He feels uniquely Channel 4, and we've put a lot of thought into launching him on E4, because we want to nurture and grow him as he has the potential to become a mainstream star.

What are the key challenges?

There always needs to be an authenticity to what we do. Many of our presenters are involved in real-world causes or campaigns, and their involvement has to be genuine, from the heart.

We have a responsibility to refresh our brands and make them evolve. TV is a medium that is constantly changing, and in Factual Entertainment, the key challenge is always to be innovative and to be first when telling a story.

Ratings are important to us, because as well as delivering our remit and speaking to as many viewers as possible, we also need to deliver a return on investment. It also helps pay for the less commercial corners of the schedule. But there are several other measures that are equally important – the appreciation index, which tells us how our programmes resonate and shape viewer perceptions of Channel 4. Press perception is important too, as are the thoughts of opinion formers and stakeholders. But the greatest pleasure for me is talking to people who don't work in television; talking to viewers and hearing them talk positively and passionately about our shows.

2014 strategy

To continue to refresh and reinvigorate our existing brands – the series that are already strong elements of our stable. And to explore new contemporary issues in an accessible and entertaining way. In 2013 we explored issues as diverse as youth unemployment, mental illness, disability, sex education and the influence of pornography, and sustainable living, and we'll continue to explore important issues next year. I want more scale to what we do – we're very good at doing the three and four-part series, but I want to bring something bigger to the audience and continue to find innovative ways of doing so.

who to present?

- Entertaining
- Fits the C4 mould
- Knows gadgets



"One of the funniest things on television. Try it."

Observer

Gadget Man



2013 Ambitions

- Build on current themes and interrogate new territories
- Provocative public service broadcasting with mischief and purpose
- Strike a balance in output between new and returning series
- Build existing onscreen talent and find the next generation
- More online audience engagement



Features

An interview with Gill Wilson, Head of Features

Amazing Spaces

Channel 4 Features aim to strike a balance between being informative and entertaining. Some of the successes of 2013 also achieved a different kind of balance, one of the most difficult goals of good public service broadcasting; turning apparently minority subjects with minority audiences into popular mainstream programming, but without losing focus or integrity.

What were the key ambitions for Features?

Our overall ambition was to consolidate our ownership of the traditional features territory. We set out to ensure interest in existing brands, and further expand into the areas where we dominate, focusing on property. To augment our hugely successful property portfolio, we launched *George Clarke's Amazing Spaces* which identified a previously untapped area – affordable design aspiration. The series, which gave viewers the opportunity to sample high-end designs, attainable to them, was critically and publically well received. *Kirstie's Fill Your House for Free* found an area previously unexplored in interiors programming – top-end recycling. This combined the challenge to innovate in the genre with our constant updating of what is relevant to our viewers. Design-led thrift was the result, which clearly resonated with the viewing public, we crashed all the freecycling websites during every episode.

We launched *Health Freaks* to challenge conventional medicine, and continued to develop the *Embarrassing Bodies* brand with a new-look series for 2014.

Our food output also followed the strategy of 'consolidation and innovation'. We brought *Yotam Ottolenghi* to More4, a huge figure on the international food stage. Jamie Oliver returned in the 8.30pm slot with brand new content in *Money Saving Meals*, which was visually innovative, and again resonated with the current mood of the nation.

We targeted particular demographic groups and worked to inspire greater audience interaction. For example, we heard from viewers who attributed their early cancer diagnoses to *Embarrassing Bodies*. >>>

Small build oppo



Fill Your House for Free

Hugh Fearnley-Whittingstall asked viewers to tweet supermarkets as part of his campaign for more sustainable fishing practices on *Fish Fight* and nearly 42,000 tweets were sent to Tescos, Morrisons and the Co-op, who have since pledged to clean up prawn farming. This was a follow-up to Fearnley-Whittingstall's 2011 campaign, which led directly to an EU ban on fishermen dumping catches overboard. I think that's public service broadcasting at its most effective and daring.

OED
 → let them own it!

We combined great public service television with developing new talent, demonstrated by Dave Fishwick's BAFTA for *Bank of Dave 2*. We have since developed beyond his own commercial concerns with *Loan Ranger*, the unique Fishwick take on the payday loans industry. This has further ingrained Dave in the public conscious as an unlikely hero, inextricably linked with the Channel 4 brand.

One of our clear ambitions was to develop programming around Katie Piper as our 'face of beauty'. Until 2013, she had appeared in programming which was rooted in her own experiences. We gave her a primetime role in *Gok Live*, which led directly to her own series focusing on beauty and body modification – *Bodyshockers*.



Obsessive Compulsive Cleaners



We developed some excellent new talent in 2013: Drs Ellie Cannon, Ayan Panja and Rozina Ali joined our number of unparalleled Channel 4 medical experts. We have begun a strategy of growing new talent alongside those already established, which has worked to great effect on *George Clarke's Amazing Spaces*, *Will Hardie and Kirstie's Fill your House For Free* – Max McMurdo.

We continued our pursuit of award-winning multiplatform firsts. On *Bedtime Live*, parents were coached to get incredibly resistant children to sleep live via Skype. We had an interactive first on British TV when we asked viewers to use Instagram live, so Gok Wan could advise them, live on air, on what to wear that evening. In terms of commissioning multiplatform projects, *Embarrassing Bodies Live* remains a titan.

Our role is to reflect society in an entertaining and accessible way. So, we did reflect the economic context of the tough times we live in, but in a way that still felt like Channel 4, interesting and aspirational. And we continued to serve our core audience for health and property shows.

How you feel 2013 went?

Overall we had a very successful year. We launched 18 new titles including *Fill Your House for Free*, and *Obsessive Compulsive Cleaners*, with another 25 commissioned to launch in 2014. And our well-established shows, such as *Grand Designs* and *Location, Location, Location*, continued to thrive.

We spread our commissioning geographically with four fully commissioned programmes coming from Scotland, and projects in development in each of the Nations.

How did Features help deliver the remit?

As always, we strove to deliver core public service broadcasting in our content, while providing challenging programming. For example, *Obsessive Compulsive Cleaners* looked at the issue of obsessive compulsive disorders, but allowed contributors to own the process. This strategy had inherent risk, one which absolutely paid off – simultaneously informative for our audience and empowering for those who took part.

We experimented with live programming – we had three *Gok Live* shows and did some outside broadcasts in Salford, which is the first time the media centre there had been utilised in that way. And we looked to challenge prejudices, with *Fabulous Fashionistas* taking on ageism.

What are the key challenges?

To continue to own our core areas – property and health. To ensure Channel 4 remains a top destination at 8 o'clock. To continue to take risks, but capitalise on the successes of 2013. To experiment in a few carefully selected new territories.

Redefine
 Challenge perceptions of age... * Keep going
 * Look good
 * have fun

"I can't remember the last time I saw a documentary as inspiring as *Fabulous Fashionistas*."
 Rachel Cooke
New Statesman



Fabulous Fashionistas

2014 strategy

We want to make sure we commission more from the Nations next year, to reflect the full diversity of Britain on screen. We want to continue to develop our public service offering, bringing what have often been seen as issues of marginal interest into the mainstream, reaching a particular demographic without losing broader appeal.

Case study Public services



999: What's your emergency?

"#bedlam is tough viewing but it's also just so wonderful to see mental illness on prime time TV, no sensationalism, just real stories."

Rachel Hobbs, @Rachel_Rethink

Bedlam



In 2013 Channel 4 documentaries looked at some of the UK's most loved and important public services, shining a spotlight on the issues they seek to address, from rising alcohol abuse and crime to dementia and depression.

A mixture of new and well-established returning series celebrated those who work in our public services while providing sharp social commentary on our times.

Educating Yorkshire, set in Thornhill Academy, near Dewsbury, a community school with a student population almost exactly half white-British and half British-Asian, gave viewers a glimpse of modern school life in the UK. Critically acclaimed, this was a warm and authentic exploration of what it's like to grow up or work in a secondary school in the heart of a northern community. The programme was a ratings sensation, reaching 18 million viewers, 31% of the UK population. It triggered both debate and praise on a national scale, turning stars of the series, like Musharaf Ashgar, into media heroes and improving perceptions of teachers and teaching. 80% of viewers said the series made them realise how important it is that young people are inspired; 74% said it helped them think about the challenges facing teachers in a different way.

In a UK first, remotely operated cameras were placed inside a British criminal court to capture a murder trial in its entirety. After three years of negotiation, the Scottish High Court gave permission for unprecedented access to film the case of a man accused of murdering his wife. Recorded over six weeks, *Murder Trial* showed the process of justice like never before and generated intense debate in the legal profession and the media over the case for allowing cameras into UK courts.

Boldly tackling one of society's last taboos, Bethlem Royal Hospital opened its doors to cameras for an acclaimed four-part documentary series on mental health: *Bedlam*. The series offered exclusive access to a wide range of services, patients and staff at the South London and Maudsley NHS Foundation Trust (SLaM). *Bedlam* averaged two million viewers across the series, and was loved by audiences. More than half the viewers surveyed said the programmes improved their awareness of anxiety, depression and bipolar disorder, while four out of five said they had learned something new.

With 11 million emergency calls a year and an ambulance dispatched somewhere in the UK every five seconds, at an average cost of £250, award-winning *24 Hours in A&E* and

999: What's your emergency? focused on the pressures under which our emergency services operate, including the consequences of drug addiction; the struggles of young people 'coming of age'; knife crime; excessive drinking; and the challenges of caring for a rapidly ageing population. *One Born Every Minute* recorded the highs, lows and new lives beginning on two busy labour wards at Leeds General Infirmary and nearby St James's Hospital.

These distinctive programmes prove that uncompromising and opinionated television, tackling difficult issues of immediate social relevance, can be hugely popular with audiences, and can engage young audiences with the best of public service programming.

4.2m
average audience for
Educating Yorkshire

Case study
Gogglebox



Since its launch in April 2013, *Gogglebox* has grown into a critical and commercial success. After a short initial run, it returned in the autumn for a second series.

Gogglebox allows some of Britain's most opinionated households to comment freely on the biggest and best shows on television. Filmed over a seven-day period from the comfort of their own living rooms, and produced with a fast turnaround, the show sees a wide cross-section of viewers – friends, families and flat mates – revealing what Britain really thinks, and says, when it's lounging in front of the telly. With a culturally diverse cast, the programme offers a humorous insight into contemporary Britain.

With an audience that grew from a peak of 1.4 million in the first series to 2.3 million on its return in the autumn, *Gogglebox* is obviously a success with viewers – it was one of our most praised programmes of the year. With its unique and risky format, this endearing, entertaining, outspoken and irreverent show is a prime example of something only Channel 4 would back.

"Who knew watching people watching TV watching TV could be so entertaining"
 Radio Times

Cultural Diversity

Distinctive

Innovative

"The resulting show, so beautifully edited, offers insights into human behaviours, family dynamics, relationships."

Mail Online

Case study

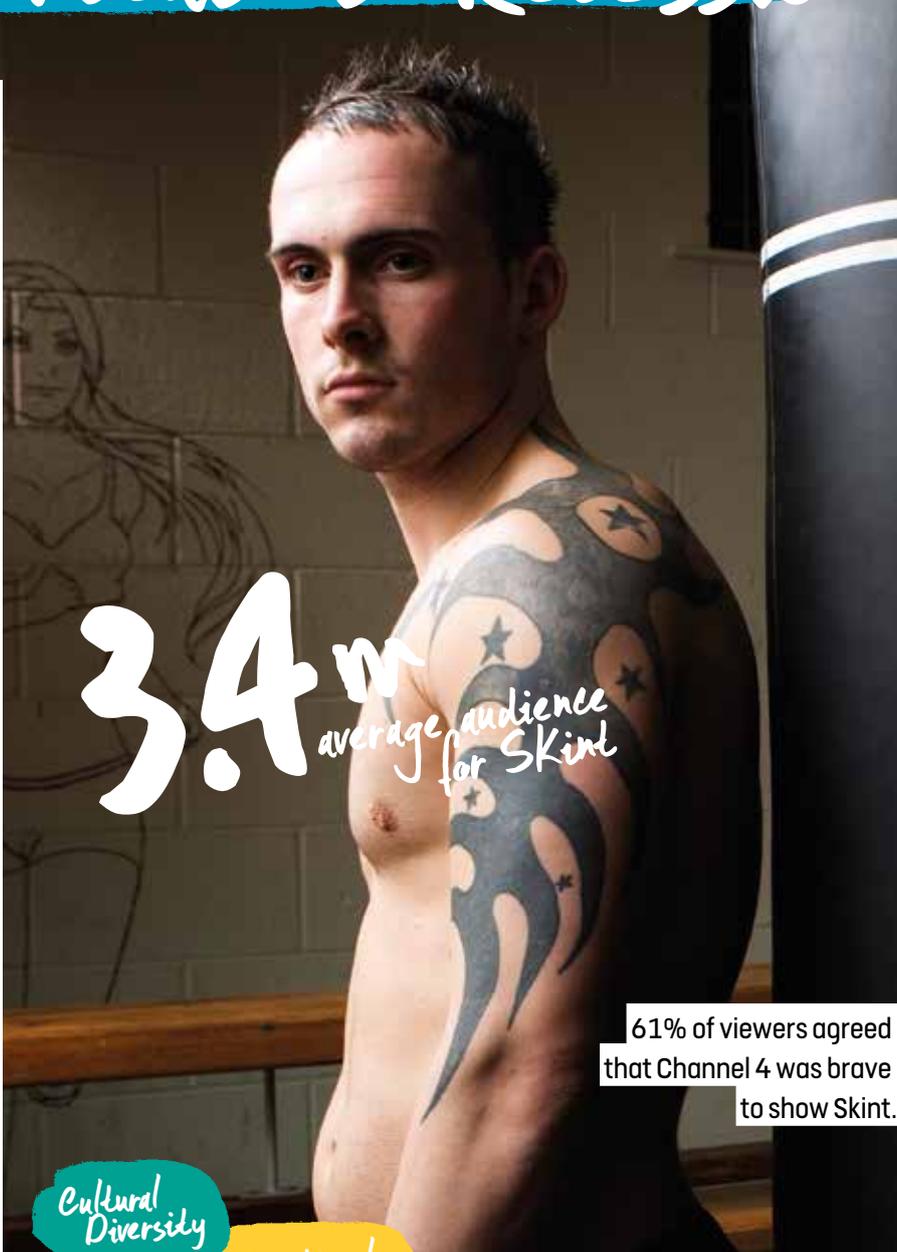
Modern Britain in Recession

In a run of diverse programmes that sought to reflect modern Britain in recession, Channel 4 combined ratings success with core public service values, bringing viewers stories from individuals and communities living on the margins of society and all too often ignored by mainstream media.

Skint was a four-part documentary series that revealed how families and communities blighted by long-term unemployment survive in Scunthorpe. It highlighted some of modern Britain's most intractable problems, from youth unemployment and crime to welfare dependency, truancy and addiction, while also reflecting on the ingenuity, resilience and community support shown by people rarely given a voice on our screens.

How to get a Council House exposed the crisis many local authorities face as they struggle to square the circle of too few properties and too many people in need of homes with affordable rent. Filmed in Tower Hamlets and Manchester, with access to the councils' homeless persons units, the series got behind the housing headlines, explaining the way housing is allocated and challenging the conventional preconceptions of the 'deserving' and 'undeserving poor'.

A trio of documentaries showed how some British businesses are doing well despite the recession and how cash-strapped Britain is making ends meet. *Posh Pawn* uncovered the hidden world of high-end pawnbroking. *The Man Who Will Buy Anything* introduced viewers to one of the most prolific traders in Britain, who specialises in buying up excess stock, including from corner shops and family businesses that have gone bust. And, with more and more people turning to finance companies to buy items they want but can't afford, *The Repo Man* documented the stories of those on the receiving end of repossessions. By providing an insight into the lives of those rarely seen on our screens, these programmes challenged many popular prejudices about the jobless and gave an alternative view of life in modern Britain.



3.4m average audience for Skint

61% of viewers agreed that Channel 4 was brave to show *Skint*.

Cultural Diversity
Educational
Stimulate Debate

Skint



"If ever there was a stark exposé of the housing crisis in Broken Britain, this is it."

Time Out

How to Get a Council House

Case study

4 Ramadan

Genre: Factual

Giving viewers an insight into the rituals and traditions practised by Britain's Muslim community, Channel 4 became the first mainstream British television channel to broadcast the Islamic call to prayer on a daily basis during the Muslim holy month of Ramadan.

The views and experiences of some of Britain's 2.8 million Muslims were captured and reflected through stand-alone commissions and daily series. Short films were broadcast every day, using a mixture of self-shot video diaries and documentary formats. Interactive elements and online content invited Muslim and non-Muslim viewers alike to engage with and learn more about Ramadan.

The season was watched by 5.3 million people, reaching 9% of the country's population and triggering an intense media debate about Islam and Islamophobia that reached millions more.

The season's ambition to improve understanding of a minority culture was successful. Four out of five viewers surveyed told us they had learned something new. This was Channel 4 fulfilling the spirit of its remit, providing space for an alternative view, unafraid to give a voice to the under-represented, and producing television that was both entertaining and enlightening.

"A brilliant idea... It recognises that Islam and Muslims are very much a part of modern-day Britain."

Shaykh Ibrahim Moqra
Muslim Council of Britain

Cultural
Diversity

Educational

Stimulate
Debate

4/5
viewers surveyed
told us they learned
something new

2013 Ambitions

- To develop and nurture the best of UK talent and to create opportunities for Channel 4 talent within film
- To choose bold, original material which reflects Channel 4 and Film4 brand values in line with our PSB remit
- To reach a wide audience theatrically and across as many Channel 4 platforms as possible
- To embrace digital opportunities for talent and ensure our films reach wider audiences at home and abroad



An interview with
Tessa Ross, Controller of
Film & Drama

Film has always been a core part of Channel 4's remit and Film4 continues to be a champion of all that's brilliant and most distinctive about independent British cinema. Film4 in particular seeks to find, develop and invest in long-term relationships with the very best of UK film-making talent.

What were the key ambitions for Film4?

We wanted to continue to seed new talent, to find the most distinctive new voices, but also to make sure that the people we already worked with felt they could keep coming back with their latest ideas. We've given a huge number of directors the chance to make their first film – Paul Wright, who went to Cannes with his film, the Scottish BAFTA award-winning *For Those in Peril*, and coming up soon, the films of Alex Garland, Yann Demange, Daniel Wolfe, John Maclean, and Iain Morris and Damon Beesley, who are writing and directing *The Inbetweeners Movie 2*. We supported a range of acclaimed talent – with Danny Boyle on *Trance*, Ken Loach on *The Spirit of '45*, Kevin Macdonald on *How I Live Now*, and Clio Barnard on *The Selfish Giant*. We helped established talent to work in new ways – like Ben Wheatley with *A Field in England* and Shane Meadows with *The Stone Roses: Made of Stone*. And we encouraged Steve McQueen's move to big-budget – from *Hunger* and *Shame* to the mighty *12 Years a Slave*.

We also wanted to innovate in digital. Two years ago we set up Film4.0, promising to explore, discover and then feed what we learned back to the industry, all of which we've done. Finding new ways of distributing our films has been a big drive. *A Field in England* was a fantastic, bold experiment for us, as nobody had ever released before on all media simultaneously.

And we've looked for opportunities to increase our return on investment, through possible financial partnerships and new ways of modelling our business. >>

The Selfish Giant

BAFTA nominated
Outstanding British Film



"This is a striking film from
a valuable new talent."

The Guardian



Made of Stone

We're fundamental to the Channel's overall ambition to find unique new talent. We're engaged in cross-fertilising talent from other areas, such as comedy, arts and documentaries. If you think of talent who have moved between television and film, such as Jessica Knappett, Richard Ayoade or Shane Meadows, that's been very exciting. We're risk-takers. We do it with the stories we're telling and with the people telling those stories. Because we're part of an organisation that is curious and adventurous and questioning, we've stood for something very particular over the last 30 years and the UK film industry has come to depend on our commitment and continued support.

How do you feel 2013 went?

12 Years a Slave has found a huge audience both here and in the US and has won and been nominated for countless awards, not least several Academy Awards. What is brilliant is the fact that we've grown with Steve McQueen, from his first film to this. It's a great example of the way we discover and keep supporting talent as it grows and matures.

That we've 144 awards wins for 2013 is a further testament to this, as many of these directors are first, second or third-time filmmakers who have worked with Film4 from the outset.

For Those in Peril



The digital work around the release of *A Field in England* was extraordinary. Everyone is hungry to understand whether people will consume films in a different way but hardly anyone else is actually putting daring new ideas into practice and sharing the results.

And we've had some real success at the box office. *Le Week-End*, which was a very low-budget Roger Michell film, was beautifully made and loved by audiences and critics, reaching a box office of £1.4 million in 2013. And *The Selfish Giant*, the hugely loved and admired film by Clio Barnard, exceeded expectations at the box office and garnered several awards.

We had two low-budget films by first-time filmmakers that did not quite make their mark at the box office, even though both were well received critically – *For Those in Peril*, which has won lots of major awards, and *In Fear*, which was a more conventional but very intelligent horror film. It's increasingly hard to launch careers in a crowded market place and that's one of the reasons why we're so keen to learn how we can make things work on alternative platforms.

The Film4 channel also continued to be important as a way of showcasing our films and the freshness of our slate of films which, alongside their early availability and easy access to talent that we bring to these transmissions, adds tremendous value to the schedule and the strength of the channel's brand.

How did Film4 help deliver the remit?

Risk is a key part of the remit. We invest massively in the riskiest element of film-making, which is development. It takes about a fifth of our budget and supports the search for ideas as well as research, script-writing, optioning material and making short films. We back creative vision and risk first and foremost, and only then do we look at projects from a commercial standpoint.

The voices behind our films represent a wide cultural diversity, and there's as great a diversity in the stories they tell, all of which stimulate debate, inspire change and promote alternative voices.

What are the key challenges?

It's becoming harder to raise money for films with budgets above £3 million, and we're making quite a lot of films in the £5–6 million bracket. So, it's a constant search for partners to co-finance, because we rarely invest more than 10–30%. And, of course, we are committed to making sure that the films we've invested in, that we feel are important, are properly visible and being seen by audiences, so the building of them with the right partners is crucial.

Measuring our success is always a challenge. Box office is one part and Channel 4 transmission value is another, but critical success is very important too. If you have a film that hasn't done well at the box office but wins some prizes, then it's hopefully helped to nurture someone's career. The fact that so many talented people come back to Film4 to work with us again and again is one of the best measures of our success.

144
awards
in 2013

£15m
spent on feature
film production
and development

2014 strategy

In 2014 we want to continue to give talent the space to breathe and develop. We also want to work on finding the best distribution models for our films, to maximise commercial returns from our films without harming the strong creative bonds we've nurtured with our talent and our producers and, finally, to disseminate our findings so that it benefits the whole industry.

Case study

12 Years a Slave

12 Years a Slave is Film4's third collaboration with Steve McQueen following his first two critically acclaimed films *Hunger* and *Shame*.

Taking home three Academy Awards – Best Picture, Best Adapted Screenplay, Best Supporting Actress – the film also won Best Motion Picture at the Golden Globes and Best Film and Best Actor at the BAFTAs.

Set in pre-Civil War United States, the film focuses on the life of free black man Solomon Northrup, who is abducted and sold into slavery. Facing cruelty at the hands of a malevolent slave owner (Michael Fassbender), as well as unexpected kindnesses, Solomon struggles not only to stay alive, but to retain his dignity. In the twelfth year of his unforgettable odyssey, Solomon's chance meeting with a Canadian abolitionist (Brad Pitt) will forever alter his life.

Nurturing new talent and getting projects off the ground that wouldn't have been made elsewhere is what Channel 4 and Film4 were set up to do. Turner prize-winning director Steve McQueen's career in feature film-making began with Film4, and we are very proud to have played a key role in the development of all of his films.

3 Oscars, 2 BAFTAs and 1 Golden Globe won

"Channel 4 saved the day"
Steve McQueen

"This is an important story, told with passion, conviction and grace. See it now."

The Guardian

Inspire Change

Nurture Talent

Stimulate Debate



Case study

A Field in England

Genre: Film

Film4 broke new ground in 2013 with Ben Wheatley's *A Field in England*: the first film ever to be released in cinemas, on Freeview TV, on DVD and on Video on Demand, all on the same day.

In a brave 'watch-it-where-you-want' partnership between Film4, Picturehouse Entertainment, 4DVD and Film4 channel, the simultaneous release overturned conventional wisdom of a 'windowed' release and, by doing so, boosted its anticipated audience figures while giving viewers the chance to choose how and where to watch the film.

The first feature to be developed and fully financed through the Film4 Innovation hub, *A Field in England* was innovative in its funding, production and distribution. The buzz created by its multiplatform release meant that it was able to open on more screens than would have been possible with a conventional release. In addition, an online Digital Masterclass giving insights on the film-making process was created to accompany the film. In the first three months alone, the masterclass attracted more than 50,000 online visits.

The film was ninth in the most-mentioned broadcasts on Twitter across the Channel 4 portfolio that week. It was also the most popular film purchased in its first three days on Film4oD. Impressively, as a percentage of weekend buys, *A Field in England* represented 30% of Film4oD's entire weekend sales.

And finally, in line with its promise to share the results with the wider industry, Film4 held an Innovation Forum in November to present the findings and explore with the assembled film community what these could mean for the future of film-making and distribution.

Screen Distribution and Marketing Awards
Winner – VoD Campaign Of The Year

Karlovy Vary International Film Festival
Winner – Special Prize of the Jury

367,000 viewers
for TV premier
on Film4

Digital

Nurture talent

Innovative

"Supremely original...

A watershed moment for the industry, in distribution terms."

The Telegraph

NEWS



2013 Ambitions

- Work with the team to re-invigorate the distinctiveness of *Channel 4 News* and increase impact of our investigative journalism
- Respond to changes in news consumption, particularly among young people, by investing in digital platforms and further developing the website
- Further develop *Dispatches* as a defining brand – risk-taking, revelatory and topical





An interview with Dorothy Byrne, Head of News and Current Affairs



Channel 4 News and Current Affairs are flagships for the very best of public service broadcasting. They don't just report; they interrogate, analyse and actively contribute to the health of the UK's democracy. And they provide a platform for important voices and ideas that would not be heard otherwise.

What were the key ambitions for News and Current Affairs?

As a public service broadcaster, it's our duty to cover a wide range of subjects, including subjects that other broadcasters and other media are not looking at – whether in Britain or elsewhere in the world. We need to inform our audience about areas of life they wouldn't know if Channel 4 wasn't here.

We wanted to make sure that we had stories with impact and traction beyond the life of a single programme – and I think we have had real success. One ambition was to uncover how Britain is surviving in an era of austerity, and what living in a downturn is like. I also felt we needed to highlight what's happening in Syria, where millions are having their lives disrupted, tens of thousands are dying and the implications for world security are enormous.

More broadly, we wanted to increase our reach to young people. Rather than looking out for a particular TV programme, as an older viewer might, young people find their news on many different platforms. That's why we have made sure you can catch up with *Channel 4 News* on a wide range of different devices and platforms. It's also why we are increasing our presence on social media platforms so that we can interact with our viewers and create more dedicated short-form content, which is increasingly popular among young people.

Finally, after covering the Paralympics in 2012 it was an absolute priority to continue telling the story of what's happening to disabled people, and to ensure that we continued to feature disabled journalists, reporters and presenters. >>



Ade Adepitan: Unreported World



"A forensic Dispatches by ace investigative hack Liz MacKean... revealed shadowy powers protected sordid Smith."

Kevin Maguire
The Daily Mirror

The Paedophile MP: How Cyril Smith got away with it

Developing new talent is also key to our ambition to bring new voices and perspectives to journalism. One of the most exciting things last year was the fantastic reporting of Ade Adepitan. We realised when we watched him fronting *The Paralympics* that he had real journalistic potential. In 2013 he made films for us in Nigeria, Mexico and the UK. We also gave independent filmmaker Marcel Mettelsiefen a commission to make a one-hour film about children in Syria off the back of a terrific news piece he filmed. He had never made any current affairs film before but we just felt sure he could.

What are the key challenges?

There's a lot of news out there on the internet now, especially for teenagers and people in their 20s. A great deal of it is about celebrities and grotesque domestic murders. Amid that deluge of information, we have to work really hard to be heard with a very different agenda of revelatory journalism of consequence.



"Channel 4 News is on a roll."

Kevin Maguire
The Daily Mirror

Plebgate

2014 strategy

We need to be innovative and imaginative in the ways in which we get our content out across all platforms that will reach young people in new ways. We have to make sure our investigations are relevant to the lives of our viewers as well as bringing them international stories they could never have known about without us. As each year goes by, television journalism and investigation becomes more and more under attack from companies and powerful people who employ hugely expensive lawyers to attempt to stop us doing what we're doing. We need to continue to maintain difficult and investigative journalism in the face of ever stronger onslaughts from those in power.

Dispatches wins 3 RTS television journalism awards



C4 news won 2 Amnesty International media awards



"A forensic Dispatches by ace investigative hack Liz MacKean... revealed shadowy powers protected sordid Smith."

Kevin Maguire
The Daily Mirror

The Paedophile MP: How Cyril Smith got away with it

Developing new talent is also key to our ambition to bring new voices and perspectives to journalism. One of the most exciting things last year was the fantastic reporting of Ade Adepitan. We realised when we watched him fronting *The Paralympics* that he had real journalistic potential. In 2013 he made films for us in Nigeria, Mexico and the UK. We also gave independent filmmaker Marcel Mettelsiefen a commission to make a one-hour film about children in Syria off the back of a terrific news piece he filmed. He had never made any current affairs film before but we just felt sure he could.

What are the key challenges?

There's a lot of news out there on the internet now, especially for teenagers and people in their 20s. A great deal of it is about celebrities and grotesque domestic murders. Amid that deluge of information, we have to work really hard to be heard with a very different agenda of revelatory journalism of consequence.



"Channel 4 News is on a roll."

Kevin Maguire
The Daily Mirror

Plebgate

2014 strategy

We need to be innovative and imaginative in the ways in which we get our content out across all platforms that will reach young people in new ways. We have to make sure our investigations are relevant to the lives of our viewers as well as bringing them international stories they could never have known about without us. As each year goes by, television journalism and investigation becomes more and more under attack from companies and powerful people who employ hugely expensive lawyers to attempt to stop us doing what we're doing. We need to continue to maintain difficult and investigative journalism in the face of ever stronger onslaughts from those in power.

Dispatches wins
3 RTS
television
journalism awards



C4 news won
2 Amnesty
International
media awards

Case study

Lord Rennard



The investigation into Lord Rennard was one of the longest running domestic stories of the year, dominating the news agenda for months.

This story was the direct result of original journalism: *Channel 4 News* presenter Cathy Newman spent years speaking to a number of women involved and to try to persuade them to come forward and tell their stories on camera. Working with the Firecrest Films team, Cathy and her team eventually spoke to enough women who dared to step forward and who described similar incidents and patterns of behaviour.

