



Channel Four
Television Corporation
Report and Financial
Statements 2008



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Luke Johnson Chairman

The media establishment is undergoing its most violent upheaval since Channel 4 was founded 26 years ago. The digital revolution, combined with a severe economic downturn, means all commercial broadcasters are under significant pressure. We are no exception.

However, I believe we are better placed than some. We have significant cash reserves and no debt, and have increased our share of overall advertising revenues, while maintaining audiences across our channel portfolio. We have reduced costs and intend to do more to increase efficiencies, in order to cope with a declining advertising market. Reducing headcount and cutting programming budgets have been painful but necessary steps to ensure our viability for the years to come.

There has been intense debate recently about the future of public service broadcasting in Britain. Channel 4 is encouraged that both Ofcom's PSB report and Lord Carter's Digital Britain document confirmed that they believe plurality is essential, and that Channel 4 is the key complement to the BBC. To that end we have engaged in detailed negotiations about a tie-up with BBC Worldwide. Both organisations are commercially funded and publicly owned, with public service goods at their core – we think they could make excellent partners.

But any combination will only work if there is significant additional value created for Channel 4. The BBC receives £3.6 billion of subsidy every year from the Licence Fee and other sources, and now enjoys a £900 million annual advantage over all the commercial free-to-air broadcasters put together. If there are no adjustments then there will be further significant crowding out, and the diversity and creativity that Channel 4 brings will be steadily diminished. We hope that our stakeholders – both politicians and civil servants – will be brave enough, and the BBC honest enough, to see that talk about plurality is not enough. Decisive action is needed if there is to be genuine public service choice, rather than a return to the pre-1955 days of a BBC monopoly. The BBC always ups its game if it faces true competitive tension from Channel 4 – without us, it will become less creative and less efficient. That is surely a bad outcome for Licence Fee payers.

In recent months, Channel 4 has demonstrated its creative credentials in spades. With *Slumdog Millionaire*, Film4 won a spectacular array of Oscars and BAFTAs, and enjoyed a true international box office smash. With *The Devil's Whore*, a gripping tale of the English Civil War, we reinvented historical drama. And with *Red Riding*, we produced the most powerful trio of British crime thrillers in years.

It is becoming ever more important for public bodies to demonstrate the public value they deliver. For a creative institution like Channel 4, finding appropriate metrics is not easy, but to secure our future we want to demonstrate more effectively our impact on society and citizens. To that end this year's Annual Report sees the incorporation of our first ever Public Impact Report – we hope you find it useful and informative.

Whatever settlement we achieve, Channel 4 will continue to break the rules and reinvent the definition of great television. It is a vital component of Britain's culture and a huge contributor to the creative economy. I am very proud to be a part of such a vibrant organisation, and am massively grateful to the brilliant staff and independent producers who make all our shows. I guarantee them, and all our viewers, that we shall all fight passionately for Channel 4's independence and funding because it really does matter – if we want an informed and enlightened society.

Andy Duncan
Chief Executive

In 2008 Channel 4 won more BAFTA and RTS programme awards than any other channel, more International Emmys than all other UK broadcasters put together, and was voted Channel of the Year at the Broadcast Awards. And that was before *Slumdog Millionaire* scooped eight Oscars.

Yet, with the emergence of the global recession, 2008 has been one of the most difficult years in our history and 2009 will almost certainly be tougher still. With advertising revenue melting away, we had to reduce our core channel programme budget this year by £20 million, save a further £25 million by reducing other operating costs year on year and, most painfully, reduce our workforce by over 25%. For a company that lives on the talent of its people and has always attracted the very best available, such rapid and major shifts are distressing for those who leave and impose great pressures on those who remain.

It is a tribute to the commitment and creativity of the whole Channel 4 team and to our independent suppliers that, despite such upheavals, 2008 proved to be a year of great critical success and commercial resilience. I would like to take the opportunity to say a big thank you to everyone who has worked so hard over the last year. The number and range of domestic and international awards won testifies to our continued creative success, showing once again that Channel 4 punches well above its weight relative to its competitors. And as the migration to digital continued apace, we succeeded in holding on to our audiences across our channels, maintaining portfolio share at around 12% for the third successive year – higher than at any previous time in Channel 4's history. In financial terms, Channel 4 has grown its share of the TV advertising market each year since 2004. At a time of global recession, when the overall TV advertising market is shrinking in the UK, the organisation remains in better shape to weather the storms that lie ahead than many of the companies around us.

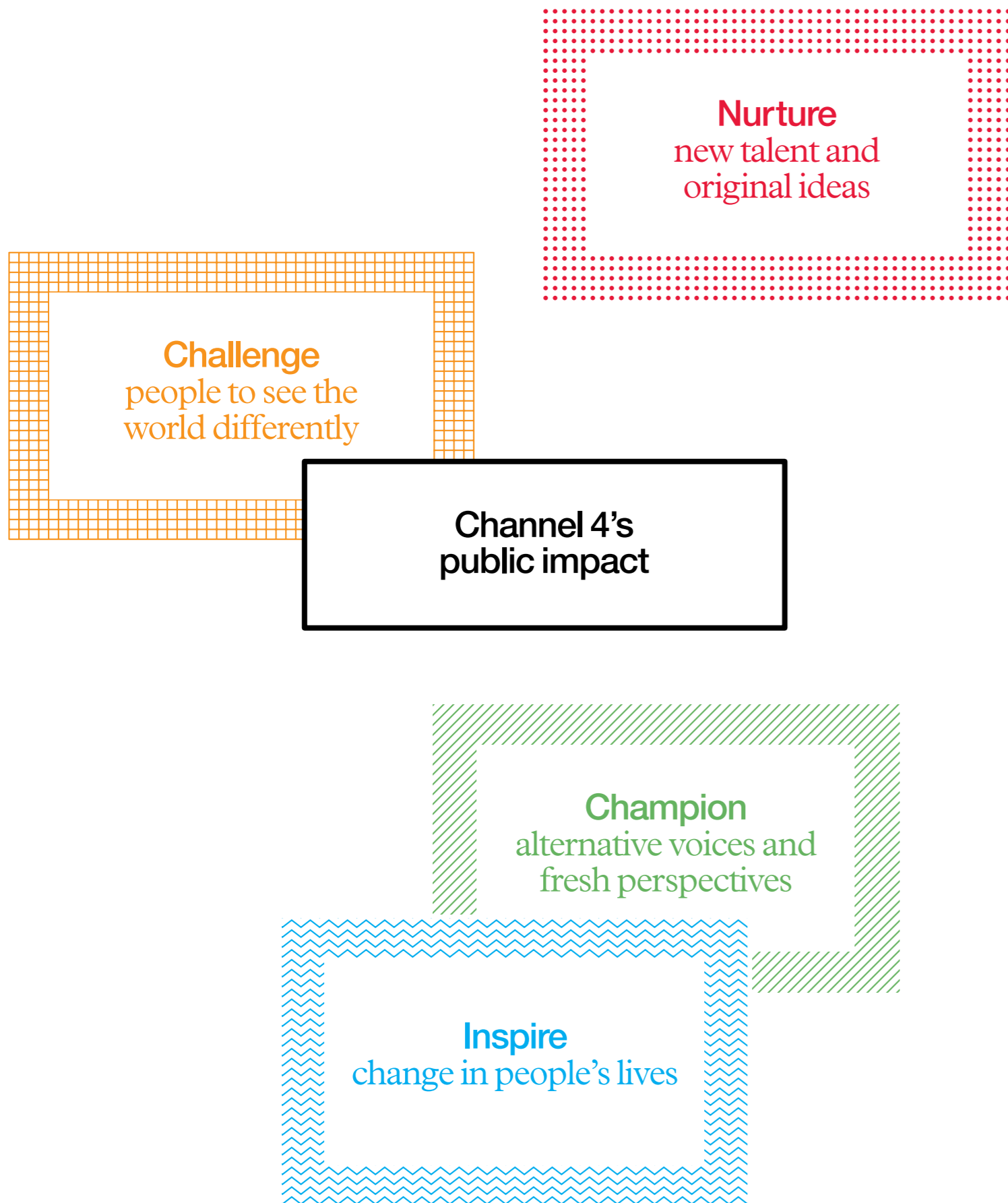
2008 was also a year of creative renewal, as we refocused Channel 4's activities for the digital age. In March we launched *Next on 4*, our strategy to accelerate the organisation's evolution from a public service broadcaster to a truly cross-platform public service network.

This included launching 4iP, a fund which we have established with partner organisations across the UK to explore new tools, new applications and new content that will bring public service values and qualities alive in the online world. Also in digital media, our decision to move our spend on schools content online, in order to better reach and engage the target teenage audience, led to impressive projects such as *Battlefront*, which won an International Digital Emmy.

The value and purpose of public service broadcasting came under scrutiny as never before in 2008. Ofcom conducted its consultation on the future of public service broadcasting, and the government launched its Digital Britain review. These reviews argued strongly for the importance of public service plurality in general, and the continuation of Channel 4's important contribution in particular.

In this context, we recognise that Channel 4 must be able to offer viewers and stakeholders a clearly articulated analysis of why we do what we do. In *Next on 4*, we committed to provide hard evidence of the public impact we make. So, as well as being an annual report of our finances, for the first time this document also assesses the wider public benefits that Channel 4 brings to the UK: the contribution to democratic life made by *Channel 4 News* and *Dispatches*, for example; the social value of the likes of the *Big Food Fight* or *Disarming Britain* seasons; and our contribution to the creative economy by partnering with more independent companies than any other UK broadcaster. These points are articulated and, where possible, quantified through a range of measures, including the extensive research we commissioned to measure our performance relative to other channels. Together, these measures demonstrate our commitment to high standards across a wide range of originated content and the significant public impact that results.

Notwithstanding the successes in 2008, we face challenging times ahead. It is vitally important that, after many years of debate, the government reaches a positive decision that ensures UK viewers continue to enjoy a plurality of public service content, and which enables Channel 4 to fulfil the valuable creative role – in television, film and increasingly in digital media – that the public demand of it.



Channel 4 is different. More than any other broadcaster, it tries new ideas, takes risks and presents alternative points of view. That is what viewers tell us. And it is what independent research – such as the surveys presented by Ofcom in its PSB review in 2008 – confirms. It is what has always underpinned our public service role, and led to the articulation of the public purposes presented in *Next on 4*. These give practical expression to the end benefits that result from the delivery of Channel 4's legislative remit. They are to:

- Nurture new talent and original ideas
- Challenge people to see the world differently
- Champion alternative voices and fresh perspectives
- Inspire change in people's lives.

In an environment in which Channel 4 is evolving from a public service channel to become a more broadly-based public service network, and when the value of public service broadcasting is itself under scrutiny as never before, we have an obligation to explain to our viewers and stakeholders not only what we are doing but why. So, as well as being a conventional Annual Report, this document sets out, for the first time, a detailed assessment of the difference Channel 4 has brought to the UK in 2008 across its television channels and digital services. It highlights the unique qualities that made it stand out from other broadcasters.

More than ever, in a fragmented multimedia world, the main public service channels provide the only means to reach audiences of millions in their homes every evening. This puts them in a unique position to make a positive contribution, and to achieve significant public impact, in the social, political and cultural spheres of UK life. So while the indicators presented in the following chapters include measures of volume and expenditure, as much as possible the focus is on impact – the extent to which people watch and engage with Channel 4's output, and derive benefits that extend beyond the pure entertainment value provided by the programmes.

Viewing data highlight the numbers of people who watch Channel 4. Engagement and appreciation are harder to measure, and need to be looked at in different ways. Surveys tracking perceptions of different channels show what audiences most value about Channel 4's output. Indicators of online activity provide measures of engagement with individual programmes and associated content. And bespoke research shows how particular programmes and seasons encouraged people to act or think differently.

Indicators covering each of the *Next on 4* public purposes are set out in the next four chapters. These measures were chosen to highlight the key components of each purpose, whilst also ensuring that, taken together, they cover the full extent of Channel 4's unique contribution across its channels and services. The purposes themselves were originally developed to highlight Channel 4's distinctive strengths – in terms of what it does, how it does it and what audiences tell us they most appreciate about its output.

What sets Channel 4 apart more generally from the hundreds of digital TV channels is the range and scale of its investment in high-quality British programming, and its ability to reach large audiences. In the fifth chapter, we measure the "scale and impact" of Channel 4's contribution in 2008. We assess how much viewers watched and appreciated Channel 4's output. And we measure Channel 4's contribution to the creative economy, through its support for independent producers.

As the indicators presented in the following chapters were selected to demonstrate Channel 4's distinctive strengths, by their very nature, they tell a positive story for the most part. And in a year of such creative success, there is indisputably a strong story to be told. At the same time, we have not shirked presenting measures that highlight areas of under-performance. These are contextualised in the narrative throughout, and key areas where we need to do more are summarised in the final comments on page 76.

The establishment of this new public impact report represents a first step on the road to a different kind of accountability to viewers and stakeholders, which we believe will be necessary in the years ahead. We also continue to report on our principal licence requirements; these are covered on pages 132–133.

We have ensured that the information presented has been accurately calculated and extracted from external sources. KPMG have provided an independent assurance opinion on the 2008 key measures contained in the data tables, graphs and pie charts; their report can be found on page 77. In the interests of openness, detailed notes on individual measures and sources, and an explanation of the evolution of the report, are provided online at channel4.com/annualreport.

We will continue to develop and refine the public impact framework. Future reports will ensure comparability by continuing to report against these key measures, allowing our stakeholders to track our performance against our core purposes. In the meantime, we welcome comments and suggestions, which will help influence its development.¹

¹ Comments on the report should be fed back to the Head of Public Value at Channel 4.

Nurture new talent and original ideas

Seeking out the new

With its commitment to innovation and originality, Channel 4 generally avoids looking to established household names for success. Our preferred route has been to find untried and untested talent, to give new writers, performers, presenters and directors the opportunity to do something different. Across the whole spectrum of television, Channel 4 has taken risks by giving newcomers their first chance to play to a national audience and by giving well-established talent the creative space to evolve new ideas for television and across other platforms. We back up this approach by investing up to £10 million a year in on-screen and off-screen talent initiatives across the UK.

It's a formula that delivers results. Peter Kay, surely one of the most original and distinctively British comedians, started his career with us. So did Danny Boyle – *Slumdog Millionaire* is his latest Film4 triumph; *Shallow Grave* and *Trainspotting* were his first. Dev Patel, who stars in *Slumdog Millionaire*, got his first break in the Bristol-based E4 series *Skins*.

Our commitment to giving new talent the time and space to grow works well for us, and we make it work across every platform; it's as strong and consistent in the online world as it is in television and in film. And by feeding the wider talent pool of creativity and the creative industries, it works for Britain too. It's a central part of our public impact.

Film4 Productions
Slumdog Millionaire

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

The Daily Telegraph



Films on UK Release 2008

A Complete History Of My Sexual Failures
Dir – Chris Waitt
Revealing and humorous documentary featuring a slacker filmmaker on a sexual and emotional quest to solve his problems.

Donkey Punch
Dir – Olly Blackburn
Three girls on a hedonistic weekend take up an invitation to party aboard a luxury yacht, with unsettling consequences.

Far North
Dir – Asif Kapadia
A soldier's unexpected arrival affects two women's simple existence in this dark epic set in the Arctic.

Garage
Dir – Lenny Abrahamson
Over the course of a summer, Irish petrol station caretaker Josie's life is changed forever.

Happy-go-lucky
Dir – Mike Leigh
The life of a 30-year-old free spirit who works as a London primary school teacher.

How To Lose Friends and Alienate People
Dir – Robert Weide
Based on Toby Young's memoir of a career descending hilariously from promising journalist to dismal failure at New York's most prestigious magazine.

Hunger
Dir – Steve McQueen
Intense film showing life in Belfast's Maze prison during the 1981 IRA prisoners' hunger strike.

In Bruges
Dir – Martin McDonagh
Two hitmen find their holiday trip turning into a life-and-death struggle of darkly comic proportions.

Mister Lonely
Dir – Harmony Korine
A commune in Scotland is inhabited entirely by celebrity impersonators.

Festival Premieres 2008

Better Things
Dir – Duane Hopkins
Multi-narrative intergenerational tale set in the present-day Cotswolds.

Faintheart
Dir – Vito Rocco
A romantic comedy set in the world of battle re-enactments, with contributions from MySpace users.

Franklyn
Dir – Gerald McMorrow
A split narrative set simultaneously in contemporary London and in a future metropolis ruled by religious fervour.

Genova
Dir – Michael Winterbottom
Lives change when a man moves with his two daughters to Genova following their mother's death in a car accident.

Hush
Dir – Mark Tonderai
A young couple on a motorway journey are drawn into a terrifying game of cat-and-mouse with a truck driver.

Slumdog Millionaire
Dir – Danny Boyle
On the brink of winning Who Wants to Be a Millionaire, slum boy Jamal is accused of fraud and has to explain how he got there.

Vinyan
Dir – Fabrice du Welz
A European couple go on the trail of their young son, lost in the 2005 tsunami, who they believe still to be alive.

2008 was an extraordinary year of critical success for Film4, reinforcing its reputation as the creative powerhouse of British cinema. Ten of the 14 UK-eligible awards at the British Independent Film Awards went to films with a Film4 involvement. They ranged from *Hunger*, the dark and powerful film debut of artist Steve McQueen, to Martin McDonagh's *In Bruges*, Mike Leigh's *Happy-Go-Lucky*, and Simon Ellis's short film *Soft* – an astonishingly diverse spread of talent, genre and style.

On top of its three BIFAs, one of them for Best Independent Film, Danny Boyle's *Slumdog Millionaire* collected an impressive arsenal of awards worldwide. The film scooped seven BAFTA awards, including Best Film and Best Director; and eight Oscars – including Best Picture and Best Director – more than any other film at the Academy Awards. *In Bruges* and *Happy-Go-Lucky* also netted a BAFTA award each.

Slumdog Millionaire is a powerful vindication of Film4's long-established twin-track strategy – to give new talent a break and established talent room to breathe and experiment. Danny Boyle began his directorial career in the mid-1990s with two definitive hit films for Film4 – *Trainspotting* and *Shallow Grave*. His writer, Simon Beaufoy, had previously written major drama, *Yasmin*, for Channel 4, and his Director of Photography, Anthony Dod Mantle, was a veteran of several Film4 pictures. With such a well-established relationship, and with a production crew who between them had worked on many Film4 features, confidence on both sides allowed the creation of a film that broke new ground in almost every dimension. Typical of the approach was to give the lead role to a young actor, Dev Patel, whose only previous experience had been in the E4 series *Skins*, a teen-focused drama series made in Bristol, and who went on to be voted Best Newcomer at the British Independent Film Awards.

Other Films in Production 2008

All Tomorrow's Parties Dir – Jonathan Caouette	Lovely Bones Dir – Peter Jackson
Bunny & The Bull Dir – Paul King	Scouting Book For Boys Dir – Tom Harper
La Chinoise Dir – Xiaolu Guo	Unmade Beds Dir – Alexis Dos Santos
Looking For Eric Dir – Ken Loach	



Comedy Lab

RTS Programme Awards
2008 Jury, Britain's Got
the Pop Factor... and
Possibly a New Celebrity
Jesus Christ Soapstar
Superstar Strictly on Ice

“Brilliantly visually
realised, and a perfect
parody of the genre.”

Each year Channel 4 gives aspiring new comedy writers and performers the chance to make between six and ten half-hour programmes for national television. The Comedy Lab scheme has produced an illustrious list of ‘graduates’ over the last ten years, including Ricky Gervais, Russell Brand, Mitchell and Webb, Dom Joly, Jimmy Carr, the creators of the *Modern Toss* and others who have gone on to great success with Channel 4 and other broadcasters.

Another Lab graduate is Peter Kay who got his career breakthrough in 1998 with a one-off Comedy Lab special, *The Services*. Its success led to a series of six spoof documentaries *That Peter Kay Thing*, one of which provided the basis for the hit sitcom *Peter Kay's Phoenix Nights* and other subsequent series. Peter continues to be a groundbreaking writer and performer. In 2008, he returned with *Britain's Got the Pop Factor... and Possibly a New Celebrity Jesus Christ Soapstar Superstar Strictly on Ice*. This picked up the Royal Television Society Programme Award for best Comedy Performance and was Channel 4's most-watched programme of the year, seen by 7.1 million people on its first transmission.

Comedy Lab also provided the launch pad for a pair of unknowns, Kayvan Novak and Ed Tracy, who created a one-off show, *Fonejacker*, in 2006. This led to a full series for E4 in 2007, with a second series in 2008. *Fonejacker* has become E4's most successful comedy show, winning three RTS awards in 2007 and a further clutch of trophies in 2008, including Best New TV Programme at the Broadcast Awards and the BAFTA award for Best Comedy Programme.

As well as Comedy Lab, Channel 4 runs a variety of talent development projects such as *Funny Cuts*, a series of ten-minute sketches specifically designed for new writers and performers; *Tonightly*, 16 shows for new talent which ran as part of *Generation Next* in August; and a *Comedy Showcase* season which gives more established writers and performers the chance to try new ideas in scripted comedy formats.

New comedy is one of the most risky and unforgiving arenas for a broadcaster, but one in which consistent commitment over many years has paid rich creative dividends for Channel 4. In 2008, almost every one of its comedies was nominated for a major award. Between them they won a slew of awards, including triumphs at the British Comedy Awards, BAFTA and the International Emmys.



The Devil's Whore



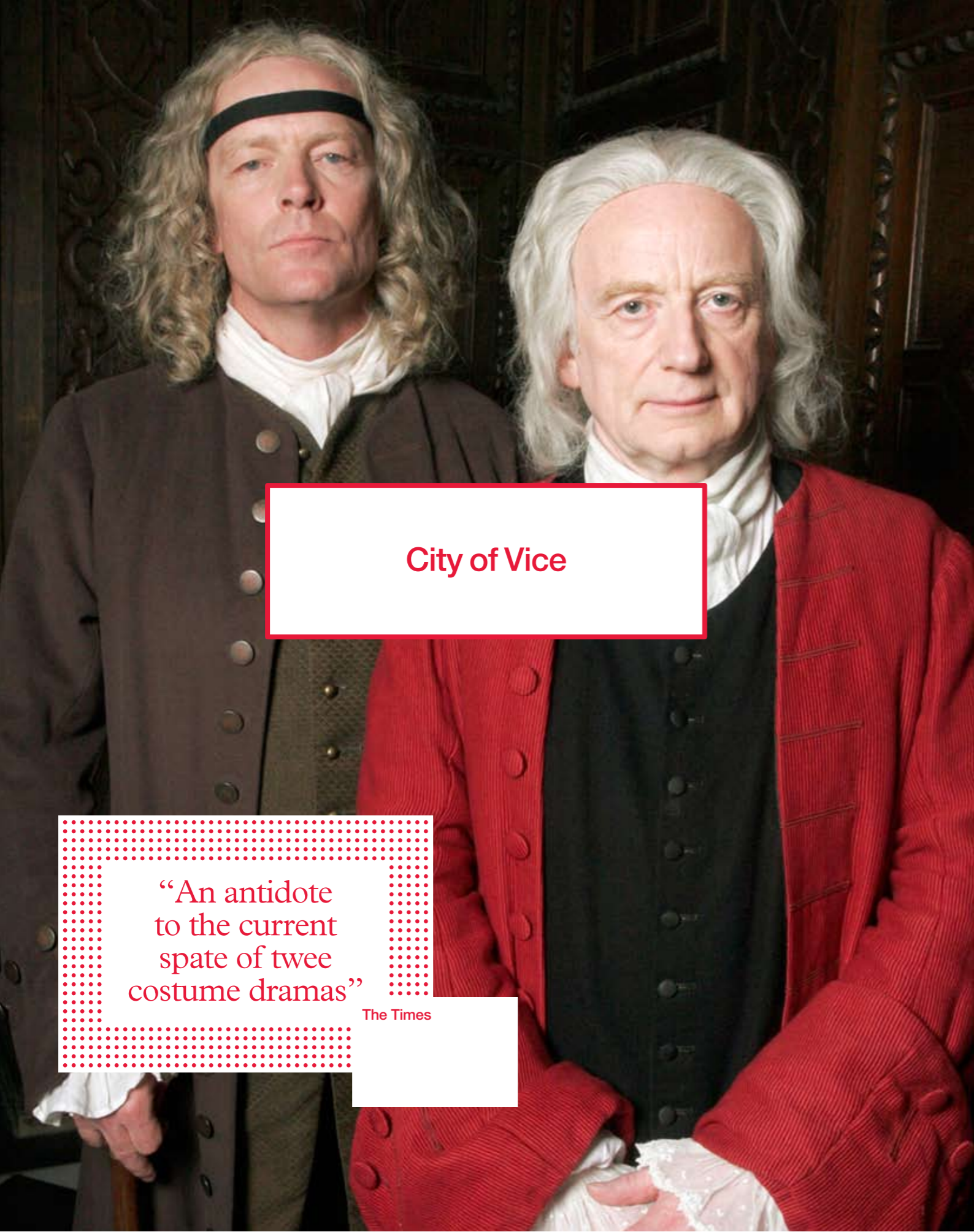
“It was bloody, it was remorseless – but above all, *The Devil's Whore* was magnificent.”