Broadcast in February 2013, the report shone a light on not just the alleged behaviour of one man, but the broader culture of politics and beyond. Seven months on at the party conferences, Lib Dem activists were voicing their concerns that inappropriate sexual behaviour was not unusual among their older male colleagues and that their party must not brush this all under the carpet.

As a result of the *Channel 4 News* report, the police investigated the allegations of sexual harassment and the party launched two inquiries. The police later decided not to bring any charges, although Helena Morrissey's report into how the party dealt with sexual harassment criticised the party's handling of the women's complaints and found other examples of 'low-level sexism' and a 'reluctance to investigate'.

Cathy Newman and *Channel 4 News* were widely praised for the investigation by politicians, the media and viewers alike. The Lib Dems are currently carrying out their own investigation into the behaviour of Lord Rennard, who is currently suspended from the political party, pending the results of this investigation.

25 national newspaper front pages
 "one of the longest running domestic stories of the year"

Stimulate Debate

Distinctive

Case study

No Fire Zone

Genre: News & Current Affairs

Channel 4's extraordinary films on the killing fields of Sri Lanka's civil war shocked the world when they were broadcast in 2011 and 2012. They were mentioned in a parliamentary debate, nominated for the Nobel Peace Prize and praised by the UN as "particularly powerful" in bringing the evidence of war crimes in Sri Lanka to the attention of the international community.

In 2013 the team behind those films made a full-length feature documentary, *No Fire Zone*. The culmination of three years of journalistic investigation, the film contained disturbing new evidence, eyewitness testimony, expert opinion and compelling personal stories of survival in a war zone.

Prime Minister David Cameron called for an independent investigation into the final months of the civil war after viewing the "truly shocking" footage that featured in the film.

Condemnation of the Sri Lankan government was widespread, reaching a peak in the lead-up to their hosting of the bi-annual Commonwealth Heads of Government Meeting in November. The Prime Minister of India, Manmohan Singh, announced that he would join the Canadian Prime Minister in boycotting the summit over concerns for human rights abuses documented in the film. The Sri Lankan government responded by giving international media arriving at the summit a 222-page dossier entitled 'Corrupted Journalism: Channel 4 and Sri Lanka' and Sri Lankan government supporters in the UK made more than 100 complaints about the reports to Ofcom. After lengthy investigations every complaint was rejected.

Inspired by the Channel 4 investigations, the International Bar Association announced that it would launch a new smart phone app called iWitness, so that witnesses to atrocities could securely upload encrypted video and have its veracity authenticated by human rights experts.

"...this documentary raises very serious questions that the Sri Lankan government must answer about what it did to protect innocent civilians"

Prime Minister David Cameron

"It is vitally important that this feature reaches the widest possible audience."

Empire

Digital

Alternative Views

Inspire Change

Distinctive

Online line



2013 Ambitions

- Put interactivity and online participation at the heart of selected programmes
- Commission appropriate online programme support for every programme, deepening engagement and impact with audiences
- Increase focus on short-form video
- Look for opportunities in digital brand extensions including mobile games



An interview with
Richard Davidson-Houston,
Head of Online

Channel 4's remit requires us to innovate and experiment with form and content, and to publish on a range of different platforms. Online/Mobile commissioning is now integral to every part of Channel 4's output and played an important role in every genre in 2013.

What were your key ambitions for last year in Online – what were you looking to achieve overall?

Over the last year or two we have integrated TV and digital cultures very successfully within Commissioning.

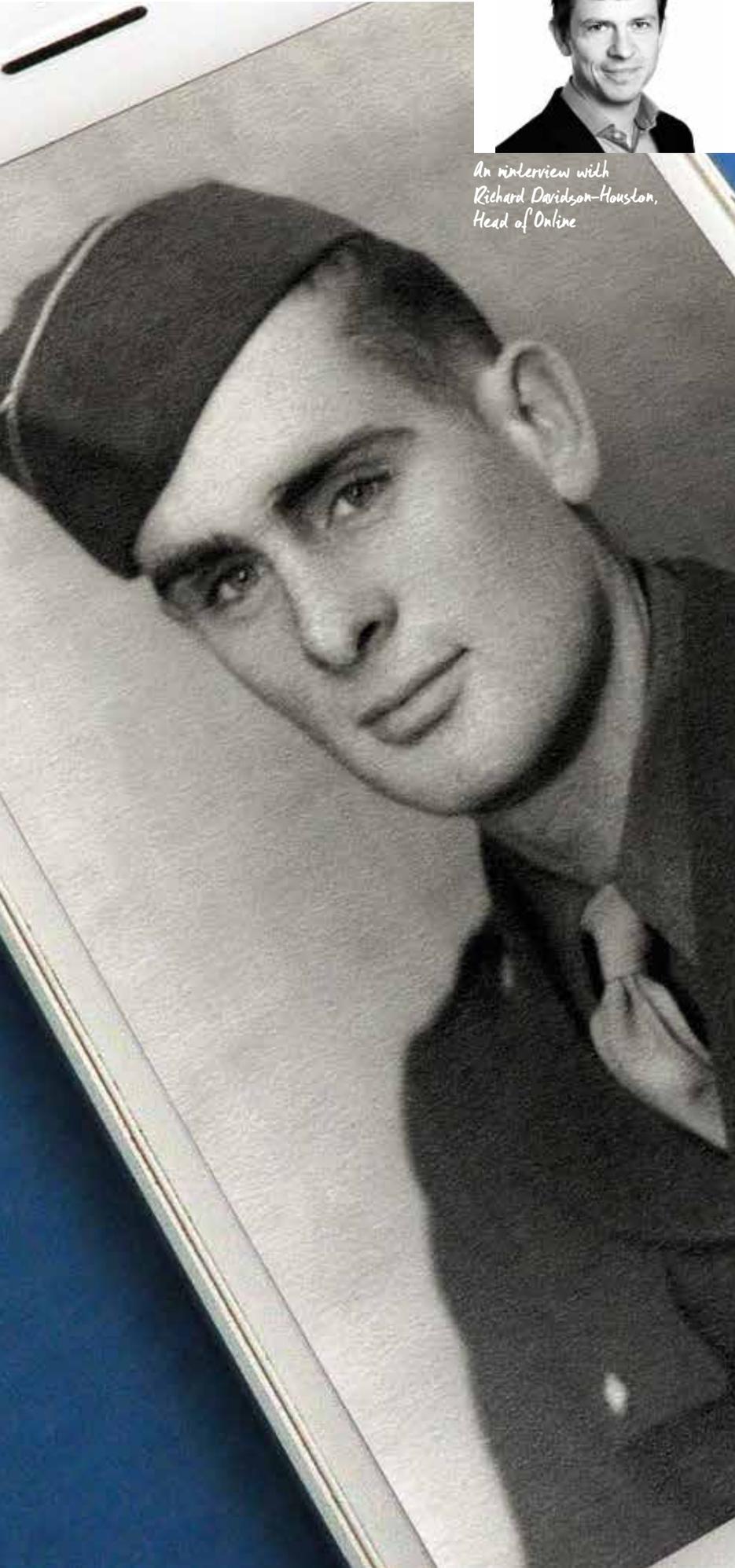
I wanted us to have the confidence to commission frankly less complicated – but no less creatively ambitious – pieces, all of a distinctively high quality. These are commissions that use the web and mobile to add, meaningfully, to key programmes.

Through smart, focused experimentation we continued to take on difficult commissions that only Channel 4 would have the stomach for, such as *D-Day: As It Happens* and *Easter Eggs Live*. I specifically wanted to push to take risks in newer territories; in particular with mobile games, where we had great successes including the *Made In Chelsea* game, and short-form video, where we have made inroads with established brands such as *Hollyoaks* and *Made In Chelsea* as well as original online strands.

With the internet as our canvas, we do have a special opportunity within Commissioning to innovate and experiment. As a publicly owned broadcaster we can – and often do – take greater creative risks than perhaps equivalent teams at other organisations can, and we did this with projects such as *Health Freaks* and *Bedtime Live*. But we have to be disciplined and not let the endless possibilities of the internet run away with sound editorial judgement.

In addition to our creative work, we have a role to explain and demystify for others the multiplatform content opportunity. To this end, we have embarked on a project to describe the key interactive television archetypes. I'm even hopeful that the wider industry might benefit from adopting a common language to describe interactive TV projects. This will enable creativity, better understanding and ultimately growth in the digital production sector. ➤➤

D-Day: As It Happens



How do you feel 2013 went?

The benefits of integration of TV and online commissioning really bore fruit. We saw improved quality and quantity of ideas that were, from inception, inherently multiplatform.

Of all the amazing projects during 2013 the one that stood out for me was *D-Day: As It Happens*.

This was a retelling of this extraordinary historic event, played out in real-time across TV, mobile, the web and social media. The idea was focused, the execution perfect and the form unprecedented. We matched two independent companies from different industries – Windfall Films and Digit – who hadn't previously worked together; indeed, Digit hadn't worked with Channel 4 before. Their shared RTS special award for Craft and Innovation was well deserved.

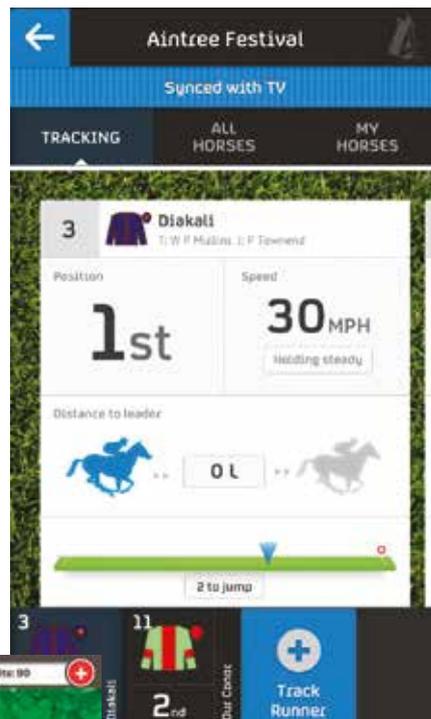
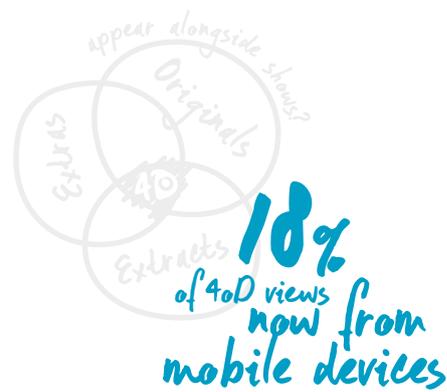
Commissioning *Made In Chelsea, The Game* was a big risk given the fans' vocal passion for their programme. We knew it was good but the strength of the fans' reaction exceeded expectations. *Made In Chelsea, The Game* became the number 2 game app in the country, overtaking FIFA and *Grand Theft Auto*. We have subsequently re-commissioned the game developer Paper Seven, working hand in hand with TV producer Monkey Kingdom, to expand and update the game.

How has Online helped deliver the remit?

Now that Channel 4's remit includes the delivery of content across its services, we see much of what we do in Online as working hand in hand with the way we deliver the remit in TV. Just as the remit is delivered across the genres, so we add public value across our online propositions, often by supporting and deepening engagement with public service content – from news to major factual projects.

We've worked with our colleagues in TV commissioning not only to support the development of creative talent from independent digital production companies, but also to ensure that their partnerships with TV production companies have lasting value. In 2013 the Online department worked with 103 independent suppliers, of which 33 were new to Channel 4.

Working with News and Current Affairs, we took the very bold decision ahead of the Commonwealth summit in Sri Lanka to distribute the controversial *No Fire Zone* film internationally via the Apple and Android app stores. *No Fire Zone* tells the story of the final offensive in Sri Lanka's bloody civil war. No film had ever before been distributed in this way. In order to recreate the film as an app, we worked with The Project Factory to break it down into chapters, adding annotations and extras and totally changing its form.

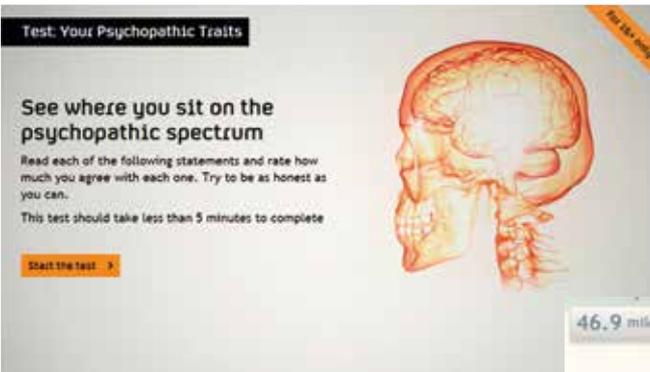


Channel 4 Racing app

Trend analysis
Content consumption:
shorter, faster, on-the-go



River Cottage Kitchen



Psychopath Night



The Snowman and The Snowdog

What are the key challenges?

Creatively, we have to be very disciplined. The internet is boundless, with almost infinite possibilities. It can be a challenge to explain why it's a 'no', but I have to maintain mutual coherence and quality in what we commission.

A challenge we relish is to successfully bring together independent production companies from TV with independent digital and games production companies.

We have to balance eagerness to find new suppliers with a responsibility to stick with growing suppliers. Neither closed supplier lists on the one hand nor single-engagements on the other are desirable. In 2013 we put two companies – Numiko, in Leeds, and Rocket, in Sheffield – on retainers in order to be able sustainably to support their businesses.



Made in Chelsea

6 online media awards
+
5 British interactive media awards

2014 strategy

The key thing remains to push creative boundaries, to find ways to make difficult things happen and to be brave. All the time we have to hide complexity from the audience and to maintain editorial and navigational coherence in our online/mobile presence.

We'll become even more creatively ambitious in integrating interactivity with selected television programmes. We'll continue to explore ways to extend key programmes into the mobile games market, with a particular focus on finding a sustainable commercial model.

We will be putting more resources into online video – in particular, short-form video, both related and unrelated to TV programmes.

Genre: Online

Case study

Easter Eggs Live

Easter Eggs Live showed the embryonic behaviour of reptiles, invertebrates, birds, fish and amphibians.

The hatching action unfolded on our 24/7 live-streams from Monday 25 March. There were two-minute bulletins at 7.55pm on Channel 4 throughout the week, bringing you the latest news from the hatchery. Our two live Channel 4 shows aired on Easter weekend, 31 March and 1 April, with presenters Mark Evans, Jimmy Doherty and Lucy Cooke.

The *Easter Eggs Live* website showed 24-hour streaming of all the eggs. Facebook comments provided a social dimension and proved popular with many viewers, who used the social network to name their favourite creatures, from Ryan the gosling to Nirvana the shark. Nearly 32,000 comments were posted on the site.

An evolution from last year's *Foxes Live*, which used 24-hour live-streams from foxes' dens, *Easter Eggs Live* employed innovative technology to create a richer experience for viewers across all platforms.

Digital

Innovative

Distinctive

4 Nearly
4m
Facebook
page views

Case study

Made in Chelsea: The Game

Genre: Online

264,713
downloads in 2013

100K
click-throughs
to the 402 app

A brand new *Made in Chelsea* Game app went live in 2013, available for iOS and Facebook, to celebrate the sixth series of the popular non-scripted E4 show.

Players became the ultimate socialites in the world of *Made in Chelsea*, having fun and hanging out with the cast while exploring high quality reproductions of the venues and locations featured in the show. Using vocals recorded by cast members themselves, the game allowed players to customise their own 3D character and tweet pictures of their outfits to friends.

The results were a fun immersive experience for *Made in Chelsea* fans, who gave the game a 4.5 star average on Apple App Store reviews. From a survey of 8,795 respondents who played the game, 95% said it made them more likely to watch the TV show.

No. 2 of all free apps in the App Store charts

Digital

Innovative

Distinctive

Cheeky! I'm up for anything, babe

2013 Ambitions

- Increase racing coverage
- Innovate with different types of coverage
- Nurture talent as part of Paralympics legacy
- Engage with wider audiences



SPORTS



An interview with
Jamie Aitchison, Head of Sport

The 2012 Paralympic Games represented a watershed for disabled sports coverage in the UK. In 2013 we sought to enhance that legacy with disability sport and further build our profile by acquiring rights to major properties such as NFL and Superbowl. And for the first time we took sole terrestrial possession of the nation's racing with crown jewels such as the *Grand National*.

What were the key ambitions for Sport?

Having acquired the rights to all the 'crown jewels' of racing, our overriding ambition was to relaunch our racing coverage with suitable panache. We had a new production company, new presenters, and we were making a major overhaul in how we produced our coverage. We also wanted to continue our Parasport coverage following the success of the London 2012 Paralympics. Plus, we saw the *Superbowl* return to Channel 4, planned for broadcast early in 2014. And getting the NFL coverage in its entirety was a huge bonus.

How do you feel 2013 went?

2013 was hugely exciting and challenging. We knew the single event we would be judged on would be the *Grand National* – could we do it in a way that had never been done before but still hold the audience? It wasn't just about viewer numbers – though we delivered those – it was about the programme itself. We raised the bar that day and we are proud of our innovation and for bringing scale to our coverage across the channel. There are still challenges ahead for our racing coverage. We've had a lot of viewer engagement over the changes we've made and we listen and learn from that.

Sport has delivered some defining moments in the channel's schedule, such as the success of the Paralympics, and major events such as the *Grand National*. Our sports coverage is in the spotlight more, both to those in the business and those outside, and to win the BAFTA for the Paralympics was, of course, a real highlight. It showcased what we are capable of delivering and what our ambitions are moving forward. We have engagement with other broadcasters and rights-holders themselves now engage much more with us, because they think "I'd like my sport on Channel 4 because they'll do something different with it." >>

Grand National



How did Sport help deliver the remit?

We continue to develop our disabled talent. Alex Brooker was part of our *Grand National* coverage, for example. We've been looking to incorporate disability in programmes that perhaps wouldn't have had it before – and that's a challenge for us in the future.

And we've innovated. We've introduced touchscreen technology, which is new to racing. We've had lots of new camera angles and jockey-cameras. We had a superlounge camera at Aintree for the *Grand National* that shoots 4,000 frames-per-second. We had a fence sound system, bringing the sound of the Grand National to life like never before. We intend to keep on the front foot in terms of innovation. The online side of the business has been excellent. We developed a brand new app that allowed viewers to track the position and

2012 Keep the momentum
 SUP Home of
 human para sport



"I like the way the presenting team use humour to avoid the sickeningly sweet worthiness that can sometimes accompany disability sport."
The Daily Mail

Sainsbury's Anniversary Games

speed of their horse in the *Grand National* and other races at Aintree. When you win the rights to something like the *Grand National*, it's important that your rights-holders see that every part of the business is getting behind you. So having Channel 4 apps for racing was really significant.

Risk in sport is probably different from risk in other genres. Sports fans know what they like, and are quite conservative. So even something as simple as touchscreen technology can elicit a major response from the viewers. We're not going to tear up the rule book, but we'll use new technology to gain access to areas where we've never been before – that's a risk for us.

We continued to develop the disabled talent who were so brilliant in the Paralympics. Ade has grown with us at Channel 4, and has done lots of different programmes. He's presented live sports events for us, including in Sochi. Rachel Latham has presented triathlons for us. It's just a matter of spotting the right opportunities for those guys.

What are the key challenges?

We have to keep up with the bigger beasts in the jungle. Sport is an important part of what Channel 4 does, but it's clearly not the biggest thing. I think we've punched above our weight in recent times, so the challenge is to keep doing that – keep producing programmes that our colleagues at other broadcasters think "We'd like to do that."

Grand National achieved
61%
 share of TV audience at peak

World sport underdog mentality

Another challenge has been to have faith in what we're doing when we're making big changes. You can't rely purely on ratings. Ratings fluctuate in sport according to how good the stories are in the sport. Audience numbers are useful, but we also look at production values, the level of innovation with our production companies and who's watching. A lot of it is about the demographics, and last year we saw more women watching racing on Channel 4 than at any time since 2004, which is encouraging. It shows we are bringing people to the sport who weren't watching it before. You can't judge Paralympic sport purely on the viewing figures because it's so niche, so you have to look at other things. To some degree, I gauge the success of our Parasport by the fact that it's now getting more coverage on other channels too. Nowadays, when there's an event on that we're covering, it will also feature on BBC or ITV news.

Sainsbury's Anniversary Games



Spencer Murphy's
Channel 4-commissioned
portrait of jockey Katie Walsh
won the Taylor Wessing
photography prize.

Grand National

2014 strategy

Sochi is the biggest priority for next year – the Winter Paralympics. But as well as the big events, we need to continue the week-by-week coverage of sport on Channel 4 in a classy, quality way. If another opportunity comes along to win the rights to a sport, we'll look at it, but I think we need to consolidate our racing coverage, and not rest on our laurels just because the *Grand National* was a success the first time round. We need to work on Royal Ascot and the Derby – they will be big focus points for us, and doing our first Superbowl since 1998 will be a big event for us in January.

Case study

Grand National

Channel 4 has a long history of involvement with racing but 2013 was the first year we took sole rights of the nation's racing, including its favourite horse race: the Grand National.

8.9 million viewers tuned in to watch the coverage, fronted by Clare Balding and a raft of new presenting talent. We made it a distinctively Channel 4 experience, with cross-genre supportive programming and the very latest technology to enrich the viewer experience.

We got off to a great start with a ground-breaking marketing campaign, which included stunt horses and jockeys racing through the city of Liverpool, jumping over garden hedges and picnic benches as they went.

Viewers were brought closer to the sport, jockeys and to the horses through our coverage of the race itself, and with a range of new supporting programmes. *How to Win the Grand National*, presented by veterinary expert Mark Evans, examined the science behind winning horses. Other programmes designed to generate a buzz leading up to the race included *Alan Carr's Grand National Spectacular*, *The Night before the National*, *Come Dine with Me* and *Saturday Brunch*.

Forty-five cameras offered viewers unsurpassed access to the race, including a new camera that followed the action around the track and that was able to elevate to a height of 18 feet, giving unparalleled views of the 40-horse field.

65% of online *Racing Post* readers surveyed said that they preferred Channel 4's coverage of Aintree to the BBC's.

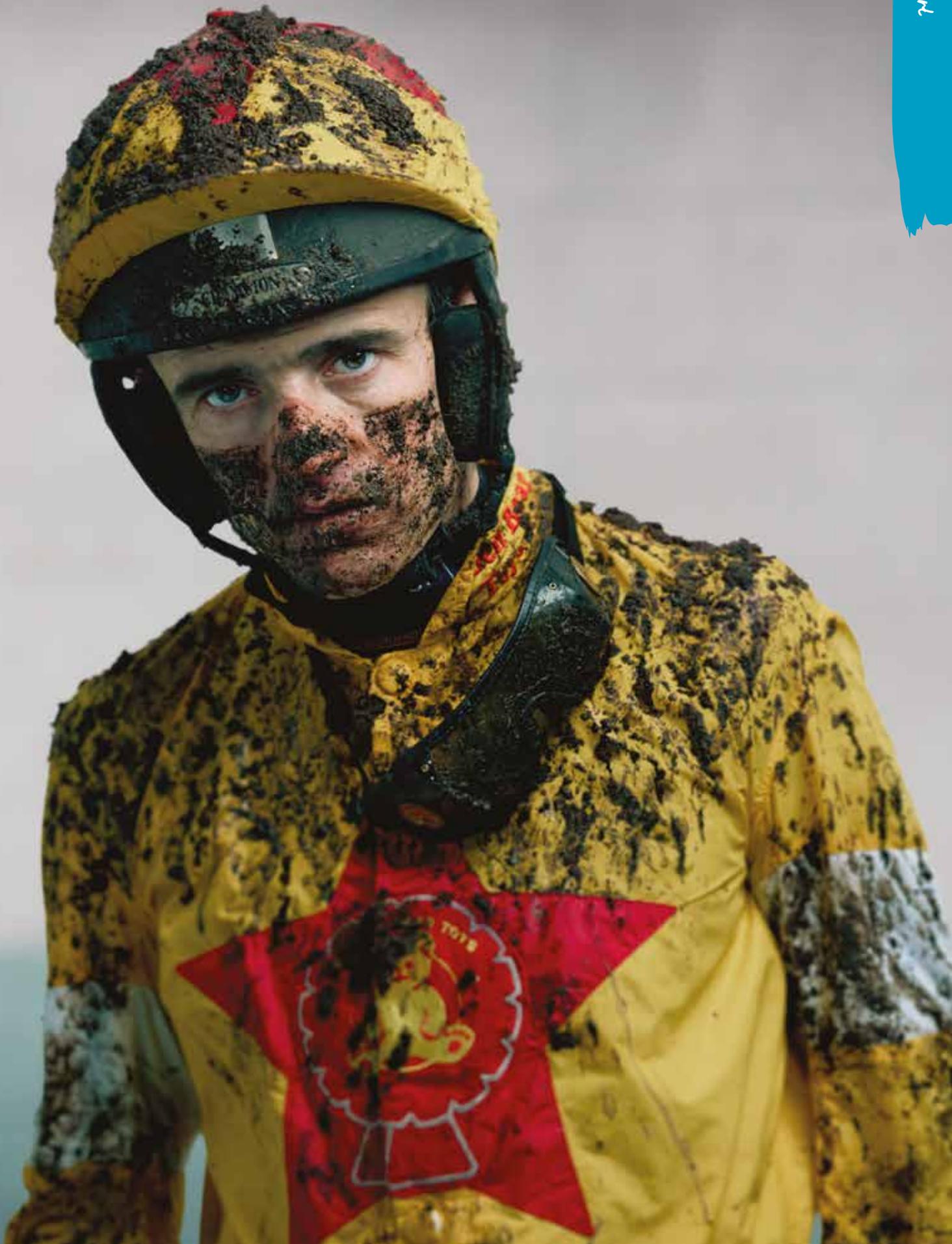
"Beautifully
showcased by Channel 4
who found the
perfect
recipe
of two parts
gravity to one part levity"
The Daily Telegraph

8.9 million peak audience for
Grand National coverage

Digital

Innovative

Distinctive



carry the revolution forward



The Last Leg

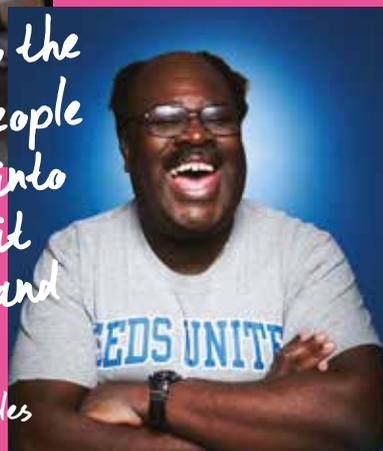


Giles Duley Walking Wounded



The Plane That Saved Britain

"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"
The Daily Telegraph, The Undateables



The Undateables

Spotlight

Paralympic legacy

Spotlight: Paralympic legacy

Channel 4's multi-award-winning coverage of the *London 2012 Paralympic Games* changed perceptions of disability sport worldwide, made our Superhuman athletes into household names, launched the careers of a squad of disabled presenters and reporters and created a whole new way of looking at disability through the #isitok hashtag on *The Last Leg*.

Such a triumphant outcome was the result of many years of commitment to creative, innovative and candid portrayal of disability on Channel 4. In 2013 we carried the revolution forward, developing our onscreen disabled talent and putting disabled presenters at the heart of our schedule, telling stories in every genre from current affairs to history, and from science to entertainment, as well as continuing with our sports coverage.

Ade Adepitan presented *Sainsbury's Grand Prix Athletics Birmingham* and *Sainsbury's Anniversary Games* from the Olympic Stadium in Stratford and went on to report on both *Unreported World* and *Dispatches*.

Arthur Williams presented the *IPC World Athletics Championships* in sweltering Lyon, was involved in our two-part series *D-Day: As it Happens*, and took to the air to present the history documentary *The Plane that Saved Britain*.

Rachael Latham reported from the IPC Swimming Championships in Montreal and UK Triathlon championships as well as appearing in the history documentary *Queen Victoria and the Crippled Kaiser*.

Paralympics wheelchair basketball reporter Jordan Jarrett-Bryan was taken on by *Channel 4 News* to be their dedicated Paralympic correspondent, covering everything from cricket to rugby.

And Alex Brooker and Adam Hills continued to develop *The Last Leg* from its launch during the 2012 Paralympics into a mainstream Friday night topical entertainment show. Alex has also appeared on *8 Out of 10 Cats*, *Sunday Brunch* and *Celebrity Fifteen to One* this year, as well as Channel 4's Racing coverage.

Other onscreen disabled stars of 2013 included award-winning photographer Giles Duley, who returned to Afghanistan, where he had lost three limbs in an IED explosion, to present *Walking Wounded*.

But breakthroughs with onscreen talent are only part of the story. Right across Channel 4's activities, in our campaigning journalism,

innovative drama, new features formats or simply by the incidental inclusion of disabled contributors in a wide range of shows, we are taking disability out of the shadows in ways that speak to everyone, disabled or not, changing attitudes and questioning entrenched views.

That commitment expresses itself in an extraordinary drama like *My Mad Fat Diary*; in the powerful four-part documentary series *Bedlam*, with its unprecedented access to the UK's most famous psychiatric institution, The South London and Maudsley; in our peak-time features format *Obsessive Compulsive Cleaners*; and, of course, in *The Undateables*, which charts the trials and tribulations of disabled people on the dating scene – a life-affirming show which is not about disability but about the universal desire to find love.

We ended 2013 with *Alternative Voices*, taking on five people with a variety of communication difficulties to join Channel 4's continuity team and introduce some of the channel's biggest shows. We will continue to welcome a range of different voices into our continuity team, and with more than 50 hours of the *Sochi 2014 Winter Paralympics*, Alex Brooker co-presenting factual entertainment show *The Jump*, new series of *The Undateables* and *My Mad Fat Diary*, there is plenty to look forward to in 2014.

It is our ambition to increase public understanding and acknowledgement of disability – to put people so at ease with disability that they no longer treat it as something peculiar or out of the ordinary. After the massive impact of the Superhumans marketing campaign of 2012 we continue to bring boldness to our approach, building on our Paralympic legacy throughout 2013 and 2014, taking us further down the path to a fundamental change in the way Britain feels and talks about disability.

3m Viewers
engaging with issues
surrounding
disability

The Undateables

#isitok

Thank you

This list includes all our suppliers of first-run originated television programmes that transmitted across the portfolio in 2013, and the digital companies that received project funding from us in 2013. 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.