The Guardian

The Devil's Whore was a four-part drama series that wove together fictional characters in a vivid account of historical events during the English Civil War in the seventeenth century. The script drew heavily on the detailed documentary evidence that exists from key moments of the war, including verbatim records of debates and conversations. Its author, the BAFTA-winning playwright Peter Flannery said: “It was the first European revolution, and paved the way for the American and French revolutions. It's a fantastic story that's just been dramatically neglected, and I couldn't understand why.”

The Devil's Whore won three RTS Programme Awards, including best Drama Serial. Peter Flannery was named best Drama Writer, whilst Andrea Riseborough picked up best Female Actor. She played the central character, a spirited young aristocrat drawn to the republican cause. The part of the Leveller Thomas Rainsborough was taken by Michael Fassbender, who also starred in acclaimed Film4 production *Hunger*. Ben Aldridge's performance as Andrea Riseborough's husband – his first television role – has already won him a major part in another feature-length drama. Like Ben Aldridge, director Marc Munden had his first big break with Channel 4, directing a drama for one of its *Talentspotting* seasons in the mid-1990s. This led on to great success including his acclaimed and multi-award winning Channel 4 drama about the Iraq war, *The Mark of Cain*.

For many critics the series had a resonance that went beyond its obvious dramatic qualities. On *Newsnight Review*, Sarfraz Mansoor described it as “a very Channel 4 thing, because the things they're talking about – the end of the divine right of kings and the emergence of Parliamentary democracy – are all really contemporary.” The Telegraph's Jod Mitchell made a similar point: “It's testament to the cleverness of Peter Flannery's script that so many of the ideas raised in *The Devil's Whore* feel relevant to our own times.” For others, including many viewers, the energy of the story, the power of the script and the quality of the performances were quite enough on their own to win plaudits. The Guardian's Lucy Mangan wrote, “The production and the performances have been ravishing. It was Angelica's, or Andrea Riseborough's, show at the start, but by the end John Simm's Sexby could break your heart with a glance. Stirring, sterling stuff.”

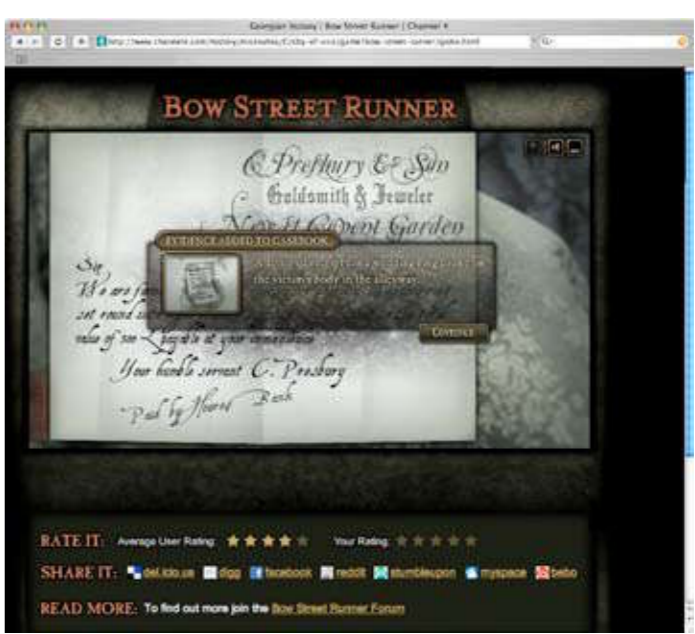
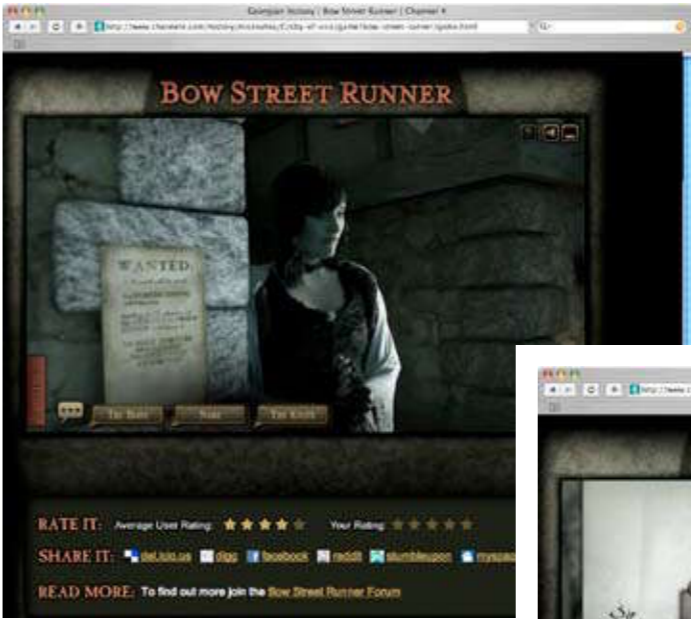


City of Vice

“An antidote
to the current
spate of twee
costume dramas”

The Times

Bow Street Runner
(online game)



City of Vice was one of the most unlikely hybrids to be screened on network television. It was, in essence, police thriller meets costume drama meets historical documentary – with an innovative online dimension to give it extra spice. Mixing historical and fictional characters, and informed by detailed research, the series painted a picture of eighteenth-century London as Henry Fielding, the novelist and magistrate, struggled to establish Britain’s first police force, the Bow Street Runners.

Sophisticated online support for the series allowed viewers to explore life in Georgian England, with links to two relevant Channel 4 series, *Time Team* and *The Worst Jobs in History*.

An online game, *Bow Street Runner* (channel4.com/bowstreetrunner), developed by Channel 4 Education and digital producers Littleloud, used three-dimensional graphics and high-definition live action to create an accurate representation of 1750s London, in which players were enrolled as detectives in Henry Fielding’s nascent police force.

Bow Street Runner was played over a million times during the course of the year, and particularly appealed to 12- to 17-year-olds. It won three major awards, including a BAFTA award for Best Interactive Children’s Project. Older viewers were more appreciative of the television series. The Times commented wryly, “For viewers who are beginning to feel smothered by petticoats and deafened by the rattle of porcelain teacups, Channel 4 offers an alternative approach.”

Nurture
Key measures

276

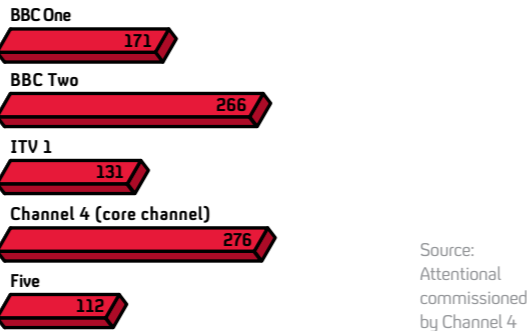
new or one-off programmes between 6pm – midnight, more than on any other channel

New and one-off programmes

Channel 4’s commitment to trying new programmes and formats, and working with new talent, is evidenced in part by the number of new programmes scheduled. On the core channel, * it showed 276 new or one-off programmes between 6pm and midnight in 2008, slightly more than were shown on BBC Two and significantly more than on any of the other main PSB channels.

* “Channel 4” refers on these pages to the broadcaster, while its main TV channel will be referred to as the “core channel”

Number of new or one-off programmes shown on the main PSB channels between 6pm and midnight (2008)



Source: Attentional commissioned by Channel 4

47hrs

of first-run originations in strands dedicated to new talent

New talent strands on Channel 4

Dedicated strands in Channel 4’s TV schedules support emerging programme-makers across a range of genres. *3 Minute Wonder* represents the first step, giving new talent the opportunity to reach peak-time audiences on Channel 4 early in their careers. *First Cut*, which airs on both the core channel and More4, is a strand of half-hour documentaries aimed at the brightest and best new directing talent. Some *First Cut* directors previously made films for *3 Minute Wonder*.

Existing strands were complemented by the *Generation Next* season in 2008, which offered further opportunities for talent on the core channel through shows such as *Tonightly*. *The Shooting Party* took over from *New Shoots* in supporting disabled film-makers. The key strands on the core channel and digital TV channels showcased 47 hours of first-run programming across 242 slots in 2008.

Strands dedicated to new talent across Channel 4’s television network (2008)

New talent strand	Slots	Hours
Channel 4 (core channel)		
3 Minute Wonder	172	13
Comedy Lab	6	3
The Shooting Party	12	6
Coming Up	7	4
Tonightly	16	9
More 4 / core channel		
First Cut	19	9
E4		
Funny Cuts	10	3
Total first-run	242	47

Calculations of “hours” data on all charts and tables are based on slot duration

Source: Channel 4

46hrs

of first-run originated programming on E4 focusing on new talent and original ideas

Originations on E4

E4 aims to commission a small number of defining programmes that resonate strongly with young audiences and which promote new talent and original ideas. The biggest success in 2008 was zombie thriller *Dead Set*, which was based in the *Big Brother* house. It averaged over 1 million viewers, a very impressive figure for original drama on any digital channel. New comedy *The Inbetweeners* was also a hit, with 500,000 viewers per episode. *Skins* and *Fonejacker* both returned, and continued to attract substantial audiences in their second series (of around 1 million and 0.5 million viewers per episode respectively).

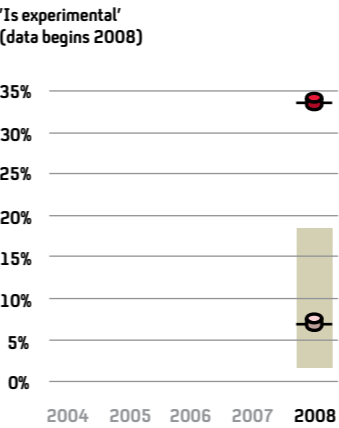
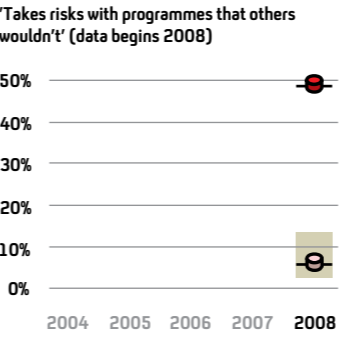
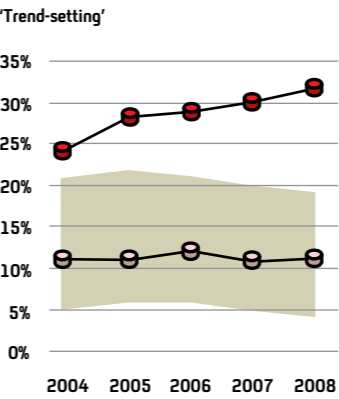
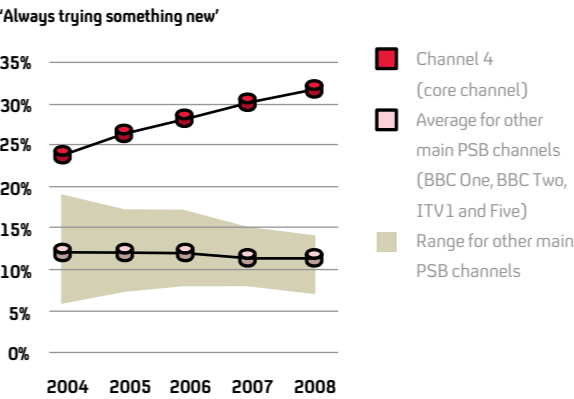
In total, E4 showed 46 hours of first-run originated commissions in 2008, in addition to over 1,000 hours of *Big Brother* and associated programmes.

First-run originations on E4 (2008)

Programmes	Number of hours	Average viewing (000s)
Core channel spin-offs		
Big Brother and spin-offs	1,117	102
Other (eg Wife Swap The Aftermath)	15	595
E4 original commissions		
Dead Set	3	1,361
Skins	11	994
The Inbetweeners	3	508
Fonejacker	3	481
Other commissions (eg Rude Tube)	11	288
All excluding Big Brother	46	663

Source: Channel 4 (output) BARB (viewing)

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



Source: Ipsos MORI commissioned by Channel 4

Channel reputations

Channel 4 has been tracking audience perceptions of the main PSB channels against key reputational statements since 2003. Five waves of research are conducted each year using face-to-face interviews. New statements reflecting Channel 4’s purposes were piloted for the first time in 2008. The new statements were tested using the same form of questions, but with a separate online panel. This provided a larger and more robust sample, enabling the responses of people from different demographic groups to be examined (results for minority groups are presented in the key measures for the Champion purpose).

Always trying something new

32% of respondents associated Channel 4 (core channel) more than any other channel with always trying something new, significantly ahead (18 percentage points*) of the next highest-rating channel, ITV1.

The core channel increased its lead over other channels in 2008 – the proportion of respondents who chose it was 21 percentage points higher than the average of the other main PSB channels, up from 19 percentage points in 2007.

Trend-setting

32% of respondents selected Channel 4 (core channel) as being the most trend-setting channel, 13 percentage points ahead of the next highest-rating channel, ITV1, and 22 percentage points ahead of the average of the other main PSB channels (up from 19 percentage points in 2007).

Takes risks with programmes that others wouldn't

In a new statement, 49% of respondents selected Channel 4 (core channel) as being the channel that most often takes risks with programmes that others wouldn't.

This gave it a substantial lead over all other channels. It was 35 percentage points ahead of the next highest-rating channel, Five, and 43 percentage points ahead of the average for the other main PSB channels.

Is experimental

In a new statement, 34% of respondents selected Channel 4 (core channel) as being the most experimental channel.

This gave it a substantial lead of 27 percentage points over the average for the other main PSB channels, and put it 16 percentage points ahead of the next highest-rating channel, Five.

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

Nurture new talent and original ideas

21pt

lead over average for other channels for always trying something new

22pt

lead over average for other channels for being trend-setting

43pt

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

27pt

lead over average for other channels for being experimental

Challenge
people to see the
world differently

Questioning assumptions and stimulating debate

The multi-channel television environment gives viewers hundreds of choices, including the choice simply to stick to what they find most familiar. But a public service network has an obligation to challenge and stimulate its viewers as well as entertain them. One of the ways British television has traditionally fulfilled this role is through documentary programmes. It is a tradition that is under threat; viewers say they want more of them, but viewing figures suggest that it is harder than ever to reach audiences with challenging material. Channel 4 has attempted to reverse the trend by scheduling a major piece of documentary or current affairs television every evening of the week on average during peak viewing hours – a commitment no other network has attempted to match, and a challenge for our commissioning editors.

It's a challenge Channel 4 meets by exploring an extraordinary diversity of social, political, economic and religious issues – and by treating them in unconventional and, sometimes, very conventional ways: *The Family*, a fly-on-the-wall documentary series in the classic British tradition, triggered enthusiastic comment from viewers in its unsentimental exploration of family life today.

Many of the most powerful and most appreciated of these programmes have looked beyond Britain's shores to report events in corners of the world western broadcasters usually ignore. This strong international perspective, coupled with a commitment to in-depth journalism, mirrors the approach of *Channel 4 News* which, with its hour-long format and its focus on international events (around 40% of its output), is for many the most respected news programme on UK television, and one which rates exceptionally well with younger viewers and with those from ethnic minorities, for the very reason that it does provide a different view of the world.



Saving Africa's Witch Children



The Telegraph

“A documentary team from the right-on BBC might have lost its nerve. But *Dispatches*, as we have often seen, is made of sterner stuff.”

This *Dispatches* film unfolded a terrible story of innocent Nigerian children abused and sometimes murdered as a result of being branded as witches and wizards, ostracised and cut out of their communities. 13-year-old Ekemeni had been tied with chicken wire, beaten and starved. 14-year-old daughter Mary was burned with acid by her own mother, who also attempted to bury her alive.

The programme followed Englishman Gary Foxcroft, whose Stepping Stones charity raises funds for Nigeria's Child Rights and Rehabilitation Network (CRARN) which, in turn, does what it can to support the so-called 'witchchildren', especially those who have been refused treatment for their injuries by superstitious hospital doctors. But the ultimate aim of CRARN, and of Stepping Stones, is to persuade the Nigerian government to acknowledge what is happening and arrest those responsible. In this respect, shining the light of television on the situation produced dramatic results, not least because of the added power of online media. Posted on YouTube and other websites, the programme was seen throughout Nigeria and Africa, attracting widespread shock and concern. One Nigerian commentator said that very few electronic materials in the last decade had made as much impact as this documentary. Shortly after its broadcast the regional government arrested the highest-ranking of the 'pastors', and one of his aides. The State Governor promised to implement the Nigerian Child Rights Act and to investigate all allegations of witch-branding, with a view to prosecuting those found responsible for the practice. In addition, a commitment was made to provide care for the affected children.

Gary Foxcroft said, "Before the programme I was very concerned that we might end up being accused of racism or colonialism. However, the response from people in Nigeria and other Africans has been lovely." So was the response of Channel 4 viewers: 3,000 calls were made to a special helpline which provided information on how to get involved with Stepping Stones and other relevant charities. Within 14 days the charity had raised almost £20,000, and the total amount raised to date is around £200,000. The Mail on Sunday urged its readers to "applaud Channel 4 for giving this film a primetime slot."

Dispatches and Unreported World

USA
Jon Snow's American Journey
Road trip mapping key issues in the presidential election.

USA/Mexico
USA: The Devil's Highway
Told the stories of desperate migrants seeking to enter the USA via Mexico.

Mexico
Mexico: Seven Days in Hell
Reported on the brutal gang war over cocaine trafficking routes.

Nicaragua
Nicaragua: Blood, Church and State
Revealed how a comprehensive ban has increased dangerous backstreet abortions.

UK
List at the bottom of page

Nigeria
Nigeria: Child Brides, Stolen Lives
Revealed the devastating effects of child marriage and pregnancy in Nigeria.

Nigeria
Saving Africa's Witch Children
Shocking expose of child 'witchbranding' in Nigeria.

Venezuela
Venezuela: Cult of the Thugs
Explained how Venezuelans worship the spirits of dead gangsters.

Brazil
Brazil: The Amazon's Golden Curse
Looked at the impact of a new gold rush on the Amazon and its isolated tribes.

Benin
Benin: Voodoo Children
Revealed links between secret religious rites and child abuse in West Africa.

Paraguay
Paraguay's Painful Harvest
Investigated the problems caused by increasing world demand for soya.

Abkhazia
Abkhazia: Valley of the Lost
Reported on ethnic conflict in the Abkhazia region of Georgia.

Gaza
Gaza: Reign of the Rockets
Crossed the Israeli siege lines to investigate the incessant cycle of violence in Gaza.

Egypt
Egypt's Rubbish People
Documented the lives of 40,000 people living in a Cairo ghetto.

Sudan
Sudan: Meet the Janjaweed
Obtained claims from Arabs accused of Darfur atrocities that the Sudanese government supplied them with arms.

Kenya
Kenya's Human Time bomb
Examined the rise in violence caused by Kenya's rocketing population.

Somalia
The Warlords Next Door?
Documented British links of militant Somali politicians.

South Africa
South Africa: Body Parts for Sale
Investigated killings for body parts destined for 'traditional medicine'.

Iraq
Iraq: The Lost Generation
Devastating effects of the worst Middle East refugee crisis since 1948.

Iraq: The Betrayal
The impact of the invasion assessed five years on.

Iraq: The Legacy
Examined whether it was 'safe' for Western forces to leave.

Russia
Russia: Railway of Bones
Explored President Putin's legacy of suppression of dissent and extreme inequality.

Bangladesh
Bangladesh: The Drowning Country
Reported on the devastation and homelessness caused by flooding.

Tibet
Undercover In Tibet
Reported on recent bloody protests against Chinese rule in Tibet.

India
India: God's Own Country
Explored allegations of fraud and physical abuse by Kerala's religious leaders.

Yemen
Yemen: Sea of Tears
The unseen refugee crisis unfolding in Yemen exposed.

Thailand
Thailand: Lessons in Terror
Showed how Islamic extremists are waging a murderous campaign against Buddhist teachers.

Philippines
Philippines' Dirty War
Examined the war between rich and poor over control of the country's resources.

UK Dispatches

The Truth About Your Food – Part 1
Demonstrated that supermarket food labels can be misleading.

The Truth About Your Food – Part 2
Exposed people's misconceptions about their own eating habits.

The Court Of Ken
An investigation of the Office of London's former Mayor.

Why Kids Kill
Documented how many teenagers struggle to escape gang culture.

Heat Or Eat: The Pensioners' Dilemma
Exposed government failure to adequately provide for pensioners.

The Children Left Behind
Some children's education was shown to suffer in larger schools.

Checking-in To Airport Chaos
Documented contrast between air companies' publicity and travellers' reality.

How The Banks Bet Your Money
Highlighted how bankers' recklessness led to the global credit crunch.

Immigration: The Inconvenient Truth (Three-part series)
Unearthed some startling and uncomfortable truths about UK attitudes.

The Mobile Phone Rip-off
Examined dishonest sales techniques and lobbying to keep prices high.

The Truth About Beauty Creams
Scrutinised the multimillion pound skincare industry.

In God's Name
Christian fundamentalists' influence on the Conservative Party exposed.

Gordon Brown: Where Did It All Go Wrong?
Andrew Rawnsley assessed Gordon Brown's first year as Prime Minister.

From Jail To Jihad
Investigated the spread of radical Islamism in Britain's prisons.

The Truth About Food Prices
UK's heavy reliance on food imports examined.

The Truth About Street Weapons
Looked at effects of gun and knife crime on Britain's streets.

A Widow's War On Yobs
A murdered man's widow investigated youth crime in the UK.

It Shouldn't Happen To A Muslim
Discussed whether 7/7 bombings fuelled hatred against British Muslims.

The Jab That Could Fight Cancer
Examined questions raised by the introduction of a new vaccine against cervical cancer.

Sandwiches Unwrapped
Top retailers' sandwiches subjected to scientific analysis.

How The Banks Never Lose
Looked at the position of banks as credit crunch loomed.

Undercover Mosque – The Return
Showed extremism is encouraged by imams and powerful Saudi interests.

Hope For The Last Chance Kids
Last For Words follow-up showed teaching of phonics improved literacy.

What's In Your Wine?
Revealed the ingredients left off your wine bottle label.

The Human Cost Of The Credit Crunch
Showed disillusionment of New Labour's key middle- and working-class voters.

Cameron's Money Men
Exposé on financial backing for Opposition Leader.

The Hidden World Of Lapdancing
Questioned whether clubs stayed within licence restrictions.

The Trouble With British Airways
Assessed the reputation of our national flag carrier.

The Truth About Your Energy Bill
Examined whether big companies failed to pass on profits to customers.

Don't Bank On The Bailout
A City speculator's view of the Government's credit crunch policy.

Mum Loves Drugs, Not Me
Documented the lack of support for children of drug addicts.



Channel 4 News



“Channel 4 News is the spikiest and most irreverent of news programmes.”

The Independent

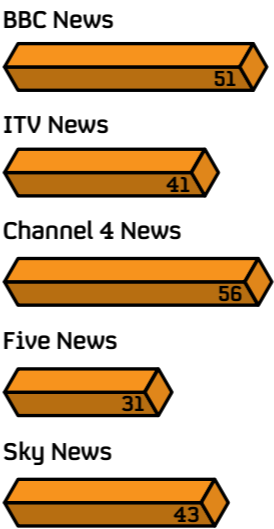
Channel 4 News’ hour-long format, shown on weekdays at 7pm, allows greater depth and breadth of coverage than is possible on the other main public service channels. A YouGov survey found that 56% of Channel 4 News’ regular viewers trust it to be fair and accurate – higher than the trust ratings given to the BBC, ITV, Five and Sky news programmes by their regular audiences. As Channel 4 services have expanded in recent years, so too has its news coverage, with weekend bulletins and a daily News at Noon with a strong domestic and business focus. Channel 4 News redesigned its website (channel4.com/news) in 2008, helping to attract a new web audience. Reports are available to be read and watched online, alongside unique online content including FactCheck, Jon Snow’s Snowblog, the foreign correspondents’ World News Blog, and microblogging via Twitter.

Conscious that viewers, and Parliament, see reliable and duly impartial news as one of the core functions of public service broadcasting, Channel 4 commissioned research in 2008 to assess the different approaches of all the main evening news programmes on terrestrial television: BBC One’s Six O’Clock News and Ten O’Clock News, BBC Two’s Newsnight, Channel 4 News, Five News, and ITV1’s Evening News and News at Ten. Detailed minute-by-minute information on each of the programmes was collected over two weeks, the first in March, and the second in June.

This research confirmed that Channel 4 News’ extended running time enables it to cover more news stories than any other programme, and spend longer, on average, on each one than any programme apart from Newsnight (which generally covers only three or four stories in depth each night).

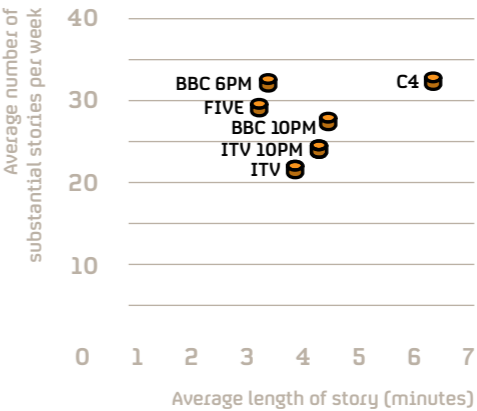
International coverage was particularly strong on Channel 4 News, with around 40% of its schedule devoted to foreign news. It spent more time daily on international stories than any other programme, including Newsnight. Major international stories were covered in great depth; over the week monitored in June, Channel 4 News devoted by far the most time to the political crisis in Zimbabwe. Not only this, but Channel 4 News reported on more parts of the world than any other broadcaster and covered important stories that did not appear on any other programme. During the first week monitored, in March, the programme devoted 30 minutes to a report on Simon Mann, the former British army officer charged with attempting to overthrow the government of Equatorial Guinea.

Percentage of viewers who say they trust the news programme they watch regularly to be accurate and fair



Source: YouGov, January 2009, total base: 4,780 adults 18+

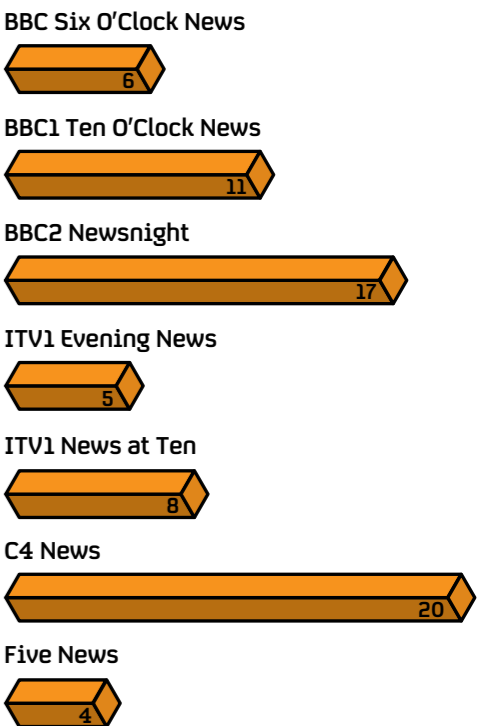
Range and depth of news coverage on the main PSB channels



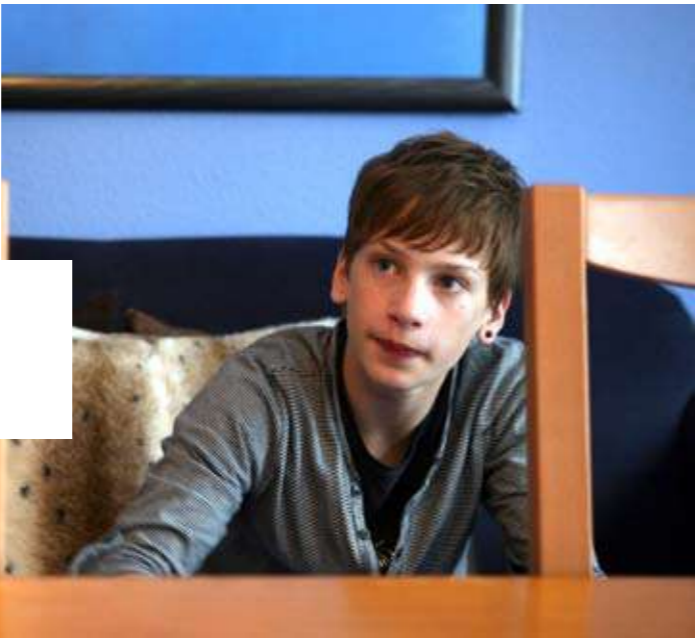
Newsnight not shown on chart. It averaged 14 news stories per week, lasting 13 minutes each on average

Source: Attentional, Channel 4 analysis. Data covers weekday evening news bulletins over two weeks. Wave 1: 10–14 March 2008. Wave 2: 23–27 June 2008.

Average time devoted daily to international coverage by each news programme (minutes)



The Family



“The results are impressively natural... If this were a drama you’d give it five stars. That it’s actually real life is a bonus.”

The Daily Mirror



The Family was an eight-part series that documented the day-to-day life of the Hughes family from Canterbury over a period of three months. The series employed the very latest technology with remotely controlled cameras and microphones operated unobtrusively by a production crew located in the house next door. At the same time, it was a return to one of the most traditional and powerful genres of public service television, what Time Out called a “back-to-basics hands-off observational documentary.” And the formula proved popular, gaining an average of 2.5 million viewers across the series.

A supporting website (channel4.com/thefamily) hosted debates on modern family life led by such figures as child psychologist Oliver James and journalist Sally Brampton. An online feature, *The Family: Teen Stories*, gave young people a chance to respond to the Hughes family’s experiences and to share their personal stories.

With viewers more used to the high-intensity antics of a show like *Big Brother*, there was some concern that the ordinary life of an ordinary family might prove to be of limited interest over such a long series. But the very ordinariness and familiarity of the Hughes’ daily life turned out to be the series’ main attraction. It encouraged some viewers to examine aspects of their own lives in response to the on-screen family dynamics: the teenagers’ tantrums, the parents’ exasperation, the rows and the moments of shared intimacy.

One fan wrote on the website, “I’m the same age as Emily and have the exact same relationship and arguments with my mum. It has made me look at my own life and attitude towards my parents and made me realise I need to change.” An ex-Royal Marine wrote “I am not ashamed to say I was really moved by this programme,” which, he went on to say, “has helped us realise that we (my wife and I) are not alone.” Several viewers commented simply that it was “so nice to watch a programme about the really important things in life, i.e. family values.”

Challenge
Key measures

Challenge people
to see the world
differently

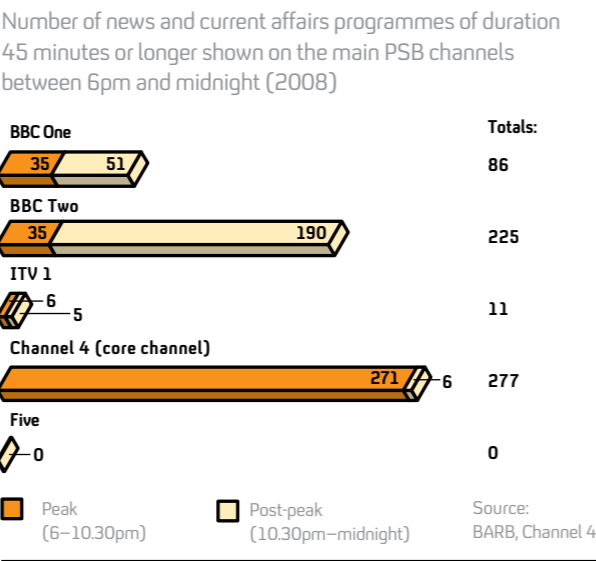
271
long-form news
and current affairs
programmes in
peak – substantially
more than any
other channel

Commitment to long-form journalism

The extended running times that Channel 4 devotes to *Channel 4 News* and *Dispatches* increasingly stand out as most peak-time news and current affairs programmes on other PSB channels run for just 30 minutes or less. Channel 4 (core channel) showed a total of 271 long-form news and current affairs programmes in peak (6–10.30pm) in 2008, while no more than 35 were shown on any of the other main PSB channels.

Even taking the post-peak period through to midnight into account (when BBC Two transmits *Newsnight*), the core channel still showed more long-form programmes than any of the other channels in 2008.

Long-form programmes are defined as being those running for at least 45 minutes (their longer running time allows topics to be covered in greater depth).

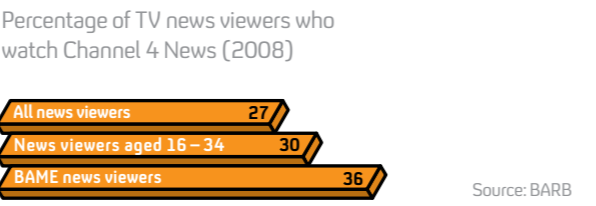


11.8m
people watched
Channel 4 News
each month

Audience reach of Channel 4 News

Channel 4 News was watched for at least 15 consecutive minutes by 11.8 million people each month on average in 2008, 27% of all TV news viewers. Of these, just over 1 million people relied on Channel 4 as their only source of TV news.

Reach was higher amongst 16–34 year olds, at 30% of TV news viewers in this age range; and higher still amongst Black, Asian and Minority Ethnic (BAME) viewers, at 36% of TV news viewers in this demographic.

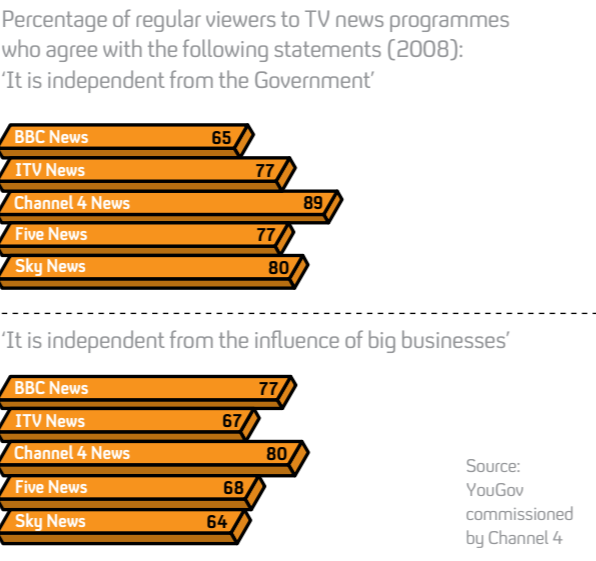


89%
of Channel 4 News
viewers regard it to
be independent
from Government

Independence of TV news

In a 5,000 person YouGov survey of TV viewers’ perceptions of the news programmes that they regularly watch, *Channel 4 News* was perceived by 89% of viewers to be independent from Government, a higher proportion than for any of the other main news providers.

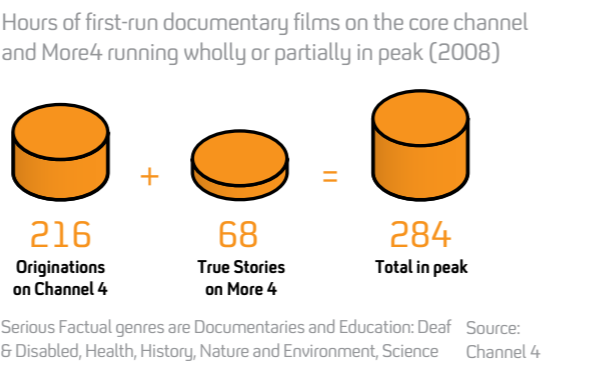
In addition, 80% of regular viewers to *Channel 4 News* regarded it as being independent from the influence of big businesses. This was again higher than the scores given to the news programmes shown by other broadcasters by their regular viewers. It is particularly impressive that Channel 4, which is funded by advertising, was rated higher on this measure than the BBC, which does not carry advertising.



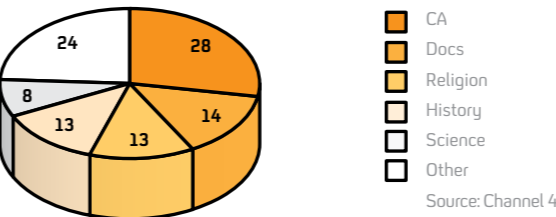
284hrs
of first-run
documentary films
on Channel 4
and More4

Commitment to documentary films

Channel 4 is committed to high-quality documentaries. 216 hours of first-run originations were shown in the evening schedules on the core channel in 2008 in Serious Factual genres. On More4, the *True Stories* strand showcased a further 68 hours of first-run feature documentary films from around the world, some of which were co-financed by Channel 4, while others were acquired. This took the core channel and More4’s combined commitment to first-run documentary films (which ran wholly or partially in peak) to 284 hours in 2008.



Genres covered by international-themed originations on the core channel as a percentage of total first-run hours (2008)



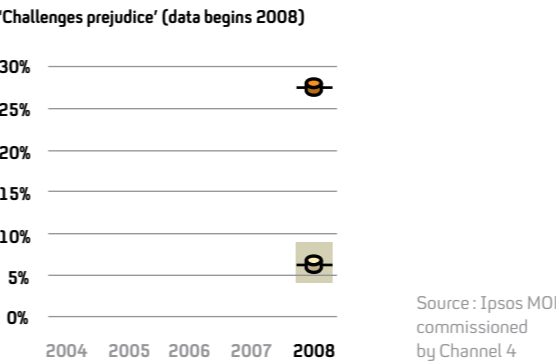
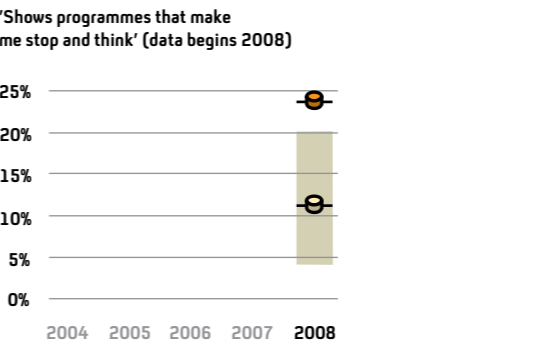
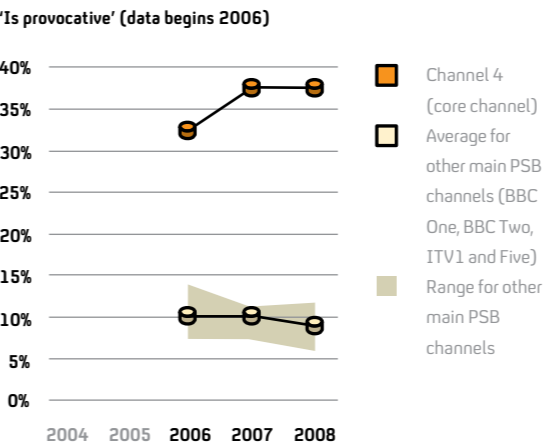
Range of international programming

Channel 4 showed 149 hours of originated programming with an international theme on the core channel in 2008 (not counting international coverage on *Channel 4 News*), 87 hours of which were first-run. Including *True Stories* on More4 (68 first-run hours), there was a total of 155 first-run hours covering international topics on the core channel and More4 in 2008.

Channel 4’s international output is not restricted to current affairs programmes such as *Dispatches* and *Unreported World*. Over 70% of total hours of internationally-themed originations on the core channel were in other genres, including documentaries (e.g. *Car Bomber*), religion (e.g. *Seven Wonders Of Islam*), history (e.g. *Ascent of Money*) and science (e.g. *Medicine Men*).

Also, the Film4 channel showed 518 hours of international films from countries other than the UK and the US in 2008.

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



Channel reputations

Channel 4 has been tracking audience perceptions of the main PSB channels against key reputational statements since 2003. Five waves of research are conducted each year. New statements reflecting Channel 4’s purposes were piloted for the first time in 2008.

Is provocative
37% of respondents believed Channel 4 (core channel) to be the most provocative channel, significantly ahead (26 percentage points) of the next highest-rating channel, Five, and 28 percentage points ahead of the average of the other main PSB channels. Its lead over the other main PSB channels grew slightly in 2008, from 27 points in 2007.

Shows programmes that make me stop and think
In a new statement, Channel 4 (core channel) was chosen by 24% of respondents for “showing programmes that make me stop and think”. This represented a 12 percentage point lead over the average for the other main PSB channels, and a lead of 3 percentage points compared to the next highest channel, BBC Two.

Challenges prejudice
In a new statement, Channel 4’s core channel was ranked by 27% of respondents as being the one which audiences most associate with challenging prejudice, well ahead of any other channel. The gap was 18 percentage points over BBC One, in second place, and 21 percentage points over the average for the other main PSB channels.

155hrs
of first-run
programmes covering
international topics
on the core channel
and More4
excluding news

28pt
lead over average
for other channels
for being provocative

12pt
lead over average
for other channels
for programmes that
make viewers stop
and think

21pt
lead over average
for other channels
for challenging
prejudice

Champion
alternative voices and
fresh perspectives

Shining a light on
modern Britain

In a diverse society, with a media environment that has fragmented into hundreds of channels and online services, one of the functions of a public service network with a UK-wide reach must be to make different communities aware of each other; to offer fresh perspectives and alternative points of view. Channel 4 has always sought to bring voices that have been on the margins of British life into the mainstream, whether the issue is race, religion, sexuality or lifestyle. Our commitment is not limited to a few late-night studio discussions – it is spread right across our schedule and across every genre from comedy and drama to news and reality shows.

The *Islam Unveiled* season, described in this chapter, was only the latest of many programmes, series and online initiatives through which Channel 4 has offered insight and illumination for Muslims and non-Muslims alike. The data on audience response elsewhere in this chapter shows how much viewers value this role.

In a completely different way, *Big Brother*, too, has given viewers the opportunity to explore each others’ habits, hates and loves – and to find how much they have in common. But there are other, more extreme, points of view that are difficult to understand and even more difficult to depict in an authentic and responsible way on television. Steve McQueen’s extraordinary film *Hunger* gave a powerful and unsettling demonstration that art can sometimes explore the human condition in a way that documentary cannot. Channel 4 had the courage to try.

This commitment to diversity also applies to Channel 4’s off-screen activities. The success of its business relies upon its ability to attract and retain people from the widest possible backgrounds. Channel 4 is fully committed to celebrating diversity in all its forms, and promotes equality of gender, race, disability and cultural diversity. Its Equality Scheme and other policies relating to diversity are available online at channel4.com/about4/diversity. Channel 4 also works closely with its external suppliers to promote diversity in their companies, and is a member of cross-industry bodies such as the Cultural Diversity Network and the Broadcasting and Creative Industries Disability Network.



Islam Unveiled

Financial Times

“Scrupulous, sympathetic and patiently didactic, it did the task for which Channel 4 was conceived: to enlighten through narrative.”

Channel 4 has done more than any other broadcaster to explain Islam for non-Muslim audiences and, at the same time, provide programming which engages the interest of Muslim viewers. The *Islam Unveiled* season continued this commitment to our whole audience, in an attempt to provide a rounded picture of the core beliefs of Islam and some of its contemporary political and social dimensions.

Seven Wonders of the Muslim World, a week-long series, traced the history and message of Islam by following six pilgrims on their journey to Mecca. Intimate, ten-minute portraits and a feature-length film explored their lives and beliefs, and the beautiful and historic mosques across the Muslim world at which they worshipped.

Sharia TV, a discussion programme now in its fourth series, was filmed against a backdrop of New York City. The programmes covered a wide range of Islamic perspectives on topics including the Israel-Palestine conflict and the prospects for peace, gender issues in Islam, freedom of expression and interfaith dialogue.

The Qur'an, a two-hour primetime documentary, used research and interviews with leading figures in the academic and Muslim worlds to attempt to find the truth behind the seemingly contradictory qualities often ascribed to the Qur'an.

Bespoke website *Osama Loves* (channel4.com/osamaloves) sparked the idea for a documentary, *Osama Bin Everywhere*. This Education programme traced people from around the world who share the name Osama in order to show the full diversity of Islamic communities.

Further online resources enabled viewers to explore the issues raised in depth, including video clips, essays, interviews with programme-makers and links to Channel 4's extensive archive on Islamic issues.

Critics heaped superlatives on the programmes, particularly *The Qur'an*. The Telegraph and The Observer both called it "magisterial". The Independent described it as "proper television for grown-ups" and The Guardian suggested it "should be compulsory viewing in every school."

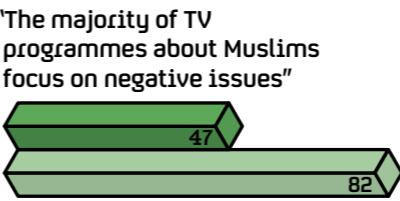
Channel 4 commissioned YouGov to survey over 2,000 people, Muslims and non-Muslims, about their perceptions of the programmes. This confirmed earlier research, finding that almost 50% of all respondents generally believe television focuses on negative issues when reporting anything to do with the Muslim community. Over 40% of non-Muslims believed that Muslims are generally represented as radical or extremist, a figure that rose to over 80% amongst Muslims.

It was pleasing to discover, then, that the *Islam Unveiled* season stood out as being highly regarded by all respondents. Large majorities of Muslims and non-Muslims alike agreed that the programmes presented Islam in a different way than was usual on television, and most felt that the season's portrayal of Islam was balanced. Furthermore, substantial majorities said they had learnt something new from the season as a whole and a significant proportion said the season had made them change their opinions.

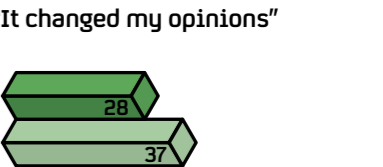
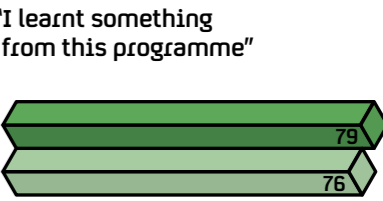
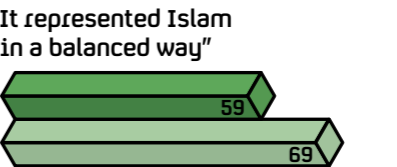
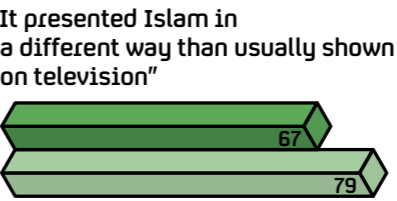
Percentage of public who agree that...

Key: ■ Non Muslim ■ Muslim

All TV



Programmes in the Islam season



Source: YouGov online survey of over 2,000 respondents conducted in July 2008 (867 Muslims / 1,359 non-Muslims)



Big Brother



“It is great that disabled people are no longer considered to be ‘too hot for TV’.”

James Medhurst,
New Statesman blog



Since its launch in 2000, one of the most striking features of *Big Brother* has been the diversity of its contestants and its winners. The show’s most engaging and controversial moments have often arisen from the interactions between people of widely varying backgrounds, cultures, races and values. Contestants who have won the audiences’ hearts, and often gone on to win the show itself, have frequently transcended huge barriers of prejudice. They include a lesbian ex-nun, a devout Presbyterian fisherman from the Orkneys, a Portuguese transsexual and a housemate with Tourette’s Syndrome. Love it or hate it, it is impossible to deny that *Big Brother* has changed public perceptions and been a triumphant vindication of the view that, given the chance, most people will set aside their preconceptions and see other people for who they really are.

It gives the show enormous power and this was demonstrated yet again in the 2008 series with the selection of two visually impaired housemates, one of whom, radio producer Mikey Hughes, was completely blind.

Using audience surveys and small focus groups, Channel 4 decided to track whether viewers’ attitudes to blindness changed during the course of the series. An initial survey of a thousand viewers found only 40% agreed with the statement that Britain is a society that respects and caters for blind people, while almost two thirds agreed that very few blind people are represented on TV.

Amongst regular watchers of the show, there was a 13% increase between the start of the series and the end in the number who believed blind people are capable of leading independent lives. There was a 4% increase in the number of those who said they were aware of the challenges blind people face in their day-to-day lives – and a 5% decrease in the number who said they ‘felt really sorry’ for blind people.

Percentage of all adults agreeing with the following statements about British society and British television in general

Key: ■ Strongly agree ■ Slightly agree

“Britain is a society that respects and caters for blind people.”



“There are very few blind people shown on TV.”



Source: TNS Phonebus, 1,005 GB Adults 16+ (29th–31st August 2008)

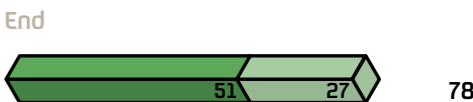
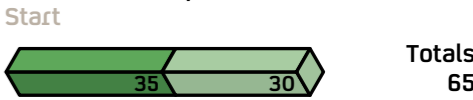
The research also revealed that the programme had helped viewers to see beyond Mikey’s disability. 62% agreed that after a while they stopped thinking of him as blind and saw him as just another housemate.