1212 Productions	Cowboy Films	Infinite Media
13 Strides	CTVC	Inntel
2Am Films	Cwmni Da	Institute Of Contemporary Arts
2le Media	Cx Partners	Iota Films
3Dd Productions	D8	Irresistible Films
Acme Films	Darkside Animation Films	ISO
Aerian Studios	Darlow Smithson Productions	ITN
Amberlight	Daybreak Pictures	IWC Media
Amido	Dazed Group	Jim Henson Productions
Amos Pictures	Deep Blue Sea Productions	Juniper Communications
Animate Projects	Deltatre Media	Keo Films.com
Archer Street Films	Demand Media Incorporated	Kissanut Productions
Arrow International Media Limited	Derek Productions	Kissmetrics
Art Omnivores	Deuce Films	KoTV
Atomized Entertainment	Digital Accessibility Centre	Kudos Film And Television
ATW Enterprises	Digital Media Research	Lafayette Film
Avalon	DNA Films	Lamplight Studios
Baby Cow Productions	Don't Panic	Lemonade Money
Back2back Productions	Double Band Films	Liberty Bell Productions
Ballet Boyz Productions	Double Z Enterprises	Liberty842
Balloon Entertainment	Dragonfly Film And Television Productions	Lime Pictures
BDH	Dream Team Television	Lion Television
Bedlam Productions	Endemol	Littleloud
Betty TV	Eyeworks Television	Live From Abbey Road
Big Bit	Film Council	Lm Map
Big Talk Productions	Film London	Lone Star Productions
Blackwatch Productions	Finestripe Productions	Looking At You Me Films
Blakeway	Firecracker Films	Love Productions
Blast! Films	Firecrest Films	Loveline
Blink Films	Fish In A Bottle	Lupus Films
Blue Light	Fluent Interaction	Magnetic North
Bold Yin	Foolproof	Magnum Media
Boom Pictures Productions	Free Range Films	Mammoth Screen
Boomerang Plus	Freeform Productions	Many Rivers Films
Bwark Productions	Fremantlemedia Limited T/A Retort	Maroon Productions
Cannon And Morley Productions	Fresh One Productions	Matchlight
Caterpillar Television	Friel Kean Films	Maverick Television
CB Films	Frieze Foundation	Maztec
CC Lab	Galeforce TV	Mcdougall Craig
Celador	Globe Productions	Mentorn Barraclough Carey
Century Films	Hanway Films	Mercury Prize
Chunk Ideas	Hardcash Productions	Minnow Films
Chwarel Cyf	Hat Trick	Mint Digital
Clean Film	Haut Et Long	MMD Media & Communications
Clearleft	Hay Fisher Productions	Monkey Kingdom
Clearstory	Hey Buddy	Monterosa Productions
Clerkenwell Films	Hidden Flack	Moonstone Films
Cloud Nine Films	Hot Sauce Television	Mysociety
Company Television	Hyphen Films	Nerd TV
Conker Media	Icon Films	Nice Agency
Contender Films	IMG Media	Nine Lives Media
Corporation Pop	Impossible Pictures	North One Television

Northern Film And Media
 Number 9 Films
 Numiko
 Nutopia
 O Productions
 Objective Productions
 Oblong Films
 October Films
 Off The Fence
 Oliver's Island
 Open Mike Productions
 Optimistic Productions
 Optomen Television
 Origin Experience Design
 Orion TV
 Osf Wales
 Ostmodern
 Other Roads
 Outline Productions
 Outsider Television Production
 Oxford Films
 Oxford Scientific Films
 Pabulum
 Paper Seven
 Pathe
 Patient Opinion
 Pioneer Film And Television Productions
 Pixiu Productions
 Platform Productions
 Playerthree
 Playthisnext
 Plum Pictures
 Portobello Pictures
 Presentable
 Pretty Bird
 Primedia Pictures
 Princess Productions
 Protein
 Pulse Films
 Question Media
 Quicksilver Media
 Quraishi Films
 Raise The Roof Productions
 Rare Day
 Raw Cut Television
 Raw TV
 RDF Media
 Readspeaker
 Realise
 Recorded Picture Company
 Red House Television
 Red Lion
 Redweb
 Reef Television
 Reefnet
 Remarkable Television
 Remedy Productions
 Rize Television
 Roast Beef Productions
 Rocket Science Solutions
 Ronachan Films
 Rondo Media
 Rook Films
 Roughcut TV
 Ruby Films
 Running Bare Pictures
 Screen First
 Screenmedia Design
 SDI Productions
 Secret Peter
 Seneca Productions
 September Films
 Seventh Art Productions
 Sharp Jack Media
 Sherbet
 Shooting People
 Sideline Productions
 SimpleUsability
 Siren Productions
 Slate
 Smoking Pony
 Snowman Enterprises
 Somethin' Else Sound Directions
 Spirit Digital Media Ltd T/A Social Media Factory
 Spudnick
 Squirrelman Productions
 Steve Boulton Productions
 Stray Bear Productions
 Studio Lambert
 Succulent Pictures
 Sundog Pictures
 Sunset & Vine Productions
 Super User Studio
 Superhero Television
 Syndicam Communications
 Tandem Communications Gmbh
 Tate Media
 Teledu Telesgop
 Tempero
 Ten Alps
 Testimony Films
 The Connected Set
 The Digital Project Factory
 The Foundation For Art And Creative
 Technology
 The Garden Productions
 The Mob Film Company
 The Usability Lab
 Thin Man Films
 Tiger Aspect Productions
 Tiger Lily Films
 Tinderbox Television
 Toledo Productions
 Touchline Media
 Touchpaper Television
 True North Productions
 True Vision
 TV Cartoons
 Twenty Percent Extra
 Twenty Twenty Productions
 Two Four Productions
 Underwater Gardening
 Unique Television
 Universal Media Studios International
 Lucky Giant
 Universal Spirits
 Varga-TVC
 Velvet Films
 Vera Productions
 Vice Media
 Videocracy
 Videotext
 Waddell Media
 Wag TV
 Warp Films
 Warp X
 We Are Friday
 Wellington Films
 Wellpark Productions
 Whatusersdo
 Whitehorse Films
 Whizz Kid Entertainment
 Wildfire Television
 Windfall Films
 Wingbeat Pictures
 With Reason
 World Productions
 Young Bwark Productions
 ZCZ Films
 Zeitgeist Television
 Zeppotron
 Zig Zag Productions
 ZKK
 Zone Worldwide

Awards

Television UK

AIB Awards

Walking Wounded: Return to the Frontline
(Minnow Films)
International Current Affairs
Documentary – Television

The Hunt for Britain's Sex Gangs
(Dispatches) (True Vision)
Investigative Documentary

Syria: Across the Lines (Quicksilver Media)
Middle East Documentary

Anti-Slavery Day Media Awards

The Hunt for Britain's Sex Gangs
(Dispatches) (True Vision)
Best TV or radio drama/documentary

Asian Media Awards

The Hunt for Britain's Sex Gangs
(Dispatches) (True Vision)
Best Investigation

Alan Carr (Alan Carr Chatty Man)
(Open Mike Productions)
Entertainment Performance Award

Made in Chelsea
(Monkey Kingdom)
Reality & Constructed Factual Award

All in the Best Possible Taste with Grayson Perry
(Seneca Productions)
Specialist Factual Award

Channel 4 Paralympics
(Sunset & Vine/IMG Sports Media)
Sport and Live Event Award

British Comedy Awards

Adam Hills – (The Last Leg) (Open Mike Productions)
Best Breakthrough Artist

Jack Whitehall (Fresh Meat)
Best Comedy Actor

Alan Carr
Best Comedy Entertainment Personality

British Inspiration Awards

Channel 4 Paralympics
(Sunset & Vine/IMG Sports Media)
Television Award

British Journalism Awards

Channel 4 News & Dispatches (Plebgate)
(Blakeway Productions/ITN)
Breaking News Award

British Soap Awards

Claire Cooper (Hollyoaks) (Lime Pictures)
Best Actress

Joseph Thompson (Hollyoaks) (Lime Pictures)
Best Newcomer

Kieron Richardson & Emmett J Scanlan (Hollyoaks)
(Lime Pictures)
Best On-Screen Partnership

Danny Mac (Hollyoaks) (Lime Pictures)
Sexiest Male

The Bus Crash (Hollyoaks) (Lime Pictures)
Spectacular Scene of the Year

Broadcast Awards

Cardinal Burns (Left Bank Pictures)
Best Comedy Programme

Educating Essex (Twofour)
Best Documentary Series

Top Boy (Cowboy Films/Easter Partisan)
Best Drama Series

Cardinal Burns (Left Bank Pictures)
Best Multi Channel

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

Make Bradford British (Love Productions)
Best Popular Factual

The Audience (ITVS GE/The Garden)
International Programme Sales

Foreign Press Association Awards

Walking Wounded: Return to the Front Line
(Minnow Films)
TV Documentary/Feature Story of the Year

The Agony of Aleppo's Children (Channel 4 News) (ITN)
TV News Story of the Year

Grierson Awards

Syria: Across the Lines (Quicksilver Media for Channel 4)
Best Documentary on Current Affairs

How to Build a Bionic Man
(Darlow Smithsonian Productions)
Best Science or Natural History Programme

Grayson Perry (All in the Best Possible Taste with Grayson Perry)
(Seneca Productions)
Documentary Presenter of the Year

NME Awards

Fresh Meat (Objective Productions)
Best TV Show

One World Media Awards

Channel 4 News (Somali Justice) (ITN)
News Award

Unreported World: The Master of Mogadishu
(Quicksilver Media)
Television Award

Rory Peck Awards

Syria: Across the Lines (Quicksilver Media)
The Rory Peck Award for Features

RTS Programme Awards

Channel 4 Paralympics
(Sunset & Vine/IMG Sports Media)
Judges Award

The Bank Of Dave (Episode 1) (Finestripe Productions)
Nations and Regions Programme

RTS Television Journalism Awards

Channel 4 News (ITN)
Daily News Programme of the Year

No Go Britain (Channel 4 News) (ITN)
Innovative News

Jan Snow (Channel 4 News) (ITN)
National Presenter of the Year

Michael Crick (Channel 4 News) (ITN)
Specialist Journalist of the Year

Horror of Hams (Channel 4 News) (ITN)
The Independent Award

Ciaran Jenkins (Channel 4 News) (ITN)
Young Journalist of the Year

Television Bulldog Awards

The Snowman and The Snowdog (Lupus Films)
Best Children's Programme

TV Choice Awards

Jamie's 15 Minute Meals (Fresh One Productions)
Best Food Show

The Big Bang Theory
(Chuck Lorre Productions/Warner Bros. Television)
Best International Show

Television International

Amnesty International Media Awards

No Go Britain (Channel 4 News) (ITN)
Digital Innovation Award

Kashmir's Torture Trail (True Vision)
Documentary Award

Burma's Forgotten People (Channel 4 News) (ITN)
Television News Award

Impact Media Awards (New York)

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

International Emmys

The Returned (Canal+)
Drama Series

Peabody Awards (US)

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

Prix Italia

Matthew Bourne's Christmas (Leopard Films)
TV Performing Arts Award

Rose D'Or Awards

Make Bradford British (Love Productions)
Reality and Factual Entertainment Award

Screen Actors Guild Awards

Homeland (Claire Danes) (Teakwood Lane)
Best Actress in a Drama Series

Film UK

BAFTAs

12 Years a Slave^{*}
Best Film

Chiwetel Ejiofor (*12 Years a Slave*)^{*}
Best Actor

BFI London Film Festival Awards

Jonathan Asser (*Starred Up*)
(Sigma Films/Lipsync Productions/Quickfire Films/Film4)
Best British Newcomer

BIFAs

Lindsay Duncan (*Le Week-End*)
(Free Range Films/Film4)
Best Actress

Ben Mendelsohn (*Starred Up*)
(Sigma Films/Lipsync Productions/Quickfire Films/Film4)
Best Supporting Actor

Paul Wright (*For Those In Peril*) (Warp X/Film4)
The Douglas Hickox Award: Best Debut Director

Imogen Poots (*The Look of Love*)
(Revolution Films/Baby Cow Films/Film4/AGM
Factory/Lipsync Productions)
Best Supporting Actress

Dinard British Film Festival

The Selfish Giant
(Moonspun Films/Film4/BFI Film Fund)
Cine+ Award

Clio Barnard (*The Selfish Giant*)
(Moonspun Films/Film4/BFI Film Fund)
Golden Hitchcock Award

The Selfish Giant

(Moonspun Films/Film4/BFI Film Fund)
 Technicolor Award for Best Cinematography

Empire Awards

Sightseers
 (Big Talk Productions/Studio Canal/Rook Films)
 Best British Film

Scottish BAFTAs

George McKay (For Those In Peril) (Warp X/Film4)
 Best Actor

For Those In Peril (Warp X/Film4)
 Best Feature

Screen Distribution and Marketing Awards

The Stone Roses: Made of Stone
 (Picturehouse Entertainment/elevenfiftyfive/Film4)
 Premiere Of The Year

A Field In England (Rook Films/Film4)
 VoD Campaign Of The Year

The Imposter

(24 Seven Productions/A&E Indie Films/ Film4/ Protagonist Pictures/RAW/Randy Murray Productions)
 Documentary Campaign of the Year

Film International

Academy Awards

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

*12 Years a Slave**
 Best Picture

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

AFI Awards

*12 Years a Slave**
 AFI Movie of the Year

AFI Fest

The Selfish Giant
 (Moonspun Films/Film4/BFI Film Fund)
 New Auteur Audience Award

The Selfish Giant
 (Moonspun Films/Film4/BFI Film Fund)
 New Auteur Award for Direction

African-American Film Critics Association

*12 Years a Slave**
 Number 1 Film Of The Year

*Steve McQueen (12 Years a Slave)**
 Best Director

*John Ridley (12 Years a Slave)**
 Best Screenplay

*Lupita Nyong'o (12 Years a Slave)**
 Breakout Performance

Alliance of Women Film Journalists Awards

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Film

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

Alliance of Women Film Journalists: EDA Awards

*Lupita Nyong'o (12 Years a Slave)**
 Best Breakthrough Performance

*Salomon hanging (12 Years a Slave)**
 Unforgettable Moment Award

Austin Film Critics Association

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

Black Film Critics Circle

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Ensemble

*12 Years a Slave**
 Best Picture

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

*12 Years a Slave**
 BFCC Number 1 Film Of 2013

Boston Society of Film Critics

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Film

Chicago Film Critics Association

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Picture

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

Dallas-Fort Worth Film Critics Association

*12 Years a Slave**
 Best Film

*John Ridley (12 Years a Slave)**
 Best Screenplay

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

Film Fest Gent

The Selfish Giant
 (Moonspun Films/Film4/BFI Film Fund)
 Grand Prix for Best Film

Florida Film Critics Circle Awards

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Picture

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

*Lupita Nyong'o (12 Years a Slave)**
 Pauline Kael Breakout Award

Gerardmer Film Festival

Peter Strickland (Berberian Sound Studio)
 (Warp X/Illuminations Films)
 Special Jury Prize

Peter Strickland (Berberian Sound Studio)
 (Warp X/Illuminations Films)
 International Critics Award

Golden Globes

*12 Years a Slave**
 Best Motion Picture – Drama

Golden Trailer Awards

Trance (Pathé/Cloud Eight Films/Decibel Films/Film4)
 Best Thriller

Trance (Pathé/Cloud Eight Films/Decibel Films/Film4)
 Best Thriller Poster

Hamptons International Film Festival

The Selfish Giant (Moonspun Films/Film4/BFI Film Fund)
 Golden Starfish Award for Best Narrative Feature

Hollywood Film Awards

*Steve McQueen (12 Years a Slave)**
 Breakout Director

*Lupita Nyong'o (12 Years a Slave)**
 New Hollywood Award

Houston Film Critics Society

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*12 Years a Slave**
 Best Picture

*John Ridley (12 Years a Slave)**
 Best Screenplay

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

Indiana Film Journalists Association

*Chiwetel Ejiofor (12 Years a Slave)**
 Best Actor

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Film

*12 Years a Slave**
 Best Musical Score

Kansas City Film Critics Circle

*Steve McQueen (12 Years a Slave)**
 Best Director

*John Ridley (12 Years a Slave)**
 Best Adapted Screenplay

*12 Years a Slave**
 Best Film

*Micahel Fassbender (12 Years a Slave)**
 Best Supporting Actor

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

*Steve McQueen (12 Years a Slave)**
 Robert Altman Award for Best Director

Karlovy Vary International Film Festival

Ben Wheatley (A Field In England) (Rook Films/Film4)
 Special Prize of the Jury

Las Vegas Film Critics Society

*12 Years a Slave**
 Best Costume Design

*Steve McQueen (12 Years a Slave)**
 Best Director

*12 Years a Slave**
 Best Film Score

*12 Years a Slave**
 Best Picture

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

*12 Years a Slave**
 Top 10 Films: Number One

Los Angeles Film Critics

*Lupita Nyong'o (12 Years a Slave)**
 Best Supporting Actress

*The creative team (12 Years a Slave)**
 Special citation

National Board of Review

*12 Years a Slave**
 Top 10 Films

Nevada Film Critics Society

*12 Years a Slave**
 Best Film

New York Film Critics Association Circle Awards

*Steve McQueen (12 Years a Slave)**
 Best Director

*(Regency Enterprises/Film4/Plan B Entertainment/Summit Entertainment)



New York Film Critics Online*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*12 Years a Slave**

Best Picture

*Lupita Nyong'o (12 Years a Slave)**

Best Supporting Actress

Online Film Critics Society Award*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*John Ridley (12 Years a Slave)**

Best Adapted Screenplay

*12 Years a Slave**

Best Picture

*Michael Fassbender (12 Years a Slave)**

Best Supporting Actor

*Lupita Nyong'o (12 Years a Slave)**

Best Supporting Actress

Phoenix Film Critics Society*12 Years a Slave**

Best Picture

*12 Years a Slave**

Best Screenplay Adaptation

*Lupita Nyong'o (12 Years a Slave)**

Best Supporting Actress

*12 Years a Slave**

Top 10 Films

Quinzaine Awards*The Selfish Giant* (Moonspun Films/Film4/BFI Film Fund)

Europa Cinemas Label – Best European film

San Francisco Film Critics Circle Awards*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*12 Years a Slave**

Best Picture

*John Ridley (12 Years a Slave)**

Best Screenplay, adapted

San Sebastian*Jim Broadbent* (Le Week-End) (Free Range Films/Film4)

Silver Shell for Best Actor

Southeastern Film Critics Association*Lupita Nyong'o (12 Years a Slave)**

Best Supporting Actress

*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*John Ridley (12 Years a Slave)**

Best Adapted Screenplay

*Steve McQueen (12 Years a Slave)**

Best Director

*12 Years a Slave**

Best Film

St Jean de Luz film festival*The Selfish Giant* (Moonspun Films / Film4 / BFI Film Fund)

Prix France Bleu (Grand Prize)

St. Louis Film Critics Association*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*Sean Bobbitt (12 Years a Slave)**

Best Cinematography

*Steve McQueen (12 Years a Slave)**

Best Director

*12 Years a Slave**

Best Film

*Solomon hanging (12 Years a Slave)**

Best Scene

*Lupita Nyong'o (12 Years a Slave)**

Best Supporting Actress

Stockholm Film Festival*George McKay (For Those In Peril)* (Warp X/Film4)

Best Actor

The Selfish Giant (Moonspun Films/Film4/BFI Film Fund)

Best Film

*Hans Zimmer (12 Years a Slave)**

Best Music Award

*Steve McQueen (12 Years a Slave)**

Silver Audience Award

Toronto International Film Festival*12 Years a Slave**

People's Choice Award – Best Film

Utah Film Critics Association*Chiwetel Ejiofor (12 Years a Slave)**

Best Lead Performance By An Actor

Washington DC Area Film Critics Association*12 Years a Slave**

Best Acting Ensemble

*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*John Ridley (12 Years a Slave)**

Best Adapted Screenplay

*12 Years a Slave**

Best Film

*Hans Zimmer (12 Years a Slave)**

Best Original Score

*Lupita Nyong'o (12 Years a Slave)**

Best Supporting Actress

Women's Film Critics Circle*Chiwetel Ejiofor (12 Years a Slave)**

Best Actor

*12 Years a Slave**

Best Male Images in a Movie

*12 Years a Slave**

Josephine Baker Award

Craft**BAFTA Television Craft Awards***London 2012 Paralympics* (Sunset & Vine/IMG Sports Media)

Digital Creativity Award

The Plot to Bring Down Britain's Planes (Ben Chanan) (Raw TV)

Director – Factual

The Fear (Trevor Waite) (World Productions)

Editing Fiction Award

Derren Brown: Apocalypse (Objective Productions)

Entertainment Craft Team

The Fear (Gavin Finney) (World Productions)

Photography & Lighting Fiction Award

British Arrow Craft Awards*Street Race* (The Grand National) (4Creative)

Best Achievement in Production

Mating Season: Arthur (Asylum SFX/4Creative)

Model Making

Cannes Lions*Meet the Superhumans* (4Creative)

Film Craft Lions

Meet the Superhumans (4Creative)

Film Craft Lions/Best Production Value

Meet the Superhumans (4Creative)

Film Craft Lions/Editing

Meet the Superhumans (4Creative)

Film Craft Lions/Use of Music

Creative Circle Awards*Meet the Superhumans* (4Creative)

Film Craft/Best Direction

Meet the Superhumans (4Creative)

Film Craft/Best Editing

Meet the Superhumans (4Creative)

Film Craft/Best Sound Design

Meet the Superhumans (4Creative)

Film Craft/Best use of Music

Thanks for the Warm Up (4Creative)

Press Craft/Best Copy

RTS Craft & Design Awards*D-Day: As It Happens* (Windfall Films)

Design & Craft Innovation

Aidan Farrell (*Utopia – Series 1*) (Kudos)

Effects – Picture Enhancement

Cristobal Tapia De Veer (*Utopia – Series 1*) (Kudos)

Music Original Score

Hanna Peel & Eland Cooper (*Dates*) (Balloon Entertainment)

Music Original Title

Gavin Finney (*The Fear*) (World Productions)

Photography Drama

Christopher Swayne (*Syria: Across The Lines*)

(Quicksilver Media)

Tape & Film Editing – Documentary & Factual

Digital Media**BAFTA Television Craft Awards***Channel 4 Paralympics* (Sunset & Vine/IMG Sports Media)

Digital Creativity

BANFF – Rockie Awards*Fresh Meat House* (Maverick Television/Objective Productions)

Cross-Platform Project – Fiction Programme

BIMA Awards 2013*The Utopia Inquiry* (Th_nk/Kudos)

Entertainment

The Snowman and the Snowdog Game (Crash Lab/Lupus Films)

Game – Tablet

London 2012 Paralympic Games

(Sunset & Vine/IMG Sports Media)

Multiplatform

London 2012 Paralympic Games

(Sunset & Vine/IMG Sports Media)

Public Life

Broadcast Digital Awards*Foxes: Wild in the City* (Windfall Films)

Best App or Website for a Programme

E4

Best Entertainment Channel

The Snowman and The Snowdog Game (Crash Lab/Lupus Films)

Best Game

Great British Property Scandal

(Tiger Aspect/Project Factory/mySociety)

Best Multi-Platform Project

Nashville (More4)

Best Programme Acquisition

Dadi Awards*The Utopia Inquiry* (Th_nk/Kudos)

Grand Prix

The Utopia Inquiry (Th_nk/Kudos)

Interactive, Entertainment Website, Game or Campaign

Impact Media Awards*Embarrassing Bodies: Live From The Clinic* (Maverick Television)

Best Digital Programme

IVCA Clarion Awards 2013*Bedtime Live Multiplatform* (Twofour)

Digital

Online Media Awards*Channel 4 News* (ITN)

Best Site for News-Led Journalism

Jon Snow (*Channel 4 News*) (ITN)

Best Twitter feed

Channel 4 News (ITN)

Best Use of Social Media

Channel 4 News (ITN)

Outstanding Digital Team of the Year

Scrapbook

Technical Innovation

Channel 4 News (ITN)

Website of the Year

RTS CRAFT & Design Awards*D-Day: As It Happens* (Windfall Films/Digit London)

Design & Craft Innovation

RTS Midlands Awards*My Riskchecker and the Embarrassing Bodies Suite of Apps*

(Maverick Television)

Digital Innovation

The Digitals

The Great British Property Scandal
(Tiger Aspect/Project Factory/mySociety)
Media & Entertainment

Wpped Cream Awards

D-Day: As It Happens (Windfall Films/Digit London)
Digital

Diversity**Mind Mental Health Media Awards**

Jan Richardson: A Little Bit OCD (Open Mike Productions)
Documentary Award

Joyce Salter (Jan Richardson: A Little Bit OCD)
(Open Mike Productions)
Speaking Out Award

Marketing**BASS Awards**

Stand Up to Cancer Campaign (Make Productions)
Best Special Day/Event Promo

British Arrow Awards

Meet the Superhumans (4Creative)
Best Integrated

Meet the Superhumans (4Creative)
Best Over 60 and up to 90 Second TV Commercial

Funny Fortnight (4Creative)
Best Over 90 Second Web-based Film

Meet the Superhumans (4Creative)
Best TV Commercial of the Year

Meet the Superhumans (4Creative)
TV & Radio Station Promotion

Campaign Big Awards

Utopia virals (4Creative)
Media & Entertainment/Direct

Meet the Superhumans (4Creative)
Media & Entertainment/Film

Meet the Superhumans (4Creative)
Media & Entertainment/Multimedia

4Creative (4Creative)
Multimedia Agency of the Year

Meet the Superhumans (4Creative)
Sport, Travel & Leisure/Film

Meet the Superhumans (4Creative)
Sport, Travel & Leisure/Multimedia

We Hear You! Channel 4 Horse Racing (CP+B/Paddy Power)
Sport, Travel & Leisure/Film

Cannes Lions

4seven
Design Lions/Channel Branding or Programme Branding

Meet the Superhumans (4Creative)
Film Lions/Publications & Media

Street Race (The Grand National) (4Creative)
Film Lions/Publications & Media

Clearchannel OOH Planning Awards

Channel 4 Paralympics (OMD UK/Posterscope/LIVE Poster)
Best Use of Outdoor in a Multimedia Campaign

Creative Circle Awards

4seven Logo (4Creative)
Design/Best Logo

Meet the Superhumans (4Creative)
Film/Best TV

Meet the Superhumans (4Creative)
General/Best Integrated Campaign

Creative Review Annual

Thanks for the Warm Up/Meet the Superhumans (4Creative)
Advertising (single)

Homeland (series 2) (4Creative)
Advertising (single)

30 Years of Channel 4 (4Creative)
Advertising (single)

4Creative (4Creative)
Advertising Agency of the Year

More4 Rebrand (4Creative)
Design (series)

D&AD Awards

Meet the Superhumans (4Creative)
Film Advertising Crafts/Direction for Film Advertising

Meet the Superhumans (Stitch/4Creative)
Film Advertising Crafts/Editing for Film Advertising

4seven (4Creative)
Film Advertising Crafts/Special Effects for Film Advertising

Meet the Superhumans (4Creative)
Film Advertising Crafts/Use of Music for Film Advertising

Meet the Superhumans (4Creative)
TV & Cinema Communications/TV Promotion & Programme
Junctions

IPA Media Owner Awards

Heat 4 (Bauer/Box/OMD)
Best Cross-Media Campaign

Marketing Society Awards for Excellence

Channel 4 Paralympics (Sunset & Vine/IMG Sports Media)
Customer Insight

Channel 4 Paralympics (Sunset & Vine/IMG Sports Media)
Cause-Related Marketing

Channel 4 Paralympics (shared with Sainsbury's)
(Sunset & Vine/IMG Sports Media)
Grand Prix

Marketing Week Engage Awards

Meet the Superhumans
(Sunset & Vine and IMG Sports Media for Channel 4)
Market Research

Meet the Superhumans (4Creative)
Market Research

Media Week Awards

Thanks for the Warm Up (OMD UK)
Agency – Media Idea – Launch

Promax 2013 Awards
Educating Yorkshire (Two Four/4Creative)
Best Cross-Media Campaign

Skins: Time Changes Everyone (4Creative)
Best Drama Promo (Originated)

Black Mirror (Series 2) (Zeppotron/4Creative)
Best Drama Promo (Originated)

Darren Brown: The Apocalypse
(Objective Productions/4Creative)
Best Entertainment Promo (Originated)

Mating Season: Arthur (MPC/4Creative)
Best Entertainment Promo (Originated)

4seven (Supermarket) (ManvsMachine/4Creative)
Best Ident

Skins: Time Changes Everyone (4Creative)
Best Launch

A Night in With Fanny (Boundless/Talkback/4Creative)
Best Leisure & Lifestyle Promo

Jamie & Jimmy's Food Fight Club (Fresh One/4Creative)
Best Leisure & Lifestyle Promo

4Ramadan (Watershed TV/4Creative)
Best News & Current Affairs Promo

Channel 4 News: Guns in America (ITN/4Creative)
Best News & Current Affairs Promo

Mating Season: Arthur (MPC/4Creative)
Best On-Air Campaign – Programme Promotion

Black Mirror (Series 2) (Zeppotron/4Creative)
Best Poster or Outdoor

Made In Chelsea: Are You Ready (Monkey Kingdom/4Creative)
Best Reality TV Promo (Originated)

Mating Season: Arthur (MPC/4Creative)
Best Season or Stunt

Street Race (The Grand National) (4Creative)
Best Sports Promo (Originated)

Street Race (The Grand National) (4Creative)
Best use of Direction

Utopia virals (Kudos/4Creative)
Most Innovative Use of Digital

Mating Season: Arthur (MPC/4Creative)
People's Choice Award

Sports Industry Awards

Meet the Superhumans (4Creative)
Best TV Sports Commercial

Channel 4 Paralympics (Pitch PR)
Best Use of PR in a Sports Campaign

TED conferences (LA)

Meet the Superhumans (4Creative)
Ads Worth Spreading

The MAA Best Awards 2013

The Stake (Livity)
Best Campaign by Agency Youth

The Stake (Livity)
Best Consumer Campaign

Top Boy Series 1 (Livity)
Best Strategic Thinking

Other**Campaign Media Awards**

BT & Sainsbury's Paralympics Sponsorship (Drum/Maxus)
Best Total Communications Programme

What's Cooking from the Sainsbury's Kitchen (PHD/Drum)
Best use of branded content

Chartered Institute of Public Relations Awards

Research behind the London 2012 Paralympic Games (Pitch PR)
Best Use of Research, Planning, Measurement and Evaluation

IVCA Awards

Sainsbury's & Channel 4 Present 2012, Series 2 (IMG)
Gold Award: Best B2C Promotion and Information

Sainsbury's & Channel 4 Present: Danielle Brown 2012, Series 2 (IMG)
Silver Award: Best Photography

Sainsbury's & Channel 4 Present 2012, Series 1-3 (IMG)
Silver Award: Communication Effectiveness

Marketing Week Data Strategy Awards

Viewer Centric Big Data Programme
Entertainment and Gaming Award

Media Research Society Awards

Research into the impact of product placement
Advertising & Media Research Award

Research behind 'Meet the Superhumans'
Applications of Research Award

Research behind 'Meet the Superhumans'
Greatest Impact

Media Week Awards

What's Cooking from the Sainsbury's Kitchen (Superhero TV)
Media Owner – Media Idea – Small/Medium/Large

Subtitled French Ad Break (The Returned)
(ZenithOptimedia/Havas Media/Manning/Gottlieb OMD/OMD/
Starcom MediaVest)

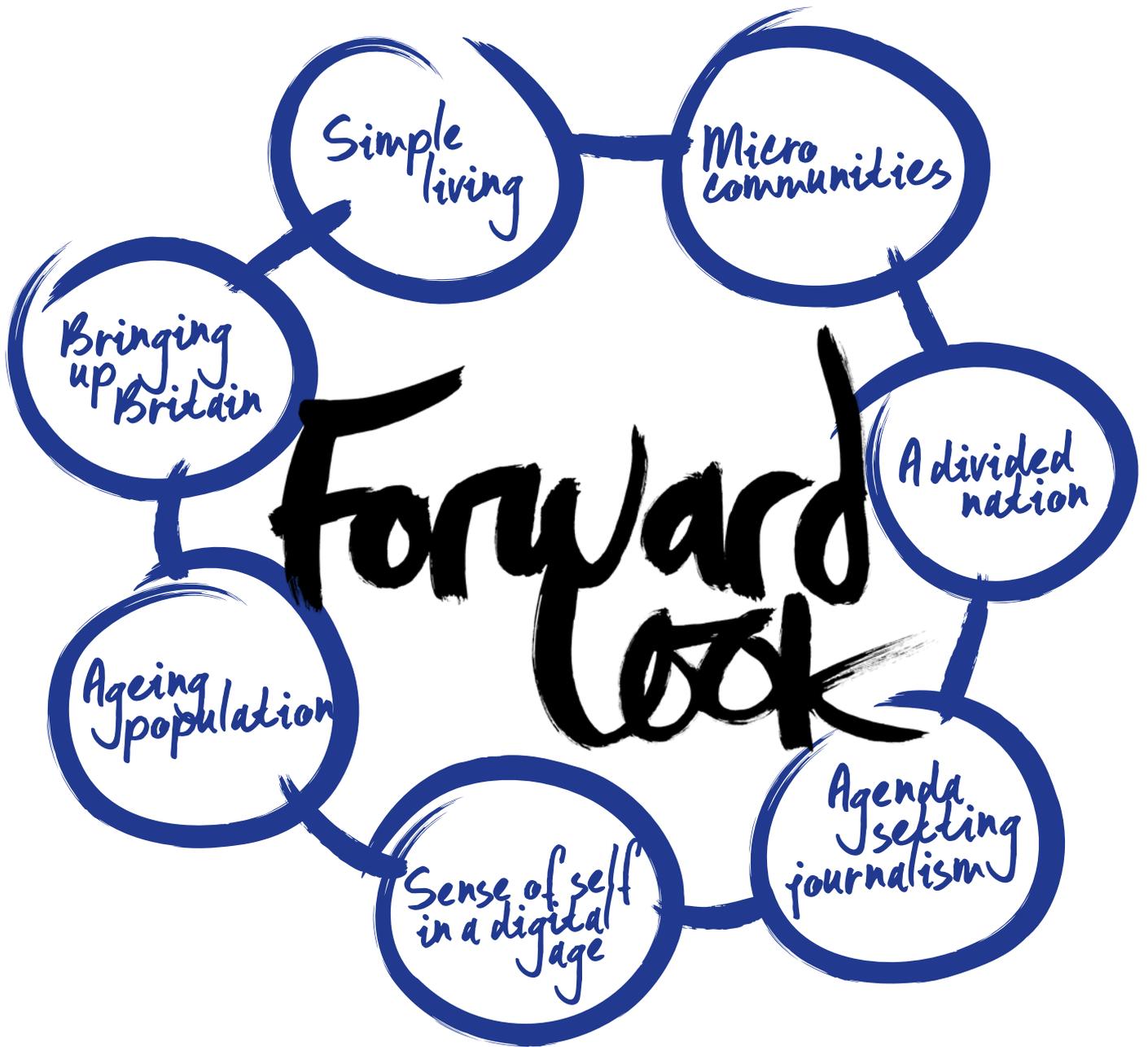
Media Owner – Media Idea – Small/Medium/Large

Subtitled French Ad Break (The Returned)
(ZenithOptimedia/Havas Media/Manning/Gottlieb OMD/OMD/
Starcom MediaVest)

Owners & Agencies – Small Collaboration

* (Regency Enterprises/Film4/Plan B
Entertainment/Summit Entertainment)





Corporate ambitions

Channel 4 will enter the third phase of its Investing in Innovation strategy in 2014. With the successes of this strategy and an advertising market appearing to be more buoyant than at any time since the downturn in 2008/9, we are confident we can do this.