In his New Statesman blog, ‘A Different Way of Thinking’, James Medhurst commented: “In the past, disabled people have been portrayed as brave and heroic or as tragic charity cases, and it is reassuring to see the message that some of us are as unremarkable as the rest of the population and that we do not need to be patronised.”

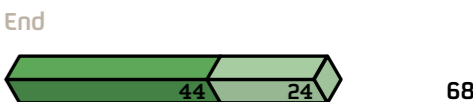
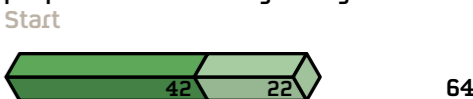
Percentage of *Big Brother* viewers agreeing with the following statements at the start of *Big Brother*, Series 9, and at the end

Key: ■ Strongly agree ■ Slightly agree

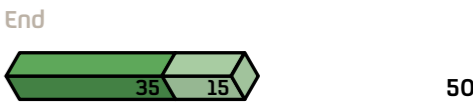
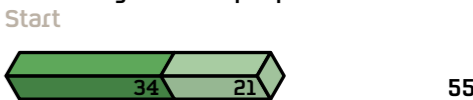
“I believe that blind people are able to live independent lives.”



“I am aware of the challenges that blind people face in their day-to-day lives.”



“I feel sorry for blind people”



Source: TNS Phonebus, 1,010 GB Adults 16+ (195 viewers, 6th–8th June) / 1,005 GB Adults 16+ (186 viewers, 29th–31st August 2008)

Percentage of *Big Brother* viewers agreeing with the following statement at the end of *Big Brother*, Series 9

Key: ■ Strongly agree ■ Slightly agree

“After a while I stopped thinking about Mikey being blind and just saw him as another housemate.”



Source: TNS Phonebus, 1,005 GB Adults 16+ (186 viewers, 29th–31st August 2008)

Hunger

“A lacerating portrait of an agonised period of British and Irish history.”

The Guardian

As a Turner Prize-winning artist with an established interest in using video as a medium, it was unsurprising that Steve McQueen should be in discussion with Channel 4’s commissioning editor for arts about the possibility of making a programme and that Film4 should also become involved. But as the project grew in scope and ambition, what eventually emerged was one of the most extraordinary feature films by a first-time director for many years; extraordinary both in its controversial subject matter and in its cinematic quality.

Hunger tells the story of the 1981 hunger strike in Belfast’s Maze prison by a group of IRA prisoners, and the eventual death of one of their number, convicted criminal Bobby Sands, who was serving a 14-year sentence for possession of firearms. Too far in the past to be easily remembered by many, too close to the present to be safely categorised as history, *Hunger* explores the beliefs, the passion, the hatred and the pain that so utterly dominated life in Northern Ireland at the height of the Troubles. Steve McQueen said of the film, “I wanted to show what it was like to see, hear, smell and touch in the H-block in 1981. It was important to me that the events were shown both through the eye of the prisoners and prison officers. In *Hunger* there is no simplistic notion of ‘hero’, ‘martyr’ or ‘victim’”.

At a preview screening of the film, one of Bobby Sands’ friends, who had walked behind his coffin, acknowledged Channel 4’s role in making the film possible when he said, “At the funeral a man said to me, ‘One day someone will make a film about this man,’ and I replied, ‘Maybe, but it won’t be the bloody Brits that do it.’ I was wrong.”

By the end of the year, the film had won 15 awards worldwide, including the Camera d’Or at Cannes and the BAFTA Carl Foreman award for most promising British film talent.

“This is a sensational feature debut, fearless and uncompromising, bolder than any film to come out of the UK in a long time.”

The Telegraph



Disarming Britain



Telegraph Online

“Channel 4 has shown that there is a role for the media in making a positive, intelligent and practical contribution to tackling these problems.”



Using drama, documentary, online films, a three-dimensional game, web information and a range of public events, the *Disarming Britain* season examined the rising tide of knife and gun crime amongst young people in Britain and gave a voice to those directly affected by these issues.

At the centre of this season was a major public event, the Street Weapons Commission. Chaired by Cherie Booth QC, the Commission conducted a wide-ranging investigation into why so many young people carry guns and knives and what can be done about it. The Commission toured five cities – London, Manchester, Birmingham, Liverpool and Glasgow – in order to see how street violence manifests itself in different regions. Its Commissioners included Ian Levy, whose son was killed in a knife attack, former Chief Constable of West Midlands Lord Geoffrey Dear and prominent figures in youth policy, education and social entrepreneurship. The Commission’s final report was an urgent call to action for the Government, police forces, local councils, schools, hospitals and communities. The accompanying TV series showed highlights of the Commission’s findings from each city and culminated in a live debate on the topic chaired by Jon Snow.

Another pillar of the season was *Fallout*, an adaptation of Roy Williams’ play originally written in the aftermath of the Stephen Lawrence and Damilola Taylor murders. *Kids, Knives and Broken Lives* investigated why so many young people regularly take to the streets armed with guns and knives, and did so by asking the real experts on street weapons – young people – for their solutions. A 17-year-old East Londoner, AJ Nakasila, made six short films collectively entitled *Eye 4 an Eye*, which could be viewed online. They presented an unvarnished account of gangland revenge and how it affects the everyday lives of his friends.

Two special *Dispatches* documentaries were commissioned. *A Widow’s War on Yobs* followed Helen Newlove, widow of Garry Newlove, who was kicked to death outside his home in Cheshire, in her search for answers to the problem of youth crime in the UK. *The Truth About Street Weapons* examined the shocking impact of street violence on its victims, arguing that children do not fully understand the painful consequences of their actions.

The season also included a range of online initiatives that were extremely successful in engaging young people. On Channel 4’s website and on the popular social networking site Bebo, young people shared their views about guns and knives and submitted ideas for ‘Disarming Britain’ logos and slogans. *Dead Ends*, the three-dimensional game created specially for the season, allowed users to understand both sides of the law as either a new gang recruit or as a police officer investigating a gang killing.

Almost 6 million people watched some part of the series on television while the supporting website (channel4.com/disarmingbritain) attracted just under 10,000 visitors a day. A trailer for the series uploaded unofficially onto YouTube was viewed some 60,000 times during and after the series’ transmission.

Home Secretary Jacqui Smith applauded the work done by Channel 4, saying of *The Truth About Street Weapons*, “Helping our young people to be safe, is not something that I as a Minister can do alone, it’s not something that the police can do alone, it does need a discussion, a debate, and joint action, and that’s why I actually welcome the approach that you’ve taken.”

The Street Weapons Commission continues to pursue its work. Cherie Booth and another Commissioner, Liam Black, have given evidence to the Home Affairs Select Committee. Their evidence formed part of the Inquiry Report and the Commission has been invited to contribute to the Home Affairs Committee’s new Inquiry into Knife Crime. At the end of 2008, the Commission held a roundtable discussion with Government ministers, senior police officers and community leaders in order to reach more detailed recommendations. Channel 4 hosted a major conference in February 2009 to discuss how the recommendations could be taken forward. People continue to make their voices heard in this debate through the *Disarming Britain* website.

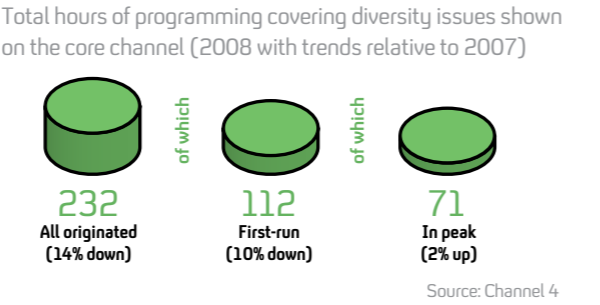
112hrs
of first-run
originations covering
diversity issues
on the core channel

Diversity output on the core channel

Channel 4 showed 232 hours of originated programming covering diversity issues (relating to religion, multiculturalism, disability or sexuality) on the core channel in 2008, excluding *Big Brother* and associated programmes. Of these, 112 hours were first-run, and 71 of the first-run hours were in peak.

Channel 4’s commitment to diversity spans the entire schedule, with landmark originated programming in a range of genres including documentaries, religion, drama and current affairs.

The amount of first-run originated diversity programming fell by 10% year-on-year across the schedule (see page 76). However, output in peak was protected, with the volume rising slightly.



Breakdown by genre of first-run originations covering diversity issues on the core channel with examples (2008)

Education – A Boy Called Alex, Medicine Men, Battlefront	32%
Current Affairs – Battle for Haditha, Street Weapons Commission	22%
Religion – Seven Wonder of Islam, Baby Bible Bashers	20%
Documentary – Bobski The Builder	13%
Drama and Film4 – Fallout, Brick Lane	10%
Other – The Great Russian Art Invasion	3%
Total first-run originations covering diversity issues	100%

15pt
lead over average
for other channels
for catering for
audiences that
other channels
don’t cater for

Channel reputations

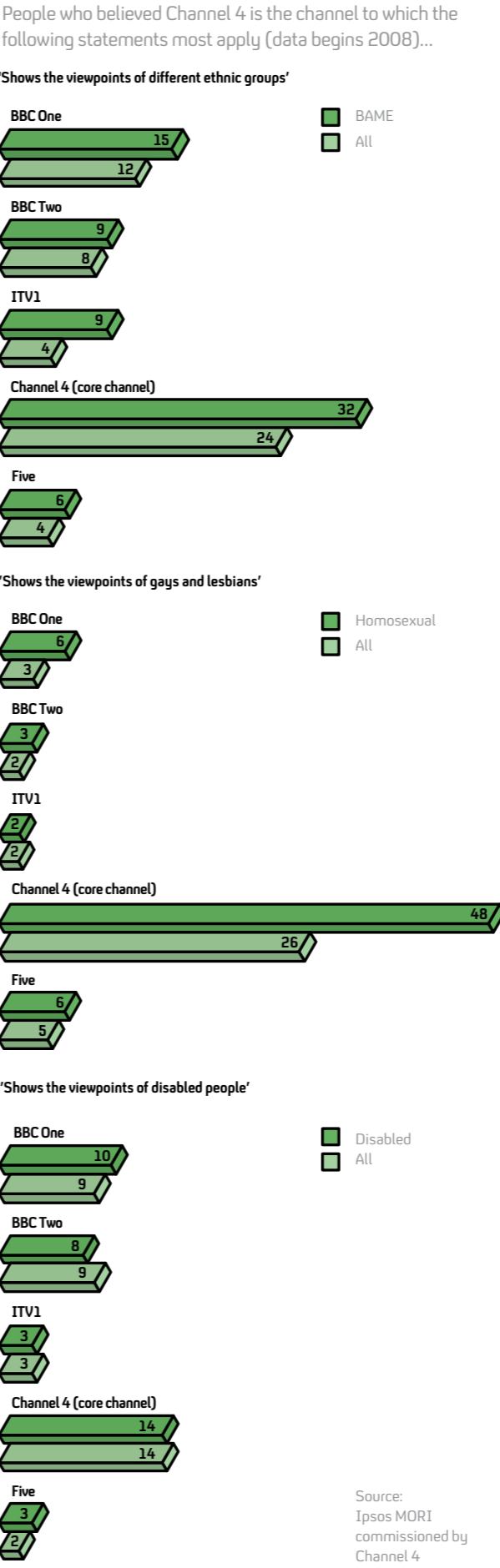
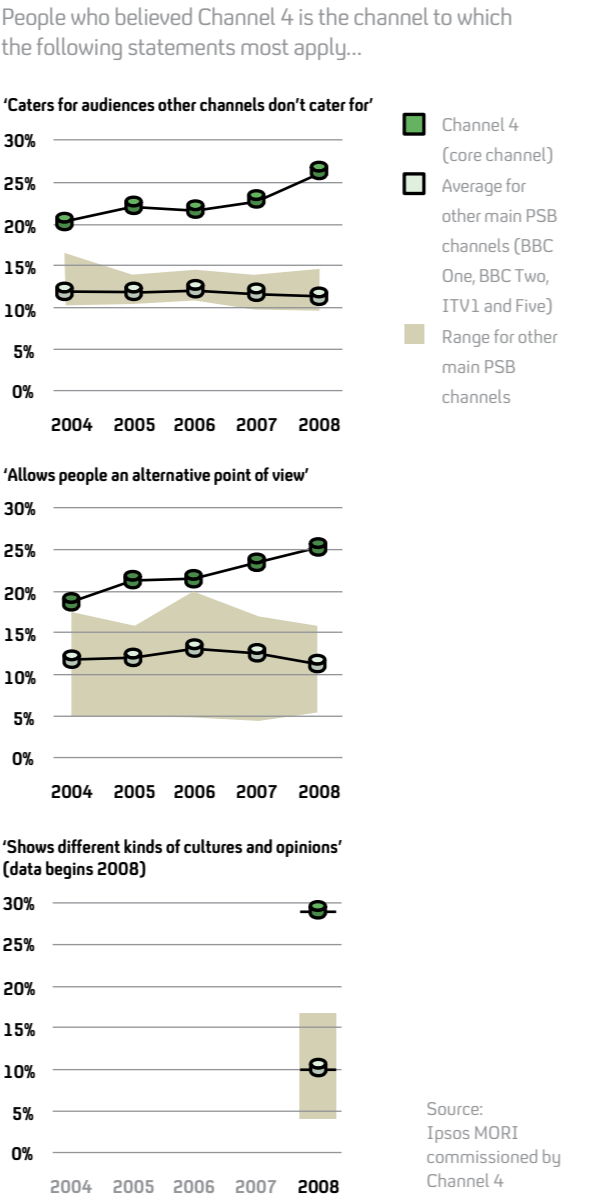
Quantitative output measures tend to be inadequate in terms of capturing the extent to which Channel 4 reflects the interests of, and appeals to, different social groups. Audience perceptions provide a particularly important means to assess Channel 4’s performance against this purpose. Channel 4 added new statements to its audience tracking survey in 2008 to look at perceptions relating to different aspects of diversity amongst the general population and within relevant demographic groups.

Caters for audiences other channels don’t cater for
In 2008, 26% of people rated Channel 4’s core channel as being the channel that most “caters for audiences other channels don’t cater for”. This was 12 percentage points higher than the score for the next highest channel, Five, and 15 percentage points higher than the average of the other main PSB channels.

Channel 4 opened the gap against its competitors in 2008: the core channel’s lead over the average score of other channels was up from 12 percentage points in 2007.

Allows people an alternative point of view
25% of respondents selected Channel 4’s core channel as the one to which the statement “Allows people an alternative point of view” most applies, a lead of 14 percentage points over the average for the other main PSB channels and a 9 percentage points lead over the next highest-rating channel, BBC One. The core channel’s lead relative to other channels increased in 2008, from 11 percentage points in 2007.

Shows different kinds of cultures and opinions
In a new statement, 29% of respondents chose Channel 4’s core channel as the one that “has programmes which show different kinds of cultures and opinions”. This was 19 percentage points more than the average for the other main PSB channels, and 12 percentage points more than the next most popular channel (BBC Two).



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

Shows the viewpoints of different ethnic groups
A greater proportion of audiences associate Channel 4 with showing the viewpoints of different ethnic groups in the UK than any other channel. The core channel was chosen by 24% of respondents, 12 percentage points more than the next highest channel (BBC One), and 17 percentage points ahead of the average for the other main PSB channels.

Of the Black, Asian and Minority Ethnic (BAME) respondents in the survey, Channel 4’s core channel was also ranked in first place, and by a higher margin than amongst the general population. It was chosen by 32% of this group, giving Channel 4 a lead of 22 percentage points over the average for the other main PSB channels.

Shows the viewpoints of gays and lesbians
Channel 4 has a particularly strong association with showing the viewpoints of gays and lesbians. The core channel was selected by 26% of respondents, 23 percentage points more than the average for the other main PSB channels, and 21 percentage points more than chose the next highest channel, Five.

Amongst gays and lesbians themselves, Channel 4’s reputation is stronger still: just under 50% of respondents who identified themselves as being homosexual selected the core channel, a lead of 44 percentage points over the average of the other main PSB channels, and 42 percentage points more than chose BBC One and Five (the next highest channels).

Shows the viewpoints of disabled people
Channel 4’s core channel was selected by 14% of respondents as being the one they most associated with showing the viewpoints of disabled people, 5 percentage points more than chose the next highest channels (BBC One and BBC Two), and 8 percentage points more than the average for the other main PSB channels.

The results were similar amongst respondents to the survey who identified themselves as being disabled. The core channel was chosen by 14% of respondents, again 8 percentage points more than the average for the other main PSB channels. Its lead over BBC One, which was ranked second, was 4 percentage points.

Channel 4 aims to cast disabled people across all its shows. In 2008, these included *Wife Swap*, *The F Word*, *Grand Designs*, *Secret Millionaire*, *The Charlotte Church Show* and *Channel 4 News*. Perhaps the most impactful everyday portrayal of disability was provided by the inclusion of blind and visually impaired housemates in *Big Brother* (see page 38). Acclaimed shows that focused specifically on disability included *A Boy Called Alex* and *The Doctor Who Hears Voices*.

It is a concern to Channel 4 that its reputation on disability was not as strong as for other forms of diversity. In 2008, Channel 4 and the BBC commissioned an extensive piece of research into disabled audiences and the media. This revealed a desire for authenticity in portrayal, and for disability to be treated as ordinary rather than something special. This will influence Channel 4’s approach in 2009 (see page 76).

17pt
lead over average
for other channels
for showing the
viewpoints of
different ethnic
groups

23pt
lead over average
for other channels
for showing the
viewpoints of gays
and lesbians

8pt
lead over average
for other channels
for showing the
viewpoints of
disabled people

Inspire
positive change
in people's lives

Opening minds and
sparking interests

We believe that a public service network should do more than just reflect what is going on in society: it should engage in the debate and help move things forward; stepping beyond the screen and making an impact on how viewers live their lives. Channel 4 has been a powerful force in changing Britain's attitudes on a host of issues – from sex to food and from art to illness. It has helped change the way people see their neighbours, their children, their parents, and people living with disability.

Television that has the power to inspire often has the power to shock, too. Not all the programmes we describe in this chapter made for comfortable viewing. But by integrating on-air programming with online services, we have been able to go beyond the 'shock' and give people the support and the information they need to act on their changing perceptions – whether it's changing their diet, getting involved in the life of their community or simply going to see their GP about an illness they have been too embarrassed ever to talk about before.

Cinema, too, has the power to inspire positive change in people's lives. Great films speak directly to the heart and have a universal appeal which transcends language and culture. They can inspire dreams and ambition in a unique way, yet the range of films available on most TV channels barely reflects that extraordinary richness. Just as we champion innovation and risk in the films we make, we aim to give viewers something different with the films we show on our network, especially those on our dedicated film channel, Film4. While Hollywood movies dominate what is available on other channels, we ensure that at least 40% of our film schedule is devoted to British and international (non-US) films. As well as showing more British films than any other terrestrial broadcaster, in 2008 we showed almost twice as many foreign language films on our main Channel 4 service as all the other public service channels put together.



Secret Millionaire



The Telegraph



“It was almost annoying
that a show with a premise
so smug should prove
so poignant.”

In any ranking of TV shows as ‘inspirational’, *Secret Millionaire* would have to come very near the top. The format could not be simpler: a wealthy individual, under cover, volunteers to work for a period of time with local charities in a rundown inner city neighbourhood before revealing their real identity and contributing substantial sums of their own money to help projects and individuals whose work they have come to value and admire. The community benefits, the millionaire often has a genuinely life-changing experience and the viewer sees how individuals can really make a difference. A perfect formula!

No wonder that with each series the audience has grown – from an average of 2.8 million per episode in the first series, to 3.3 million in the second and 4.5 million in the third.

One episode in the third series was watched by 5.1 million, the highest figure for any Channel 4 documentary programme of 2008, and it was not difficult to see why. Nick Leslau, a London property magnate, moved into a rundown neighbourhood in Glasgow and volunteered to work in a small, financially struggling community centre. Through the centre he met Andrew, a blind man whose greatest comfort was his guide dog and whose greatest regret was his inability to watch his home football team, Rangers. As part of his sizeable donations to local good causes, Nick Leslau gave Andrew a cheque for Guide Dogs for the Blind, and a Rangers season ticket for himself. Even the national press was moved, with The Daily Express commenting: “It’s often thought that nice, uplifting, positive vibes make rotten telly... *Secret Millionaire* makes us think again.”

To follow up the series, *Secret Millionaire Changed My Life* returned to the communities in question and showed the extent to which the philanthropists’ contributions had brought lasting and sustainable change.

Embarrassing Bodies and The Sex Education Show



“Programmes such as this perform a necessary public service.”

The Sunday Times

We live in a society in which we expect and are expected to take a large measure of responsibility for our own health, whether through choice of lifestyle or self-referral to GPs and hospitals. Yet, for many people, and especially for the young, ignorance – or simple embarrassment – can militate against intelligent and timely choices being made. That is an issue which public service broadcasters are in many ways better placed than the NHS to address and Channel 4 has been at the forefront of doing so.

The Sex Education Show examined such sensitive issues as sexually transmitted infections, pregnancy, abortion, peer pressure, homosexuality and pornography. *Embarrassing Bodies* offered a guide to a range of health problems which remain largely taboo, from acne to prostate cancer, while *Embarrassing Teenage Bodies* focused on adolescent health concerns.

These three programmes attracted average audiences of 2.7 million, but their lasting impact played out online as much as on-air. Through linked websites *Sexperience* (channel4.com/sexperienceuk), *Embarrassing Bodies* (channel4.com/bodies) and *Embarrassing Teenage Bodies* (channel4.com/teenagebodies), users could access educational videos and discuss their problems. The sites received more than 16 million page views, almost two million visits and over two million video views. In the four days during which *Embarrassing Teenage Bodies* was transmitted 99,000 online Risk Checks were taken on the site for sexually transmitted illnesses.

A survey of 1,500 viewers (of whom 500 were teenagers) found that over 85% of adults and three quarters of teenagers thought *Embarrassing Teenage Bodies* provided a useful opportunity for parents and teenagers to discuss important health issues. Over 80% of teenagers and almost two thirds of adults said they had learned something from the programme.

Another survey of 2,000 *Embarrassing Bodies* viewers found strong support for the series, with 81% agreeing that it was a good programme for Channel 4 to do. Over three quarters of the audience thought it had performed an important public service, and almost two thirds that it had successfully combined entertainment with information. 45% said the series had changed the way they thought about their personal health. Compared to people who had not seen the programme, *Embarrassing Bodies* viewers were nearly twice as likely to claim they would check themselves for signs of breast or prostate cancer.

Hundreds of calls to our Viewer Enquiry line and website comments indicated the profoundly positive impact of the programmes. One viewer told us, “After watching the show I have bravely made an appointment to see my doctor. I hope others like me will do the same and not suffer in silence for as long as I have.” An NHS specialist said, “I am delighted that Sexperience seems to have lifted barriers for at least some of my patients who might never have come in otherwise.”

User engagement with websites *Embarrassing Bodies*, *Embarrassing Teenage Bodies* and *Sexperience*

Page Views	16.4 million
Visits	1.8 million
Video Views	2.3 million
User contributions (questions and comments)	29,100

Over the period of broadcast and the following month
Sources: Channel 4 Omniture SiteCatalyst, Maverick Television, Mint Digital

Percentage of *Embarrassing Bodies* viewers agreeing with the following statements

Key: ☒ Teenage Viewers ☒ Adult Viewers

“Programmes like this provide a useful opportunity for parents and teenagers to discuss important health issues”



“I learnt some things I didn't know”

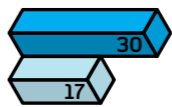


Source: Ipsos MORI, 1,000 adults 15+; Dubit, 500 teenagers 13–19 (October 2008)

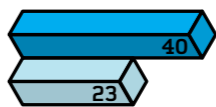
Percentage of people saying they would self-check in the next month

Key: ☒ *Embarrassing Bodies* viewers ☒ Non-viewers

Men



Women



People responding “check yourself (e.g. breast/testicle check)” when asked the question: “In the next month how likely are you to do any of the following?”

Source: Ipsos MORI, 2,000 adults 15+ (May 2008)

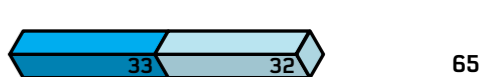
Percentage of *Embarrassing Bodies* viewers agreeing with the following statements

Key: ☒ Strongly agree ☒ Slightly agree

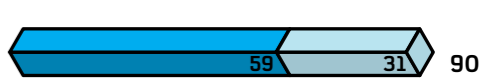
“It offers an important service to the public”



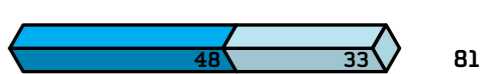
“It was entertaining as well as informative”



“TV programmes are a good way to raise awareness of medical and health issues”



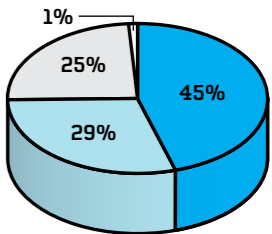
“It's a good series for Channel 4 to do”



Source: Ipsos MORI, 2,000 adults 15+ (May 2008)

How *Embarrassing Bodies* has changed its viewers' attitudes to health

Key: ☒ A lot / a little ☒ Not at all ☒ I already take an interest ☒ Don't know



Percentage of *Embarrassing Bodies* viewers responding to the question: “How much would you say *Embarrassing Bodies* has changed the way you think about your personal health?”