As ever, our corporate strategy will entail balancing creative and commercial imperatives as we seek to deliver our remit and ensure we are operating on a sustainable commercial footing. Following the boosts of investment in content and commercial innovation in 2012 and 2013, we look forward to moving the business back to financial break-even in 2014.

Through creative renewal, our high levels of experimentation with new titles will see a number of returning titles discovered during this period form a stronger 'spine' to the schedules; commercially, our investment in an award-winning data strategy will provide us with opportunities to roll out innovations in advertising. This approach will seek to deliver consistent audiences of scale, and new revenue opportunities that we can use to reinvest back into content, in line with our model of self-sufficiency.

In 2014 we will seek to bolster the very strong relationship we have with younger audiences and lighter viewers. While our portfolio will continue to offer 'something for everyone some of the time', we also recognise the important role our resonance with these groups of viewers has – creatively in connecting harder-to-reach audiences with public service content, and commercially because of the value they hold for advertisers.

Our data strategy will also be further used to enhance the viewing experience. In this next phase, we will make better use of our knowledge of viewer behaviour to inform Channel 4's creative teams in commissioning and marketing, by mining behavioural insights from our data and adding greater insight into our creative processes.

Our data strategy has delivered a more personalised experience, enabling us to reach viewers with personalised recommendations for 4oD and live content based on their viewing behaviour. In 2014 we will develop ways of ensuring that these recommendations better reflect Channel 4's public service purpose and help promote new creative voices, so that we bring an element of surprise to the suggestions we make to viewers.

A major project this year will be a refresh of our on-demand service 4oD – which was the first long-form video on demand service to launch in the UK, and which we are now looking to update.

Linear television advertising and sponsorship revenue will continue to form the bedrock of our income. Alongside this, we will continue to diversify and grow our digital income, building on revenue from data-enabled video on demand. In 2013 we became the first UK broadcaster to take demographically targeted video on demand ads to market, demonstrating that big data can support creativity by connecting programmes to the audiences that are most likely to appreciate them. In 2014 we will seek to double our revenues from targeted advertising and launch one more targeted product.

Other innovations in 2014 will include the launch of the Channel 4 Growth Fund, through which we will invest £20 million over three years in minority stakes in small, but growing, independent production companies. The fund will seek to help those companies who have growth potential but no access to other sources of investment. We believe this will provide a valuable new spur to the production sector, as well as representing new revenue potential for Channel 4 in the medium to long term.

£20m
Growth Fund
investment
in independent
production companies

2014
Back to
break-even

Content strategy

Reflecting contemporary issues, nurturing talent and broadly maintaining high levels of originated content will be priorities in 2014.

Following record investment in originated content in 2012 and 2013, overall content spend will see a planned modest reduction in 2014, though notably Comedy and Factual Entertainment will have an increase. News and Current Affairs will also receive increased investment, as we enter into a new agreement with ITN to deliver *Channel 4 News* and seek to boost our presence in the digital space. With the Winter Paralympic Games taking place in Sochi, sports coverage spend will also increase. Programme acquisition spend will provide an important commercial balance.

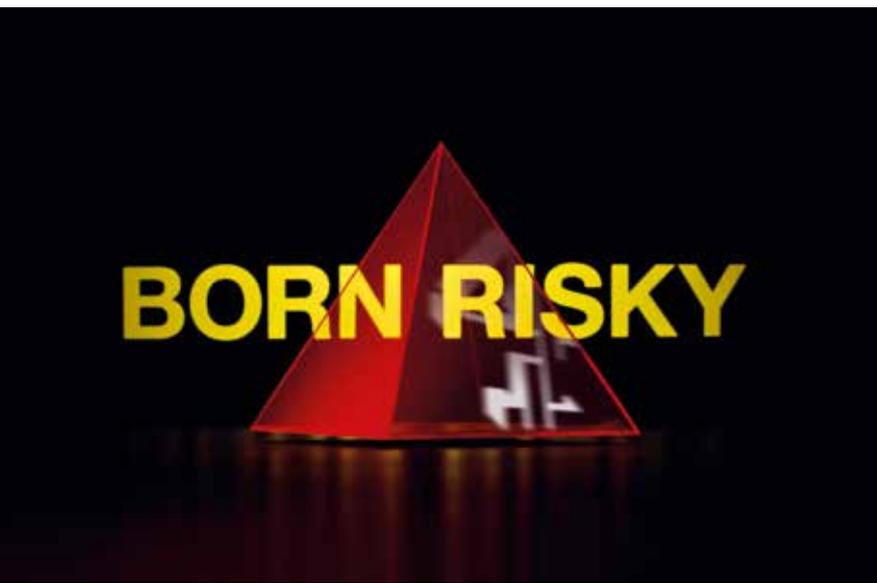
Channel 4 will remain the home of most of our original content, broadcasting a mix of genres where viewing levels are highest and most impact can be delivered. 2014 will see a focus on building a strong spine to the schedule through returning series that have launched in the last two years, providing greater familiarity to viewers and with the aim of maintaining a more consistent audience. We will then use these foundations to launch new shows that innovate and surprise.

Alongside this, E4 will seek to grow audience share while maintaining its strong appeal to younger audiences and a schedule featuring distinctive original commissions, in particular in drama and scripted reality in the mould of *Made in Chelsea*. More4 will be further developed to focus on lifestyle content with eye-catching original features in the mix. Film4 will seek to perform commercially while continuing to provide a showcase for British film, including titles funded by Film4.

In terms of reporting our performance, we will continue to explore measurement tools that better take into account our impact across all the platforms where our content is available – both linear and non-linear. We will look to maintain our lead in all the reputational metrics that assess the audience's views of delivery of the remit and which are reported annually in this document.

9% network spend from the Nations by 2020

Off-screen we will continue to work with new and emerging companies from across the UK, supporting them through the Alpha Fund. We will continue to commission extensively from outside London. In the first year of our new licence, we will work towards our commitment to commission at least 9% of our original spend by 2020 from the Nations.



Creative overview



By Jay Hunt

2014 will build on the success of creative renewal in which we experimented with a raft of new programmes. We had a lot of creative success in 2013 with new breakout hits such as *Gogglebox* and *Educating Yorkshire* and critically acclaimed shows such as *Syria: Crossing the Lines* and *Bedlam*. 2014 will be about continuing to innovate while growing greater audience familiarity with a refreshed peak-time schedule.

We will be commissioning longer runs of returning shows to create a strong spine in peak and peppering the year with new and one-off programmes, and big events from a collaboration with the *Grammy's* to *Stand up to Cancer*. Changes in the wider daytime landscape presented real competitive challenges for us last year and we will be continuing to invest here to generate new hits.

Reflecting Britain in all its diversity and range will be core to everything we commission. In documentary, we will continue to tackle key areas of social debate such as immigration and the welfare system with shows such as *Benefits Street* and *The Romanians are Coming*. We will challenge preconceptions around disability with our coverage of the *Sochi Paralympics* and build on the legacy of the London Games with peak-time shows for some of our homegrown disabled presenters, such as Arthur Williams and Katie Piper.

Factual will aim to prompt debate about the big themes of the day with shows such as *Dementiaville* raising important questions about care for an ageing population, and new format *Married at First Sight* putting Britain's position as the divorce capital of Europe in the spotlight. *Mr Drew's School for Boys* will look at the issue of exclusions among primary school children and the social consequences of their disaffection.

We will have new dramas from some of the most iconic dramatists writing today. Russell T Davies' series *Cucumber* will offer a perspective on life today for gay people in this country. Meanwhile, Sam Bain and Jesse Armstrong's satire *Babylon* will highlight issues around transparency in public life. In Comedy, we will foreground female voices with a new series of *Drifters* plus Caitlin Moran's series *Raised by Wolves*.

We will innovate in form and execution, building on the success we have had with the documentary rig to launch new series which offer a 360° perspective on life today. Both *Freshers* and *Teens* will offer new insight into coming of age in a world where social media is so dominant. In parallel, our Education output will address issues around digital literacy with shows such as *Don't Blame Facebook* and a new UGC docudrama on cyber-bullying.

documentary
 ↓
 360°
 perspective
 on life today



Raised by Wolves

Our programmes

Comedy

With three strands to our Comedy plans for 2014, we will build on the successes of 2013. These include shows that give a platform to alternative voices, like *Noel Fielding's Luxury Comedy*, or *Toast of London*; 'big joke' comedy, where laughs and energy come together with shows like *Man Down*; and, as our third strand, witty, acerbic, knowing comedies.

Across Channel 4 Comedy there will be space for established talent with returning series and new ventures, as well as for the completely new.

We will continue to provide a home for good writing and strong narrative comedy with a third series of *Friday Night Dinner*, a Peter Kay scripted comedy, *Man Down* and witty narrative comedies that give an opportunity to new and distinctive voices. We will also seek to build audiences for series such as *Toast of London* – a distinctive and critically acclaimed series that we look forward to seeing grow.

We will also continue to nurture at the grassroots – via online projects such as *Comedy Blaps*. Comedy is a highly specialised and risky genre, and we will work closely with the production community to support and help nurture a new generation of comedy talent on and off screen.



Friday Night Dinner

Drama

As well as being a place to showcase some of the best on and off screen talent working in fiction today, Drama taps into the themes of contemporary Britain. Our Drama slate will look to achieve both of these goals, with successful returning series with multiple episodes. Some of the finest writing talent will bring alive dramatic life stories about policing in modern Britain – whether in *Babylon*, Jesse Armstrong and Sam Bain's collaboration with Danny Boyle about transparency and social media, or Paul Abbott's new series *No Offence*. Russell T Davies will return to Channel 4 with a bold new project telling the story of two generations of gay men in Manchester. It will play out across multiple platforms, with *Cucumber* on Channel 4, *Banana* on E4 and *Tofu* online.

The breadth of output will be an important aspect of our Drama slate, with the darkly mysterious *Utopia* and the touching and funny *Mad Fat Diary* and *Youngers* all returning – successes from 2013 with very different personalities. Plans are also developing for a new series from a new writer that will look at what defines a generation of young people today.

Nurturing talent is an important part of our work and we will seek to evolve the *Coming Up* strand to improve the opportunities it offers to emerging new talent.

Cult
Classic

1. alternative
2. big joke
3. witty

Babylon





Education and Older Children

Our Education strategy for 2014 is based on a major piece of research carried out in October 2013 that highlighted gaps in young people's life skills, and helped us to develop three clear themes for the coming year.

Digital and social media literacy will be explored by examining how we interact with each other online.

Sex, expectations of sex and relationships among young people will be looked at through such questions as: "What constitutes a relationship? How many people should you date at once? How should you split up with someone? How should you behave in a relationship?"

And in a world in which young people may have more than 500 friends on social network sites, we will examine the ambiguities of modern friendships and the social expectations and obligations they generate.

We will be looking for greater synergy between educational content and entertaining television. We will continue to shift the focus of our activity from mainly online to TV broadcast and direct programme support. We will place emphasis on teenage life skills, delivering engaging and purposeful content in primetime, and we will commission programmes and series that young people can access on different platforms. We will develop accompanying online content for TV programmes where we think we can add meaningful educational experience. We will also explore how to measure engagement and impact across our TV and online initiatives among the 14-19s age group.

For 10-14s, the successful and highly regarded series *Youngers* will return for a longer series. We will again seek to ensure it continues to speak in a tone that resonates strongly with this hard-to-reach age group.

Don't Blame Facebook

non-curricular
Teaching platform >>>
lifeskills

Was It Something I Said?



Entertainment

Scale and innovation are the priorities for 2014 as we look to broaden the range of formats – and suppliers – to create new entertainment experiences for Channel 4 and E4.

We will rejuvenate our 9pm and 10pm slots, with a particular emphasis on Friday nights, with Alan Carr and *The Last Leg* returning. Entertainment also promises to deliver some of the biggest showpiece events of the year, with *Stand Up to Cancer* taking place again, following its spectacular debut in 2012, and this year bringing the *Grammy's* to Channel 4. We will also build on our success in recent years to innovate in online and play-along to make viewing more fun. We will continue the legacy of *Million Pound Drop* and further develop the ways in which we have already used social media in shows such as *Was It Something I Said?*.

Bring back
Friday Night TV
↓
event TV



The Double

Factual

Under the umbrella of reflecting contemporary Britain, our Factual output will centre on thematic issues of our time, which we will revisit throughout the year.

We will look at the ways in which social networking is changing adolescence and adolescent behaviour, and ask "What is happening to people's identities in a world where they exist on several different platforms?"

The phenomenon of quick and cheaply sequenced DNA is radically changing the face of medical treatments and scientific research, from cloning pets and bringing ancient species back to life to finding cures for cancer. Our programmes will demonstrate how our understanding of DNA is changing the world we live in.

We will look at innovative approaches to tackling climate change, from natural history projects to programmes about the production and pricing of food and the impact of globalisation.

We will also use new techniques to make documentary series on a scale that Channel 4 has never seen before. We will mix conventional observational filming with capture technologies pioneered by our producers of series like *24 Hours in Custody*, *The Marines*, *Teens* and *Freshers*, which will use social networking as a prism to examine teen life in Britain as never before.

Specialist Factual will continue to innovate in cross-platform events, in particular with *Live from Space*, a collaboration with NASA that will bring live coverage from the International Space Station.

reflect society
Modern Britain

Features

The aim of our Features programming will be to stimulate public debate and give pause for thought, in the areas of health, property and food. We will also move into new territory with exciting shows on cars and sex intended to feed our audience's appetite for escapism with provocative and aspirational content. A further ambition will be to boost commissioning from all the Nations of the UK, to reflect the diversity of Britain and to develop our public service role, offering popular and relevant content that appeals to a wide and varied demographic. With 21 new Features titles planned, the slate will feel fresh and innovative.

Standout shows will include *Mr Drew's Parenting School* and will look at the exclusion of young boys from mainstream education. *Can't Get The Staff* will provide an insight into the employment of domestic staff in British homes today, and *Life on Cars*, with Philip Glenister, will give viewers the chance to explore the social and mechanical history of cars.

provocative,
escapist lifestyle

tentpole TV



The Jump

Factual Entertainment

Factual Entertainment engages audiences – and in particular younger audiences – in an entertaining way with important contemporary issues that affect their everyday lives. It's one of the ways we can seed educational themes across our schedules – touching on important subjects in a way that is fresh and accessible. In 2014 we will refresh and reinvigorate existing brands returning to some of the themes we began to examine in 2013 – youth unemployment, mental illness, disability, sex education, the influence of pornography and sustainable living. And we will do so with even greater scale.

The growth of user-generated footage and short-form content indicates viewers' desire for more first-hand authenticity and we intend to build that awareness into our plans. Programmes will include a series about dementia, one of the biggest social issues in Britain today with our ageing population. Aimed at a young audience, the series will seek to challenge this generation's impressions of the elderly and old age, while a series on beauty pageants will look at the aspirations and dreams of many young working class women.

A new series called *Island of Lost Blokes* will interrogate notions of masculinity in Britain today. With manufacturing industry and skilled manual labour continuing to decline, the show will ask what it means to be male in Britain in 2014 by leaving 13 men marooned on a Pacific island for one month, with no conventional camera crew, and only enough food to last half a day. *Troy* will launch on E4 in 2014. Gordon Ramsay will return to Channel 4 in *Costa Del Nightmares*, about British eateries and B&Bs in the Med.

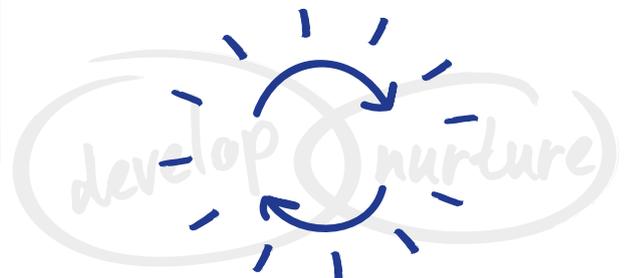


Cuban Fury

Film

Film4's primary focus and contribution to film-making is the development and nurturing of talent. We seek to bring talent together in the early planning stages of a film, and to take the risk on new talent that others might not. In 2014 we will continue to nurture the best of new and established UK film-making. Film4's place within the broader Channel 4 family also provides opportunities for television-based talent to extend their talent into film. We will develop bold and original material with cultural impact in line with our remit. Following our experiment with the distribution of *A Field in England* in 2013, we will continue to reach as wide an audience for our films as possible – both through theatrical release, on TV and increasingly by embracing digital opportunities for distribution – and where appropriate exploring synchronised multiplatform release. We are also exploring ways of attracting partnership funding so that we can expand our activities and improve commercial returns.

The year will start with the theatrical release of the award-winning *12 Years a Slave*, our third collaboration with the acclaimed director Steve McQueen. Also for cinematic release during the year will be work from a range of acclaimed talent – Jonathan Glazer's *Under the Skin*; Richard Ayoade's film *The Double*, marking Richard's second feature since his move into film from TV; *Stirred Up*, from David McKenzie; *Frank*, by Lennie Abrahamson, starring Michael Fassbender; and *Cuban Fury*, a Nick Frost comedy. Projects going into production will include *Ex-Machine*, Alex Garland's first feature film, as will *The Inbetweeners Movie 2*, following its stunning success in 2011. Another highlight of the year will be *Sufragette*, Sarah Gavron's first film since *Brick Lane*, written by Abi Morgan and starring Carey Mulligan.





Channel 4 News

News

Channel 4 News remains one of the most highly regarded news programmes on British television. Its distinctive place in providing longer-form news coverage and putting an emphasis on international and investigative journalism will continue to define the TV programme in 2014.

This will build on the strength of the last two years, where the programme has repeatedly broken stories that have gone on to shape the wider news agenda – from Syria or Sri Lanka, or uncovering stories no one else has closer to home. Maintaining that distinctive and agenda-setting approach will remain firmly at the heart of the TV programme’s strategy. We will look to sustain and advance our reputation as the home of challenging and investigative journalism across all platforms with a new contract with our news provider, ITN, and the transformation of Channel 4 News into a multiplatform operation. Recognising that younger viewers are becoming increasingly hard to reach through the scheduled TV programme, we will aim to broaden the reach and impact of our journalism by making it more widely available across multiple digital platforms, and in particular, those where younger audiences spend their time. This will include experimenting with new online-only interactive programmes and syndication of our content. We will continue to look at the measurement of audiences across these platforms to capture a truer sense of how people are accessing Channel 4 News across different outlets.

In Current Affairs, we will aim to develop fresh and populist approaches to reporting important domestic and international Current Affairs through our *Dispatches* strand and one-offs. *Unreported World* will continue to be one of the rare places in British television to regularly visit parts of the world that seldom get talked about.





Live from Space

Online

Online content delivers in two significant ways – it deepens the experience around television viewing and provides new creative opportunities, in particular to innovate with original short-form pieces, which are well suited for distribution and viewing on mobile devices. Both will be areas of focus of the Online commissioning team in 2014.

Our remit to be innovative and experimental requires us to seek and develop new ideas that will enhance the viewing experience for our audiences. Over the past few years, Channel 4 has led the way in interactive, companion games, such as around *The Million Pound Drop*. Now, we are focusing on developing further games to reflect the audience demand for interactivity, while also making them more commercially viable. This focus on interactivity will be concentrated around Features, Factual Entertainment, Factual and Entertainment content.

Standout projects for 2014 will include *Live from Space*, which will feature films about how astronauts live their lives in space and which will culminate in a live link-up with the International Space Station as it performs an entire lap of the Earth. Viewers will be able to *Get Their Face in Space* by asking questions via Twitter and Facebook that will feature in the live broadcast, as well as access to specially created web-only content.

Deepen TV experience
 → short-form content
 → new creative opportunities
 ← mobile ←

Sport

Building on our award-winning coverage of the London 2012 Paralympic Games, which helped to change attitudes towards people with disabilities, we will broadcast 150 hours of coverage from the Sochi 2014 Paralympic Winter Games in Russia, including more than 70 hours of live coverage – more than the ten days of the competition. This will be the biggest ever UK commitment to coverage of the Games. As with London 2012, more than 50% of Channel 4's presenters for Sochi are disabled.



Sainsbury's Anniversary Games

Throughout the year we will continue to deliver large events such as the Grand National, as well as regular week-by-week coverage of sport, including our racing coverage. Royal Ascot and the Derby will be big focus points along with Channel 4's first Superbowl since 1988. To support our coverage of sporting events, we will look across the genres at other forms of content and at our marketing initiatives, to showcase the back-stories and extraordinary sporting prowess of the athletes we feature.

changing attitudes

Assurance report

Channel 4 engaged KPMG LLP to provide limited assurance over their key measures in the charts on pages 18–25 and pages 32–43 of Channel 4's Annual Report for the year ended 31 December 2013 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 ("the Methodology"), the 2013 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 give further information on how the data has been selected, specific definitions and the calculation methodology. See 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 2013 Annual Report and the year-on-year trends, as defined in the Methodology.

The primary focus of our work was on the key measures for the year ended 31 December 2013 and the comparisons with the immediate prior year. We have not examined the key measures for years prior to the year ended 31 December 2012 other than in the following cases:

- Where the summary metrics for which the source of the data is Ofcom or Broadcast for which the 2013 data was not yet available, we have examined the information for the years ended 31 December 2012 and 2011 found on page 21; and
- We have checked the extraction of TV viewing share from BARB from 2009 to 2013 found on page 39.

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 42; and
- Full length Channel 4 programme views initiated on page 42.

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 Methodology to perform our work.

Work performed

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

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

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

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

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

For the key measures based on information from Channel 4's third party 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 Annual 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 periods before 2012, 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 2013 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 2012 and the comparison with the immediate prior year are not fairly stated; and
- the TV viewing share from 2009 to 2013 are not fairly stated.

Karen Wightman

for and on behalf of KPMG LLP

Chartered Accountants, London, 26 March 2014



Financial report & statements

Strategic report

Financial highlights

Fourth consecutive year of stability

- Total advertising and sponsorship revenue above £844 million from 2010–2013
- Continued double-digit growth with total online revenues reaching £61 million in 2013
- Strong cash reserves of £238 million

High level of creative regeneration and achievement

- Originated content spend averaging more than £430 million in 2012–2013
- Spend outside London increased by 10% to £173 million in 2013

Viewer registrations increased dramatically as data strategy advances

- Total registrations more than 10 million by the end of 2013, two years ahead of target

Total revenue of £908 million, a fall of 2% year on year, predominantly as a result of significant non-recurring events in 2012

- Revenues sustained for content investment with TV advertising revenue holding steady and £11 million growth in VoD on third-party platforms
- Sponsorship revenues down £7 million following the Paralympics in 2012
- Other one-off 4Rights revenues in 2012 included *The Inbetweeners Movie* theatric income

Operating deficit halved to £15 million in 2013, in the second year of Channel 4's Investment in Innovation strategy:

- Content investment and marketing spend reduced after the 2012 Paralympics and the highest ever level of originated content spend in 2012
- Increased surpluses generated in VoD, offset by difficult DVD retail conditions

Utilisation of cash reserves reflects continuation of the investment strategy

- Total cash and funds on deposit decreased by £23 million to £238 million

Channel 4 positioned to deliver a break-even operating result in 2014, provided the advertising TV market grows

Income statement highlights by segment

	Advertising & sponsorship revenue £m	Other revenue £m	Total revenue £m	Operating surplus / (deficit) £m
2013				
4Broadcast	825	17	842	(36)
4Rights	22	44	66	20
Other	–	1	1	1
Eliminations	(1)	–	(1)	–
Total	846	62	908	(15)

	Advertising & sponsorship revenue £m	Other revenue £m	Total revenue £m	Operating surplus / (deficit) £m
2012				
4Broadcast	833	17	850	(52)
4Rights	11	67	78	23
Other	–	1	1	–
Eliminations	–	(4)	(4)	–
Total	844	81	925	(29)

Our business model

Channel 4 is a unique organisation: a public service publisher-broadcaster with a distinctive creative remit, funded solely from commercial revenues, 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 seek to optimise returns from our commercial activities.

The commercial model at Channel 4 has been framed historically by a clear set of principles, many enshrined in law. Our remit encourages us to maximise our spend on screen and minimise our overheads and asks us to meet certain minimum requirements with regard to levels of original, public service and regional commissioned programming. In return, Channel 4 receives 'privileges' from government such as prominence on the digital terrestrial television platform ("EPG prominence") and access to spectrum (although these benefits have been eroding over time). In contrast to other broadcasters, we are prohibited by legislation from owning our own production capability and face a statutory limit on the amount of debt capital we can raise. Taken together, delivering the creative remit is ultimately constrained by a requirement to maintain an overall break-even position in the long term, prudent levels of cash reserves and a requirement to fund new initiatives from within the Group's existing means.

Strategic report continued

The delivery of Channel 4's unique remit has always therefore relied on a challenging funding model which requires an agile, pioneering and well-executed commercial strategy. The members' view is that this is one of the organisation's strengths, forcing Channel 4 to remain at the sharp end of innovation. Over the past decade, Channel 4 has proved remarkably resilient despite radical changes in the broader audio-visual market. This resilience has been achieved through the successful implementation of a multichannel strategy, the launch of pioneering digital services and sustained innovation in advertising sales – and a stable overall portfolio share.

There has always been a balance in maintaining the creative and cultural impact of the flagship channel and our contribution, as a publisher-broadcaster, to the UK production sector, while sustaining overall revenues by growing distribution in multichannel and online viewing. This balance exists for all public service broadcasters, but accurately predicting and managing it is central to how Channel 4 can maintain its independence and sustainability into its fourth decade.

Regulatory environment

Channel 4 receives access to the digital 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 completion of digital switchover, the members consider the value of this access is significantly diminished. It is not accounted for in the financial statements.

Revised arrangements under Schedule 9 of the Communications Act 2003 came into force on 24 January 2012. From this date, the primary functions of the group were extended beyond the main Channel 4 service to include content delivery across our digital channels, digital media and exploitation of content rights.

Channel 4's current broadcast licence expires on 31 December 2014. On 11 March 2014, Ofcom announced the renewal of Channel 4's licence. The new ten-year licence comes into effect in January 2015.

Business segments

Our business comprises three operating segments:

1. 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. Channel 4 is available in standard and high definition on the main broadcast platforms and also encompasses our delayed transmission service Channel 4+1 and 4seven.

4seven was launched in July 2012 and provides another opportunity to watch Channel 4 programmes from the past week that have generated public, media and social media attention.

E4 focuses 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 is available on all the main broadcast platforms, a delayed transmission service (E4+1) and in high definition (E4 HD).

More4 offers life enhancing content to help viewers to get the most out of their everyday lives. More4 focuses on popular factual and features programming including homes, property, food, health and fashion. More4 is available on all the main broadcast platforms, a delayed transmission service More4+1 and high definition service More4 HD.

Film4, the UK's leading dedicated film channel and the fourth most popular digital channel for individuals, offers a mix of the best British, European, US and international cinema. Film4 is also available in high definition on the Sky and Virgin platforms.

In addition, 4Broadcast includes interactive platforms that 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 to 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.

2. 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. Third-party video on demand platforms making Channel 4 content available to viewers include Virgin Media, BT Vision, YouTube, Netflix and LoveFilm, as well as PS3, Xbox 360, Apple iOS and Android.

3. Other

Other includes the provision of creative design and production services outside of the Corporation.

Strategic report continued

Group financial review

Cash reserves accumulated in previous years have enabled us to continue to invest in content and other strategic initiatives. As a result, we report an operating deficit of £15 million in 2013 (2012: £29 million) funded from cash reserves.

As a not-for-profit public service broadcaster, we believe cash reserves should be invested back into content and digital innovation rather than building up beyond levels necessary to keep the Corporation self-reliant. Our initiative to reinvest is 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, through further investment in original content, and innovation through data and viewer relationship management. Our key corporate and financial priorities in 2013 were to ensure the long term sustainability of Channel 4's unique business model.

These included:

- focused content investment in originations and delivering schedule efficiencies and savings from returning series
- limiting commercial viewing decline by establishing some programme brands with longevity
- continued innovation in data and viewer relationships
- innovating in short form content to meet significant expected growth in this form of viewing
- maximising the reach of 4oD through digital platforms
- identifying new areas of revenue growth in year including Viewer Interactive Services and our 4Now app
- establishing a growth investment fund for acquiring minority stakes in independent production companies
- cost control to ensure additional spend was investment focused.

The Channel 4 sales house, including advertising sales generated for our partners UKTV, Box TV, PBS and (from August 2013) BT Sport, achieved £1.03 billion in sales in 2013 (2012: £1.01 billion), as our advertising sales team produced another strong performance to exceed their £1 billion target for a third year running. This achievement has helped to sustain our price premium in the market to maximise our revenues for content investment and continues to drive value and revenue growth for our sales house partners.

Total revenues recognised by the group in 2013 were £908 million (2012: £925 million) and a summary of key changes in year-on-year performance, by business segment, is shown opposite.

As part of our creative renewal of the schedule, and to support the UK independent production industry, we have invested £429 million into originated content in 2013 following our highest ever spend in 2012 (£434 million). In 2013 this included high profile and ground-breaking shows such as *Gogglebox*, *Educating Yorkshire* and *The Mill*.

Investment in video on demand platforms has extended the reach of 4oD, resulting in increased registrations, views and revenue growth. By December 2013 10.2 million viewers (2012: 6.3 million) had registered with 4oD, a key milestone in achieving more direct engagement with viewers.

In 2013 a number of new revenue streams were either developed, trialled or launched successfully, including Viewer Interactive Services (premium rate telephone, online and postal competitions attached to programmes), our 4Now second screen app and the Channel 4 Growth Fund (see page 137).

Overhead and administrative costs continue to represent a small proportion of the total cost base (less than 3%). We continue to seek efficiencies in operations to ensure we maximise investment into content.

Financial position

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

The balance sheet on page 173 shows that the net assets of the group decreased slightly in 2013 by £6 million to £458 million (2012: £464 million). This is a result of the operating deficit of £15 million and net actuarial losses on the defined benefit pension deficit of £1 million, offset by an increase in the revaluation reserve net of deferred tax of £10 million due to the revaluation of the Horseferry Road freehold property. The increase in the value of the property, its associated deferred tax liability and the movement in the pension deficit are recorded in Other comprehensive income.

Cashflow

The reported deficit, purchasing of programme stock ahead of transmission, capital expenditure and contributions to the defined benefit pension scheme led to a decrease in cash and funds on deposit of £23 million in the year (2012: a decrease of £29 million) to £238 million (2012: £261 million).

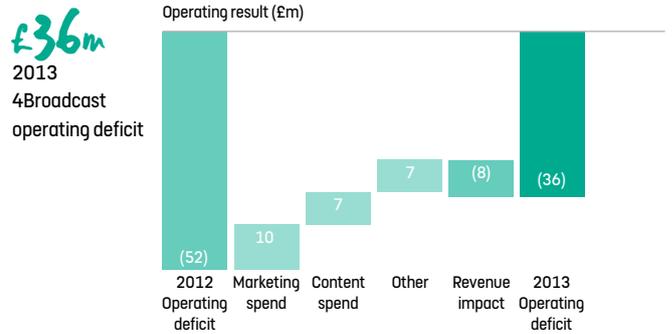
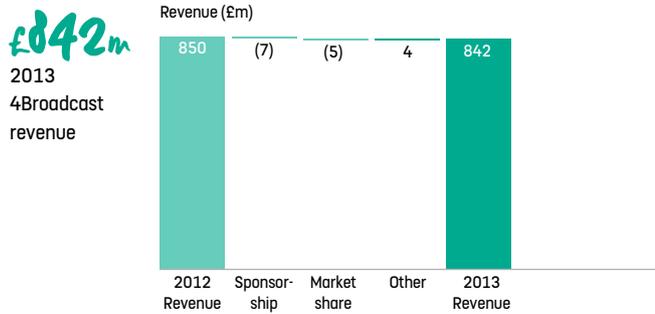
As shown in the group cashflow statement on page 174, the investment strategy adopted in 2013 resulted in a £25 million net operating cash outflow (2012: £24 million). Net cash outflows from investing activities were £17 million as money was placed on deposit (2012: net cash outflows of £49 million).

Group cash and cash equivalents were £131 million at 31 December 2013 (2012: £173 million) with a further £50 million held on deposit for three months or longer (2012: £40 million) and £57 million held in variable net asset value funds (2012: £48 million).

Strategic report continued

Segment financial review

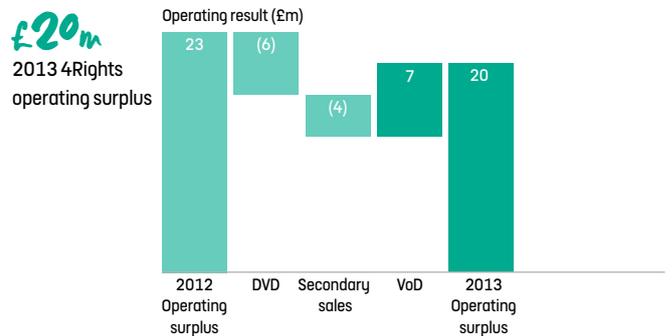
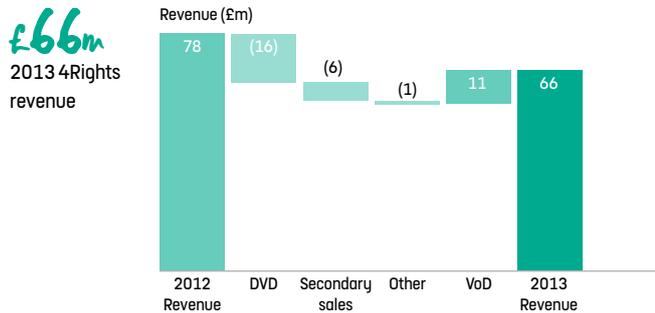
4Broadcast



Revenue declined by £8 million in 2013, mainly due to non-recurring sponsorship revenue from the Paralympics in 2012 and a small decline in market share, which tends to track the commercial advertising viewing performance of the previous year.

The operating deficit improved by £16 million in 2013, mainly due to lower content and marketing spend after the London 2012 Paralympics, and careful financial cost management, partly offset by the decline in Paralympic sponsorship revenue.

4Rights



Revenue declined by £12 million in 2013, reflecting strong post-release sales of *The Inbetweeners Movie* DVD in 2012 and structural decline in the DVD market, offset by growth from VoD. The reduction in operating surplus in the year also reflected these trends.

Strategic report continued

Staff and corporate responsibility

Staff

We pride ourselves on the talented people we employ. Further information on staff is provided on page 144.

Average headcount for the year, on a full time equivalent basis, was broadly flat in 2013 at 798 (2012: 795). At the end of 2013 the total number of people of each sex employed by the Corporation for each group of employees was as follows:

2013	Male No.	Female No.
Non-executive members	5	4
Executive members	3	1
Senior managers	23	14
Employees	330	479
Total Employees	361	498

Pension

The assets and liabilities of the Channel Four Television Staff Pension Plan have been valued at 31 December 2013 in accordance with IAS 19 Revised 'Employee Benefits' and the net accounting deficit of £39 million has been recorded in the year end balance sheet (2012: £40 million) (note 18). The deficit has decreased in 2013 primarily as a result of additional employer contributions and returns on plan assets as a result of short-term improvements in equity markets, offset by actuarial losses.

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 18). A new triennial valuation was carried out on 1 January 2013. The results are currently being discussed with the Trustees. 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.

Corporate and social 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 and audience to promote social, environmental and personal change.

Our environmental sustainability statement is disclosed on page 145.

We are committed to playing a responsible role in our communities. The work we do in our communities is disclosed on page 145.

Strategic outlook

Delivering our current levels of public service impact requires sustained commercial innovation. As a business that attracts a technologically savvy, young and upmarket audience, Channel 4 'faces the future first' and must evolve accordingly. From 2010 the executive team has focused on a range of specific measures designed to focus on our independence and our long term sustainability while also grasping the immediate task of creatively diversifying the schedule. Progress against these initiatives has been achieved as follows:

- Securing new advertising sales partnerships to support our demographic efficiency and maintain scale in a consolidating airtime sales market (adding UKTV, PBS and BT Sport into the sales house proposition in 2011, 2012 and 2013 respectively)
- Optimising our digital channel estate (leading to the launch of 4seven and the repositioning and refreshing of More4 in 2012)
- Rapidly growing our VoD revenues – by migrating away from a primarily desktop-led experience to a range of more agile mobile platforms (page 133)
- Developing a market-leading position on first party-owned audience data (achieving a plan to register 10 million viewers within five years two years early. One in two of all UK 16–24s are now registered and data-supported views accounted for almost 30% of views in 2013) (see pages 16–17)
- Building a more stable and sustainable programme schedule, while maintaining a high level of creative regeneration.

The core base case for the sustainability of Channel 4 is a television/video advertising market with marginal growth that is accompanied by a stable total audience share across linear and video on demand viewing relative to the commercial competition, growing short form and mobile revenues, the further evolution of secondary sources of revenue and tight control on costs. In the period before the BARB 'common viewing currency' is introduced, continuing growth of advertising revenues from online and on-demand will be an important measure of how successful we have been in maintaining our overall share of commercially important younger and upmarket viewers.

In addition to the sustainability initiatives based on the existing market above, Channel 4 has been planning for how television will transition towards a more connected environment for audio-visual content in the medium and longer term.

Looking forward, the members remain confident that Channel 4 can successfully deliver against current levels of public service impact on a self-sustaining basis. This view is also shared by Ofcom, who recently concluded that Channel 4's unique model will remain sustainable over the next decade.

Strategic report continued

This strategy assumes we are successful in maintaining the principle of prominence for public service broadcasters across a broad range of connected devices, and that sufficient spectrum continues to be allocated to the digital terrestrial platform in order for this to remain competitive.

Financial outlook for 2014

Our investment strategy, described above, has led to planned deficits in 2012 and 2013. We intend to achieve at least financial break-even in 2014, provided the TV advertising market grows, alongside an ambition to hold portfolio audience and commercial viewing share. As part of our strategy, we seek to build on the diversification of new content from 2013, with the focus now evolving to emphasise returning, longer running series creating a distinctive new spine to the schedule. We also continue to invest in data, to deepen our viewer relationship management and ability to deliver targeted VoD advertising.

The market outlook is currently positive for television advertising and current estimates for 2014 growth range from between 2% and 5%. Channel 4 has budgeted expenditures based on a prudent expectation of market growth. Flexibility is built into operational plans where possible, and a priority, if further growth in the market allows, will be to reinvest into new commissioned content.

The developments above have also informed our significant investment in upgrading our sales platform in 2014–2015.

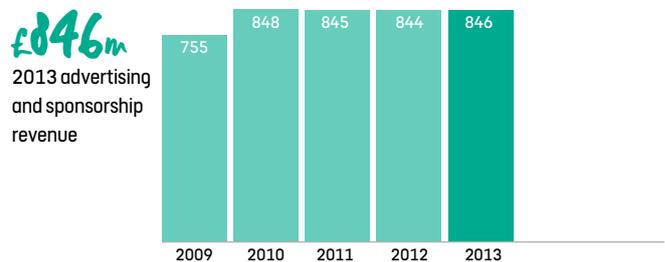
The Channel 4 Growth Fund is due to launch in 2014. The Growth Fund has the aim of nurturing the independent sector by providing access to funding for small and medium sized independent production companies based in the UK to help them grow and develop their business. The fund will help generate additional commercial return for Channel 4 and will add a new dimension to Channel 4's existing support for the sector by stimulating growth outside of the normal commissioning cycle. The fund will seek to invest up to £20 million, initially expected to be over a period of three years, in a broad portfolio of television production and digital companies. All returns from the fund's investments will be used to further invest in the independent sector – either in the form of further investments or as additional funding to the content budget.

Overhead and administrative costs will be held constant or reduce as a proportion of total spend.

Key performance indicators

The Board uses a range of quantitative financial and non-financial indicators to monitor the Group's performance against its key objectives. Four key indicators are described below. In 2013 the Operating result indicator was replaced by Originated content spend, as it was considered to reflect our public service remit more fairly. As shown on page 166, executive members' remuneration is linked to certain of these measures.

Advertising and sponsorship revenue



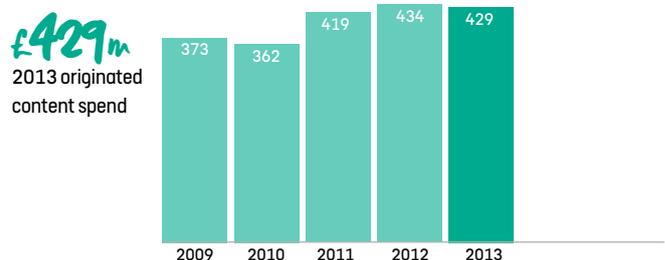
Definition

Advertising and sponsorship includes all broadcast airtime revenues, online advertising and sponsorship revenues recognised in the Group consolidated income statement, net of advertising agency commissions. Channel 4 is funded solely from commercial activities without direct public subsidy. Our commercial performance is therefore dependent on delivering valuable airtime to advertisers, which in turn enables the delivery of our remit.

Comment

In 2013 advertising and sponsorship revenue accounted for 93% (2012: 91%) of total revenue. Total advertising and sponsorship revenue increased marginally in the year to £846 million (2012: £844 million) as shown on page 132.

Originated content spend



Definition

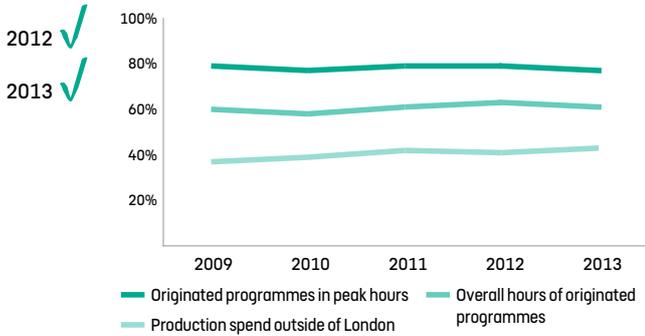
Originated content spend reflects our investment across the portfolio of channels in original, UK developed content.

Comment

In 2013 Channel 4 continued to invest in commissions from UK independent production companies. Whilst originated content spend was slightly lower in 2013 than its highest ever level in 2012 (£434 million), the spend of £429 million (page 18) continues to indicate Channel 4's commitment to the UK independent production sector.

Strategic report continued

Ofcom requirements



Definition

As a public service broadcaster, the Channel 4 main 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 pages 20 and 214.

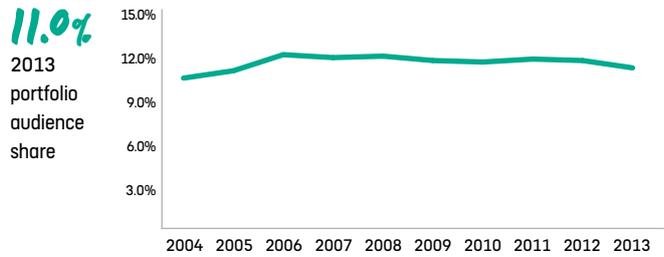
Comment

In 2013 and 2012 we met or exceeded all of our licence requirements.

Key quotas achieved are shown above. During 2013 the main channel achieved 61% of overall hours of originated programmes (target: 56%) and 77% in peak hours (target: 70%).

As shown on pages 18–22, we also exceeded our target of 35% of programme production spend outside London with £173 million of Channel 4's originated programming, excluding *Channel 4 News*, being supplied by production companies located outside the M25.

Portfolio audience share



Definition

Portfolio audience share data is the average proportion of the total UK television audience that has viewed our portfolio of channels in the year, and is obtained from BARB (see page 215).

Portfolio audience share is a key measure of delivering our public service remit across our portfolio of channels and a key driver of the commercial impacts which the Group is able to sell to advertisers.

Comment

In 2013, portfolio audience share declined by 0.5 percentage points to 11.0%, reflecting our relative share of daytime viewing and the post-Paralympics effect after 2012.

Channel 4's audience share was 6.1% in 2013 (2012: 6.6%).

In 2013 our digital channels remained stable at 4.9% (2012: 4.9%). E4 grew by 3% with Film4 and More4 broadly flat.

Against the backdrop of overall audience share, viewing share supporting our core 16–34s and ABC1 adult demographics held up well, with share only marginally down by 1% in 2013 in both cases. In peak (8pm–11pm) our share of viewing in these important demographics remained stable at 18.4% (16–34s) and 12.9% (ABC1s) respectively.

Further information on audience share is provided on pages 38 and 39.

Strategic report continued

Managing risks

How we manage risk

The Board has a clear responsibility for the identification of risks facing the Corporation and for putting in place procedures to monitor and mitigate these risks. The Board and executive team 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 good practice on internal controls and risk management.

A summary of the key risks that the Group faces, together with the key steps in how those risks are mitigated, is presented on the following pages.

Who does what

The Board

- Leadership of risk management
- Sets strategic objectives and risk appetite
- Monitors performance
- Accountable for the effectiveness of Group's internal control and risk management process

Audit Committee

- Delegated responsibility from the Board to oversee risk management and internal controls
- Reviews the effectiveness of the Group's internal control and risk management processes
- Monitors the role and effectiveness of the internal auditors and external auditors, and their independence

Executive members

- Communicate and disseminate risk policies
- Support and help assess risk
- Encourage open communication on risk matters
- Monitor performance
- Assess materiality of risks in context of the whole Group
- Monitor mitigation and controls
- Facilitate sharing of risk management information and best practice across the Group

Business Assurance

- Independently reviews the effectiveness of the Group's risk management and internal control processes
- Monitors and validates action taken by management
- Reports four times annually to the Audit Committee

Executive team committees

- Comprise Commercial, Operational and Creative executive team committees
- Define risk management roles at operational and project levels
- Use risk as an explicit part of decision-making and management of external relationships
- Continuous identification of risk, assurance and self-assessment

Strategic report continued

The principal strategic risks

Key risk for 2013	Potential impact	Mitigating action
<p>Dependence on advertising and sponsorship revenues</p>	<p>In 2013, 93% of Channel 4's revenue (2012: 91%) was derived from advertising and sponsorship. 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, including those arising from changes in regulation, and in the competitive landscape.</p> <p>Levels of advertising and sponsorship income are variable and have 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.</p> <p>The impact of this risk was broadly similar in 2013 compared to 2012. Over the longer term, the Group is seeking to reduce the proportion of revenues derived from advertising and sponsorship through revenue diversification.</p>	<p>Channel 4 has invested strongly in online advertising, which is expected to have significant growth in the next five years. Our continued growth in online revenue has supported the stability of our top line revenues.</p> <p>Channel 4 also 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 maintains a flexible cost base. Channel 4 also holds cash reserves to protect against the impact of a decline in the television advertising market.</p> <p>In addition, Channel 4 has continued to invest in commercial innovation throughout 2013.</p>
<p>Failure to identify and develop sufficiently compelling content</p>	<p>Channel 4 is tasked with selecting, retaining and scheduling compelling, innovative and risk-taking content from a diverse supply base using multiplatform delivery systems, while maintaining effective relationships with independent production companies. The potential impacts arising from failing to successfully meet this challenge includes a material decline in audience share and reach.</p> <p>The impact of this risk is deemed to have reduced in 2013 as new programmes become part of the returning spine of the schedule.</p>	<p>Channel 4 has invested in creative diversification of the programme schedule in 2012 and 2013. All independent productions are approved internally through three-way discussion between Commissioning, Commercial Affairs and the producers.</p> <p>Channel 4 business terms with independent producers and the scale of commissioning opportunity remains highly competitive. Channel 4 maintain quarterly meetings with the Chair and CEO of the Producers Alliance for Cinema and Television, 'PACT', to foster relations with the independent production community. Channel 4 employs a leading team of programme commissioners who maintain good relationships within the indie community. Channel 4 performs regular market research to understand the channel's position with respect to the independent producers. In 2013 following feedback from independent producers and a number of surveys highlighting a range of issues Channel 4 created the role of Indie Advocate to further improve relations with independent producers.</p>

Strategic report continued

Key risk for 2013	Potential impact	Mitigating action
<p>Challenge in recognising and investing in new, relevant technologies to deliver content and engage with audiences</p>	<p>A key challenge for all broadcasters is maintaining, and in many cases expanding, legacy linear distribution systems at the same time as investing in an ever expanding plethora of new platforms. Channel 4 is no exception. We now broadcast a portfolio of 14 linear channels, and make available more than 6,500 hours of on-demand content on 18 separate platforms.</p> <p>In an increasingly competitive market, with emerging global content providers, there is a risk that Channel 4 may be unable to allocate the resources necessary to sustain the competitiveness of digital products and services (particularly in light of emerging global content providers).</p> <p>The impact of this risk is deemed to have increased in 2013 due to the ongoing effect of technological change in the entertainment industry.</p>	<p>In mid-2011 the Channel 4 Board approved an investment programme to build a viewer data platform to capitalise on the arrival of two-way connectivity to television by building direct consumer relationships, and using the resulting data to improve decision-making within the Group. In 2013 Channel 4 continued to develop this ambition, evolving the viewer connection into a relationship with the launch of personalised features, recommended and tailored emails, a viewers' panel ("Core4") and plans to extend the relationship further in 2014 to deliver a personalised viewer experience where possible, supported by viewer rewards.</p> <p>Channel 4 maintains and updates a strategic plan or 'road map' to ensure that the channel stays responsive to innovation in the technology sector. Additionally, Channel 4 prioritises technology projects to maximise the Group's responsiveness to new technologies.</p> <p>The Group undertakes an extensive supplier selection and approval process for key projects, for example the provider for our next-generation Ad Sales technology.</p>

Strategic report continued

The principal strategic risks

Key risk for 2013	Potential impact	Mitigating action
<p>Breach of Ofcom licence and regulatory obligations, and legal compliance</p>	<p>Channel 4's Digital Replacement Licence, issued in December 2004, contains a number of formal obligations, including detailed programming obligations. Our licence quotas are published on page 214 of this report. Any failure to fulfil the statutory responsibilities governing delivery of our remit presents a significant risk to Channel 4.</p> <p>In addition, the transmission of content, in particular that which is risk-taking, presents legal and regulatory risks to the Group:</p> <ul style="list-style-type: none"> - 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). <p>The impact of this risk is deemed to have remained the same in 2013.</p>	<p>The Channel 4 Board is responsible for ensuring that the Group meets all of its public service obligations.</p> <p>The Board reviews current programming output and Channel 4's performance against Ofcom quotas on a regular basis. 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.</p> <p>Channel 4 has established a number of detailed legal and compliance procedures and protocols designed to ensure that the risks of legal and regulatory breach are identified and appropriately managed. These procedures are mandatory for all relevant staff and exist to ensure that difficult and finely balanced decisions on legal and compliance matters are properly considered by the most experienced editorial staff, content lawyers and senior executives.</p> <p>At the heart of the Group's procedures is Channel 4's Editorial Referral-Up Process, set out in the Channel 4 Producers Handbook, which was revamped and re-launched in 2013. This process involves senior editorial staff and ultimately the Chief Creative Officer and the Chief Executive as Editor-in-Chief. The process also requires that independent producers ensure that they have their own internal procedures so that legal and compliance issues are referred to senior executives and Channel 4 as appropriate.</p>

Strategic report continued

Key risk for 2013	Potential impact	Mitigating action
Major data security breach	<p>Channel 4 collects viewer data obtained through online services registration and video on demand viewing patterns. This data is used for tailored advertising and personalisation of the viewer experience.</p> <p>There is a potential risk that the personal information of Channel 4 viewers may be lost or disclosed, or obtained without viewers' consent. The risk of compromise of Channel 4's systems, and those of service providers and strategic business partners, also presents a threat to the security of the data held.</p> <p>A loss of viewer data would lead to reputational damage, loss of viewer and user trust, and potentially a loss of confidence in the integrity of data-driven commercial metrics.</p> <p>The impact of this risk is deemed to have increased in 2013 due to the increased volume of registered viewers.</p>	<p>The secure maintenance and transmission of confidential data is a key element of Channel 4's operations and strategy. Channel 4 takes information security very seriously, and is committed to ensuring the integrity of viewers' data which is held. The Group has an established information security function, supported by specialist resources. Data is stored by specialist third parties.</p> <p>Channel 4 has published a Viewer Promise of principles we live by when collecting and using our viewers' data:</p> <ul style="list-style-type: none"> - When we ask for data it's to give something back to the viewer. - We are clear on what data we hold and what we do with it. - The viewer controls the data we hold on them. <p>Channel 4 does not collect credit card information.</p>
Defined benefit pension deficit	<p>The defined benefit pension scheme, whilst closed to new entrants, is a material liability on the balance sheet (2013: £39 million). The overall liability may worsen over time, due to broader economic and demographic conditions, and the risk exists that Channel 4 may need to divert funding away from spend on screen in order to fund an increased liability.</p>	<p>The Corporation and Trustees of the scheme meet regularly to review the pension liability. When appropriate, they identify and agree a funding recovery plan.</p>

By Order of the Board

David Abraham
Chief Executive

26 March 2014

Report of the members

Introduction

The members present their report and the audited financial statements for the year ended 31 December 2013.

The Chairman and Chief Executive present their statements on pages 4 and 5 respectively. A review of the Group, outlining its business model, development and performance during the financial year together with its position at 31 December 2013 and financial outlook, is provided in the Strategic report on page 132. The Strategic report also outlines the principal risks and uncertainties facing Channel 4.

The Group's financial statements are set out on pages 171–206 and Channel 4's financial statements are set out on pages 207–211.

Legal form

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

Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members' interests. During 2013, members, in addition to their salaries, benefits and/or fees as disclosed on page 165, 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 Creative Skillset. Channel 4 paid £453,000 to Creative Skillset, the sector skills council for the creative industries, to fund industry-wide training during 2013.

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

Dan Brooke is a non-executive director of the Britdoc Foundation, a non-profit film foundation supported by Channel 4. Channel 4 paid £1.2 million to the Britdoc Foundation in 2013.

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.

People

Channel 4 prides itself on the wide range of passionate and talented people it employs. Not only does this reflect our audience more accurately, it also promotes creative thinking both on and off screen.

Applying for roles

Channel 4 received 11,820 applications for employment from 1 January 2013 to 31 December 2013. Of these, 26% were of ethnic minority origin, 58% were female and 42% were male.

Breaking down barriers to entry

As shown on page 15, Channel 4 continues 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 programmes.

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 joint venture investment Box TV and at independent production companies including Shed Media Group and SB:TV.

During 2013 80% of our 2012 apprentices (2012: 60%) gained permanent or freelance employment at Channel 4 or other companies 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. In 2013 Channel 4 won the Deputy Prime Minister's award for Excellence through setting the standard and continuing work in areas with high youth unemployment figures.

We plan to continue to strengthen our work in this area during 2014.

Work experience and open days

Channel 4 received 2,171 applications to attend open days and work experience placements. Of overall applicants:

- 54.3% were aged 21–30 years of age
- 17.7% were of ethnic minority origin, 0.9% preferred not to say
- 64.5% were female, 35.5% were male and 0.05% were transgender
- 1.9% declared themselves as having a disability.

Report of the members continued

Diverse talent

Every year we give in excess of £800,000 to a variety of bodies including Creative Skillset, TRC Media and the National Film and TV School to help fund projects to develop diverse entry-level talent.

Diversity

Diversity is part of the DNA of Channel 4 and helps us to innovate, be distinctive and encourage people to think in different ways. Our diversity strategy exists to:

1. Continue to diversify creative supply while building on the success of our innovative approach to onscreen 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

Channel 4 is a founder and active member of the Creative Diversity Network. The CDN is a coalition of 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.

Staff development

Between January and December 2013 there were 480 individual staff bookings onto Channel 4 workshops and training courses, made up of a mixture of bespoke training sessions tailored around specific business needs, courses offered through an outsourced training provider and specific training on Information Systems.

Accountability

Our Board and executive team have committed to promoting the highest standard of responsible corporate behaviour and are ultimately accountable for this. Channel 4 has a Corporate Code of Conduct and a suite of other policies and procedures providing a framework for accountability. In 2013 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.

Community

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

Charitable giving

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 that 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 fourth year running, we supported Open-City's Architecture in Schools programme by giving Years 3 and 4 students a tour of our headquarters building along with a question and answer session.

In addition, we participated in Open-City's Open House in September and received 1,500 visitors over a two-day period.

The Disaster Emergency Committee (DEC)

Channel 4, working in partnership with ITN, has been a broadcast partner for the DEC for a number of decades. When a large-scale international crisis occurs, we broadcast a 2–3 minute national television appeal, without charge.

4better

4better is Channel 4's internal employee engagement programme, which works to promote positive change for our people, local communities and the environment.

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 2013.

During 2013 we reviewed our in-house campaigns and created 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. This framework is being developed further in 2014.

Report of the members continued

Carbon footprint

Channel 4 qualified for Phase 2 of the government's CRC scheme, which commences from 1 April 2014. Our CRC reportable carbon emissions for the April 2012 – March 2013 year saw a reduction of 5.3% against the figures reported for the 2011–2012 year.

Our carbon emissions for 2013 and 2012 are set out in the table below. These figures have been calculated in accordance with the government's CRC scheme.

	2013	2012
Total carbon footprint (tonnes of CO ₂)	5,434	5,743
Total carbon footprint per £m revenue	6.0	6.2

Waste

We recycled 143,100 tonnes of general office waste during 2013 (2012: 163,500 tonnes), representing 100% of identified recyclable waste. General municipal unsorted waste increased to 36% of total waste in 2013 (2012: 31%). The mixed waste has increased due to a review of sorted recycling bags and the removal of contaminated waste.