Source: Ipsos MORI, 2,000 adults 15+ (May 2008)



Big Food Fight



“Exemplary public service television: interesting, informative and unhysterical.”

The Independent



With concern rising fast about the quality and quantity of British diets, Channel 4 mounted a campaign to get people thinking about what they eat. A smorgasbord of programmes spread over two weeks from the three tastiest chefs on British television, Jamie Oliver, Hugh Fearnley-Whittingstall and Gordon Ramsay, proved to be an extraordinarily successful way of encouraging a change in eating habits, and all done with an eye on the average household budget.

Hugh's Chicken Run and *Jamie's Fowl Dinners* focused on the treatment of battery-farmed chickens. *Dispatches: The Truth About Your Food* investigated food labelling, and the psychological factors behind Britain's unenviable position as Europe's most obese nation. The hidden dangers of some of Britain's most popular foods were exposed by Jamie Oliver in *Eat to Save Your Life*, assisted by *Bodyshock's* Gunther von Hagens and health experts.

The season culminated in *Gordon Ramsay: Cookalong Live*, an hour-long live show in which viewers at home were invited to prepare a meal with Gordon Ramsay. 500,000 rose to the challenge, causing supermarkets around the country to report that they had sold out of key ingredients for the chosen recipe. The programme drew an audience of 4.7 million with the rest of the series averaging 4 million. Overall, some 17 million people (30% of the UK population) watched the season.

The season's impact was immediate and remarkable. 38% of respondents to an Ipsos MORI survey said *The Big Food Fight* would change their food-buying behaviour. 61% of respondents to a Nielsen poll stated that "it is very important we make a stand to improve animal welfare." The Independent reported in February 2008 that: "Sales of free-range poultry shot up by 35% last month compared with January 2007, while sales of standard indoor birds fell by 7%, according to a survey of 25,000 shoppers." Sainsbury's reported sales of free range, organic and RSPCA-Freedom Food chicken had risen by 50% in the wake of the season. Waitrose stated that demand for organic chicken was up by 31%, along with a 24% rise free-range meat sales. And immediately prior to the season, supermarkets Sainsbury's, Co-op and Morrisons decided to ban eggs from caged birds over two years.

Percentage of viewers of the Big Food Fight season who agreed with the following statements:

"It's a good thing for Channel 4 to do"



"TV programmes are a good way to raise awareness of food and health issues"



"The Big Food Fight season has changed the way I think about food"



"The Big Food Fight season has changed how I will buy food in the future"



Source: Ipsos MORI Telephone Survey, CATI Omnibus, 1,009 adults, 18–20th January

Percentage of viewers of Jamie's Fowl Dinners and Hugh's Chicken Run who agreed with the following statements:

"It is very important that we make a stand to improve animal welfare"



"These programmes made me think about how I shop"



"The programmes were highly informative and taught me a lot about poultry farming"



"I will change my chicken purchasing as a result of watching these programmes"



Source: Nielsen online survey, 1,096 adults, 15–29 Jan 2008



Battlefront

“The passion is infectious.”

The Guardian



Channel 4's digital media projects

As part of Channel 4's education strategy

Year Dot (channel4.com/yeardot) looked at how social networking can help young people achieve their ambitions as they face the challenges of leaving school, college or home. The *Year Dot* website and related MySpace page achieved 120,000 visits and 190,000 video views between them in the second half of 2008.

The Insiders (channel4.com/theinsiders) provided an alternative to traditional career advice, using short-form comedy and blogs to help young people better understand potential career paths. *The Insiders* website attracted over 200,000 video views in four months.

Bow Street Runner (channel4.com/bowstreerunner) was launched as a web-based game to support the *City of Vice* series. See page 18.

And across Channel 4's network more broadly

Picture This (channel4.com/picturethis) was a cross-platform project that focused on the art and craft of photography. Through a TV series and website, in partnership with online photo sharing site Flickr, the project encouraged people to share and improve their photography.

Osama Loves (channel4.com/osamaloves) was an innovative project that aimed to seek out people with the name Osama across the world, in order to illustrate the diversity of Islamic culture.

The Medicine Chest (channel4.com/medicinechest) provided online support for TV series *Medicine Men Go Wild*, creating a repository for traditional remedies and folk wisdom in the area of health and healing: over 300 remedies were uploaded by the public.

Animation site *4Mations* (4mations.tv) launched to provide a home for British animation. As well as uploading films and participating in the online community, users could pitch for commissions and use the tools provided to create online animated films.

Responding to the way in which most young people use electronic media, Channel 4 has been moving its education initiatives into the online world.

Battlefront (channel4.com/battlefront), an interactive cross-platform education project running for nine months, gave 20 teenagers the tools and resources they needed to manage their own campaigns to change the world. With the assistance of mentors, participants worked to gain peer group support and make a real-world impact on a wide range of issues that include changing homophobic attitudes, raising awareness of cyber-bullying, combating knife and gun crime, rejecting size-zero models, and an initiative to promote random acts of kindness.

The project was a collaboration with Bebo, the UK's leading social networking site for 16- to 24-year-olds. Audiences immersed themselves in the projects by sharing in the latest news, blogs and video diaries online, and were able to launch campaign ideas of their own on the *Battlefront* website. In the first three months of the project, users downloaded 21,000 online videos about the various campaigns and the website was viewed almost a quarter of a million times. Channel 4 added a TV dimension with a *Battlefront* series as part of its regular morning Education schedule. Some of the campaigns attracted significant press interest.

Focus groups of young viewers and users rated the project very highly and applauded its cross-platform nature. One said, "It has made me discover lots of amazing ideas that young people have that could really change and improve the world." Another said it had "showed me how you can campaign so easily for something you believe in." Others said that *Battlefront* had encouraged them to do new things online, such as "keeping up to date on issues going on in the world" or "going on a range of new websites to look at [...] how to get involved."

Battlefront online



240hrs

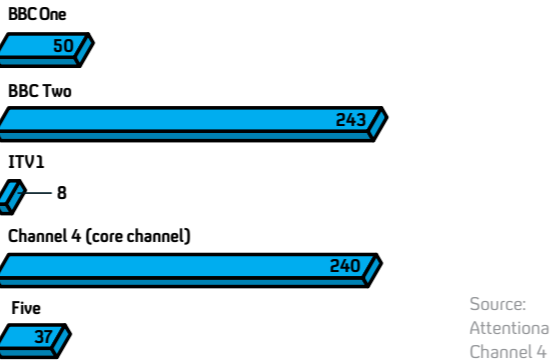
Programmes covering leisure, life-skills and hobbies

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

Channel 4 showed 240 hours of originated programmes covering leisure interests, life-skills and hobbies on its core channel between 6pm and midnight in 2008, covering areas such as cookery and nutrition (*Gordon Ramsay’s The F Word*), health and body issues (*How To Look Good Naked*), and property and travel (*Grand Designs*). Channel 4’s output represented 42% of the total hours of programmes in these genres on the main PSB channels.

While output in these genres was dominated by Channel 4 and BBC Two, Channel 4 refreshed its schedule more often. The average age of leisure, life-skills and hobbies programmes – based on the year in which the first series was transmitted – was just four years on the core channel, compared to 13 years for the corresponding programmes shown on BBC Two.

Hours of originated programmes covering leisure interests, life-skills and hobbies shown on the main PSB channels between 6pm and midnight (2008)



206

UK and foreign-language films

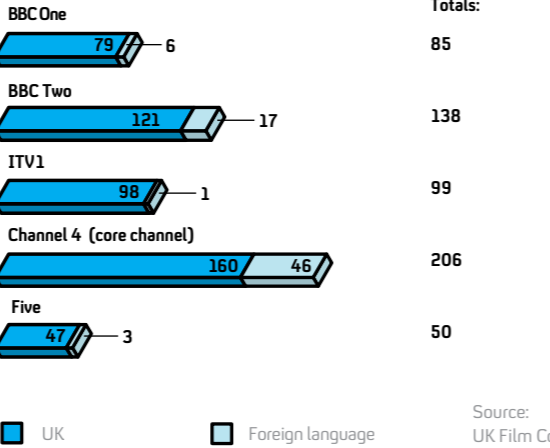
British and foreign language films shown on Channel 4, more than on any of the other main PSB channels

Channel 4 encourages people to broaden their horizons through its feature film output. Its editorial strategy schedules popular mainstream US features alongside a wide range of British and international titles, including its own Film4 productions.

According to the UK Film Council, Channel 4 showed 206 UK and foreign-language films on its core channel in 2008 – more UK films, and more foreign-language films, than were shown on any of the other main PSB channels in the year. Channel 4’s core channel accounted for 63% of all the foreign language films shown on the main PSB channels.

British and international highlights on the core channel in 2008 included a 20-film Bollywood and Asian season, a showcase of Film4 Productions (featuring *Venus* and *Brick Lane*) and Guillermo del Toro’s *Pan’s Labyrinth*.

Number of UK and foreign-language films on the main PSB channels (2008)



40%

Diversity of Film4 channel schedule

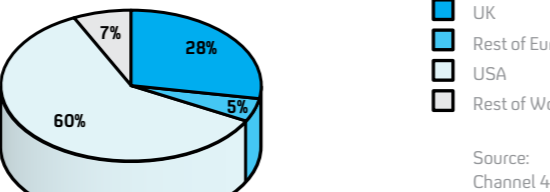
of output on the Film4 channel devoted to British, other European and international films

The Film4 channel showcased a diverse range of popular and acclaimed films from around the world. Dedicated ongoing strands included “The British Connection”, “Films to see Before you Die” and “Saturday Night Shocks”. In 2008, 28% of its output comprised British films, and a further 12% were international (non-British and non-US).

The British Connection took over the Film4 schedule for two weeks in March 2008, with every film shown on the channel being of British origin. 1.1 million viewers watched the premiere of Film4 Production *This Is England*.

Other UK and international films attracted up to 400,000-500,000 viewers on individual transmissions. Key seasons covered retrospectives of Ingmar Bergman and David Lean, and a focus on contemporary Argentine cinema – including films that had never before been shown on UK television, part of the Film4 channel’s commitment to give exposure to films that can otherwise be difficult to see.

Percentage of output on Film4 channel by region of origin (2008)



Busiest forums on channel4.com (2008)

Forum	Comments
1 Big Brother	2,119,528
2 Channel 4 News	583,235
3 Hollyoaks	146,468
4 Deal or No Deal	16,440
5 Drama – eg Sugar Rush	15,376
6 Culture – eg The Genius of Charles Darwin	14,566
7 Green Wing	13,466
8 Discuss4 / Talk4 – eg The Family	12,549
9 4Homes – eg Grand Designs	12,542
10 The Paul O’Grady Show	8,933
Total for top 10 forums	2,943,103

Channel 4 programmes with the highest conversion rate from TV audience to website visits (2008)

Title	Visits (000s)	Conversion from TV *
1 Cook Yourself Thin	225	12.9%
2 Skins	1,914	10.9%
3 Gordon Ramsay: Cookalong Live	881	8.9%
4 Fonejacker	242	8.4%
5 Big Brother / Celebrity Hijack	29,284	7.6%
6 The Sex Education Show	715	6.0%
7 Dead Set	383	5.6%
8 Jamie’s Fowl Dinners	205	4.8%
9 The Day of The Kamikaze	114	4.6%
10 Time Team	88	4.3%

* Visits per TV viewer per episode

Source: Channel 4, BARB

Engaging viewers online

Channel 4’s capacity to inspire change may be attributed in part to the extent to which its programmes encourage active engagement. This may involve participating in discussion forums on issues raised, or seeking further information online.

Channel 4’s own online forums attracted a total of 4.3 million comments in 2008. The most popular threads tended to relate to popular long-running series such as *Hollyoaks*, *Big Brother* and *Channel 4 News*.

A wide range of programmes encouraged viewers to seek more information online. We calculated the conversion rate from TV audiences to website visits by comparing TV viewing data with the number of online visits to the corresponding sites for individual programmes, and making the assumption that all visitors to a TV-related website also watched the relevant TV programme. On this basis, the programmes with the highest rates of conversion from the TV audience to online visits included those covering health and food, such as *Cook Yourself Thin* and *The Sex Education Show*; popular E4 shows such as *Skins* and *Dead Set*, which have loyal young audiences; and engaging documentaries such as *Day of the Kamikaze*. The 10 programmes with the highest conversion rates from TV viewing to online generated a total of 34 million visits and 24.1 million page views.

4.3m
comments on
Channel 4’s hosted
online forums

241m
page views
generated by Top 10
highest-converting
TV programmes

Channel reputations

Channel 4 has been tracking audience perceptions of the main PSB channels against key reputational statements since 2003. Both statements below are part of the set of new statements that were piloted for the first time in 2008.

Gives me new ideas
18% of respondents associated Channel 4’s core channel with giving them new ideas, a higher percentage than chose any other channel. The core channel’s lead over the average for the other main PSB channels was 11 percentage points, while it was 8 percentage points ahead of the next highest-rating channel, BBC Two.

Makes me think about things in new and different ways
22% of respondents selected Channel 4’s core channel as being the one that makes them think about things in new and different ways, more people than chose any other channel.

This score gave it a lead of 14 percentage points over the average for the other main PSB channels, and put it 9 percentage points ahead of the next highest-rating channel, BBC Two.

11pt
lead over average
for other channels
for giving viewers
new ideas

14pt
lead over average
for other channels
for making viewers
think in new and
different ways



Scale and Impact

Channel 4's scale – in terms of its level of investment in a wide range of high-quality originated UK content and its ability to reach large audiences – sets it apart from the hundreds of digital channels available. This is evidenced by Channel 4's expenditure on original content, by the volume of newly-commissioned programming shown every day across its TV channels, and by the amount of viewing across the TV portfolio to the programmes that it commissions ("network originations").

Together, these contribute to the impact that its programmes and digital services achieve. The large number of television and film awards won by Channel 4 provides an indicator of the excellence of its output, as recognised by industry practitioners both in the UK and internationally.

Channel 4 is also different from other public service broadcasters, in terms of what it does and to whom it appeals. In a crowded marketplace in which it is more difficult than ever to stand out, viewers recognise clearly Channel 4's distinctive approach across its output. And it appeals to certain audiences that others struggle to reach – in particular, young people and those from minority groups.

As a publisher-broadcaster with no in-house production base, Channel 4 plays a vital role in supporting the independent production sector. Its contribution to the creative economy generates significant benefits across the whole of the UK. It plays a disproportionately important role in supporting talented individuals, and helping them grow sustainable production businesses.

And as an organisation with partnership at its core, Channel 4's investment often acts as a catalyst for much larger interventions across the creative industries – not just in television and film, but in other forms of arts, design and digital media. The Castleford project is a good example of an initiative in which Channel 4 was involved for many years, leaving a tangible legacy that will endure far beyond the lifetime of the TV programme. Through the new 4iP innovation fund (which is supporting exciting new projects such as Central Station), Channel 4 aims to play as powerful a catalytic role in digital media in the 2000s as it did in stimulating the independent TV production sector in the 1980s.

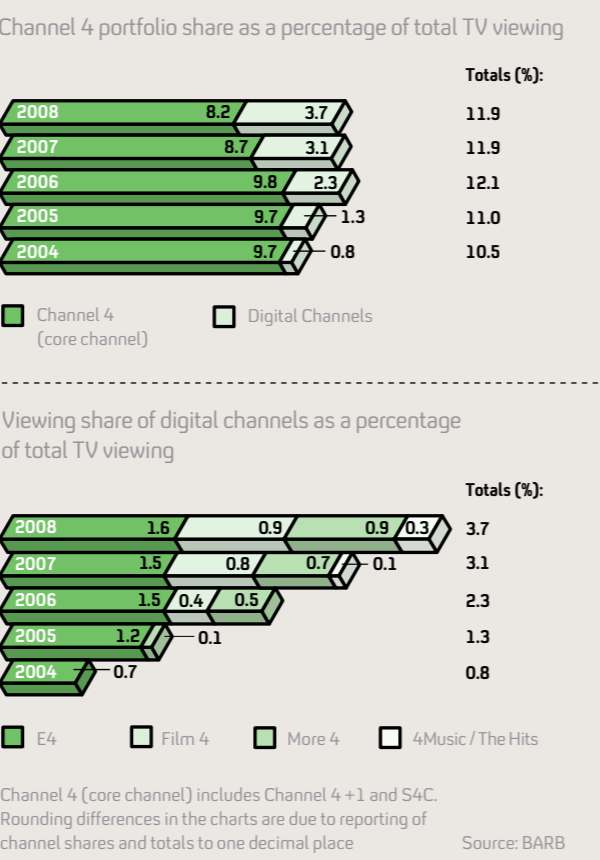
11.9%
viewing share
across TV
channel portfolio

TV viewing share

Channel 4’s television channels attracted a total viewing share of 11.9% in 2008, level with the corresponding share in 2007. Viewing to Channel 4’s TV portfolio was higher over the last three years (2006-2008) than at any previous time in the broadcaster’s history.

Channel 4’s core channel attracted an 8.2% share of total TV viewing in 2008, while the digital channels achieved a combined share of 3.7%. E4 was the most viewed digital channel, with a 1.6% share. More4 and Film4 both had viewing shares of 0.9%. 4Music (formerly The Hits, part of the Box portfolio of music channels) launched in August 2008. Over the year, 4Music/The Hits attracted a viewing share of 0.3%.

Viewing to the core channel fell by 6% year-on-year (from 8.7% in 2007), reflecting a trend across the sector for audiences to migrate away from the main PSB channels to digital channels on Freeview, Sky Digital and Virgin Media. This led to a compensating 20% increase in viewing to Channel 4’s own digital channels. Viewing to More4, Film4 and E4 increased by 35%, 13% and 7% respectively year-on-year.



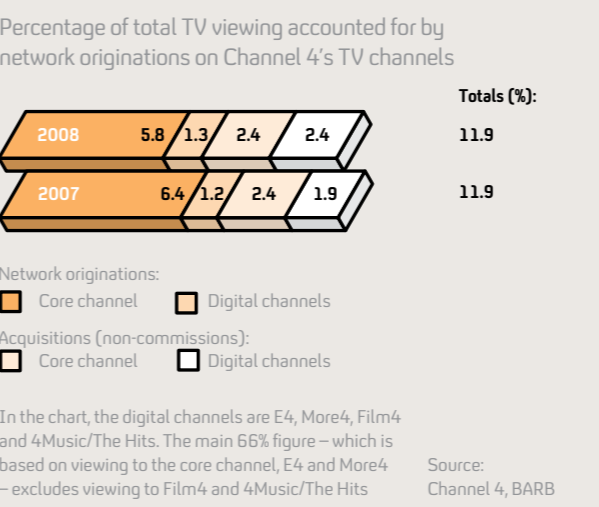
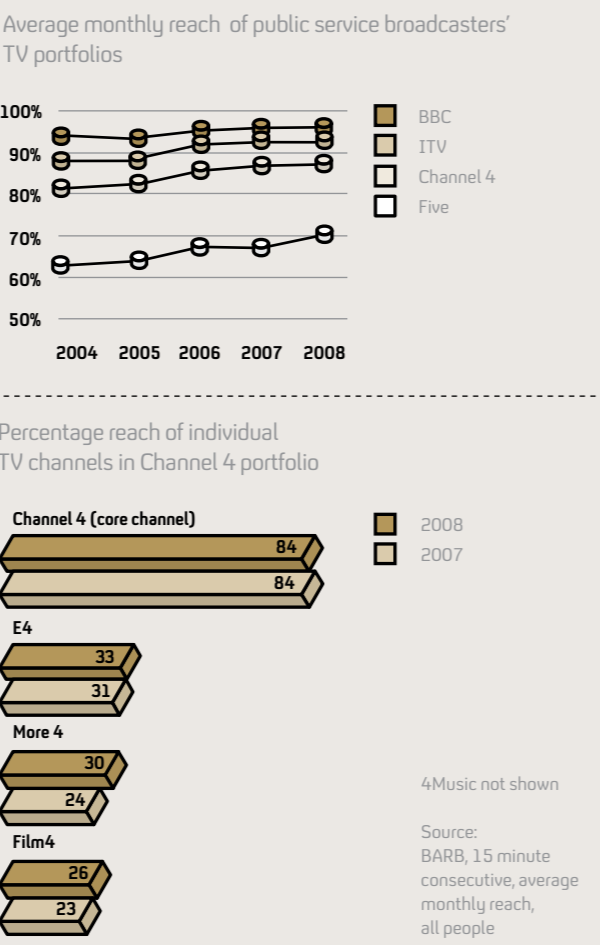
88.4%
of all TV viewers
reached every month
across Channel 4’s
TV channels

Audience reach

Channel 4’s TV channels were watched (for at least 15 consecutive minutes) by 88.4% of television households every month on average in 2008. Its portfolio reach was only slightly below that of the BBC and ITV’s portfolios, and well ahead of Five’s TV channels.

Channel 4’s core channel reached 84% of all TV viewers in 2008. The strategy of developing a suite of free-to-air digital channels has helped Channel 4 to extend reach in recent years. The digital channels were watched by between 26% (Film4) and 33% (E4) of all TV viewers each month on average. Together, they contributed a further 4.4 percentage points to Channel 4’s portfolio reach in 2008 over and above that of the core channel.

All channels in the portfolio maintained or grew their reach in 2008, indicating Channel 4’s success in retaining viewers even as competition from the growing range of competing digital channels intensified. The biggest changes in reach were for More4 (up by 6 percentage points) and Film4 (up by 3 percentage points).

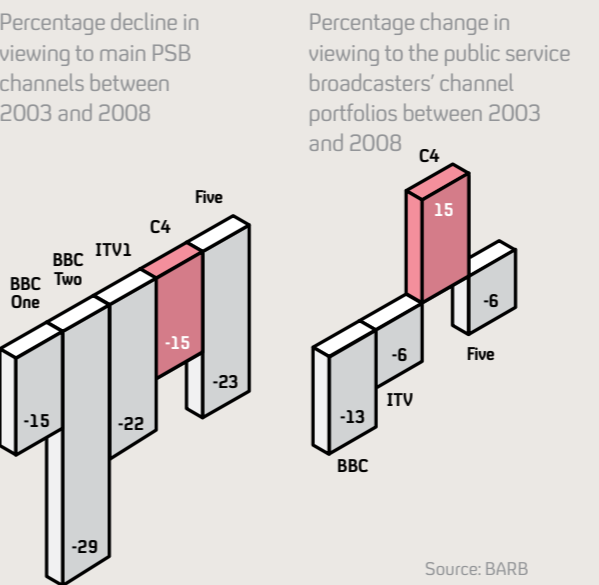


Viewing to network originations

Programmes commissioned by Channel 4 performed better than acquired programming on average across the portfolio in 2008. Network originations represented two-thirds of total viewing to the core channel, E4 and More4, compared to 52% of total hours across these channels. Consequently, over 7% of total TV viewing in the UK in 2008 was to programmes commissioned by Channel 4 and transmitted across its TV portfolio.

Viewing to network originations fell by 6% year-on-year. The decline was focused on the core channel (9% down), due to a 5% reduction in volume and a 4% fall in viewing-per-hour. Viewing to acquired content on the core channel held flat, as the reduction in viewing-per-hour (almost 10%) was offset by a similar increase in volume. So viewing to commissioned content fell by less than viewing to acquisitions on a per-hour basis.