Water

Following the refurbishment of the offices at Horseferry Road, we continue to monitor our consumption with the aim of reducing our year-on-year demand. During 2013 we consumed 7,609 m³ of water, which saw a decrease of 20.02% on 2012.

Channel 4 website

In keeping with our strategy to connect with viewers across all platforms, Channel 4 has published this report on its website at channel4.com/annualreport

Disclosure of information to auditors

Each of the persons who is a member at the date of approval of this Annual Report confirms that:

- so far as the member is aware, there is no relevant audit information of which the 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 & Sport, and has expressed their willingness to continue in office.

Going concern

The Group's business activities, the factors likely to affect its future development and performance, the financial position of the Group and its cashflows are set out in the Strategic Report (pages 132–143). In addition, note 14 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.

Channel 4's current broadcast licence expires on 31 December 2014. On 11 March 2014, Ofcom announced the renewal of Channel 4's licence. The new ten-year licence comes into effect in January 2015.

The Group has sufficient 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.

Report of the members continued

Responsibility statement of the members in respect of the annual financial statements

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 in accordance with IFRSs as adopted by the EU and the requirements of Chapter 4 of Part 15 of the Companies Act 2006, and elected to prepare the financial statements of the Corporation in accordance with the Financial Reporting Standard 101 *Reduced Disclosure Framework*.

The members accept responsibility for approving the financial statements only after they are satisfied that, when taken as a whole, they are fair, balanced and understandable and provide the information necessary to assess the company's performance, business model and strategy. 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 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 154. 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.

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 surplus or deficit of the Corporation and the undertakings included in the consolidation taken as a whole;
- the Strategic Report 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; and
- that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the company's performance, business model and strategy in accordance with the UK Corporate Governance Code (September 2012).

By Order of the Board

David Abraham
Chief Executive

26 March 2014

Independent auditor's report

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

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of the Corporation for the year ended 31 December 2013 set out on pages 171–211.

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 2013 and of the Group's deficit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Corporation's individual financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as if that Act applied to the Corporation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Programme and film rights (£221 million)

Refer to page 161 (Audit Committee Report), page 179 (accounting policy) and page 197 (financial disclosures).

The risk – There is significant judgement involved in estimating the value to the Group of programme and film rights. Although the assessment of this value on a portfolio basis does not result in a significant risk, there is a risk of a write-down being required when indicators of a reduction in the value of individual assets are identified, for example when:

- the quality of the programme means it may no longer be broadcast in the originally intended transmission slot such that there is a reduction in the related expected future viewing performance; or
- forecast future theatrical and DVD revenues no longer support the carrying value of developed film rights.

The majority of the costs of programme and film rights are written off on first transmission. There is, however, an increased level of judgement involved in assessing the profile of expected future advertising,

sponsorship or other related revenue in relation to certain types of programming including feature films, sports rights and acquired series, which may be written off over more than one transmission.

Our response – Our audit procedures included, among others:

- testing of controls over the approval of programme commissions and acquisitions, subsequent budget amendments and write-downs by the Group's Programme Approval committees;
- inspecting the listing of programme and film rights inventory with a focus on those items that are the oldest or have the highest carrying amounts, and those near rights expiry. We challenge the Group's assessment of the carrying amount of these items through independent enquiry of the programme scheduling team; inspection of the programme schedule for the three-month period following the year end date; and testing a sample of programmes scheduled to subsequent transmission;
- critically assessing forecast film rights income through independent enquiry of the Film4 commissioning team to understand performance expectations; reference to third-party theatrical release data and sales of distribution rights to date; and historical experience of theatrical, distribution and DVD revenues generated from film releases;
- where programmes and films are not fully expensed on first transmission, challenging the assumptions underlying the calculation of transmission cost write-offs with reference to historical viewing data; and
- considering the adequacy of the Group's disclosures about the degree of uncertainty involved in the carrying value of programme and film rights inventory.

Revenue recognition (£908 million)

Refer to page 161 (Audit Committee Report), page 177 (accounting policy) and page 182 (financial disclosures).

The risk – In terms of audit risk, the Group's revenue can be divided into two categories:

- Advertising revenues: Whilst the majority of advertising revenue contracts are non-complex, there are a small number of individually significant one-off contracts in respect of barter arrangements and contracts where Channel 4 acts as a sales agent for other broadcasters' advertising, where there are unique contract terms and an increased level of audit focus is required to determine whether the appropriate revenue recognition policy has been followed.
- Sponsorship and other revenues: The unique nature of each of these agreements gives rise to a risk of incorrect revenue recognition between accounting periods, in particular in relation to the allocation of sponsorship and syndication revenues where contracts span the year end.

Independent auditor's report continued

Our response – Our audit procedures included, among others:

- testing the design and implementation of controls operating over each of the Group's revenue streams, and testing of the operating effectiveness where appropriate;
- assessing the terms of barter and sales house contracts, obtaining evidence to support the extent to which the related performance obligations have been met, and whether the associated revenue recognised complies with the relevant accounting standards and the Group's accounting policies;
- testing a sample of higher value items of sponsorship and other revenue with reference to contract terms and transmission schedules in respect of sponsorship campaigns, to assess whether revenue has been recognised in the appropriate accounting period and;
- considering the adequacy of the Group's accounting policy disclosures.

3. Our application of materiality and an overview of the scope of our audit

In establishing the overall audit strategy, and performing the audit, materiality for the Group financial statements as a whole was set at £6.7 million. This has been determined with reference to a benchmark of Group revenue (of which it represents 0.7%), which we consider to be one of the principal considerations for members and stakeholders of the Corporation in assessing the financial performance of the Group.

The Group's components are all accounted for at the Group's office in London. The Group audit team performed the audit of all these components at the Group level as if it was a single aggregated set of financial information using the materiality level set out above. We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.3 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

4. Our opinion on other matters prescribed under the terms of our engagement is unmodified

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.

In our opinion:

- the part of the Members' Remuneration Report which we were engaged to audit has been properly prepared in accordance with SI 2008 No. 410 made under the Companies Act 2006, as if those requirements were to apply to the Corporation; and

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

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the members' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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 which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration 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 Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review:

- the members' statement, set out on page 146, in relation to going concern; and

Independent auditor's report continued

– the part of the Corporate Governance Statement on pages 151–154 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Respective responsibilities of members and auditor

As explained more fully in the members' responsibilities statement set out on page 147, the members are responsible for the preparation of 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 UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on our website at kpmg.com/uk/auditscopeother2013. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The purpose of this report and restrictions on its use by persons other than the members

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, 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.

Karen Wightman

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

26 March 2014

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 Conduct 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 below.

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 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 and has delegated each certain responsibilities. The Audit Committee Report is set out on pages 159–162 and the Remuneration Committee Report is set out on pages 163–170.

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 & Sport
- the Chair is appointed by Ofcom for a fixed term with the approval of the Secretary of State for Culture, Media & 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.

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

Corporate governance continued

- facilitating the effective contribution of non-executive members and ensuring constructive relations between executive and non-executive members
- undertaking an annual evaluation of Board and committee performance.

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board, to implement the policies and strategy agreed by the Board, and to communicate with Ofcom and other key stakeholders.

In 2013, Lord (Terry) Burns continued as Chairman and David Abraham continued as Chief Executive.

Senior independent member

Mark Price was appointed Deputy Chairman and senior independent member on 30 September 2013, replacing Lord Hall who resigned his position on the Board on 25 November 2012.

Members and members' independence

The names of the 2013 Board members, together with their brief biographies, are set out on pages 156–158.

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 (although attention is drawn to the related party transactions on page 144)
- receives remuneration other than their member's fee
- has close family ties with any of the Group's advisers, members or senior employees
- holds cross-directorships or has significant links with other members through involvement in other companies or bodies
- has served on the Board for more than six years from the date of their first election.

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:

	Board meetings attended (invited)	Audit Committee meetings attended (invited)	Remuneration Committee meetings attended (invited)
Lord Burns	9 (9)	4 (4)*	5 (5)*
Richard Rivers	7 (9)		5 (5)
Alicja Lesniak	8 (9)	3 (4)	
Monica Burch	9 (9)	3 (4)	
Mark Price	9 (9)		3 (5)
Paul Potts	9 (9)	4 (4)	
M T Rainey	9 (9)	4 (4)	
Josie Rourke	7 (9)		
Stewart Purvis	3 (3)		1 (1)
David Abraham	9 (9)	4 (4)*	5 (5)*
Jonathan Allan	9 (9)		
Jay Hunt	8 (9)		
Dan Brooke	9 (9)		
Anne Bulford**	1 (1)	2(2)*	2(2)*

*Lord Burns, David Abraham and Anne Bulford attended Audit Committee and Remuneration Committee meetings but were not members

**Anne Bulford resigned on 26 February 2013.

Board diversity

As shown on page 145, diversity is at the heart of Channel 4 and this is equally important at entry level as at the most senior levels of the organisation. In December 2013, the Channel 4 Board comprised four executive members and nine non-executive members. As stated on page 151, non-executive members are appointed by Ofcom, and executive members by the Chief Executive and Chairman. At December 2013, one of the four executive members was a woman (December 2012: two of five executive members).

Overall, in December 2013 the Board comprised five women and eight men, with the five women making up 38% of the Board membership. These details are also disclosed on page 136.

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.

The Board is not responsible for the internal control environment or corporate governance for any of the Group's joint ventures or associates.

Control environment

Clear management responsibilities are established for the executive members. As noted on page 145, 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 154, 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 Strategic Report on pages 140–143.

Editorial and compliance

Channel 4 has a long-established compliance culture, which is fully integrated into 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.

Corporate governance continued

These include specific guidance and protocols contained within the Channel 4 Producers 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 reports

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 as part of their monthly performance packs, 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 business assurance reports provided to the Audit Committee.

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 non-executive member Alicja Lesniak; three of Channel 4's executives, Anne Bulford (Chief Operating Officer), Glyn Isherwood (Group Finance Director) 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) and Carol Perry (Independent Trustee Services).

Anne Bulford (COO) resigned as a Trustee on 19 March 2013. Glyn Isherwood, Group Finance Director, was appointed as a Channel 4 representative during the year.

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 and Deloitte were appointed to be the independent parties to review the Channel's procedures. Reviews were conducted of all processes and procedures in relation to the British Comedy Awards 2013 and premium rate competitions. The members are satisfied that Channel 4 has in place suitable procedures to fulfil the requirements of paragraph 3b of the Licence.

Requirements of Schedule 9 of the Communications Act 2003 (the Act)

The Act requires Channel 4 to submit proposals to Ofcom detailing the arrangements under which it proposes to secure, so far as reasonably practicable, that all significant risks to the primary function are identified, evaluated and properly managed. These proposals are referred to as the Arrangements.

In addition, the Arrangements must include proposals which Channel 4 considers appropriate for securing the transparency objectives as set out in the Act, namely:

- an appropriate financial and organisational separation between the activities of Channel 4 that relate to the carrying out of their primary functions and their other activities; and
- an appropriate degree of transparency in financial and other reporting where resources are shared between separated activities or where there is some other financial or practical connection between otherwise separated activities.

The Act sets out the matters to which the submitted Arrangements may relate. These include the procedures and other practices to be followed by Channel 4 in the case of the initiation and management of new ventures, the exercise of particular powers, the assessment of risks, the imposition of charges and the keeping of records.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance, with the Arrangements to be checked regularly by a person (other than Channel 4's auditor) appointed in accordance with that provision. 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 155. Copies of the Arrangements are available from the Board Secretary and at channel4.com.

Corporate governance continued

Independent reporting accountants' report to Channel Four Television Corporation ("the Corporation") and the Office of Communications ("Ofcom")

We have performed a review of the Corporation's compliance during the year ended 31 December 2013 with the Arrangements approved by the Office of Communications ("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 19 February 2014 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 19 February 2014), 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 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 2013 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.

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 2013. 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 2013.

Deloitte LLP

Chartered Accountants
London

26 March 2014

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 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 & 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 Banco Santander SA, Pearson Group plc, The British Land Company plc and Legal & General plc.

Monica Burch

Monica Burch joined the Board on 1 October 2010 and in 2013 her appointment was renewed until 2016. 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. She was named in the Timewise Power Part-Time List in 2013.

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 and in 2013 her appointment was renewed until 2016. 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 Price was appointed to the Board on 1 October 2010 and in 2013 was appointed Deputy Chairman and senior independent member until 2016. 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 among 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 four 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.

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.

Members continued

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. Since 2008 she has been non-executive Chairman of the fast-growing digital strategy agency Th_nk. She is also the founder of horsesmouth.co.uk, a social enterprise for informal online mentoring.

In a voluntary capacity, MT is Vice Chair of Skillset, the sector skills council for the creative industries. She is a former Chairman of Marketing Group of Great Britain and recent President of The Thirty Club.

Josie Rourke

Joined the Board on 1 January 2012. Josie was born and educated in Salford, read English at Cambridge and trained at the Donmar Warehouse, where she returned as Artistic Director in 2012. Between 2007 and 2011 she was Artistic Director of the Bush Theatre, which was recognised as Theatre of the Year in 2011.

Her other work as a director includes productions at the Young Vic, the Royal Court, Sheffield Theatres (where she was Associate Director), the Royal Shakespeare Company, the Chicago Shakespeare Theatre, the National Theatre and in the West End.

Productions as Artistic Director of the Donmar include: *The Recruiting Officer*, *The Physicists* and *Berenice*, *The Weir*, *The Machine* (also New York and Manchester) and *Coriolanus*. Under her artistic direction, the Donmar has transferred two shows to New York and one into the West End from its Covent Garden home in six months.

Stewart Purvis

Stewart Purvis joined Channel 4 as a non-executive director in September 2013.

He joined the BBC as a News Trainee in 1969, then moved to ITN in 1972 where he became Editor of *Channel 4 News*, Editor-in-Chief of ITN and then Chief Executive. After retiring from ITN in 2003 he became a Visiting Professor of Broadcast Media at Oxford University and from 2007 to 2010 he was Ofcom's Partner for Content and Standards. He has advised the House of Lords Select Committee on Communications on the governance of the BBC and was the independent chair of a multi-party negotiation to progress digital radio in the UK.

He is Professor of Television Journalism at City University London and the co-author of *When Reporters Cross the Line*.

Executive members

Current

David Abraham

David Abraham became Channel 4's sixth Chief Executive in 2010. His focus has been on innovation, independence, creative renewal and preparing Channel 4 for the growth of connected television. Since the launch of the data strategy, more than 10 million viewers have registered and, in partnership with UKTV and BT Sport, Channel 4 Sales House has sustained revenues above £1 billion since 2011.

David joined Channel 4 from UKTV where he was Chief Executive. Prior to this, he led The Learning Channel US following a period as General Manager of Discovery Networks UK.

During the early part of his career David was a co-founder of advertising agency St Luke's. He has been a board member of Creative Skillset since 2009.

Jay Hunt

Jay Hunt became Chief Creative Officer 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* and *Mrs Brown's Boys*.

She spent 15 years in BBC News working on *Breakfast*, *Newsnight* and *Panorama* before becoming Editor of the *Six o Clock News*. In 2005 Jay became Controller of BBC Daytime, commissioning shows across BBC One and BBC Two that included returning hits such as *Great British Menu*, *Heir Hunters* and *Put Your Money Where Your Mouth Is*.

As Director of Programmes at Channel 5 in 2008, she commissioned a number of successful features shows including *Cowboy Builders* and *Extreme Fishing*.

At Channel 4, she has commissioned award-winning shows *Utopia*, *The Mill*, *Southcliffe*, *Educating Yorkshire*, *Gogglebox*, *The Undateables*, *Run* and *George Clarke's Amazing Spaces*. She acquired *Homeland* and the French zombie drama *The Returned* and led the team that delivered the BAFTA award-winning coverage of the London 2012 Paralympics.

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. In January 2007 he became Managing Director.

Jonathan Allan is also on the board of Thinkbox, the television marketing body.

Members continued

Dan Brooke

Dan Brooke is Chief Marketing and Communications Officer, having re-joined Channel 4 in November 2010. He was appointed to the Board on 1 February 2012.

Dan left independent production company Rare Day, where he was Managing Director. Prior to this, he was Managing Director of Discovery Networks UK, leading it through a period of change and innovation with the launch of seven new channels, including its first Freeview channel and its first entertainment channel, as well as mobile and on-demand services.

Dan worked at Channel 4 from 1998 to 2005, joining as the Head of Marketing and 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 a Trustee of Britdoc, the Camden Arts Centre and the Mass Extinction Monitoring Observatory.

Resigned

Anne Bulford

Anne Bulford joined Channel 4 as Group Finance Director in 2005 and was appointed Chief Operating Officer in 2010. Anne resigned on 26 February 2013.

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 left Channel 4 to join the BBC as Managing Director, Finance and Operations in June 2013.

Board Secretary

Paula Carter joined Channel 4 as the first Viewers' Editor, before becoming Board Secretary in 2011 and Director of Planning in 2013. Her background includes experience in advertising, marketing, public and commercial broadcasting and digital media. She worked for the BBC for ten 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.

Audit Committee report

Composition of the Audit Committee

During 2013 the Audit Committee comprised Alicja Lesniak (Chair), Monica Burch, Paul Potts and MT Rainey. All the members of the Committee are independent non-executive members. Alicja Lesniak FCA is a chartered accountant and was, until 2009, Chief Financial Officer of Aegis plc.

Further details of the members of the Audit Committee can be found on pages 156–158.

The Committee met four times during 2013. At the Committee Chair's invitation, the Chairman of the Board, the Chief Executive, the Group Finance Director, the Group Financial Controller, the Head of Business Assurance, the Board Secretary and the KPMG LLP external audit partner (among others) attended Committee meetings. The external audit partner and Head of Business Assurance have direct access to the Chair of the Audit Committee.

Details of attendance at Audit Committee meetings by the members of the Corporation are disclosed in the Corporate Governance Report on page 153.

Responsibilities and activities of the Audit Committee

As noted in the Corporate Governance Report on page 151, the Board has discharged certain responsibilities to the Audit Committee. The Committee's key responsibilities, and how these were discharged in 2013, are detailed opposite:

Audit Committee report continued

Responsibilities of the Audit Committee

- 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 monitor 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
- to monitor and review the effectiveness of Channel 4's Business Assurance function and activities
- 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 auditor's 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 and to ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business

Activities of the Audit Committee in 2013

- at the March and September Audit Committee meetings, reviewed an update of the Corporation's accounting policies, significant accounting and reporting issues and a detailed financial report
- at the March meeting, reviewed the 2012 financial statements and other sections of the Annual Report including the Statement of Media Content Policy before their release, to determine that these were clear and consistent with their knowledge of the Corporation and its operations and to assess that the financial statements reflected appropriate accounting principles
- at the January meeting, reviewed and approved the Business Assurance work plan and assessed the Corporation's risk management framework
- throughout the year, reviewed reports on the results of Business Assurance activities, and met with the Head of Business Assurance and Management to review the findings from these activities and instances of whistleblowing, if any
- at the March meeting, reviewed the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003
- Further details in External audit section below
- The Chair of the Audit Committee briefed the Board as necessary on the activities of the Committee and any significant matters during the course of the year
- Audit Committee papers, including Business Assurance reports, have been made available to the Board during 2013

If necessary, the Audit Committee can instigate special investigations and, if appropriate, engage special counsel or experts to assist.

Audit Committee report continued

Key audit risks

After discussions with both management and the external auditors, the Audit Committee determined that the key risks in relation to misstatement of the Corporation's financial statements were as follows:

- Programme and film rights
- Revenue recognition

These issues were discussed with management during the year, and with the external auditors while the audit strategy was being reviewed and at the conclusion of the audit of these financial statements.

Programme and film rights

The value of programme and film rights recognised on the balance sheet is £221 million as disclosed in note 12 to the financial statements. The total value of obsolete programmes and developments written off in the year was £39 million. Reflecting the status of Channel 4 as a public service broadcaster, the value to the Corporation of the programme and film rights portfolio is considered on an aggregate basis. As described on page 179, programme and film rights are stated at the lower of the direct cost incurred up to the balance sheet date and value to the Group.

The Committee has reviewed the results of management's provision for programme rights at the balance sheet date and is satisfied that the procedures performed and the assumptions made were robust.

The auditors have explained their audit procedures to test the carrying value of programme and film rights on the balance sheet and the results of their work. On the basis of their audit work, the auditor considered that the carrying value of programme and film rights was materially appropriate in the context of the financial statements as a whole.

Revenue recognition

Total revenue for 2013 was £908 million as detailed in note 1 to the financial statements. The revenue recognition accounting policies of the Corporation are disclosed on page 177. In 2013, £846 million or 93% of total revenues were advertising and sponsorship revenue, which are recognised on transmission of the advertisement for advertising revenue and on a straight line basis in accordance with the transmission schedule for each sponsorship campaign for sponsorship revenue.

The accounting treatment for new, unique revenue contracts is reviewed and presented by management to the Audit Committee.

The Committee has reviewed the accounting for each material new contract in 2013, and the judgement applied in each case. Management also provided papers explaining the accounting treatment to the auditors during the 2013 financial audit. On the basis of their audit work, the auditor considered that the value of revenue recognised was materially appropriate in the context of the financial statements as a whole.

Misstatements

Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the Committee any misstatements that they had found in the course of their work and no material misstatements remain unadjusted. The Committee confirms that it is satisfied that the auditors have fulfilled their responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the auditors, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

External audit

Auditor rotation

The current auditor has been in place since the audit of the financial statements for the year ending 31 December 2004. The auditor periodically rotates the lead audit partner to safeguard independence and objectivity. Hugh Green completed his term as lead audit partner at the conclusion of the audit of the 2012 financial statements following a term of five years. Karen Wightman began her tenure as audit partner in 2013 for the audit of these financial statements. We anticipate that Karen Wightman will continue as lead audit partner until the Audit Committee reviews the need to tender the audit ahead of 2017 when Karen Wightman's term concludes.

Auditor objectivity and independence

Channel 4 will not use its external auditors to provide other services unless it is efficient and effective to do so. The Committee has also taken action to ensure the objectivity and independence of the external auditors is maintained. To discharge this responsibility, the Committee has:

- agreed changes in senior audit personnel including the rotation of the lead audit partner
- approved the proposed audit fee
- reviewed all non-audit fees payable to the Group's external auditors
- reviewed KPMG's annual statement to the Audit Committee to confirm its independence within the meaning of regulatory and professional requirements

A summary of the fees earned by KPMG LLP in respect of all services provided in 2013 to the Corporation is shown in note 3 to the financial statements.

Audit Committee report continued

Effectiveness of the audit process

The Committee has reviewed the external audit process and has satisfied itself that it is effective by reviewing:

- the external auditor's plan for the audit of the Group's accounts, including the key audit risks identified above
- the external auditor's detailed reports on the Group's draft financial statements for the year ended 31 December 2013

Business Assurance

As noted elsewhere, the Corporation has a Business Assurance function. The Head of Business Assurance has direct access to the Chair of the Audit Committee and reports jointly to the Group Finance Director and the Chair of the Audit Committee.

During 2013, 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.

Members' remuneration report

Annual statement by the Chair of the Remuneration Committee

This report sets out the activities of the Remuneration Committee for the year ended 31 December 2013. It discloses the remuneration policy and remuneration details for the executive and non-executive members of the Corporation. It has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 to the extent to which they are applicable to Channel 4.

This is the first time the Corporation has prepared the report in accordance with the amended Regulations. The Report is set out in three main sections: the statement by the Chair of the Remuneration Committee, the annual report on remuneration, and the policy report. The annual report on remuneration provides details on remuneration relating to 2013 and other information required by the Regulations.

The Companies Act 2006 requires the auditors to report on certain parts of the Members' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on remuneration that are subject to audit are indicated in the auditor's report. The statement by the Chair of the Remuneration Committee and the policy report are not subject to audit.

The Remuneration Committee deals with all aspects of pay for the executive members and staff of Channel 4, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff, and the details of remuneration packages for executive members. The Committee's recommendations and decisions in 2013 reflect its remuneration policy, which is designed to enable Channel 4 to attract, motivate and retain high calibre staff by rewarding them with both fixed and variable pay to reward commercial and creative success, while being sensitive to the position that Channel 4 occupies as a public service broadcaster.

Composition of the Remuneration Committee

During 2013 the members of the Committee were Richard Rivers (Chair), Mark Price and Stewart Purvis (appointed 1 September 2013). In 2013, the Committee met five times.

All the members of the Committee are independent non-executive members. The Chairman of the Board, the Chief Executive, the Group Finance Director, the Director of Human Resources and the Board Secretary attend meetings as appropriate.

Where executive members or senior management are involved in advising or supporting the Remuneration Committee, care is taken to recognise and avoid conflicts of interest. No executive members attend meetings of the Remuneration Committee at times when any aspect of his or her individual remuneration, benefits or terms of employment is being discussed.

Non-executive members are appointed by Ofcom, who also determines their fees. Non-executive members are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board and other meetings in relation to fulfilling their duties. Non-executive service contracts are in line with their terms of office and subject to fixed terms of a maximum of three years.

Members' remuneration report continued

Responsibilities of the Remuneration Committee

The Committee's principal responsibilities are:

- to recommend to the Board the level of any annual salary increases, variable pay awards and the structure of remuneration, in particular for executive members and senior management
- to review any other significant change in Channel 4's remuneration package
- to recommend to the Board structures and targets for the annual Corporation Performance-Related Pay and Advertising Sales schemes, and to review progress against the targets set for the schemes

The Chair of the Remuneration Committee reports to the Board in general terms on the Remuneration Committee's decisions, and brings to the Board's attention any matters of an unusual or sensitive nature.

Activities of the Remuneration Committee

The Committee's work in 2013 included a recommendation to the Board for variable pay in respect of 2013 as well as a redesigned proposal for the Corporation Performance-Related Pay ("PRP") scheme for 2014 and beyond.

After a year of exceptional Paralympics success in 2012, the variable pay award for 2013 was lower than 2012 at an average of 45% of the maximum under the scheme (2012: 75%). Excluding the Paralympics additional award in 2012, the equivalent award would have been 50% of the maximum.

The average pay award for 1 April 2014 has been agreed at 2.5%.

The Remuneration Committee agreed that the PRP scheme for 2014 will use a number of similar metrics from 2013, but will be focused more clearly on the two common purposes of the organisation recognised by all staff: creative achievement and reputation and financial sustainability.

In 2013, the Committee took the decision to adjust the variable pay proposal for Jonathan Allan, the Sales Director. In 2013 Jonathan Allan was party to the Advertising Sales scheme, which pays out quarterly based on the achievement of advertising revenue targets. In the light of Jonathan's role as an executive member, the Committee determined that effective from 1 January 2014 his variable pay should comprise a 50:50 split between the Advertising Sales scheme and the Corporation PRP scheme referred to above.

Jonathan Allan's base salary was also adjusted upwards from 1 January 2014 from £320,000 to £350,000.

Members' remuneration report continued

Remuneration report

The following provisions of the report are subject to audit

The remuneration of the executive members for the years ending 2013 and 2012 is made up as follows:

£000	Salary and fees	Taxable benefits	Variable pay	Pension	Total for 2013	Salary and fees	Taxable benefits	Variable pay	Pension	Total for 2012
David Abraham	532	1	73	133	739	515	–	100	129	744
Anne Bulford*	156	5	–	16	177	375	1	73	40	489
Jay Hunt	396	1	54	46	497	390	1	116	35	542
Jonathan Allan	320	1	55	22	398	320	1	138	23	482
Dan Brooke	275	1	39	44	359	270	1	53	24	348
TOTAL	1,679	9	221	261	2,170	1,870	4	480	251	2,605

*Anne Bulford resigned on 26 February 2013. She opted out of accruing further benefits under the defined benefit plan on 31 March 2012, therefore no defined benefit amount has been included in the pension column for 2013.

During 2013 David Abraham and Anne Bulford received cash payments in lieu of pension benefits. All other executive members are part of the Corporation's defined contribution scheme and amounts represent contributions made.

The salary figures in the table above represent the gross salaries received in 2013, after taking account of salary increases during the year where applicable.

The remuneration of the non-executive members for the years ending 31 December 2013 and 2012 is made up as follows:

£000	2013 Salary and fees	2012 Salary and fees
Lord Burns	100	100
Mark Price	24	22
Monica Burch	22	22
Alicja Lesniak	22	22
Paul Potts	22	22
Stewart Purvis (appointed 1 September 2013)	6	–
MT Rainey	22	22
Richard Rivers	22	22
Josie Rourke	22	22
Martha Lane Fox (retired 31 January 2012)	–	2
Lord Puttnam (retired 31 January 2012)	–	2
Lord Hall (resigned 25 November 2012)	–	29
TOTAL	262	287

No detailed disclosure has been provided for the non-executive members other than for that relating to their fee, as it is the only form of remuneration they receive.

Mark Price does not retain his fees for his non-executive directorship. In accordance with Waitrose policy, Mark has requested that his fee be paid over to Waitrose.

Similarly, Monica Burch does not retain her fees for her non-executive directorship. Her firm, Addleshaw Goddard LLP, deducts her Channel 4 fees from her partner drawings.

Members' remuneration report continued

Variable pay

At the end of 2012 the Committee met to set targets for staff and executives for 2013, which were designed to promote in-year performance and the long term sustainability of the Corporation, and were consistent with investment plans for the year. Once results were available, the Committee met again to agree on a recommendation to the Board on variable pay.

Most staff and members of the executive team participate in the Corporate PRP scheme, where the maximum amounts payable range from 10% for staff up to 30% for executive team members. Corporation performance measures comprise 80% of the maximum pay-out within the scheme, with personal performance accounting for the remaining 20%.

The Corporation performance element of the scheme is payable based on four elements, as shown in the table below:

- achievement of core financial and licence targets
- quantitative targets
- programme quality
- personal performance

Achievement of at least the budgeted surplus or deficit before tax for the year is a condition for any element of the scheme to pay out to staff. Achievement of licence obligations is an additional gateway for executive team members and other senior managers.

The core and quantitative targets for the PRP scheme in 2013, and the final results achieved and earned by executive members against those targets, are set out below.

As part of the annual PRP scheme review, the Chief Executive Officer (CEO) is required to present a review of programme quality during the year. The Committee used their discretion and judgement to allocate an amount to recognise the creative achievements, and for 2013 assessed this at 75% of the maximum payable.

The Committee recommended that all Executive Members in the Corporate PRP scheme receive the maximum 6% in recognition of achievement of all personal performance objectives. Overall, this brought the total pay-out to 13.5% of year end salary for the Executive team. Heads of Department received 9% of salary and staff received 4.5% of salary.

Staff working within advertising sales have a dedicated Advertising Sales scheme, linked to advertising revenue and paid quarterly throughout the year based on performance. The maximum payable under the scheme in 2013 was up to 75% of salary and the average pay-out was £7,000. In 2013 Jonathan Allan, the Director of Sales, received £55,000 through the Advertising Sales scheme.

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 provided to all staff). These benefits are not pensionable. In line with the Corporation's expenses policy, no expenses claimed by executive members were chargeable to UK income tax as they were incurred wholly for the purposes of the business of the Corporation.

Objective	Weighting	Target range	Opportunity	Final result	Amount paid
Licence requirement	Gateway to scheme	Meet	N/A	All met or exceeded	N/A
Surplus or deficit before tax	Gateway to scheme	As budget	N/A	Exceeded	N/A
Share of net advertising revenues (SONAR)	10%	26.4% – 27.2%	3%	26.4%	1.0%
% of registered VoD views	10%	20% – 35%	3%	29.0%	2.0%
Main channel share	13.3%	6.4% – 7.0%	4%	6.1%	–
Portfolio share	13.3%	11.4% – 11.8%	4%	11.0%	–
Portfolio share of SOCI 16–34	6.7%	24.1% – 26.0%	2%	23.3%	–
Portfolio share of SOCI ABC1	6.7%	19.5% – 21.1%	2%	19.0%	–
Programme quality	20%	Meet	6%	75.0%	4.5%
Personal performance	20%		6%		6.0%
Total	100%		30%		13.5%

Members' remuneration report continued

Pension

The Corporation has two pension schemes: a defined contribution scheme open to all staff, and a defined benefit scheme which is closed to new entrants. 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.

During the year there were no executive members remaining within the Plan. Anne Bulford left the Plan on 31 March 2012.

Further details relating to the Plan are provided in note 18 to the financial statements.

Non-executive members are not eligible for membership of either pension scheme.

The following provisions of the report are not subject to audit

CEO remuneration table

The table below shows the percentage change in remuneration of David Abraham, the CEO and the Corporation's employees as a whole between the years 2013 and 2012:

	CEO	All staff
Salary and fees	+5%	+2.5%
Variable pay	-27%	-42%
Total	-1%	+1%

The Remuneration Committee awarded David Abraham a 5% increase in salary from 1 April 2013.

Payment for loss of office

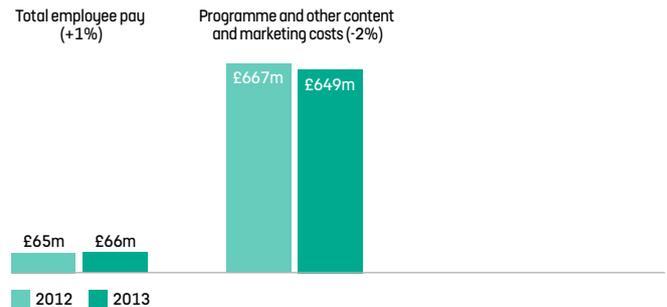
No payments were made for loss of office in 2013 to executive members, and at the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office to executive members.

Payment to past members

No payments were made to past members in 2013.

Relative importance of spend on pay

The graph below shows the actual expenditure of the Group and the change between the current and previous years.



The members have chosen the change in total direct programme, content and marketing costs as disclosed in note 2 to the financial statements as the comparative measure for relative spend on pay as it is considered to be the most significant indicator in understanding total Corporation expenditure year-on-year. As illustrated on page 132, programme and marketing costs were lower in 2013 after the Paralympics year in 2012. As in previous years, employee pay remains at some 10% of our onscreen expenditures.

Total employee pay is detailed in note 4 to the financial statements.

The Group are not presenting a five-year table on CEO pay as it is a statutory Corporation without shareholders and the requirements are therefore not applicable.

By Order of the Board

Richard Rivers

Chair of the Remuneration Committee

26 March 2014

Members' remuneration report continued

Remuneration policy for 2014

The remuneration of executive Board members is determined by the Remuneration Committee, the membership and terms of reference of which are detailed on pages 163–164. In framing its remuneration policy, the Committee has given full consideration to the best practice provisions of the UK Corporate Governance Code.

Future policy table

The following table sets out the key components of the remuneration package for executive members:

Component	How this supports the strategic aims of the Group	How this operates	Maximum amount payable	Performance measures
Salary	Offering competitive remuneration packages helps the Corporation attract, motivate and retain a high calibre staff and executive team	Salaries are paid monthly The Remuneration Committee discusses the performance of each member with the Chairman of the Board and with the CEO for other executive members	Salaries for the year to 30 March 2015 are as follows: David Abraham – £553,731 Jay Hunt – £409,744 Jonathan Allen – £350,000 Dan Brooke – £290,000 rising to £305,000 from June 2014 Except where otherwise shown, salaries are reviewed annually in the first quarter of the year. Increases reflect changes in responsibility and performance.	None
Taxable benefits		The Corporation offers a range of benefits to all staff including private medical insurance Other benefits such as life assurance are available through a flexible benefits scheme	The value of private medical insurance in 2014 is expected to be £700 per employee	None
Pensions		The Corporation currently offers a defined contribution pension scheme for new staff. The Corporation also operates a defined benefit scheme. In 2013 there were no executive members of the defined benefit scheme	The maximum amount contributed by the Corporation is 13% of pensionable salary	None

Members' remuneration report continued

Future policy table (continued)

Component	How this supports the strategic aims of the Group	How this operates	Maximum amount payable	Performance measures
Variable pay		Most staff and members of the executive team participate in the PRP scheme. Pay-out is determined annually by the Remuneration Committee shortly after the financial year end based on performance and paid to staff in April/May following the year end	10% for staff and up to 30% for executive team members	<p>The PRP scheme for 2014 and the measures to be used will evolve from the 2013 scheme but broadly reflect the balance in the Channel 4 business model between creativity and sustainability</p> <p>The measures will reflect how we have performed this year in being creatively distinctive and in delivering our remit, and how we have performed this year in maximising our future financial sustainability</p>

None of the components of remuneration contain any provisions for recovery of sums paid.

In 2014, the Remuneration Committee determined that the pay awards from 1 April 2014 should not exceed 2.5% of total salaries for the Group.

The following table sets out the key components of the remuneration package for non-executive members:

Component	Purpose	Operation
Fees	Fees are set by Ofcom and reviewed periodically	Fees are paid monthly

No other components of remuneration are available for non-executive members.

Policy on payment for loss of office

The service contracts of all the executive members are subject to notice periods of one year or less. The Committee's policy is to make payments in line with contractual obligations covering payment in lieu of notice including base salary and other benefits.

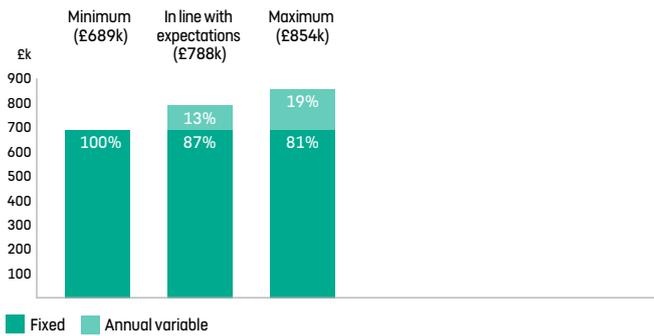
The Remuneration Committee will consider what compensation commitments (including pension contributions and all other elements) the executive members' terms of appointment would entail in the event of early termination. The aim of this is to avoid rewarding poor performance.

Members' remuneration report continued

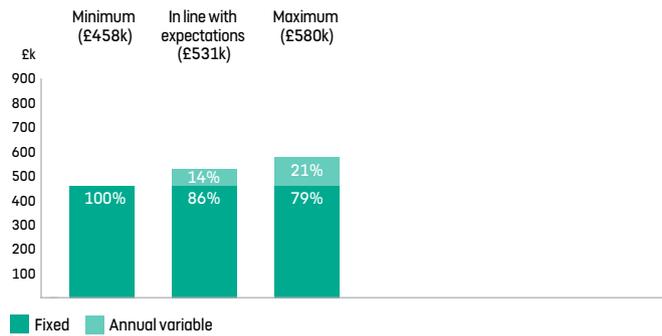
Illustration of application of remuneration policy

The graphs below represent the variations in the remuneration at different levels of performance for the first year of application of the remuneration policy for the executive members:

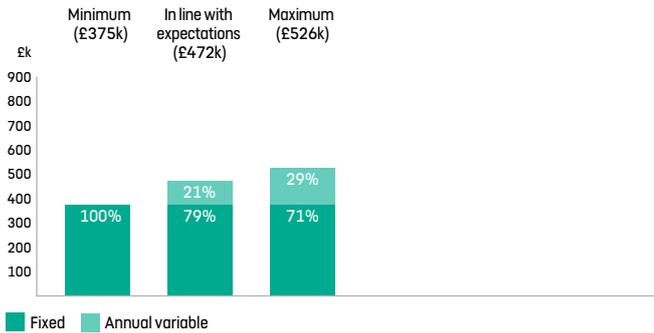
CEO



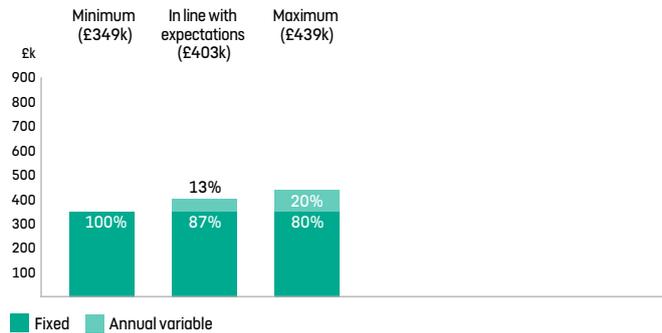
Chief Creative Officer



Director of Sales



Chief Marketing and Communications Officer



Auditable information

The remuneration information set out on pages 165 to 167, where indicated, has 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.

Consolidated income statement and statement of comprehensive income for the year ended 31 December

Consolidated income statement for the year ended 31 December

	Note	Group 2013 £m	Group 2012 £m
Revenue	1	908	925
Cost of transmission and sales	2	(892)	(924)
Gross surplus		16	1
Other operating expenditure	3	(32)	(30)
Profit on sale of investments	8	1	–
Operating deficit		(15)	(29)
Financial income	5	12	13
Financial expense	5	(13)	(12)
Net finance (expense)/income		(1)	1
Share of profit of investments accounted for using the equity method, net of income tax and amortisation	7	–	1
Deficit before tax		(16)	(27)
Income tax credit	6	1	–
Deficit for the year		(15)	(27)

Statement of comprehensive income for the year ended 31 December

	Note	Group 2013 £m	Group 2012 £m
Deficit for the year		(15)	(27)
Net actuarial deficit on pension scheme	18	(1)	(21)
Revaluation of freehold land and buildings	9	12	7
Deferred tax on pension scheme recognised directly in other comprehensive income	11	–	5
Deferred tax on revaluation of freehold land and buildings recognised directly in other comprehensive income	11	(2)	–
Other comprehensive income/(cost) for the year		9	(9)
Total comprehensive cost for the year		(6)	(36)

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

Consolidated statement of changes in equity for the year ended 31 December

	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2012	489	11	500
Deficit for the year	(27)	–	(27)
Other comprehensive (cost) / income	(16)	7	(9)
Total comprehensive (cost) / income for the year	(43)	7	(36)
At 31 December 2012	446	18	464
At 1 January 2013	446	18	464
Deficit for the year	(15)	–	(15)
Other comprehensive (cost) / income	(1)	10	9
Total comprehensive (cost) / income for the year	(16)	10	(6)
At 31 December 2013	430	28	458

Consolidated balance sheet as at 31 December

	Note	2013 £m	2012 £m
Assets			
Investments accounted for using the equity method	7	23	25
Equity investments	8	–	2
Freehold land and buildings	9	73	62
Fixtures, fittings and equipment	9	17	19
Intangible assets	10	3	5
Deferred tax assets	11	11	11
Total non-current assets		127	124
Programme and film rights and other inventories	12	224	219
Trade and other receivables	13	182	173
Corporation tax		1	–
Other financial assets	14	107	88
Cash and cash equivalents	14	131	173
Total current assets		645	653
Total assets		772	777
Liabilities			
Employee benefits – pensions	18	(39)	(40)
Provisions	16	(2)	(3)
Deferred tax liabilities	11	(3)	(1)
Total non-current liabilities		(44)	(44)
Trade and other payables	15	(269)	(267)
Corporation tax		–	(1)
Provisions	16	(1)	(1)
Total current liabilities		(270)	(269)
Total liabilities		(314)	(313)
Net assets		458	464
Revaluation reserve		28	18
Retained earnings		430	446
Total equity		458	464

The financial statements on pages 171–206 were approved by the Board of members on 26 March 2014 and were signed on its behalf by:

Lord Burns

Chairman

David Abraham

Chief Executive

The notes on pages 175–206 form part of these financial statements.

Consolidated cashflow statement for the year ended 31 December

	Note	Group 2013 £m	Group 2012 £m
Cashflow from operating activities			
Deficit for the year		(15)	(27)
Adjustments for:			
Income tax credit	6	(1)	–
Depreciation	9	6	6
Amortisation of intangibles	10	2	2
Net financial expense/(income)	5	1	(1)
Share of profit from investments accounted for using the equity method, net of income tax	7	–	(1)
Current service pension cost	18	3	3
Operating cashflow before changes in working capital and provisions		(4)	(18)
Changes in working capital and provisions:			
Increase in programme and film rights and other inventories	12	(5)	(13)
(Increase)/decrease in trade and other receivables	13	(10)	26
Increase/(decrease) in trade and other payables	15	2	(7)
Decrease in provisions, excluding unwinding of discounts	16	(1)	(4)
Cash expended on operations		(18)	(16)
Pension contributions	18	(6)	(6)
Tax paid		(1)	(2)
Net cashflow from operating activities		(25)	(24)
Cashflow from investing activities			
Proceeds from disposal of investment	8	2	–
Purchase of property, plant and equipment	9	(3)	(6)
Internally developed software	10	–	(3)
Interest received	5	1	2
Dividends received	7	2	2
Increase in other financial assets*	14	(19)	(44)
Net cashflow from investing activities		(17)	(49)
Net decrease in cash and cash equivalents		(42)	(73)
Cash and cash equivalents at 1 January		173	246
Cash and cash equivalents at 31 December		131	173

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

Group 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 2013 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 26 March 2014. The registered office of Channel 4 is 124 Horseferry Road, London, SW1P 2TX.

Basis of preparation

The financial statements of the Group have been prepared and approved by the members in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRSs). The Corporation's individual financial statements have been prepared in accordance with UK Accounting Standards, including the FRS 101 *Reduced Disclosure Framework*.

The financial statements as a whole have been prepared in a form directed by the Secretary of State for Culture, Media & Sport with the approval of HM Treasury, and are principally prepared under the historical cost convention (except that freehold properties, derivatives and certain financial instruments are stated at fair value). In line with IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial statements are presented in pounds Sterling, rounded to the nearest million.

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 summarised below:

Revenue recognition

Revenues are stated net of value added tax and are recognised when persuasive evidence of a sale exists, a service has been performed, and when collectability is reasonably assured. The key area of judgement on recognising revenue is the timing of recognition, which reflects the point or period when the Group has transferred the main risks and rewards of ownership to third parties. Channel 4's full revenue recognition policy is detailed on page 177.

Programme and film rights held for broadcast

Programme and film rights are stated at the lower of the direct cost incurred up to the balance sheet date and value to the Group. The cost of broadcast programmes and acquired films are wholly written off on first transmission, except for certain feature films, sports rights and certain acquired series, the costs of which are written off over more than one transmission in line with the expected value to the Group. The key area of judgement is estimating value to the Group, which is assessed both qualitatively and quantitatively, with reference to the quality of programme that has ultimately been delivered and its expected viewing performance. Channel 4's full programme and film rights policy is detailed on page 179.

Judgement is also required when estimating future revenues from distribution, when evaluating the carrying value of film rights held for exploitation.

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 cashflows are set out in the Strategic Report of the members (pages 132–143). As discussed on page 133, on 11 March 2014 Ofcom announced the renewal of Channel 4's licence. The new ten-year licence comes into effect in January 2015.

In addition, note 14 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 sufficient 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.

Group accounting policies continued

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 7, 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.

Intra-Group balances and any unrealised gains and losses or income and expense arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and 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.

Accounting policies

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

The following new standards became effective for the first time from 1 January 2013:

- IAS 1 – Presentation of financial statements
- IFRS 13 – Fair value measurement
- IAS 19 (revised) – Employee benefits

A number of new standards, amendments to standards and interpretations have been issued and become effective on 1 January 2014, including

- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- IAS 27 – Separate financial statements
- IAS 28 – Investments in associates and joint ventures

None of the new standards above becoming effective on 1 January 2014 have been applied in relation to the 2013 financial statements. These standards are expected to have an impact on the consolidated financial statements of the Group. The extent of the impact will be assessed in detail in 2014 and will, among other things, include consideration of the accounting treatment of the equity investment held in Box Television Limited.

Group accounting policies continued

Revenue recognition

Revenues are stated net of value added tax and are recognised when persuasive evidence of a sale exists, a service has been performed, and when collectability is reasonably assured. The key area of judgement on recognising revenue is the timing of recognition, which reflects the point or period when the Group has transferred the main risks and rewards of ownership to third parties. For each of the Group's significant revenue streams, revenues are recognised as described below:

Advertising and sponsorship revenues

Revenues are stated net of advertising agency commissions.

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 revenues are recognised on a straight line basis over the period of display of the advertisement, or if lower, as impressions are delivered.

Commission earned from advertising representation for third parties, including Box Television Limited, is recognised on transmission of the related advertisements in line with contractual arrangements. As the Group acts as an agent for these parties, and does not have exposure to the significant risks and rewards of the sale, the advertising sales are not recognised in revenue.

Revenues are recognised from barter and other similar contractual arrangements involving advertising when the services exchanged are dissimilar. Revenues are measured with reference to the fair value of the goods or services received.

Other revenues

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

- Milestones – non-refundable milestone payments are recognised once the Group's performance obligations are satisfied, for example upon launch.
- Ongoing service fees – revenue is recognised on a straight line basis over the contract term as service obligations are performed.
- Pence-per-view or revenue share – revenues are calculated based on the number of content views and are recognised when the amounts can be reliably measured.

DVD revenues are principally recognised when stock is delivered to retailers, net of a provision for anticipated returns based on historical trends and an assessment of market conditions at the balance sheet date. Consignment sales, when made, are recognised when the sales made to the ultimate customers can be reliably measured.

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

Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments'. Segments are aggregated only where the nature of the products and services provided are similar and where the segments have similar economic characteristics.

The chief operating decision-maker has been identified as the Channel 4 Board. Segments follow management reporting to the Board in order to make decisions on the allocation of resources within the Group.

Taxation

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

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

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

The following temporary 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.

Group accounting policies continued

Investments in associates and interests in jointly controlled entities

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 other comprehensive income 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 & 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. 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%

Freehold land is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or other changes in circumstances indicate that the carrying values may not be recoverable. Where an indicator of impairment exists, an estimate is made of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

Intangible assets and goodwill

Expenditure on internally developed computer software applications is capitalised to the extent that the project is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits. The expenditure capitalised includes the cost of software licences, direct staff costs and consultancy costs.

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

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

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.

Group accounting policies continued

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

All programme and film rights are valued at the lower of the direct cost incurred up to the balance sheet date and value to the Group. Development expenditure is included in programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme, or a 'green-lit' film, directly to the income statement.

Programme and acquired film rights

Direct cost

Direct cost is defined as payments made or due to programme suppliers.

Value to the Group

Consistent with Channel 4's business model, in which programmes that generate more revenue cross-subsidise programmes with a higher public but lower commercial value, the value to the Group of the programme and acquired film rights portfolio is assessed on an aggregate basis.

This assessment is overlaid by an evaluation of individual programmes when there is an indicator that the value of these specific programmes may be less than originally envisaged. Value to the Group of individual programmes is assessed both qualitatively and quantitatively, with reference to the quality of programme that has ultimately been delivered and its expected viewing performance.

In certain instances Channel 4 is committed to funding the acquisition or production of specific programmes where the value to the Group no longer warrants the level of expenditure to which the Group is committed. In these instances provision is first made against the costs incurred to date and then a liability recognised to reflect the unavoidable costs in relation to the remaining commitment.

Amortisation

Programme and acquired film rights are exploited by transmission on the Channel 4 suite of channels. The cost of broadcast programmes and acquired films are wholly written off on first transmission, except for certain feature films, sports rights and certain acquired series, the costs of which are written off over more than one transmission in line with the expected value to the Group.

Developed film rights

Direct cost

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

Value to the Group

Developed film rights are exploited both through broadcast on Channel 4's suite of channels and through distribution.

Broadcast film rights are assessed in the same way as programme and acquired film rights.

To the extent that developed film rights are expected to generate revenue, where Channel 4's share of distribution revenues the film is anticipated to earn does not support the associated cost held within inventory, provision is made. The main assumptions employed to estimate future distribution revenues are minimum guaranteed contracted revenues and sales forecasts by territory.

Amortisation

Broadcast film rights are amortised in the same way as programme and acquired film rights.

Developed film rights expected to generate future revenues from distribution are held on the balance sheet and expensed to the income statement in the proportion that the revenue in the year bears to the estimated ultimate revenue, after provision for any anticipated shortfall.

Other inventories

Other inventories principally comprise DVDs held within the 4Rights segment, and are stated at the lower of cost and net realisable value.

Group accounting policies continued

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts.

Other financial assets

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

Cash and cash equivalents

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

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 either of the years presented. As a result, changes in the fair value of hedging instruments have been recognised in the income statement as they have arisen.

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

Leases

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 a value at today's prices, and deducting the fair value of scheme assets at bid price. The assumed discount rate for the liabilities is the current rate of return of high quality corporate bonds with similar maturity dates. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and deficit 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.

We have recalculated the comparative figures for the year ending 31 December 2012 as required under IAS 19(R). There are no material restatements required in respect of this for either the income statement, other comprehensive income or the balance sheet.

Defined contribution scheme

Obligations under the Group's defined contribution scheme are recognised as an expense in the income statement as incurred.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Before provisions are established in relation to onerous contracts, impairment reviews are carried out and impairment charges recognised on assets dedicated to the contract.

Notes to the consolidated 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. Summaries of the principal activities, products and services and financial performance for each segment are provided within the Strategic Report on pages 132–135.

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

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

Revenues from transactions with one individual external customer comprised more than 10% of the Group's revenues in 2013 amounting to £131 million (2012: three external customers amounting to £331 million). The Group's major customers are all media buying agencies and these revenues are attributable to the 4Broadcast segment. Approximately 3% of the Group's revenues (2012: 3%) are attributable to external customers outside the UK and these are therefore not separately presented.

Notes to the consolidated 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 2013	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Programme and other content	(608)	(1)	–	–	(609)
Funded by:					
External sales	841	66	1	–	908
Inter-segment sales	1	–	–	(1)	–
Total revenue	842	66	1	(1)	908
Operating surplus/(deficit)	(36)	20	1	–	(15)
Net finance expense					(1)
Deficit before tax					(16)

Programme and content spend is funded by television advertising and other commercial operations. Programme and other content is comprised of investment into content across all services (the main channel, digital TV channels and digital media services) of £597 million, access services (subtitling, audio description and signing) and amounts due to collection societies.

The £15 million 2013 Group operating deficit includes investment in content and other strategic initiatives and is financed from reserves accumulated in prior years. A summary of the balance sheet and cash reserves is shown below.

Balance sheet as at 31 December 2013	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Segment assets	798	133	36	(195)	772
Segment liabilities	(399)	(27)	(83)	195	(314)
Net assets/(liabilities)	399	106	(47)	–	458

Cashflow information	£m
Cash and cash equivalents at 1 January (note 14)	173
Other financial assets at 1 January (note 14)	88
Total cash and cash equivalents and other financial assets at 1 January 2013	261
Net cashflow from operating activities	(25)
Net cashflow from investing activities	2
Total cashflow	(23)
Cash and cash equivalents at 31 December (note 14)	131
Other financial assets at 31 December (note 14)	107
Total cash and cash equivalents and other financial assets at 31 December 2013	238

Notes to the consolidated financial statements continued

1. Segment reporting continued

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

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

Cashflow information	£m
Cash and cash equivalents at 1 January (note 14)	246
Other financial assets at 1 January (note 14)	44
Total cash and cash equivalents and other financial assets at 1 January 2012	290
Net cashflow from operating activities	(24)
Net cashflow from investing activities	(5)
Total cashflow	(29)
Cash and cash equivalents at 31 December (note 14)	173
Other financial assets at 31 December (note 14)	88
Total cash and cash equivalents and other financial assets at 31 December 2012	261

Notes to the consolidated financial statements continued

2. Cost of transmission and sales

	Programme and other content £m	Indirect programme costs £m	Transmitter and regulatory costs		Cost of sales £m	Cost of marketing £m	Total £m
			Analogue £m	Digital £m			
2013							
4Broadcast	608	41	–	106	55	38	848
4Rights	1	6	–	4	31	2	44
Other	–	–	–	–	–	–	–
Eliminations	–	–	–	–	–	–	–
Group continuing operations	609	47	–	110	86	40	892

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

Notes to the consolidated financial statements continued

3. Other operating expenditure

Other operating expenditure includes:

	2013 £m	2012 £m
Depreciation of property, plant and equipment (note 9)	6	6
Amortisation of intangible assets (note 10)	2	2
Restructuring costs	2	1
Members' remuneration (page 165)	2	3
Operating lease rentals (note 17)	1	1
Other administrative expenses	19	17
Other operating expenditure	32	30

Auditor's remuneration

Fees in respect of services provided by the auditors were:

	2013 £000	2012 £000
Audit of these financial statements	125	74
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	15	63
Other audit-related and assurance	65	75
Total audit and assurance	205	212
Taxation compliance services	79	122
All other services	70	32
Total other services	149	154
Auditor's remuneration	354	366

In addition to the above services £21,500 (2012: £21,500) 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.

The fees in relation to the audit of the financial statements of the two trading subsidiaries of the Group, 4Ventures Ltd and FilmFour Ltd (page 210), were reduced in 2013. In 2012, reflecting the revised Arrangements under Schedule 9 of the Communications Act 2003, a significant proportion of the business and assets of 4 Ventures Ltd performing primary functions under the Act were transferred into the Corporation. As a result, a proportion of the audit work has been transferred into the audit of the Group.

Notes to the consolidated financial statements continued

4. Employee expenses and information

A detailed analysis of members' remuneration, including salaries and variable pay, is provided in the report on members' remuneration on pages 163–170.

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

	2013 £m	2012 £m
Aggregate gross salaries	55	55
Employer's national insurance contributions	6	6
Employer's defined benefit pension current service cost (note 18)	3	3
Employer's defined contribution pension contributions	2	1
Total direct costs of employment	66	65

In addition to the above, in 2013 £2 million was expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the Group (2012: £1 million).

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

	2013 £000	2012 £000
Total remuneration of highest paid employee (page 165)	739	744
Total remuneration of median employee	51	51
Multiple of highest paid to median employee	14.5	14.6

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

Notes to the consolidated financial statements continued

4. Employee expenses and information continued

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

	2013 Number	2012 Number
4Broadcast		
Programme commissioning	210	209
Advertising and sponsorship sales and research	191	190
Marketing, research and creative services	110	100
Corporate affairs and press office	36	34
Information systems	45	46
Corporate and strategy	17	21
Transmission and engineering	46	43
Finance, human resources and facilities management	68	68
4Talent	12	16
	735	727
4Rights	63	68
Group employees	798	795
Permanent employees	746	716
Contract staff	52	79
Group employees	798	795

We have restated the 2012 totals for programme commissioning and transmission and engineering for comparative purposes following a reallocation of employees between those departments in 2013.

5. Net finance income/(expense)

Net finance income/(expense) recognised in the year comprised:

	2013 £m	2012 £m
Interest receivable on short-term deposits	1	2
Interest income on plan assets (note 18)	11	11
Financial income	12	13
Interest on pension scheme liabilities (note 18)	(13)	(12)
Financial expense	(13)	(12)

Notes to the consolidated financial statements continued

6. Income tax expense

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

	2013 £m	2012 £m
Current tax:		
Current year	-	-
Adjustment for prior years	(1)	(1)
	(1)	(1)
Deferred tax: origination and reversal of temporary differences		
Current year	(2)	1
Prior year	2	-
Income tax credit	(1)	-
Share of income tax of investments accounted for using the equity method	-	1
Total income tax (credit)/expense	(1)	1

Corporation tax is charged at the standard UK rate of 23.25% for the year (2012: 24.5%).

Notes to the consolidated financial statements continued

6. Income tax expense continued

Reconciliation of income tax:

	2013 %	2013 £m	2012 %	2012 £m
Deficit after tax		(15)		(27)
Total income tax credit		(1)		–
		(16)		(27)
Income tax of investments accounted for using equity method		–		1
Deficit excluding income tax		(16)		(26)
Income tax using the domestic corporation tax rate	23.25%	(4)	24.5%	(6)
Effects of:				
Non-deductible expenses		1		1
Non-taxable gains		–		(1)
Deferred tax not recognised		1		6
Other tax adjustments		1		–
Total income tax credit		(1)		–

Current tax assets and liabilities

The current tax asset of £1 million (2012: liability of £1 million) represents the amount of income tax recoverable in respect of current and prior periods.

Notes to the consolidated financial statements continued

7. 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 2018 using a pre-tax discount rate of 10% (2012: 11%), reflecting the Group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 3.0% (2012: 2.1%), an equity risk premium of 7.0% (2012: 6.9%), and a sector premium of nil (2012: 2.0%). Cashflows were based on management's best estimate of future performance to 2018 and flat growth into perpetuity, reflecting management's cautious view of the long term potential in music viewing in 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 (8 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. During 2013, Channel 4 received a dividend of £2 million (2012: £2 million) from Box. Channel 4 also sold £8 million (2012: £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 2013 (2012: £1 million) in respect of these services. Channel 4 paid £nil (2012: £1 million) to Box in 2013 and owed Box £nil at 31 December 2013 (2012: £0.1 million).

The carrying value of the Group's investment in Box was as follows:

	2013 £m	2012 £m
Carrying value at 1 January	25	26
Share of post acquisition profits, net of income tax	1	2
Amortisation	(1)	(1)
Share of dividends received	(2)	(2)
Total carrying value at 31 December	23	25

Summary annual financial information of investment in Box

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
2013						
Box Television Ltd	13	-	(6)	-	35	(31)
2012						
Box Television Ltd	13	-	(6)	-	37	(33)

Notes to the consolidated financial statements continued

8. Equity investments

	2013 £m	2012 £m
At 1 January	2	2
Disposals	(2)	–
At 31 December	–	2

Espresso Broadband Ltd

£1.5 million of the equity investments held by the Group at 31 December 2012 related to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007.

On 12 September 2013 the Corporation sold its investment in Espresso Broadband Ltd and received a consideration of £2.2 million. A profit on the sale of the investment was recognised of £0.7 million.

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 2013 (2012: £nil).

There is no difference between the fair value and book value of equity investments.