66%
of total viewing
across the core
channel, E4 and
More4 accounted
for by network
originations



Medium-term viewing trends

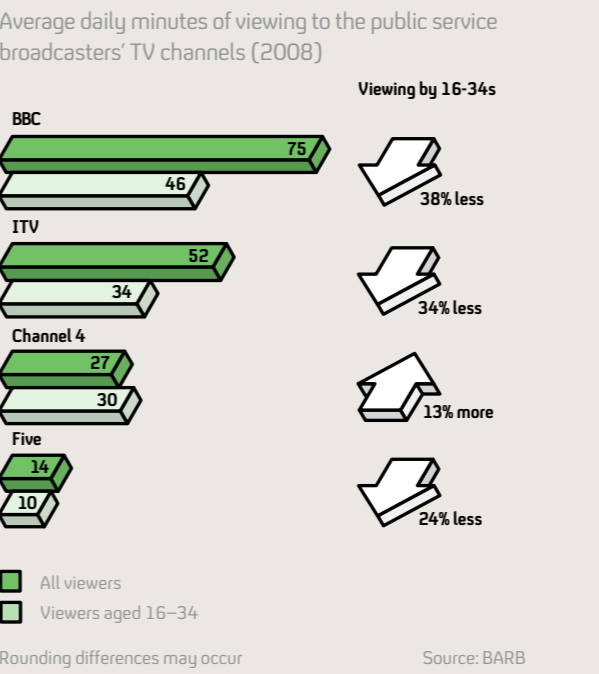
Comparisons of trends in the viewing shares of the public service broadcasters’ TV channels over the last five years show how they have been affected by structural shifts in viewing from analogue to digital.

Between 2003 and 2008, Channel 4 outperformed the other public service broadcasters, better sustaining its core channel audience share and growing its portfolio share.

Viewing to Channel 4’s core channel fell by 15% over this period, the same rate of decline as BBC One, and a smaller decline than that experienced by BBC Two, ITV1 or Five.

In addition, Channel 4 grew its portfolio share by 15% over the last five years, making it the only public service broadcaster to have enjoyed growth over this period: the BBC, ITV and Five all suffered declines in viewing to their TV channel portfolios.

15%
growth in TV
channel portfolio
viewing share over
the last five years
– the only public
service broadcaster
to have grown its
portfolio share over
this period



Average daily television viewing

Notwithstanding the proliferation of other forms of home entertainment, television viewing continues to account for a substantial part of individuals’ leisure time. Channel 4 continues to attract high levels of viewing every day, including amongst young audiences who tend to be the earliest adopters of new technologies that compete with TV for their attention.

Across the general population, people watched an average of 27 minutes of Channel 4 programmes every day in 2008 across its TV channels. Young audiences, who tend to watch less TV than others, spend more time watching Channel 4. Amongst 16- to 34-year-olds, average viewing to Channel 4’s TV channels was 13% higher than viewing by the general population, at 30 minutes daily in 2008.

Channel 4 is the only public service broadcaster whose channels were viewed more amongst young people than by the general population. Compared to the average across all individuals, viewing amongst 16- to 34-year-olds was 38% lower for the BBC channels, 34% lower for ITV’s portfolio and 24% lower for Five’s channels.

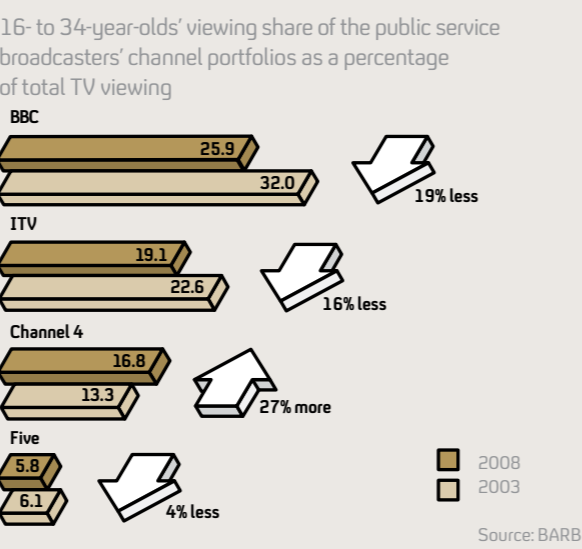
27mins
average daily
viewing of
Channel 4’s
TV channels

27%
growth in portfolio
viewing share
amongst 16–34s
over last five years

Medium-term trends in viewing amongst young audiences

Channel 4’s TV channel portfolio viewing share amongst 16- to 34-year-olds was just under 17% in 2008.

Channel 4 is the only public service broadcaster to have grown its portfolio viewing share amongst 16- to 34-year-olds over the last five years. While it increased viewing by 27% between 2003 and 2008, portfolio share amongst 16- to 34-year-olds fell by 19% on the BBC’s TV channels and by 16% on ITV’s channels over the same period.

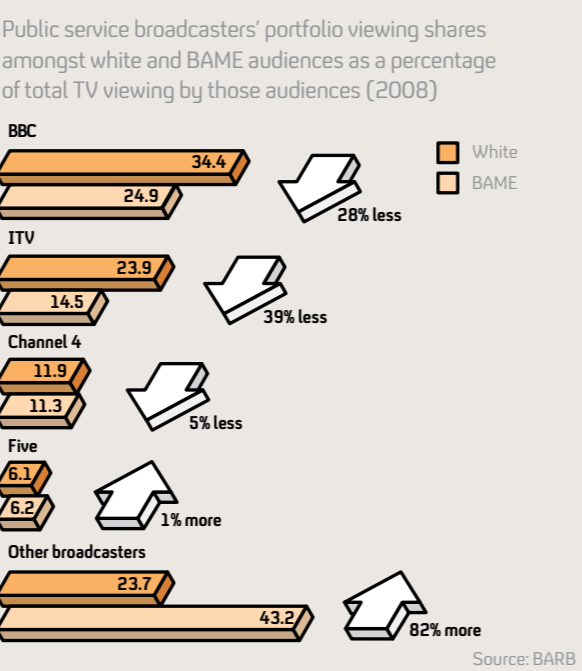


11.3%
portfolio viewing
share amongst
BAME audiences
– a disproportionately
high share of total
PSB viewing

Viewing by ethnicity

Channel 4’s digital channel portfolio share amongst Black, Asian and Minority Ethnic (BAME) audiences was 11.3% in 2008, slightly less than the 11.9% share amongst white viewers.

BAME audiences tend to watch disproportionately high levels of specialist minority digital channels available on Sky Digital and other subscription platforms. These channels accounted for 43% of viewing in 2008, compared to 24% of viewing amongst white audiences. Viewing amongst BAME audiences to the public service broadcasters’ channels was correspondingly lower. In particular, viewing to the BBC and ITV channel portfolios was much lower (28% and 39% respectively) than the corresponding share amongst white audiences. By contrast, Channel 4 and Five attracted disproportionately high proportions of PSB viewing amongst BAME audiences. Channel 4 performed well, due to the young skew of BAME audiences and to the popularity amongst them of shows covering diversity issues.



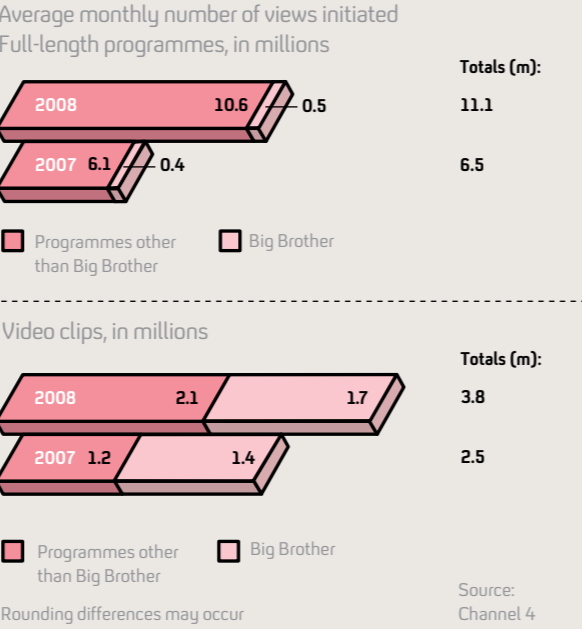
133m
full-length
programme
views initiated
on-demand

Making programmes available on-demand

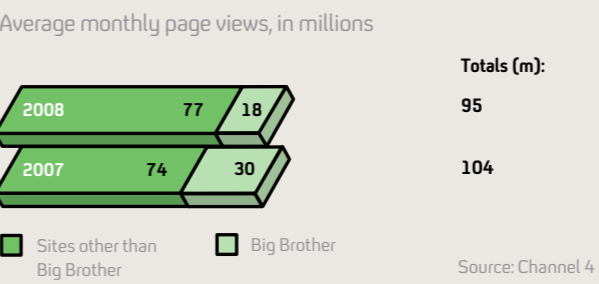
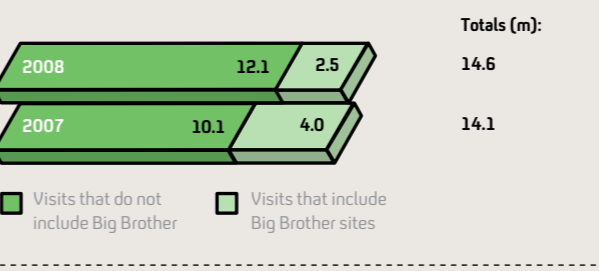
Channel 4’s programmes are increasingly viewed on-demand, via PCs – using 4oD (Channel 4’s desktop application), channel4.com and third-party platforms such as iTunes – and via digital TV/broadband services such as Virgin Media. Downloads or streams of over 11 million full-length Channel 4 programmes were initiated each month on average in 2008, a total of 133 million across the year, 72% more than in 2007.

The demand for short-form content has grown alongside the development of broadband access (both at home and at work) and the proliferation of portable devices capable of playing video clips. Almost 4 million clips of Channel 4 content were viewed each month in 2008, a 51% year-on-year increase. Growth in demand for video clips of programmes other than *Big Brother* was even higher, at 82% year-on-year.

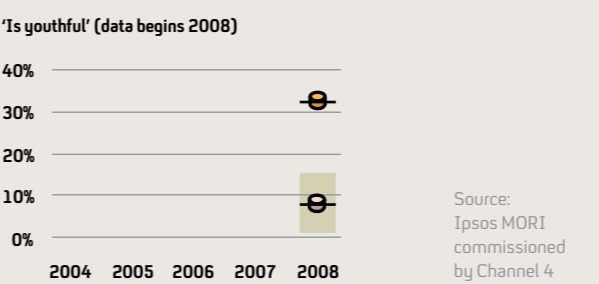
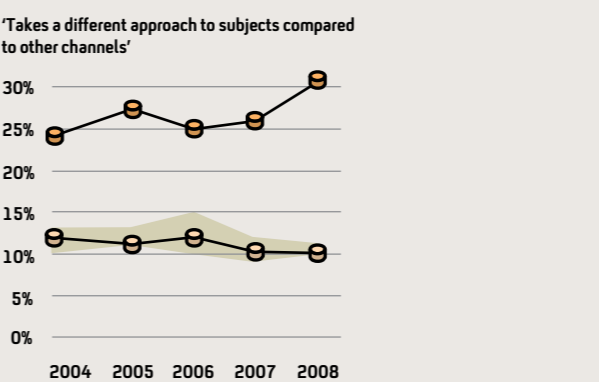
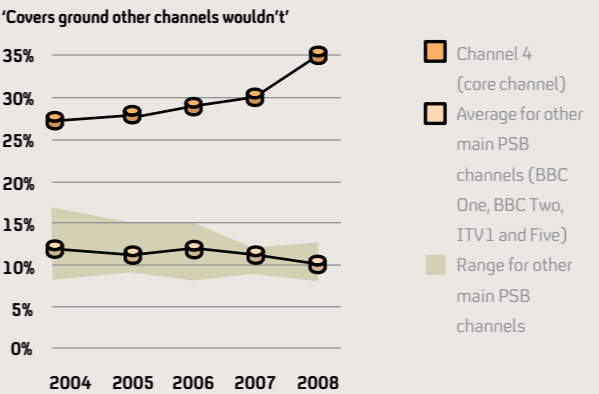
NB: there is some uncertainty over the reliability of underlying data provided by third parties – see online methodology for details.



Average monthly visits to channel4.com and E4.com, in millions



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



Engagement with Channel 4 content online

175m
visits to
channel4.com
and E4.com

Channel4.com and E4.com attracted an average of 14.6 million visits each month in 2008, equivalent to 175 million visits across the year.

Channel 4’s decision to rest *Celebrity Big Brother* had a significant impact on the total number of visits that included *Big Brother*-related websites over the year, which fell by 37% on 2007 levels. Visits to channel4.com and E4.com in 2008 that did not include *Big Brother* sites rose by 20% year-on-year.

Visitors to Channel 4’s websites viewed an average of 95 million pages each month in 2008. There was a 40% decline in *Big Brother* page views, again due in part to the absence of *Celebrity Big Brother*, while views to pages on other Channel 4 sites rose slightly, by 4%. Overall, page views declined by 9% (see page 76).

Channel reputations:

Channel 4 has been tracking audience perceptions of the main PSB channels against key reputational statements since 2003. Five waves of research are conducted each year. New statements reflecting Channel 4’s purposes were piloted for the first time in 2008.

Covers ground other channels wouldn’t

In 2008, 35% of people rated Channel 4’s core channel as being the one that most often “covers grounds other channels wouldn’t”, significantly more than rated any other channel. Its lead over the next highest channel, Five, was 22 percentage points, and its score was 25 percentage points higher than the average for the other main PSB channels.

Channel 4 opened the gap over other channels in 2008: the core channel’s lead over the other channels’ average score rose from 20 to 25 percentage points.

Takes a different approach to subjects compared to other channels

In 2008, 31% of people rated the core channel as being the one that most often “takes a different approach to subjects compared to other channels”, a higher rating than any other channel received. Its score was 21 percentage points higher than the average for the other main PSB channels (which were each chosen by 10–11% of respondents).

The core channel’s lead over the average score of the other main PSB channels increased in 2008, up from 16 percentage points in 2007.

Is youthful

In a new statement, 33% of people selected Channel 4’s core channel above other channels for being “youthful”. Its score was 25 percentage points higher than the average for the other main PSB channels. The next-highest ranking channel was Five, which was selected by 16% of respondents, a significantly smaller proportion of people than chose the core channel.

Broadcasters love to amass data about their schedules and audiences and analyse it from a dozen different perspectives. Obsessive as this may be, properly used, it can provide vital information about audiences and what they think of the programmes they watch. For Channel 4, it helps to illustrate the range of shows that viewers enjoy, and how they differ from the most popular programmes on other channels.

Top-rating programmes on the BBC and ITV tend to be soaps and sport. By contrast, the most popular programmes on Channel 4 in 2008 covered a wide range of genres from Peter Kay’s comedy to social documentaries such as *Secret Millionaire* and lifestyle programming including *Relocation*, *Relocation* and *Gordon Ramsay: Cookalong Live*.

Blunt quantitative measures reveal less about audience responses than qualitative questions that help us rate our output against the public value criteria of our remit and, more importantly, against what the public themselves tell us they value. What rates highest in terms of audience appreciation, rather than simply audience numbers, are new, individual, UK-originated programmes – more so than the films and bought-in American imports, or the long-running series which are the traditional staples of British TV schedules on other channels. Documentaries such as First World War film *Not Forgotten: The Men Who Wouldn’t Fight* and *Kill It, Skin It, Wear It* scored particularly highly for originality. Programmes like *In the Shadow of the Moon* were appreciated for their high quality, and *Saving Africa’s Witch Children* was ranked top amongst programmes which would get people talking.

A less scientific but no less valuable kind of feedback comes from our Viewer Enquiry phone lines and website. Channel 4 audiences like to tell us when they think we get things right – and when we get them wrong. Programmes that attract relatively low-volume viewing figures often generate high-volume passions. Viewers especially applauded a controversial drama like *The Shooting of Thomas Hurndall* or a documentary like *Secret Millionaire* because they found them inspiring, the *Big Food Fight* season because it was challenging, or *The Qur’an* because it changed their view of the world. And, of course, being Channel 4 viewers, some of then went out of their way to tell us how much they disliked those same shows. In fact, three of the programmes that were amongst the ten most-complimented programmes of the year also appear in the top ten most-criticised. But if you set out to make television that is different and tries to do something new, the one certainty is that you won’t please all the people all the time.

Most viewed programmes on Channel 4 in 2008, all people		
Programme		000s
1	Peter Kay’s Britain’s Got The Pop Factor	7158
2	Film: Elf (2003)	6354
3	Grand Designs	5798
4	Big Brother	5760
5	Half Ton Mum	5154
6	Secret Millionaire	5092
7	Gordon Ramsay: Cookalong Live	4717
8	Ramsay’s Kitchen Nightmares USA	4488
9	Film: Miracle On 34th Street (1994)	4409
10	Relocation, Relocation	4378

Source: BARB/Infosys (highest occurrence in series) CATI Omnibus, 18–20th January

“Highest quality” shows on Channel 4 in 2008		
Programme		Score
1	In the Shadow of the Moon	91
2	Extraordinary Animals in the Womb	87
3	Not Forgotten: The Men Who Wouldn’t Fight	79
4	A Boy Called Alex	78
5	Saving Africa’s Witch Children	75
6	The Lost WWI Bunker: A Time Team Special	73
7	7/7: The Angels of Edgware Road	73
8	Dispatches: Undercover in Tibet	73
9	Stephen Hawking: Master of the Universe	73
10	The Great Wall of China	70
Average score across the main PSB channels		44

% viewers who “agree strongly” with the statement “This was a high quality programme”
Source: GfK/Pulse, based on all programmes shown between 6pm and midnight

Most “Original and different” shows on Channel 4 in 2008		
Programme		Score
1	Kill It, Skin It, Wear It	83
2	Extraordinary Animals in the Womb	79
3	Not Forgotten: The Men Who Wouldn’t Fight	77
4	Saving Africa’s Witch Children	74
5	Hugh’s Chicken Run	71
6	Jamie’s Fowl Dinners	71
7	My Street	68
8	Derren Brown: Trick or Treat	68
9	The Lost WWI Bunker: A Time Team Special	67
10	Stephen Hawking: Master of the Universe	67
Average score across the main PSB channels		33

% viewers who “agree strongly” with the statement “This programme felt original and different from most other TV programmes I’ve seen”
Source: GfK/Pulse, based on all programmes shown between 6pm and midnight

Shows that people would most “Talk to other people about” on Channel 4 in 2008		
Programme		Score
1	Saving Africa’s Witch Children	77
2	I Am the Elephant Man: A Bodyshock Special	71
3	The 11th Hour	71
4	The Truth About Street Weapons	70
5	Jamie’s Fowl Dinners	69
6	Hugh’s Chicken Run	68
7	Dispatches: Heat or Eat: The Pensioners Dilemma	65
8	Jamie Oliver: Eat to Save Your Life	64
9	A Boy Called Alex	63
10	7/7: The Miracle of Carriage 346	63
Average score across the main PSB channels		29

% viewers who “agree strongly” with the statement “It is the kind of programme I would talk to other people about...”
Source: GfK/Pulse (programmes shown between 6pm and midnight)

Most complimented individual Channel 4 programmes based on viewer enquiries contacts in 2008	
Programme	
1	Russell Brand’s Ponderland
2	The Alternative Christmas Message
3	Hugh’s Chicken Run
4	Secret Millionaire
5	The Shooting of Thomas Hurndall
6	The Qur’an
7	How To Look Good Naked
8	Big Brother Celebrity Hijack
9	The Family
10	A Boy Called Alex
10	Big Brother

Source: Channel 4 Viewer Enquiries (includes individual episodes of long-running strands)

Most criticised individual Channel 4 programmes based on viewer enquiries contacts in 2008	
Programme	
1	The Alternative Christmas Message
2	Big Brother
3	Jamie’s Ministry of Food
4	The Qur’an
5	Desperate Housewives
6	Gordon Ramsay’s The F Word
7	Gordon Ramsay: Cookalong Live
8	The Kevin Bishop Show
9	I Am the Elephant Man: A Bodyshock Special
10	The Sex Education Show

Source: Channel 4 Viewer Enquiries (includes individual episodes of long-running strands)

10.1hrs
of first-run
originations every
day on average
across TV
channel portfolio

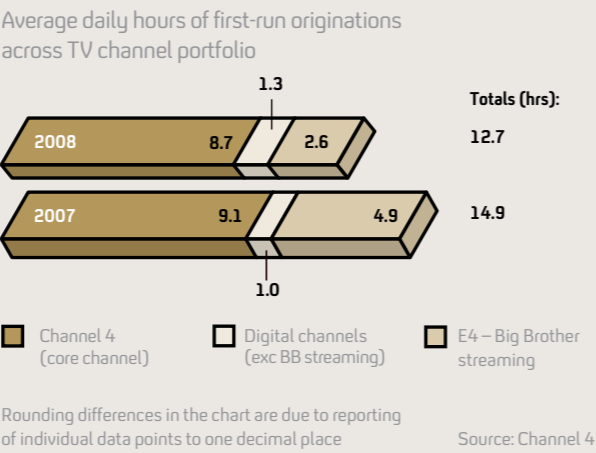
Volume of first-run originations

Channel 4’s schedules contain a large volume of new programming commissioned by the broadcaster – a key point of differentiation from the hundreds of digital channels now available, which rely predominantly on bought-in programming such as US acquisitions or repeats of archive UK shows.

Channel 4 showed just over 10 hours of new commissioned programming (“first-run originations”) each day on average in 2008 across its TV channels. Live streaming on E4 of *Big Brother* and *Celebrity Big Brother* accounted for an additional 2.6 daily hours when averaged across the year.

The core channel showed 8.7 hours of first-run originations every day on average in 2008, while the digital TV channels (E4, More4 and Film4) offered a further 1.3 hours (excluding *Big Brother* live streaming on E4).

The total amount of new commissioned programming shown by Channel 4 remained at the same level as in 2007 (excluding live streaming of *Big Brother*-related programming on E4, the volume of which fell in 2008, in part due to Channel 4’s decision to rest *Celebrity Big Brother*).



68%
of the core
channel peak-time
schedule devoted
to first-run
originations

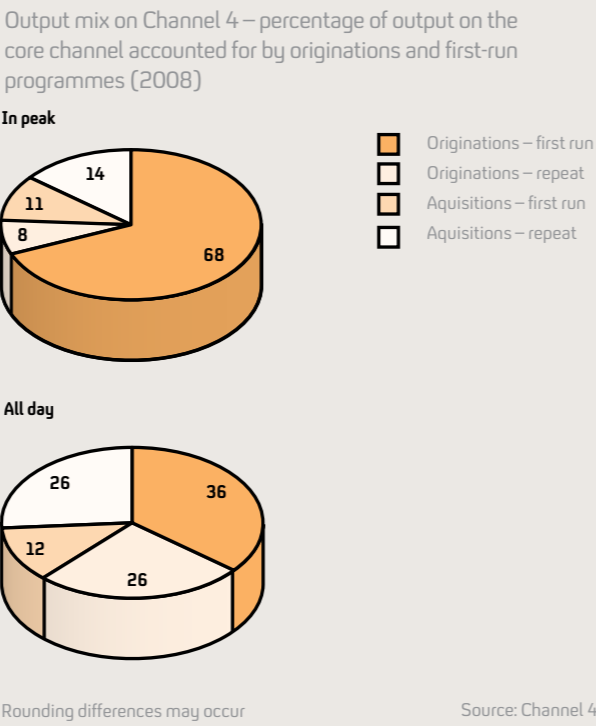
Programming mix on core channel

Channel 4 comfortably met Ofcom licence requirements that require it to show a minimum of 60% originations (programmes commissioned by the individual channel that showed them) across the day, and 70% in peak (6–10.30pm), on the core channel. Overall, 62% of the core channel schedule was made up of originations in 2008; while in peak, originations accounted for 76% of output. First-run originations accounted for 68% of output in peak.

As Channel 4 makes the transition from being a public service channel to a public service network – offering viewers multiple opportunities to see its programmes across all of its channels – it becomes more sensible to think of its output in terms of “network originations” across its entire portfolio, i.e. all programmes commissioned by the broadcaster regardless of which channel they are played out on, including commissions for E4 or More4, and feature films developed or co-financed by Film4 Productions. Network originations accounted for 52% of all broadcast hours in 2008 across the core channel, E4 and More4; and for 62% of peak-time hours across these channels.

In peak, most programmes shown on the core channel were first-run: repeats accounted for only 22% of hours in 2008. Programme cost pressures meant that investment in new programming was increasingly focused in peak, and repeat rates were higher across the day, at just over 50% of total hours.