Notes to the consolidated financial statements continued

8. Equity investments continued

Other investments

Channel Four Television Corporation contributes to the funding of the following not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. The group recognises its share of funding contributions of these organisations in the appropriate line in the income statement in the period to which they relate. The table below presents Channel 4's ownership of the entities, or legal guarantee (indicated with*), and transactions with them during the year.

	Ownership	Activity	Service fees received year ended 31 December	Funding & services provided year ended 31 December
			£m	£m
2013				
Broadcasters' Audience Research Board Ltd	*	Research	–	2
Clearcast Ltd	16.70%	Regulator	–	1
Digital 3 and 4 Ltd	50.00%	Operator	1	30
DTT Multiplex Operators Ltd (DMOL)*	*	Platform	–	–
DTV Services Ltd	20.00%	Marketing	3	5
Digital UK*	*	Marketing	–	1
Thinkbox Ltd	20.00%	Marketing	1	2
YouView Ltd	14.30%	Platform	4	6

	Ownership	Activity	Service fees received year ended 31 December	Funding & services provided year ended 31 December
			£m	£m
2012				
Broadcasters' Audience Research Board Ltd	*	Research	–	2
Clearcast Ltd	16.70%	Regulator	–	1
Digital 3 and 4 Ltd	50.00%	Operator	1	20
DTT Multiplex Operators Ltd (DMOL)*	*	Platform	–	–
DTV Services Ltd	20.00%	Marketing	5	7
Digital UK*	*	Marketing	–	–
Thinkbox Ltd	20.00%	Marketing	1	2
YouView Ltd	14.30%	Platform	2	7

There were no trade receivable or trade payable balances with any of the related parties listed above at 31 December 2013 or 31 December 2012. No dividends were received in 2013 (2012: £nil) from any of the related parties listed above.

Notes to the consolidated financial statements continued

9. Property, plant and equipment

	Freehold land and building £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation			
At 1 January 2012	56	119	175
Additions	–	6	6
Revaluation	6	–	6
At 31 December 2012	62	125	187
At 1 January 2013	62	125	187
Additions	–	3	3
Revaluation	11	–	11
At 31 December 2013	73	128	201
Depreciation			
At 1 January 2012	–	101	101
Charge for the year	1	5	6
Revaluation	(1)	–	(1)
At 31 December 2012	–	106	106
At 1 January 2013	–	106	106
Charge for the year	1	5	6
Revaluation	(1)	–	(1)
At 31 December 2013	–	111	111
Net book value			
At 1 January 2012	56	18	74
At 31 December 2012	62	19	81
At 1 January 2013	62	19	81
At 31 December 2013	73	17	90

Commitments to purchase property, plant and equipment are detailed in note 17. There were no material assets held under finance leases at the balance sheet date. No assets have been pledged for security (2012: none).

Notes to the consolidated financial statements continued

9. Property, plant and equipment continued

Valuation of freehold property

The freehold property at 124 Horseferry Road, London SW1P 2TX, was valued at 31 December 2013 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 that have taken place in recent months within the Victoria area of London.

The open market value for this property was £73 million (2012: £62 million). After depreciation charged on the open market value at 31 December 2013 (£1 million), a gain on revaluation of £12 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:

	2013 £m	2012 £m
Cost	62	62
Accumulated depreciation	(18)	(17)
Impairment	(6)	(6)
Net book value based on cost	38	39

Notes to the consolidated financial statements continued

10. Intangible assets

	Developed software £m	Broadcasting licence £m	Total £m
Cost			
At 1 January 2012	20	5	25
Internally developed	3	–	3
At 31 December 2012	23	5	28
At 1 January 2013	23	5	28
Internally developed	–	–	–
At 31 December 2013	23	5	28
Amortisation			
At 1 January 2012	17	4	21
Amortisation for the year	1	1	2
At 31 December 2012	18	5	23
At 1 January 2013	18	5	23
Amortisation for the year	2	–	2
At 31 December 2013	20	5	25
Carrying amount			
At 1 January 2012	3	1	4
At 31 December 2012	5	–	5
At 1 January 2013	5	–	5
At 31 December 2013	3	–	3

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 broadcast licence represents the broadcasting licence acquired as part of the acquisition of Life One Broadcasting Ltd in 2007 and transferred to Channel 4 on 1 January 2012 at its carrying value and was fully amortised as of 31 December 2012.

Notes to the consolidated financial statements continued

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 20% (2012: 23%) reflecting the corporation tax rate substantially enacted as at 31 December 2013. The UK government has announced a phased reduction in the main corporation tax rate to 20%.

	Assets 2013 £m	Assets 2012 £m	Liabilities 2013 £m	Liabilities 2012 £m	Net 2013 £m	Net 2012 £m
Property, plant and equipment	2	2	-	-	2	2
Intangible assets – internally developed software	-	-	-	(1)	-	(1)
Employee benefits	7	9	-	-	7	9
Carried forward trading losses	2	-	-	-	2	-
Revaluation of freehold land and buildings	-	-	(2)	-	(2)	-
Other short term timing differences	-	-	(1)	-	(1)	-
Group deferred tax assets / (liabilities)	11	11	(3)	(1)	8	10

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2013 £m	2012 £m
Carried forward capital losses	1	1
Carried forward trading losses	7	7
Tax assets	8	8

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 12 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 Dec 13 £m
Property, plant and equipment	2	-	-	2
Intangible assets – internally developed software	(1)	1	-	-
Employee benefits	9	(2)	-	7
Carried forward trading losses	-	2	-	2
Revaluation of freehold land and buildings	-	-	(2)	(2)
Other short term timing differences	-	(1)	-	(1)
Group deferred tax assets / (liabilities)	10	-	(2)	8

The movement recognised in other comprehensive income includes a reduction in the deferred tax asset of £1 million as a result of the change in the deferred tax rate.

Notes to the consolidated financial statements continued

11. Deferred tax assets and liabilities continued

	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)	–
Group deferred tax assets/(liabilities)	7	(1)	5	(1)	10

12. Programme and film rights and other inventories

	2013 £m	2012 £m
Programmes and films completed but not transmitted	74	91
Acquired programme and film rights	50	50
Programmes and films in the course of production	97	75
Other inventories	3	3
	224	219

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

Programme rights and other inventories to the value of £589 million were recognised as expenses in the year across the main and digital television channels (2012: £596 million). Of this amount, obsolete programmes and developments written off totalled £39 million (2012: £26 million). Programme rights and other inventories include £30 million (2012: £30 million) in respect of developed film rights.

Other inventories represent amounts held within the 4Rights segment for DVDs.

Notes to the consolidated financial statements continued

13. Trade and other receivables

	Group 2013 £m	Group 2012 £m
Trade receivables	136	142
Prepayments and accrued income	43	27
Distribution and producer advances	3	4
Total trade and other receivables	182	173

There is no difference between the fair value and book value of trade and other receivables. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Trade receivables are shown net of impairment charges amounting to £nil (2012: £0.3 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 (2012: £4 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.

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 Group Finance Director. Based on credit evaluation and discussions with both the committee and insurers, customers may be required to provide security in order to trade with the Group.

The Group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as advertising agencies must settle their debts before advertising transmissions are broadcast.

(ii) Counterparty

See Interest rate risk exposure on page 199.

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 £136 million for the Group (2012: £142 million), with £107 million of other financial assets (2012: £88 million) and cash and cash equivalents of £131 million (2012: £173 million). The exposure to credit risk all arises in the UK.

Trade receivables of £136 million for the Group (2012: £142 million) were aged under six months. Included in receivables due under six months are receivables of £136 million (2012: £142 million) which were not yet due under standard credit terms at the balance sheet date. £114 million of the receivables were insured at the balance sheet date (2012: £112 million) and £134 million has been subsequently collected by the Group since the balance sheet date.

The allowance for impairment of trade receivables was £nil at the balance sheet date (2012: £0.3 million).

Notes to the consolidated financial statements continued

14. Treasury

	2013 £m	2012 £m
Bank balances	37	23
Money market funds*	64	114
Money market deposits maturing in less than three months	30	36
Cash and cash equivalents	131	173
Money market deposits maturing after three months	50	40
Investment funds	57	48
Other financial assets	107	88

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

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

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.

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 counterparties that carry a minimum of an A credit rating or equivalent from Standard and Poor's and Moody's credit rating services with government support, or with money market funds that have an AAA credit rating from either of these credit rating services.

It is estimated that if interest rates had been 0.1% lower/higher throughout the year, with all other variables held constant the Group's deficit before tax would have been £0.1 million lower/higher (2012: £0.2 million).

The Group does not have any debt and as such is not exposed to fluctuations in interest rates in this regard.

The interest rate profile of the Group's cash and deposits at 31 December 2013 and 31 December 2012 is set out below:

	Effective interest rate 2013 %	Effective interest rate 2012 %	Total 2013 £m	Total 2012 £m
Interest bearing deposits maturing in less than three months held in Sterling	0.5	0.5	130	172
Interest bearing deposits maturing in less than three months held in foreign currencies	0.1	0.1	1	1
Total cash and cash equivalents	0.5	0.5	131	173
Money market deposits maturing after three months held in Sterling	0.6	0.6	50	40
Other financial assets	0.6	0.6	50	40

Notes to the consolidated financial statements continued

14. Treasury continued

Foreign currency risk and derivative financial instruments

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than Sterling. The currencies that give rise to this risk are US Dollars and Euros. The Group uses forward exchange contracts and currency cash receipts to hedge its currency risk. Changes in the fair value of exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the change in the fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financial income (note 5). The Group does not have any foreign subsidiaries and as a result is not exposed to foreign currency risk in this regard. The Group is exposed to currency movements on foreign cash holdings. Amounts held by currency are detailed above within the analysis of the Group's and Channel 4's cash and deposits.

At 31 December 2013, the total value of forward contracts used as economic hedges of monetary liabilities was £11 million (2012: £14 million). This represents ten Euro and two 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 2013 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £0.3 million (2012: £0.4 million) has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2013. The forward contracts have been assessed as level 2 in the fair value hierarchy under IAS 13.

It is estimated that if Sterling had strengthened/weakened by 10% at the balance sheet date against other currencies with all other variables held constant, the Group's deficit before tax would have been £0.2 million lower/higher (2012: £0.1 million).

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 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. The Group's treasury and funding activities are undertaken by a treasury function, which reports to the Group Finance Director. Its primary activities are to manage the Group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates.

Group treasury operates within clearly defined objectives and controls and is subject to periodic review by the business assurance function (page 153).

15. Trade and other payables

	2013 £m	2012 £m
Trade payables	13	16
National insurance	1	1
Other creditors	43	37
Accruals	195	197
VAT	17	16
Trade and other payables	269	267

There is no difference between the fair value and book value of trade and other payables. The contractual cash flows are equal to the carrying amount and are classified as payable within six months or less at 31 December 2013 and 2012.

The Group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Group Finance Director, who will ensure that they are investigated and responded to appropriately.

Included within trade and other payables is £nil to be settled in more than 12 months.

Notes to the consolidated financial statements continued

15. Trade and other payables

The number of days taken to pay suppliers of services in 2013, as calculated using average payable balances, was 6 (2012: 6). This is significantly lower than the Group's standard payment terms of 30 days due to the payment arrangements required for programme and transmission costs.

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 sufficient to support the Group's medium-term funding requirements.

16. Provisions

	Onerous contracts £m	Restructuring costs £m	Total £m
At 1 January 2012	3	5	8
Utilised in the year	(1)	(5)	(6)
Charged to the income statement	1	1	2
At 31 December 2012	3	1	4
At 1 January 2013	3	1	4
Utilised in the year	(1)	(1)	(2)
Charged to the income statement	1	–	1
At 31 December 2013	3	–	3

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

	2013 £m	2012 £m
Current	1	1
Non-current	2	3
	3	4

Onerous contracts

The provision relates to the rental deficit on a building that 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 cashflows of the property rental agreement until its expiry. An amount of £0.1 million (2012: £0.4 million) has been recognised as an interest cost relating to the passage of time of the discounted provision.

Contingent liabilities

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

Notes to the consolidated financial statements continued

17. Commitments

2013	Due within 1 year £m	Due within 2-5 years £m	Due after 5 years £m	Total £m
Programme commitments	324	281	–	605
Operating leases	–	1	10	11
Property, plant and equipment	–	–	–	–
Total	324	282	10	616

2012	Due within 1 year £m	Due within 2-5 years £m	Due after 5 years £m	Total £m
Programme commitments	296	297	–	593
Operating leases	–	1	11	12
Property, plant and equipment	1	–	–	1
Total	297	298	11	606

In addition to the above, the Corporation is party to the shareholder agreement for Digital 3 and 4 Ltd. The Corporation is committed to meeting its share of contracted costs entered into by that company.

The Corporation's share of Digital 3 and 4 Ltd's committed payments was £29 million in 2013 and is forecast to be £24 million in 2014. Digital 3 and 4 Ltd has entered into long term distribution contracts that expire in 2022 and 2034 and the Corporation is committed to funding its contractual share.

The Corporation is committed to paying capacity costs for transmission on the digital terrestrial and satellite network. Committed payments for digital terrestrial transmission capacity costs amounted to £36 million in 2013 and are forecast to be £37 million in 2014. Committed payments for satellite transmission capacity costs were £16 million in 2013 and are forecast to be £16 million in 2014. The digital terrestrial transmission contracts expire between 2026 and 2031 and the satellite transmission contracts expire between 2018 and 2022.

Notes to the consolidated financial statements continued

18. 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.

Nature of benefits, regulatory framework and governance of the Plan

The Plan is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Plan is operated under trust and as such the Trustees of the Plan are responsible for operating the Plan and have a statutory responsibility to act in accordance with the Plan's Trust Deed and Rules, in the best interest of the beneficiaries of the Plan, and UK legislation (including Trust law). The employer has the power to set the contributions that are paid to the Plan, following advice from the scheme actuary. However, these must be agreed by the Trustees to the extent required by Part 3 of the Pensions Act 2004 (scheme funding).

Risks to which the Plan exposes the employer

The nature of the Plan exposes the employer to the risk of paying unanticipated additional contributions to the Plan in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation and salary increase experience;
- lower than expected investment returns; and
- the risk that movements in the value of the Plan's liabilities are not met by corresponding movements in the value of the Plan's assets.

The sensitivity analysis disclosed below is intended to provide an indication of the impact on the value of the Plan's liabilities of the risks highlighted.

Plan amendments, curtailments and settlements

There have not been any material curtailments or settlements during the year.

IAS 19 revised

We have recalculated the comparative figures for the year ending 31 December 2012 as required under IAS 19(R). There are no material restatements required in respect of this for either the income statement, other comprehensive income or the balance sheet.

Amounts recognised in the consolidated balance sheet

	2013 £m	2012 £m
Present value of funded obligations	(309)	(284)
Fair value of Plan assets	270	244
Recognised liability for defined benefit obligations	(39)	(40)

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

	2013 £m	2012 £m
Fair value of scheme assets at 1 January	244	228
Interest income on Plan assets	11	11
Return on Plan assets (excluding amounts in interest income)	12	2
Employer contributions net of charges	6	6
Employee contributions net of charges	1	1
Benefits paid	(4)	(4)
Fair value of scheme assets at 31 December	270	244

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

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

	2013 £m	2012 £m
UK equity	7	5
Overseas equity	59	50
Emerging markets equity	9	9
Total equity securities	75	64
Corporate bonds	37	30
Fixed interest gilts	6	6
Index linked gilts	86	80
Total debt securities	129	116
UK equity linked inflation	50	51
Overseas equity linked inflation	16	12
Total investment funds	66	63
Cash and cash equivalents	–	1
Fair value of scheme assets at 31 December	270	244

The Plan assets do not include any directly or indirectly owned financial instruments issued by Channel Four Television Corporation.

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

	2013 £m	2012 £m
Present value of scheme liabilities at 1 January	284	249
Current service cost	3	3
Interest expense on pension scheme liabilities	13	12
Actuarial (gain)/loss on Plan liabilities arising from changes in demographic assumptions	(2)	–
Actuarial (gain)/loss on Plan liabilities arising from changes in financial assumptions	22	23
Experience remeasurement	(7)	–
Employee contributions net of charges	1	1
Benefits paid	(5)	(4)
Present value of scheme liabilities at 31 December	309	284

Expenses recognised in the income statement arose as follows:

	2013 £m	2012 £m
Current service cost	3	3
Interest expense on pension scheme liabilities	13	12
Interest income on Plan assets	(11)	(11)
Net charge to income statement	5	4

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

The expense has been recognised in the following lines in the income statement:

	2013 £m	2012 £m
Cost of transmission and sales	2	2
Other operating expenditure	1	1
Net financial expense	2	1
Net charge to income statement	5	4

	2013 £m	2012 £m
Actuarial loss on Plan liabilities	(13)	(23)
Return on Plan assets (excluding amounts in interest income)	12	2
Actuarial loss	(1)	(21)

The cumulative amount of net actuarial losses / gains recognised in the statement of recognised income and expense since transition to IFRS is £62 million.

Principal actuarial assumptions at the balance sheet date

	2013 %	2012 %
Discount rate	4.50	4.45
Rate of increase in salaries	3.20	2.50
Rate of increase in pensions	3.40	3.00
Inflation	3.50	3.00

	2013 years	2012 years
Life expectancy from 60 (now aged 40) – male	26.8	28.5
Life expectancy from 60 (now aged 40) – female	30.4	29.3
Life expectancy from 60 (now aged 60) – male	27.3	26.9
Life expectancy from 60 (now aged 60) – female	30.9	28.2

These assumptions were adopted in consultation with the independent actuary to the Channel Four Television Staff Pension Plan. If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the Group balance sheet. The expected returns on Plan assets are set by reference to historical returns, current market indicators and the expected long term asset allocation of the Plan.

Sensitivity analysis

The below table sets out the sensitivity of the scheme's pension liabilities to changes in actuarial assumptions at 31 December 2013:

	Revised present value of scheme liabilities £m
0.5% decrease in discount rate	344
1 year increase in life expectancy	321
0.5% increase in inflation (and inflation-linked) assumptions	343

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

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

Funding arrangements

Contribution rates to the scheme are determined by a qualified independent actuary (the Actuary to the Plan) on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2010. The results 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.

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 to reduce the Plan's funding deficit.

The estimated employer contributions in 2014 are £6 million. A new triennial valuation was carried out on 1 January 2013. The results are currently being discussed with the Trustees and may alter the contributions payable during 2014.

The Plan is closed to new entrants. The weighted average duration of the Plan's defined benefit obligation is approximately 22 years. The majority of the Plan's benefits are to be paid as annuities from retirement of a member until their death.

19. Related party transactions

Members

Details of transactions in which members have an interest are disclosed on page 144.

Details of members' remuneration are shown in the remuneration report on pages 163–170.

Joint Ventures

Details of transactions between the group and its joint ventures are disclosed in note 7 on page 190.

Equity investments

During 2013, Channel 4 received £0.3 million brand fee income from Espresso Broadband Ltd (2012: £0.2 million). £0.1 million was owed to Channel 4 at 31 December 2013 (2012: £nil).

Channel 4 sold its investment in Espresso Broadband Ltd during the year (note 8).

Channel 4 also paid £0.3 million to Protagonist Pictures Ltd for agency sales and film acquisition services (2012: £0.2 million). No amounts were due at 31 December 2013 (2012: £nil).

Channel 4 balance sheet as at 31 December

	Group note	Channel 4 note	2013 £m	2012 £m
Assets				
Investments in subsidiaries and jointly controlled entities		2	28	28
Freehold land and buildings	9		73	62
Fixtures, fittings and equipment	9		17	19
Intangible assets	10		3	5
Deferred tax assets	11		11	11
Total non-current assets			132	125
Programme and film rights and other inventories	12		224	219
Trade and other receivables		3	182	173
Corporation tax			1	–
Other financial assets	14		107	88
Cash and cash equivalents	14		131	173
Total current assets			645	653
Total assets			777	778
Liabilities				
Employee benefits – pensions	18		(39)	(40)
Provisions	16		(2)	(3)
Deferred tax liabilities	11		(3)	(1)
Total non-current liabilities			(44)	(44)
Trade and other payables		4	(417)	(412)
Provisions	16		(1)	(1)
Total current liabilities			(418)	(413)
Total liabilities			(462)	(457)
Net assets			315	321
Revaluation reserve			28	18
Retained earnings			287	303
Total equity			315	321

The financial statements on pages 207–211 were approved by the Board of members on 26 March 2014 and were signed on its behalf by:

Lord Burns

Chairman

David Abraham

Chief Executive

The notes on pages 209–211 form part of these financial statements.

Channel 4 statement of changes in equity for the year ended 31 December

	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2012	348	11	359
(Deficit) / surplus for the year	(29)	–	(29)
Other comprehensive income	(16)	7	(9)
Total comprehensive (cost)/income for the year	(45)	7	(38)
At 31 December 2012	303	18	321
At 1 January 2013	303	18	321
(Deficit) / surplus for the year	(15)	–	(15)
Other comprehensive income	(1)	10	9
Total comprehensive (cost)/income for the year	(16)	10	(6)
At 31 December 2013	287	28	315

Channel 4 accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties, derivatives and certain financial instruments are stated at fair value, and are presented in pounds Sterling, rounded to the nearest million.

The financial statements have been prepared under the Financial Reporting Standard 101 Reduced Disclosure Framework. The Corporation's financial result and balance sheet are included in the consolidated financial statements presented on pages 171–206. As permitted by the Financial Reporting Standard 101, the Corporation has not presented its own cashflow statement and has not provided the disclosures required by IFRS 7 Financial Instruments: Disclosures.

As permitted by section 408 of the Companies Act 2006, Channel Four Television Corporation has not presented its own income statement. A deficit of £15 million (2012: £29 million) was recorded in relation to the Corporation. Accounting policies applied in the preparation of the Corporation's financial statements are consistent with the Group policies presented on pages 175–180, except as stated below.

Investments in subsidiaries

Investments in subsidiaries are carried at historical cost less provision for impairment.

Investments in associates and interests in jointly controlled entities

Investments in associates and interests in joint ventures are carried at historical cost less provision for impairment.

Equity investments

Equity investments represent equity holdings without significant influence. Equity investments are normally carried at fair value. Where an active market value is not available, the members believe that valuation at cost less provision for impairment is a reasonable approximation of fair value.

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts if applicable.

Notes to the Channel 4 financial statements

1. Operating expenditure

Auditor's remuneration

Fees in relation to the audit of the Corporation financial statements and additional fees paid to the auditors for the year ended 31 December 2013 are presented in note 3 to the consolidated financial statements on page 185.

Staff costs

All staff costs are borne by Channel 4 and are presented in note 4 to the consolidated financial statements on page 187.

2. Investments in subsidiaries and jointly controlled entities

Equity investments

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 190).

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 2013 was £28 million.

Subsidiaries

The cost of investments at 31 December was:

	2013 £000	2012 £000
4 Ventures Ltd	1	1

4 Ventures Ltd is a 100% owned subsidiary of Channel 4.

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 (Group note 8).

The members have filed to wind up Life One Broadcasting Ltd, Life Two Broadcasting Ltd, Channel 4 Radio Ltd, Channel 4 Radio Services Ltd and Life Showcase Ltd as these companies are dormant.

Notes to the Channel 4 financial statements continued

3. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	138	142
Prepayments and accrued income	41	27
Distribution and producer advances	3	4
Total trade and other receivables	182	173

Trade receivables are shown net of impairment charges amounting to £nil (2012: £0.3 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 (2012: £4 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.

4. Trade and other payables

	2013 £m	2012 £m
Trade payables	13	16
National insurance	1	1
Other creditors	43	37
Amounts due to subsidiaries	148	146
Accruals	195	196
VAT	17	16
Total trade and other payables	417	412

The number of days taken to pay suppliers of services in 2013, as calculated using average payable balances, was 6 (2012: 6). This is significantly lower than the Group's standard payment terms of 30 days due to the payment arrangements required for programme and transmission costs.

Included within trade and other payables is £nil to be settled in more than 12 months.

Programmes and the licence

Sources of programmes

Channel 4

Channel 4 commissions programmes from both independent and non-independent producers and purchases programmes from the international markets. The source and cost of the programmes transmitted on the main Channel 4 service in 2013 are shown in the table below:

	2013 Hours	2012 Hours	2013 £m	2012 £m
Originated				
Independents	3,822	4,046	297	315
Other	1,526	1,525	88	73
	5,348	5,571	385	388
Acquired	3,412	3,213	101	104
Programmes total	8,760	8,784	486	492
Other direct programme costs			6	7
Total	8,760	8,784	492	499
All hours	Hours	Hours	%	%
Originated	5,348	5,571	61	63
Acquired	3,412	3,213	39	37
Total	8,760	8,784	100	100
Peak hours	Hours	Hours	%	%
Originated	1,272	1,295	77	79
Acquired	371	352	23	21
Total	1,643	1,647	100	100

Independent production companies are the most important source of originated programmes. Programmes transmitted on Channel 4 in 2013 were provided by 224 independent companies (2012: 257).

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 those programmes in 2013 amounted to £173 million (2012: £152 million).

Programmes and the licence continued

Programme transmissions*

Channel 4

The main Channel 4 service broadcast 8,760 hours in 2013 (2012: 8,784) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows:

	2013 Hours	2012 Hours	2013 £m	2012 £m
Drama	601	760	109	90
Entertainment	2,378	2,040	111	138
Education	2,375	2,364	88	96
Feature films	1,162	1,221	40	48
Other factual	189	183	18	24
News	240	234	25	23
Current affairs	245	217	23	20
Documentaries	295	153	31	14
Arts and music	125	336	8	9
Sport	710	884	19	21
Quiz and gameshows	418	359	12	7
Religion	22	33	2	2
Total	8,760	8,784	486	492

*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 channels

The E4 channel broadcast for a total of 8,760 hours in 2013 (2012: 8,784 hours) with 100% of these hours being subtitled (2012: 100%).

The More4 channel broadcast for 6,791 hours (2012: 6,859 hours) with 100% of these hours being subtitled (2012: 100%).

The Film4 channel broadcast for 6,076 hours (2012: 6,089 hours) with 100% of these hours being subtitled (2012: 100%).

4seven broadcast for 7,180 hours in 2013 (2012: 3,543 hours).

Ofcom

Ofcom monitors compliance with broadcasters' licence obligations (including compliance with its Broadcasting Code) and deals with complaints concerning standards in programmes and complaints of unfair treatment and/or infringement of privacy.

Channel 4

Ofcom recorded three breaches of its Code on standards in programmes by the main Channel 4 service in 2013 (2012: four). None were judged serious enough to merit a statutory sanction (2012: none). In 2013 two complaints about fairness/privacy in Channel 4's programmes were upheld (2012: two) and two complaints were upheld in part (2012: two).

E4, More4 and Film4

One recorded breach of the Code on standards in programmes was noted against More4 (2012: one) and no recorded breach of the Code on standards in programmes was noted against E4 in 2013 (2012: one). There were no recorded breaches of the Code on standards against Film4 in 2013 (2012: none). In 2013 no complaints about fairness/privacy were upheld against E4, More4 or Film4 (2012: none).

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 four breaches of the BCAP Code in 2013 (2012: three breaches of the CAP Code).

The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. Our licence from Ofcom, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

	Compliance minimum	2013	2012
Average hours per week			
News			
– in peak-time (6pm to 10.30pm)	4	4	4
Current affairs			
– overall	4	5	4
– in peak-time (6pm to 10.30pm)	2	3	3
Hours per year			
Schools	1	10	24
Percentage			
Original production			
– overall	56	61	63
– in peak-time (6pm to 10.30pm)	70	77	79
Independent production*	25	75	78
European independent production*	10	45	47
European origin	50	66	68
Subtitling for the deaf and hard-of-hearing	90	100	100
Audio description	10	31	26
Signing	5	5	5
Regional production	35	46	41
Regional hours	35	55	48
Production in the Nations	3	6	5
Nations hours	3	7	7

The 2013 Ofcom licence disclosure reflects Channel 4's Digital Replacement Licence (DRL), which came into force on 28 December 2004. This encompasses the requirements set out in the Communications Act 2003.

*There are material differences in the definitions contained in the European and UK legislation for qualifying independent production.

Several of the measures reflected in this section of the report are discussed in more detail on page 20 of the Statement of Media Content Policy and on page 138 of this report.

Historical record

	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
Consolidated results:										
Revenue	841	894	937	945	906	830	935	941	925	908
Operating surplus/(deficit)	60	57	14	(9)	(1)	4	49	41	(29)	(15)
Net financial income/(expense)	4	10	7	10	14	(2)	2	2	1	(1)
Share of profit/(loss) in joint venture	-	-	-	1	(3)	-	3	2	1	-
Surplus/(deficit) before taxation	64	67	21	2	10	2	54	45	(27)	(16)
Taxation	(19)	(18)	(7)	(1)	(8)	(2)	(15)	(10)	-	1
Surplus/(deficit) for the year	45	49	14	1	2	-	39	35	(27)	(15)

All figures are shown under Adopted IFRS.

Advertising sales

	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
Channel 4 Sales House	720	769	777	825	790	707	819	939	916	935
Other	2,695	2,718	2,523	2,608	2,487	2,179	2,490	2,442	2,430	2,616
Total broadcast	3,415	3,487	3,300	3,433	3,277	2,886	3,309	3,381	3,346	3,551
	%	%	%	%	%	%	%	%	%	%
Channel 4 Sales House share	21.1	22.1	23.5	24.0	24.1	24.5	24.8	27.8	27.4	26.3
Other share	78.9	77.9	76.5	76.0	75.9	75.5	75.2	72.2	72.6	73.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Audience share (portfolio)

	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %
BBC (nine channels)	36.6	35.2	34.5	34.0	33.5	32.6	32.9	32.9	33.6	32.4
ITV (five channels)	24.1	24.0	22.9	23.1	23.2	23.1	22.9	23.1	22.4	23.1
Channel 4 excl S4C (six channels)	10.3	10.8	11.9	11.7	11.8	11.5	11.4	11.6	11.5	11.0
Channel Five (three channels)	6.6	6.4	5.9	6.0	6.1	6.1	5.9	5.9	6.0	6.0
Other (> 350 channels)	22.4	23.6	24.8	25.2	25.4	26.7	26.9	26.5	26.5	27.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The number of channels in brackets indicates the number of channels in that portfolio as at 31 December 2013.

Source: BARB all individuals

Audience share

	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %
BBC1	24.7	23.3	22.8	22.0	21.8	20.9	20.8	20.7	21.3	21.0
BBC2	10.0	9.4	8.8	8.6	7.8	7.5	6.9	6.6	6.1	5.8
ITV and GMTV	22.8	21.5	19.6	19.2	18.4	17.9	17.0	16.6	15.7	16.2
Channel 4 excl S4C	9.6	9.6	9.6	8.6	8.1	7.4	7.0	6.8	6.6	6.1
Channel Five	6.6	6.4	5.7	5.2	5.0	4.9	4.5	4.4	4.5	4.4
Other	26.3	29.8	33.5	36.4	38.9	41.4	43.8	44.9	45.8	46.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BARB all individuals



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