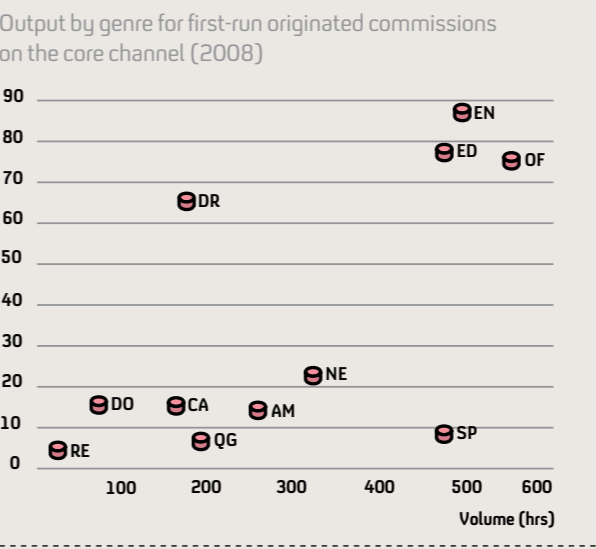
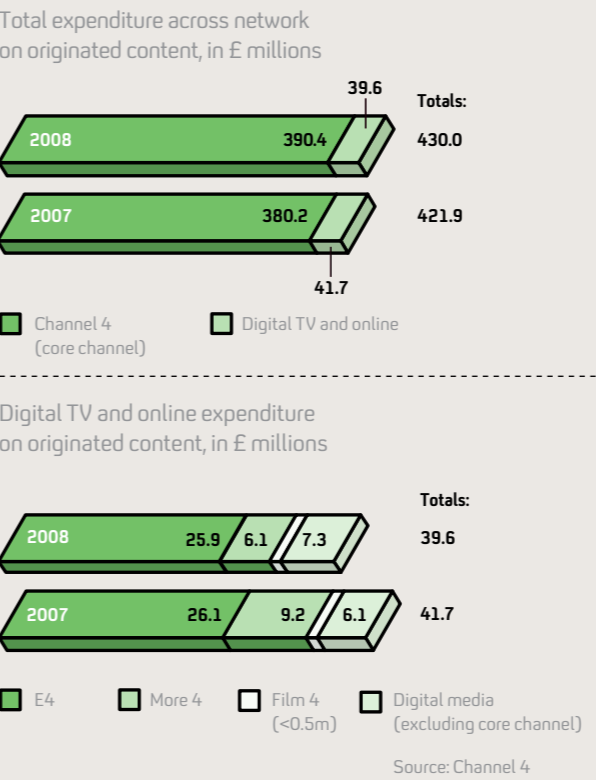
The balance in the core channel peak-time schedules between originations and acquisitions, and between first-run programming and repeats, was almost identical in 2008 as in 2007. Across the day, there was a small decrease in the volume of originated content (down by 2 percentage points) and a marginal increase in the repeat rate (up by just over one percentage point).



Network originations in Channel 4’s TV schedules as a proportion of total broadcast hours (2008)

	All day	In peak
Channel 4 (core channel)	63%	76%
More4	67%	81%
E4	29%	29%
Total	52%	62%

Source: Channel 4



Expenditure on originated content

Channel 4 invested £430 million on UK originated content across its TV channels and services in 2008. The large majority of this, £390 million (91% of the total), was spent on the core channel. £32 million was spent on originated programming on the digital TV channels.

An additional £7 million was spent by Channel 4 on digital media content, including its websites and the first projects to be supported by new innovation fund 4iP (which went live towards the end of the year).

In 2008, Channel 4 implemented a new strategy for its Schools output, focusing investment on cross-media projects, in order to achieve greater impact with 14–19 year-old audiences. Almost £5 million of the core channel budget was spent on digital content, taking Channel 4’s total investment in digital media to over £12 million.

Channel 4 sought to protect its investment in originated content in 2008 in the face of intensifying financial pressures, and reductions in programme budgets were focused primarily on US acquisitions. Total expenditure on originated content rose by almost 2% in nominal terms, equivalent to a small decline in real terms.

Originations by genre on core channel

In 2008, £153 million of Channel 4’s expenditure on first-run originated programming shown on the core channel was in News, Current affairs, Education, Comedy (part of the Entertainment category), Single dramas, Drama series and Film4 productions (part of Drama), Religion and Arts (part of Arts and music). While Channel 4’s public service output is not confined to these types of programming, they may be regarded as key PSB genres.

Investment in these genres rose by 6% in 2008. Expenditure increased in Arts programmes, with peak-time series such as *Kevin McCloud* and *The Big Town Plan*; and in Comedy, thanks to ambitious projects featuring the likes of Peter Kay. These increases offset declines elsewhere. In Current affairs, there were fewer high-cost productions such as *Battle For Haditha*. A reduction in the volume of religious programming in peak led to a decline in expenditure in this genre too.

Across the schedule, the biggest percentage increases in expenditure were in Entertainment (11%), Documentaries (10%) and Education (8%). These were due to cost inflation in returning popular daytime Entertainment series; a focus on fewer, higher-impact Documentaries in peak (such as *The Family*); and an increase in the volume of major Education programmes and series (e.g. *The Big Food Fight*).

The most significant percentage declines in expenditure were in Religion (24%), Current affairs (14%) and Arts and music (10%). A decline in the volume of off-peak music programming led to an overall reduction in expenditure in Arts and music, notwithstanding the increased expenditure on Arts (see above). In Other factual, volume and expenditure fell in 2008 due to the decision to rest *Celebrity Big Brother*.

£430m
spent on originated
UK content across
all services

£153m
of total expenditure
on first-run
originations in key
PSB genres

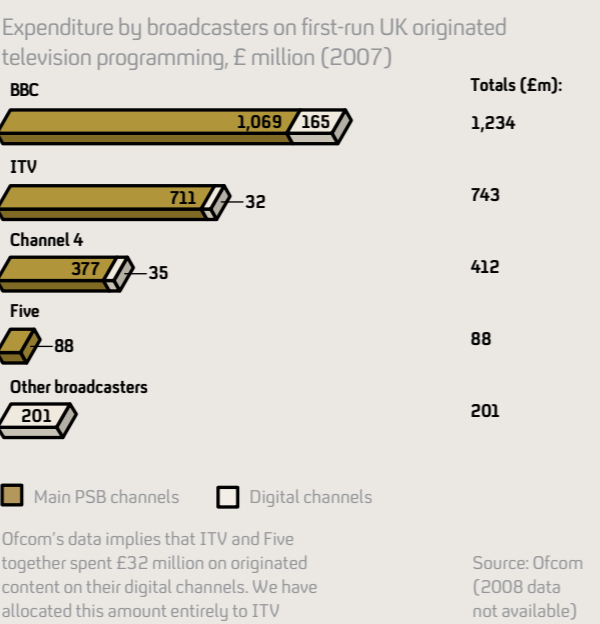
£2bn
of gross value
added in the creative
economy generated
by Channel 4

21,000
jobs spread across
the UK

Broadcasters’ expenditure on UK originations

Channel 4 is the third largest investor in British television programming after the BBC and ITV. According to the most recent industry data published by Ofcom, for 2007, Channel 4’s expenditure on first-run originations across its TV channels (£412 million in 2007, rising to £421 million in 2008) significantly exceeded the combined spend on UK originations by Five and all of the non-public service broadcasters (excluding sports rights).

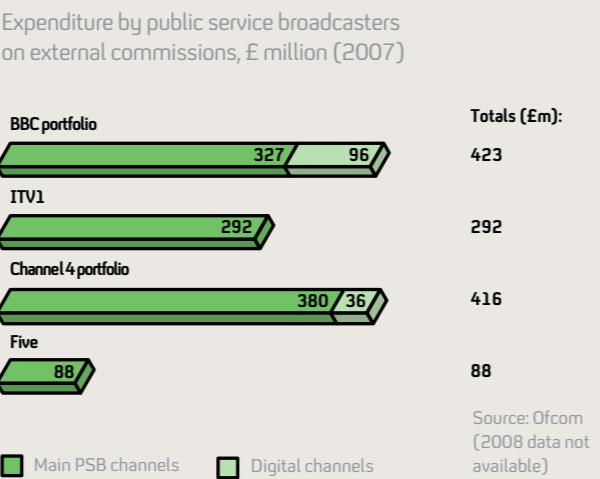
PricewaterhouseCoopers estimated that Channel 4’s commissioning and other activities generated a total gross value added output in 2008 of around £2 billion in the creative economy. Of this amount, £1.1 billion was directly and wholly attributable to Channel 4’s expenditure, while the remainder represents an estimate of wider benefits in the independent sector that have accrued over time. PwC also estimated that Channel 4’s investment in 2008 could have supported almost 21,000 jobs spread across the UK.



Broadcasters’ investment in the independent sector

Channel 4 does not have an in-house production base. Its commissioning budgets are invested entirely in external companies, providing crucial support for the independent production sector. Of the £390 million spent by the core channel on originated content in 2008, 100% of this amount was invested in external suppliers, with £331 million of it being spent on programmes from qualifying independent companies.

Channel 4 invested more in programmes commissioned from external producers than any of the other main PSB channels, according to the most recent industry data published by Ofcom, for 2007. Its core channel expenditure on programmes from external producers (£380 million in 2007) exceeded that of BBC One and BBC Two combined. Across their portfolios, the BBC and Channel 4 spent similar amounts on external commissions.

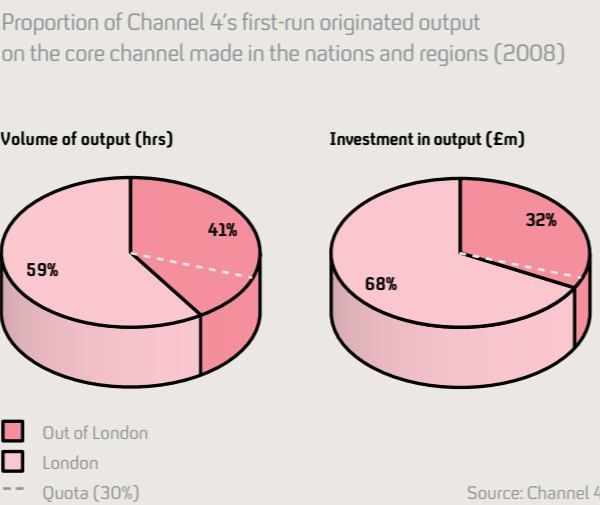


41%
of first-run originated
programme hours
sourced from
suppliers based
outside London

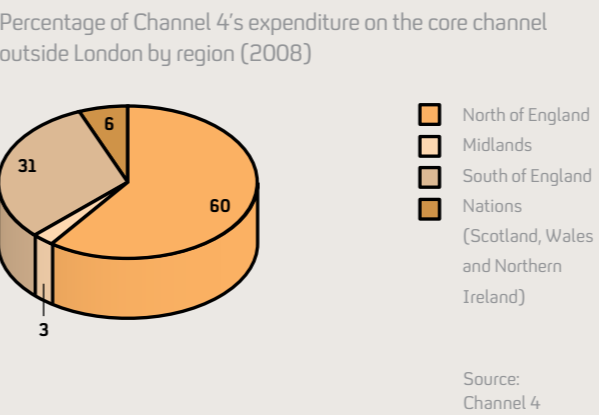
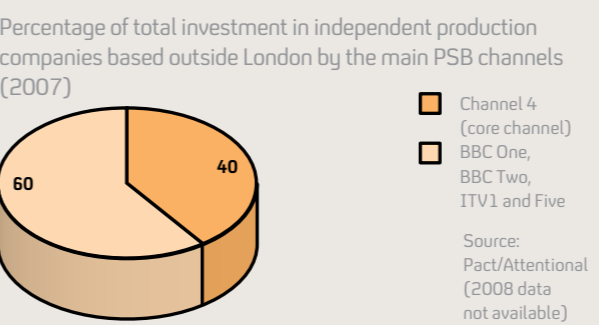
Channel 4’s investment in the nations and regions

In 2008, 41% of the total volume of first-run originations on the core channel was on programmes made outside London, i.e. in the nations and English regions. In terms of expenditure, 32% of Channel 4’s investment in first-run originations on the core channel was spent in the nations and regions.

Channel 4 exceeded its regional licence quotas that require it to devote a minimum of 30% by both volume and value of first-run commissions (excluding news) on out-of-London productions on the core channel made outside London (defined in legislation with respect to the M25).



32%
of the value of first-
run originations
sourced outside
London

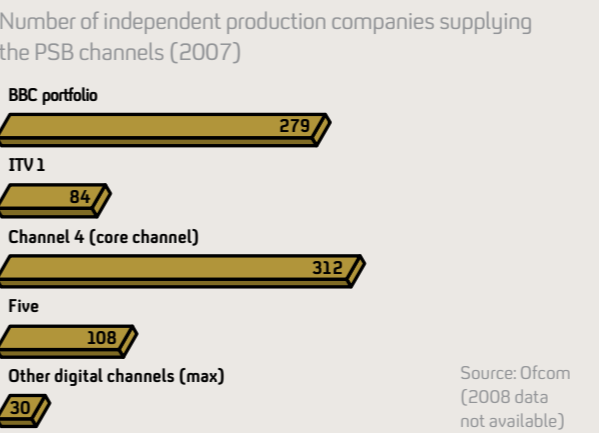


Broadcasters’ investment in the independent sector outside London

Channel 4 spent £115 million on originations on the core channel sourced from production companies (qualifying independents and other external suppliers) based outside London in 2008.

Industry data commissioned by PACT for its most recently-published Out of London Production Trend Report showed that Channel 4 accounted for 40% of total investment by the main PSB channels (BBC One, BBC Two, ITV1, Channel 4 and Five) in (qualifying) independent production companies outside London in 2007. Channel 4’s investment in that year (£125 million) exceeded that of than any other individual channel, and was ahead of BBC One and BBC Two combined.

Of Channel 4’s expenditure outside London in 2008, the greatest concentration of investment was with companies based in the North and South of England. The amounts spent in the nations were relatively low, at just 6% of total out-of-London expenditure. Channel 4 has committed to implementing a range of initiatives from 2009 aimed at building up the production capacity in Scotland, Northern Ireland and Wales and encouraging greater access to commissioners for companies based outside of England (see page 76).

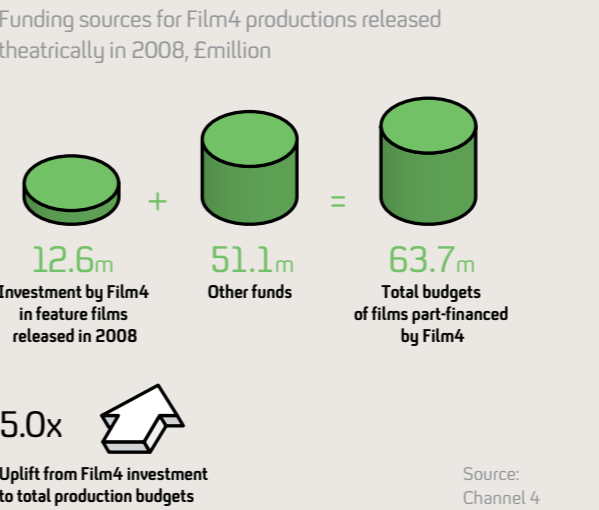


Diversity of supply base

Programmes on Channel 4’s core channel were sourced from 300 different independent production companies in 2008.

Channel 4 commissioned programmes from a greater number of production companies than any other UK broadcaster, according to the most recent industry data published by Ofcom, for 2007. In particular, the number of suppliers on the core channel (312 in 2007) exceeded the number of companies working for the BBC across all its TV channels.

Channel 4 constantly seeks to refresh its supply base, working with 40 companies new to the organisation in 2008.



Contribution by Film4 to UK film production

Film4 Productions, the filmmaking arm of Channel 4, has a budget of around £10 million annually, which is used on development and co-financing of UK films. Channel 4’s early involvement in projects means that its investment is disproportionately valuable to film producers, often acting as a catalyst for other funds.

Film4 invested £12.6m in 16 titles that were released in UK cinemas in 2008 or which premiered at film festivals (including *Hunger*, which was developed by Channel 4’s Arts department). The large majority of this sum was in films that Film4 developed or invested in early. Film4’s support for UK film helped to attract total funding worth 5 times its own original investment – the production budget of these films was £63.7 million.

£115m
spent on production
companies based
outside London
– a higher level of
investment than by
any other channel

300
production
companies
supplying
programming to
Channel 4 – more
than any other
broadcaster in
the UK

£64m
total production
budget of UK feature
films supported
by Film4

Channel 4’s talent development programme 4Talent (channel4.com/4talent) devotes £10 million per year to creating opportunities for individuals and small companies from every part of the UK to raise their ambitions, move their own careers forward and help to keep Channel 4 at the forefront of new ideas. Through on- and off-screen initiatives, Channel 4 works hard to assist regional diversity and under-represented groups in order to develop the next generation of creative talent.

Within these initiatives, Channel 4 has a particular focus on the regions, minority groups and young people. For example:

Regional Development Programme

This initiative has run for the last nine years through the Glasgow Research Centre, creating television connections and commissions for small- and medium-sized enterprises across the UK’s nations and regions.

Diversity Production Training Programmes

For the last six years, these programmes have worked with independent production companies to break down barriers to entry for minority groups. Around 75% of the programmes’ graduates go on to have a successful career in the creative sector.

Work Related Learning Programme

Launched in 2008, this programme uses a raft of schemes to encourage renewed partnerships between individuals, employers and the creative economy. It includes schemes aimed primarily at 14- to 19-year-olds like work experience and Inspiration Week. Another strand, the *Generation Next* internship, links those doing work experience directly to employment either within Channel 4 or its independent partners. Together these projects have helped promote fair access and demystify routes into the industry for over 700 young people. Channel 4 is fully committed to extending the programme alongside Government and media partners BAFTA, Pinewood, Skillset, Mediabox, The Guardian and Microsoft.

Here are two creative individuals who have benefited from Channel 4’s support for fresh talent.

Matthew Rudge

Matthew had worked with several independent production companies as an assistant producer and a development producer, but felt he was getting stuck: “I had a lot of ideas, several of which led to commissions for the companies I was with, but my lack of a track record meant I never got to direct them myself”.

He took part in a competition at the Edinburgh TV Festival, successfully pitching ideas for Channel 4’s *3 Minute Wonder* slot, which follows *Channel 4 News* and gives first-time

directors a platform on national peak-time television. On the back of this success, he was involved in a documentary for Five, before returning to Channel 4 to make a 30-minute documentary for *First Cut*, another series that helps promote new and rising talent. These opportunities have given him the exposure, and the confidence, to move on: “People now sit up and take notice of me, because of the fact that Channel 4 chose me to direct these films. I’m hoping my next step up the ladder will be to make a 60-minute documentary.”

Jack Thorne

Jack Thorne was already writing for the theatre when he gained a place on ‘Future Perfect’, a scheme established by Channel 4 and Paines Plough theatre company to help emerging writers develop their storycraft. He went on to write a short film for Channel 4’s *Coming Up* strand: *The Spastic King*, which told the story of a disabled man pretending his mother had not died in order to avoid being sent to live in an institution. Following that film’s success, he was invited to work on Channel 4’s hit drama *Shameless* before becoming one of the lead writers of *Skins* for E4.

In 2008, Film4 produced Jack’s first full-length feature film, *Scouting Book for Boys*, starring Thomas Turgoose (*This Is England*) and directed by Tom Harper, one of Jack’s contemporaries on *Coming Up*. At the same time, Jack started to develop and co-write his first original drama series, *Cast Offs*, for Channel 4. *Cast Offs* follows six disabled characters stranded on a desert island as part of a fictitious reality show and will transmit later in 2009. Jack has also been co-writing a drama for Channel 4 with award-winning director Shane Meadows.

Jack says “Channel 4 was the first broadcaster that got my work made, which is so important for a young writer. They take you seriously – and that means independent producers take you seriously. I am incredibly grateful to them.”

Channel 4’s commitment to talent		
Type of support	Main initiatives	Investment (£m)
Dedicated on-screen talent strands	<i>Tonightly, 3 Minute Wonder, Comedy Lab, Coming Up Shooting Party, First Cut</i>	5.1
Online talent strands	<i>4mations, Fourdocs, E-stings</i>	0.7
Film	Channel 4 Documentary Film Foundation, National Film and Television School	1.6
Off-screen	Support for small independent companies, education partner support, cultural diversity and disability schemes, supporting and educating new talent across creative industries	2.8
Total		10.2

As a broadcaster with UK-wide reach and with high public recognition as a home for new ideas, Channel 4 is one of the most powerful brands in the country. That puts Channel 4 in a strong position to act as a catalyst for innovative partnerships which, like its programmes and online services, aim to nurture, challenge, champion and inspire.

These partnerships take on many different forms. Channel 4 assists independent production companies in their business development and the promotion of talented individuals. It also cooperates with charities and community groups to make the creative sector more accessible, and forges links with public bodies like NESTA and Arts Council England that can help Channel 4 make a wider impact.

Here are two examples from the last year.

Castleford

When the small west Yorkshire town of Castleford lost its coal-mining industries, its economy went into decline. Channel 4 set out to prove that by inspiring residents and putting them at the centre of the physical improvement of their town, it would be possible not only to make Castleford a more attractive place but to help change the way people felt about it.

Over a five-year period, and with extensive public involvement at every stage, open spaces were renovated, a new town square and art gallery created and a new, architect-designed footbridge was built across a river that divides the town. With an initial investment of just £100,000, Channel 4 created an initiative that attracted over £14 million in support from 18 organisations, ranging from small private foundations to large public agencies; and this, in turn, unlocked plans for a further £200 million in commercial and residential investment. Not a bad return on Channel 4’s money!

An independent assessment of the whole project by the Young Foundation concluded that Channel 4 had made an ‘outstanding contribution’ to the future of the town, particularly in inspiring more active citizenship. The broadcaster also, incidentally, commissioned an outstanding television series about the change in the town’s self-esteem, presented by Kevin McCloud.

Central Station

Central Station is an online portal for contemporary British art. The core website will be an indispensable resource for amateur artists and art aficionados alike, linking to a network of related sites and communities where they can share and discuss their work. Established artists will give interviews and provide online mentoring through the site, where visitors can also access exclusive video content on the history of contemporary art. The site will feature original viral fictions and ongoing competitions to win prizes such as studio time and study tours. The final award will be a major cash prize – the world’s biggest for social media creativity. *Central Station* will help the digital generation keep abreast of the latest developments in the art world, but it will also be built to last: it will form its own social network as well as a digital archive for content from Channel 4 and Illuminations.

The project was one of the first to be commissioned by 4iP, Channel 4’s new strategic fund for delivering public service through cross-platform projects, and it has captured the imagination of many other organisations. It has already won support from the Scottish Arts Council Inspire Fund and has been allocated funds by Scottish Screen and has secured in-kind sponsorship from the British Council, Glasgow School of Art, MySpace and many others.

Partners in the Castleford project	Partners in the Central Station project
Arts Council England, Yorkshire British Waterways Castleford Town Centre Partnership Channel 4 Television City of Wakefield Metropolitan District Council Coalfields Regeneration Trust Commission for Architecture and the Built Environment (CABE) English Partnerships Environment Agency Groundwork UK Wakefield District Partnership Yorkshire Forward Yorkshire Sculpture Park	4iP Scottish Arts Council Scottish Screen Glasgow School of Art Illuminations British Council Arts Council England
	Key partners in 4iP
	Advantage West Midlands National Endowment for Science, Technology and the Arts (NESTA) Northern Ireland Screen Screen West Midlands Screen Yorkshire Scottish Screen Scottish Enterprise Yorkshire Forward

Television

- Broadcast Awards**

 - Channel 4
Channel of the Year
- BAFTA Television Awards**

 - Boy A* (Cuba Pictures)
Best Actor
(Andrew Garfield)
 - The Mark of Cain* (Red Productions)
Single Drama
 - Britz* (Daybreak Pictures)
Drama Serial
 - Lie of the Land* (RTO Pictures)
Single Documentary
 - Ramsay’s Kitchen Nightmares* (Optomen)
Features
 - Dispatches: China’s Stolen Children* (True Vision)
Current Affairs
 - Fonejacker* (Hat Trick)
Comedy Programme
 - Peep Show* (Objective)
Situation Comedy
- Banff Television Awards**

 - Dispatches: Meeting the Taliban* (October Films)
Investigative and Current Affairs Programme
 - Skins* (Company)
Continuing Series
- British Comedy Awards**

 - The Inbetweeners* (Bwark Productions)
Best New Comedy
Best Newcomer
(Simon Bird)
 - Alan Carr
Best Comedy
Entertainment Personality
- Broadcast Awards**

 - Cutting Edge: My Street* (Wellpark Productions Ltd)
Best Documentary Programme
 - The Genius of Charles Darwin* (IWC Media)
Best Documentary Series
 - Boy A*
Best Single Drama
 - Come Dine with Me* (Granada Media)
Best International Programme Sales
 - Gordon Ramsay: Cookalong Live* (One Potato Two Potato Ltd)
Best New Programme
- British Soap Awards**

 - Hollyoaks* (Lime Pictures)
Best Actor (Chris Fountain)
Best Actress (Emma Rigby)
Best On-screen Partnership (Matt Littler/Darren Jon Jeffries)
Most Spectacular Scene (Clare and Katy’s exit)
Sexiest Female (Louise Summers)
Best Exit (Gemma Bissex)

Channel 4 named 2008
Channel of the Year at
the Broadcast Awards.

- How to Look Good Naked* (Maverick)
Lifestyle and Light Entertainment Programme
 - The Human Footprint* (Touch Productions)
Environmental Programme
- Broadcasting Press Guild Awards**

 - Boy A*
Best Single Drama
- Christian Broadcasting Council Awards**

 - Make Me A Christian* (Wildcard Productions)
Gold Award Best Broadcast Documentary

- Dispatches: Unholy War* (Chameleon TV)
Silver Award Best Broadcast Documentary
- CinemaScience – Bordeaux**

 - Poppy Shakespeare* (Cowboy Films)
Jury Prize
Young Jury Prize
- Learning on Screen Awards**

 - Batty Man* (Maroon Productions)
 - How Music Works with Howard Goodall – Rhythm* (Tiger Aspect)
Joint Winners – General Education, Linear and Broadcast Productions
- National Television Awards**

 - Paul O’Grady Show* (Olga TV)
Most Popular Entertainment Programme
 - Hollyoaks*
Outstanding Serial Drama Performance (Matt Littler)
- Dinard Film Festival**

 - Boy A*
Public Prize Winner
Grand Marnier Trophy for Best Screenplay (Mark O’Rowe)
Kodak Prize for Best Director (John Crowley)
Golden Hitchcock Award
- Grierson Awards**

 - Battle for Haditha* (Lafayette Films)
Best Drama Documentary
 - Lie of the Land*
Drama Documentary on a Contemporary Issue
- Observer Food Monthly Awards**

 - Ramsay’s Kitchen Nightmares*
Best Television Show
 - Jamie at Home* (Fresh One Productions)
Runner Up

More BAFTA TV Awards
and RTS Programme Awards
for Channel 4 than any other
individual channel.

- The Brink of Apocalypse* (Flashback Television)
Best Historical Documentary
- Irish Film and Television Awards**

 - The IT Crowd* (Talkback Thames)
Best Script Television (Graham Linehan)
- One World Broadcasting Trust Awards**

 - Dispatches: China’s Stolen Children*
Children’s Rights Award
- Peabody Awards**

 - Sisters-in-Law* (Twentieth Century Vixen)
Outstanding Achievement in Electronic Media
- Personal Finance Awards**

 - Channel 4 News: News at Noon* (ITN)
Broadcast Programme of the Year
- Rory Peck Awards**

 - Channel 4 News: Two Weeks in Mogadishu*
News
- RTS Educational Television Awards**

 - KNTV – Philosophy: Einstein* (Tern Television Productions)
Age 11–16



Emma Rigby, Hollyoaks

- Batty Man*
Age 14–19
 - Lost for Words* (various)
RTS/NIACE Award for Campaigns and Seasons
 - Seven Sins of England* (Halcyon Productions)
Factual Education (Arts)
 - Help Me Love My Baby* (Twenty Twenty Productions)
Factual Education (Life Skills Award)
 - Cutting Edge: Blind Young Things* (North One Television)
Educational Impact in the Primetime Schedule
- RTS Journalism Awards**

 - Channel 4 News*
Presenter of the Year (Jon Snow)
International News Coverage (Congo Crisis)
 - Dispatches: Undercover in Tibet* (True Vision)
International Current Affairs
- RTS North West Awards**

 - Skins*
Best Continuing Drama
- Secret Life* (Kudos Productions)
Male Actor (Matthew Macfadygen)
 - The IT Crowd*
Comedy Writer (Graham Linehan)
 - Peep Show*
Comedy Performance (David Mitchell and Robert Webb)
- RTS Yorkshire Region Awards**

 - God’s Waiting Room* (Century North Productions)
Factual Programme of the Year (Terrestrial Network)
- BAFTA Scotland Television Awards**

 - The Genius of Charles Darwin*
Best Factual Series
 - Skins*
Best Writing in Film and Television (Bryan Elsley)
 - Gary’s War* (The Comedy Unit Limited)
Best Entertainment Programme
 - The World According To* (1A Productions)
Best Animation

Eight RTS Programme Awards,
including seven for the core
channel – more than for any
other individual channel.

- RTS Programme Awards**

 - Meet the Natives* (Keo Films)
Formatted Documentary
 - You’re Not Splitting Up My Family* (Windfall Films)
Observational Documentary
 - Come Dine With Me*
Daytime Programme
 - Fonejacker*
Digital Channel Programme Award
 - Britz*
Drama Serial
- South Bank Awards**

 - The Devil’s Whore* (Company)
Best Television Drama
- Screen Nation Awards**

 - Poppy Shakespeare*
Best Female Performance in Television (Naomie Harris)
 - Fallout* (Company)
Best Achievement in Screenwriting (Roy Williams)
- BAFTA Television Craft Awards**

 - Dispatches: China’s Stolen Children*
Breakthrough Talent

Craft

Four International Emmy
Awards – more than for any
other UK broadcaster.

- (Jezza Neumann)
Director Factual (Jezza Neumann)

Global Globes Television Awards

 - John Adams*
Best Mini-series or Motion Picture Made for Television
Best Performance by an Actor in a Mini-series or Motion Picture Made for Television (Paul Giamatti)
Best Performance by an Actress in a Mini-series or Motion Picture made for television (Laura Linney)
Best Performance by an Actor in a Supporting Role in a Series, Mini-series or Motion Picture Made for Television (Tom Wilkinson)
- Boy A*
Director Fiction and Entertainment (John Crowley)
Editing Fiction and Entertainment (Lucia Zucchetti)

Skins
Interactive Creative Contribution (Chloe Moss, Holly Hughes, Max Gogarty)
Photography and Lighting in Fiction and Entertainment (Rob Hardy)
Titles (Tal Rosner)

War Oratorio (Oxford Film and Television)
Sound Factual (Paul Paragon, Mike Hatch, Ben Baird)
- RTS Craft & Design Awards**

 - Deal Or No Deal* (Endemol)
Tape and Film Editing in Entertainment and Situation Comedy
 - Battle For Haditha*
Visual Effects in Picture Enhancement
 - Meet the Natives*
Sound in Entertainment and Non-drama Productions
- A Boy Called Alex* (Walker George Films)
Lighting, Photography & Camera in Documentary, Factual and Non-drama Productions (Photography)

City of Vice (Hardy/Touchpaper Productions)
Judges Award
Production Team (Hardy and Sons, Touchpaper Productions)
- Monte Carlo Television Festival**

 - The Mark of Cain*
Golden Nymph Award
 - Desperate Housewives* (Disney)
Golden Nymph Award
 - The IT Crowd*
Outstanding Comedy Actor Award (Richard Ayoade)
- Prix Europa**

 - God’s Waiting Room*
Prix Europa Iris Award for Best Multicultural Programme of the Year
- Reims International Television Festival**

 - The Mark of Cain*
Best Actor (Gerard Kearns)
Best Director (Matthew McNulty)

Marketing

- Creative Circle Awards
 - Big Food Fight (various)
 - *Ghosts* (Lafayette Films)
 - *Dispatches: China’s Stolen Children*
 - *Channel 4 Idents*
- Promax Awards
 - Channel 4
 - Silver (Channel of the Year)
 - *The Stanley Kubrick Season* (various)
 - Gold (The People’s Choice)
 - Silver (Best Film Promotion)
 - Silver (Promotion of the Year)
 - *Food Season: Outward Bound* (various)
 - Gold (Best Use of Humour)
 - Silver (Best Rundown or Theme)
 - *4Music launch*
 - Silver (Best Non-mainstream Channel Promotion)
 - *Dispatches: Happy Birthday Iraq*
 - Gold (Best Clip-based Factual, News and Current Affairs)
 - Silver (Best Use of Music)
 - *E4.com launch*
 - Silver (Best Promotion or Campaign for Website and Interactive Services)
 - *Dispatches: China’s Stolen Children*
 - Gold (Best Originated Factual, News and Current Affairs)
 - Silver (Best Print or Poster)
 - *Disarming Britain* (various)
 - Gold (Best Cross-Media Campaign)
 - Silver (Best Originated Factual, News and Current Affairs)
 - *E4 Channel Idents*
 - Silver (Best Ident)
 - *Next on 4: Nick Broomfield*
 - Gold (Best Long Form)
 - *Faces Redux: Ping Pong*
 - Silver (Best Long Form)
 - *Skins Year 2 launch*
 - Gold (Best Originated Drama)

Digital Media

- Association of Online Publishers Awards
 - *Ford Bite*
 - Commercial Partnership
 - Winner
 - *Embarrassing Bodies* online (Maverick)
 - Use of Video
 - Special Mention
- BAFTA Children’s Awards
 - *Bow Street Runner* (Littleloud)
 - Best Interactive
- British Interactive Media Association Awards
 - *Bow Street Runner*
 - Games – Awesome Little Bit of Wickedness
 - *Embarrassing Bodies* online
 - Integrated Campaign
 - Measurements and Results
- Broadcast Digital Awards
 - *Skins*
 - Best Multi-Platform Project
- Interactive Marketing and Advertising Awards
 - *Skins 2*
 - Overall Grand Prix Award
 - Best Entertainment
- Interactive Media Awards (New York)
 - *Empire’s Children* (Illumina Digital Ltd)
 - Outstanding Achievement in Television
- Media Guardian Innovation Awards
 - *Skins*
 - Best Advertising Campaign
 - *Big Art Mob*
 - Community Engagement Award
- RTS Midlands Awards
 - *Embarrassing Bodies* online
 - Best Innovation and Multimedia
- San Francisco Film Festival Flash Forward Awards
 - *Bow Street Runner*
 - Cartoon/Story/Narrative

Animation

- British Animation Awards
 - *Peter and the Wolf* (Breakthru Films)
 - Best Television Special
 - *The Old, Old, Very Old Man* (Moeglich Films)
 - Best Short Film
 - *The Peculiar Adventures of Hector* (Aardman)
 - Best Animation for New Media
- Sound (Glenn Freemantle, Resul Pookutty, Richard Pryke, Tom Sayers, Ian Tapp)
 - *Hunger*
 - Carl Foreman Award for Special Achievement by a British Director, Writer or Producer for their First Feature Film (Steve McQueen)
 - *In Bruges*
 - Original Screenplay (Martin McDonagh)

10 British Independent Film Awards for Film4 out of 14 eligible categories.



Steve McQueen, *Hunger*

Film

- American Cinema Editors
 - *Slumdog Millionaire*
 - Best Edited Feature
- American Society of Cinematographers Awards
 - *Slumdog Millionaire*
 - Production Design
 - Cinematography
 - Editing
- BAFTA Film Awards
 - *Slumdog Millionaire*
 - Best Film
 - Director (Danny Boyle)
 - Adapted Screenplay (Simon Beaufoy)
 - Music (A.R. Rahman)
 - Cinematography (Antony Dod Mantle)
 - Editing (Chris Dickens)
- Cannes Film Festival
 - *Hunger*
 - Camera d’Or Award
- Chicago International Film Festival
 - *Hunger*
 - Gold Hugo Award
 - Silver Hugo Award (Michael Fassbender)
- British Independent Film Awards
 - *Slumdog Millionaire*
 - Best British Independent Film
 - Best Director of a British Independent Film (Danny Boyle)
 - Most Promising Newcomer (Dev Patel)
 - *Hunger*
 - The Douglas Hickox Award (Steve McQueen)
 - Best Performance by an Actor in a British Independent Film (Michael Fassbender)
 - Best Technical Achievement (Sean Bobbitt)
 - *In Bruges*
 - Best Screenplay (Martin McDonagh)
 - *Happy-Go-Lucky*
 - Best Supporting Actress (Alexis Zegerman)
 - Best Supporting Actor (Eddie Marsan)
 - *Soft*
 - Best British Short Film

- Critics Awards
 - *Slumdog Millionaire*
 - Best Film
 - Best Screenplay (Simon Beaufoy)
 - *Hunger*
 - Best Breakthrough Film of the Year (Steve McQueen)
 - British Actor of the Year (Michael Fassbender)
- Dinard Film Festival
 - *Hunger*
 - Prix Coup de Coeur
- Directors Guild
 - *Slumdog Millionaire*
 - Best Movie
- Evening Standard Film Awards
 - *Hunger*
 - Best Film
 - *Slumdog Millionaire*
 - Technical Achievement (Mark Digby)
 - *In Bruges*
 - Best Screenplay (Martin McDonagh)
 - *Happy-Go-Lucky*
 - Peter Sellers Award for Comedy Actress (Sally Hawkins)
- In Bruges
 - Best Performance by an Actor in a Motion Picture in Musical or Comedy (Colin Farrell)
- Gwent Film Festival
 - *Hunger*
 - Overall Winner
- Irish Film and Television Awards
 - *Hunger*
 - Best Film
 - Actor in a Leading Role (Michael Fassbender)
 - Actor in a Supporting Role (Liam Cunningham)
 - Rising Star Award (Michael Fassbender)
 - Original Score (David Holmes)
 - Production Design (Tom McCullagh)
 - Sound (Ronan Hill, Mervyn Moore)
 - *In Bruges*
 - Best International Film
 - Best Film Script (Martin McDonagh)
- LA Film Critics Association Awards
 - *Hunger*
 - Next Generation Award for Best First Film
- Slumdog Millionaire
 - Best Director (Danny Boyle)
 - Best Score (A. R. Rahman)
 - *Happy-Go-Lucky*
 - Best Actress (Sally Hawkins)
 - Best Screenplay (Mike Leigh)
- National Society of Film Critics Awards (US)
 - *Happy-Go-Lucky*
 - Best Actress (Sally Hawkins)
 - Best Director (Mike Leigh)
 - Best Supporting Actor (Eddie Marsan)
- Oscars
 - *Slumdog Millionaire*
 - Best Film
 - Best Director (Danny Boyle)
 - Best Adapted Screenplay (Simon Beaufoy)
 - Cinematography (Anthony Dod Mantle)
 - Film Editing (Chris Dickens)
 - Music, Score (A. R. Rahman)
 - Music, Song (A. R. Rahman, Gulza)
 - Sound Mixing (Ian Tapp, Richard Pryke, Resul Pookutty)
- Screen Actors Guild Awards
 - *Slumdog Millionaire*
 - The Producers Guild of America Best Picture Award
- Sundance Film Festival
 - *Rough Aunties*
 - Grand Jury Prize
 - *Afghan Star*
 - The Audience Award
 - Director Award (Havana Marking)
 - *Burma VJ*
 - Best Editing
- Toronto Film Festival
 - *Slumdog Millionaire*
 - Cadillac People’s Choice Award
 - *Hunger*
 - Diesel Discovery Award
- University of Southern California Libraries Scriptor Award
 - *Slumdog Millionaire*
 - Best Book-to-Film Adaptation (Simon Beaufoy)
- Venice Film Festival
 - *Hunger*
 - Gucci Group Award
 - Director (Steve McQueen)
- Women in Film and Television Awards
 - Tessa Ross
 - (Contribution to Film)
- South Bank Awards
 - *Hunger*
 - Best Film

Eight Oscars for Slumdog Millionaire – making 13 Oscars for Film4 in the last five years.

- *Garage*
 - Best Actor (Pat Shortt)
- Golden Globes
 - *Slumdog Millionaire*
 - Best Motion Picture (Drama)
 - Best Director of a Motion Picture (Danny Boyle)
 - Best Screenplay for a Motion Picture (Simon Beaufoy)
 - Best Original Score for a Motion Picture (A. R. Rahman)
 - *Happy-Go-Lucky*
 - Best Performance by an Actress in a Motion Picture in Musical or Comedy (Sally Hawkins)



Danny Boyle and Rubina Ali, *Slumdog Millionaire*

Final comments

Channel 4’s public impact report was developed over the last twelve months, with the guiding principles of being rigorous and thorough, and promoting openness and public accountability. Its development has involved significant input from people across the organisation. It has also benefited from feedback by external stakeholders and industry specialists.

In *Next on 4*, Channel 4 argued that a new legislative framework for PSB is needed that would consider Channel 4 as a public service network. This report points the way to potential new approaches for the future regulation of Channel 4’s output, for example by using concepts such as “network originations” that consider Channel 4’s public service contribution across all relevant channels and services.

Achievements and areas where we need to do more
The report shows that Channel 4 performed impressively in highly difficult economic circumstances. It maintained its expenditure on original content. Portfolio share held steady year-on-year even as the number of homes with access to hundreds of competing digital TV channels rose, and is 15% higher than five years ago. While core channel viewing fell slightly, viewing online and to digital TV channels rose sharply. And against the key long-standing reputational statements, Channel 4 extended its lead over the other PSB channels, indicating that – relative to the rest of the industry – its output is perceived to be more distinctive than in recent years.

As part of our commitment to openness and accountability, we highlight here key areas where we need to do more, alongside the planned response from Channel 4:

Decline in the volume of diversity output, with first-run originations down 10%.
In 2008, Channel 4 established the new positions of Multicultural Commissioning Editor (responsible for a ring-fenced £2 million fund for multicultural programmes between 9–10pm) and Head of Diversity (who will begin in Spring 2009). Channel 4 worked with suppliers to ensure they have appropriate diversity policies. It held a major industry event when Trevor Phillips’ report on Superdiversity was published.

In 2009, Channel 4 takes over the chair of the Cultural Diversity Network, and we intend to use this to push forward cross-industry initiatives. The plan is to extend the diversity schemes currently operated by Channel 4 and other broadcasters more widely, including across the independent production sector (in collaboration with PACT).

Our initiatives have already produced positive outcomes in the early part of 2009. Disabled characters have been written into the cast of *Hollyoaks* and a young deaf actor took a lead role in *Shameless*. The new series of *How To Look Good Naked* will feature disabled women. And we have commissioned a major drama, *Cast Offs*, which stars six actors with disabilities.

Performance in the nations, which accounted for only 6% of out-of-London expenditure.
Given the centralised nature of the UK television industry around London and the South East, the devolved nations face particular challenges in achieving critical mass in TV production. For Channel 4, the low level of commissioning from the nations is an issue that requires greater attention. In *Next on 4*, we set out our desire to work with other broadcasters to help strengthen the supply base in Scotland, Northern Ireland and Wales. We also committed to increase the proportion of Channel 4’s television production expenditure in the nations by more than 50% by 2012, and announced a new Nations Pilot Fund that would invest £1 million in pilots from companies in the nations, with the view to finding strong returning series.

In 2009, we are implementing a range of initiatives aimed at building up the production capacity in the nations, and encouraging greater access to commissioners for companies based outside of England. 75% of the Nations Pilot Fund has now been allocated. We have also committed to ring-fence slots from Channel 4’s commissioning strands for companies from the devolved nations, and we are in the process of relocating a commissioner to Glasgow. In addition, we ensured that 4iP had a strong regional angle built in from inception, with a dedicated commissioner working across Scotland and Northern Ireland.

9% reduction in page views on channel4.com and E4.com
Big Brother accounts for a significant proportion of online activity, and total page views were affected by the decision to rest *Celebrity Big Brother* in 2008. The redesign of channel4.com at the end of 2008, and the further integration of text and video, will encourage engagement online. The launch of 4iP and impact of other cross-media initiatives will also promote activity online in 2009.

Decline in viewing to network originations
The reduction in viewing to network originations (9% down on the core channel, partially offset by an increase on the digital channels) was due to a combination of fewer hours of commissioned programming in the schedule – as less money than anticipated was available to spend on new commissions – and a decline in viewing-per-hour. It is important to note that, while there is an industry-wide shift in viewing towards the digital channels available in multichannel homes, the decline in viewing-per-hour to network originations on the core channel was less than the corresponding decline in per-hour viewing to acquisitions.

Final comments (continued)

This highlights the value viewers continue to place in original content as they face more choices. It is important for Channel 4 to maintain high levels of investment in originated content, so that it can continue to offer the kinds of programming that viewers most value. In 2009, it will be as important as ever for us to do all we can to promote cost efficiency and to control any inflationary pressures. But in the absence of a satisfactory outcome from the Digital Britain process, it will not be possible for Channel 4 to maintain recent levels of content investment.

Future reports
It is intended that the 2009 report on Channel 4’s public impact will include the same measures as those reported for 2008, enabling year-on-year trends to be assessed. Channel 4 will also explore new measures to strengthen reporting in key areas. In particular, working with the new Head of Diversity, we will develop a richer set of measures covering different aspects of diversity. Also, as Channel 4 expands its activities in digital media, we will explore appropriate measures to better capture engagement with online content, alongside measures that allow viewing across platforms to be reported in a consistent and comparable manner.

We will also develop internal data systems, and strengthen procedures with external suppliers, to enhance the robustness of the measures used. Of particular focus will be the online metrics that were excluded from the assurance review in 2008.

Conclusion
We know – from the audience tracking studies and focus groups that we conduct, from viewers’ comments, and from the range of awards won – the distinctive values that Channel 4 brings. The results of the detailed deliberative groups with audiences presented in *Next on 4* showed clearly Channel 4’s points of difference. But in the past, we have not always marshalled the evidence as rigorously or systematically as we might. And we have kept some research findings in-house when we might have shared them more widely.

We hope that this new impact report provides a compelling account of Channel 4’s performance in 2008. Future reports will continue to assess performance against the measures presented here. As the summary above highlights, while there are always areas in which we aspire to do even better, Channel 4 has set high standards to follow in the years ahead.

Andy Duncan
Chief Executive

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

Channel 4 engaged KPMG LLP (UK) to provide limited assurance over their key measures on pages 20, 21, 32, 33, 44, 45, 56, 57, 60 to 63 and 66 to 69 of their Public Impact Report identified hereafter as ‘the key measures’.

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

Responsibilities of the Channel 4 Members
The Members of Channel 4 are responsible for the preparation of the Public Impact Report Methodology, the 2008 Annual Report and determining the content and statements contained therein, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

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

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

Scope of work
We examined the key measures in the data tables, graphs and pie charts relating to Channel 4 in this Report, as defined in the Public Impact Report Methodology.

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

- In the case of the summary metrics for which the source data is Ofcom and PACT/Attentional and for which 2008 data was not yet available, we have examined the information for the year ended 31 December 2007 found on pages 68 and 69.

- We have also checked the calculations compiled to report the medium-term viewing trend key measure between 2008 and 2003 found on page 61.

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

- Busiest forums on channel4.com (on page 57);
- Channel 4 programmes with the highest conversion rate from TV audience to website visits (on page 57);
- Average monthly number of video-clips (on page 62);
- Average monthly number of long-form video views (on page 62)
- Average monthly visits to Channel4.com and E4.com (on page 63); and
- Average monthly page views (on page 63).

Basis of our work

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

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

Work performed

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

- Conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the systems and controls used to generate, aggregate and report the Public Impact key measures;
- Examining and testing of the systems and processes in place to generate, aggregate and report Public Impact key measures;
- Assessing the completeness and accuracy of the Public Impact key measures by:
 - testing the operating effectiveness of systems and controls;
 - assessing relevant supporting documentation used to aggregate and report the key measures;
 - assessing the significant assumptions and judgements made by Channel 4 in the preparation of the key measures;

- testing the documentation which supports the measurement, calculation and estimation of the key measures; and
- assessing and testing the source information used to generate the key measures.

- Examining the presentation of key measures in Channel 4’s Report in light of our findings.

For the key measures calculated based on information from outside of Channel 4 (stated as Source: BARB, Ipsos MORI, PACT/Attentional, Attentional, YouGov & Ofcom) we have relied upon the information supplied by BARB, Ipsos MORI, PACT/Attentional, YouGov & Ofcom 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 in Channel 4’s Report in light of our findings.

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

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

Matter of emphasis

Our conclusions below relate solely to the calculation of 2008 key measures, other than as indicated above in the Scope of work.

Conclusions

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

- Channel 4 key measures for the year ended 31 December 2008 are not fairly stated;
- key measures where the source data is from Ofcom and PACT/Attentional for the year ended 31 December 2007 are not fairly stated; and
- medium-term viewing trends for the trend period 2008 and 2003 key measure is not fairly stated.

KPMG LLP, Chartered Accountants
United Kingdom, 17th April 2009

Financial report
and statements

Introduction

Channel 4 is a unique organisation: a public service broadcaster with a distinctive creative remit, funded within the marketplace, existing to provide a range of innovative, creative and distinctive content to cater for the changing society we live in. In order to fulfil our public service remit whilst optimising commercial returns we continue to focus on a strong core Channel 4, whilst continuing to invest in our digital channels and online as digital switchover progresses to 2012.

Discussions are progressing over the future role that Channel 4 will play within the UK’s public service broadcasting ecology. It remains our ambition to pursue the vision set out in Next on 4 and the values enshrined within our remit, so that we can grow our audience reach and social impact in the digital world.

Principal activities

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

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

Our business is based around five operating segments:

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

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

- E4 – focusing on comedy, drama and entertainment including original commissions, US acquisitions and further opportunities to see Channel 4 output.
- More4 – offering a combination of new commissions, acquisitions and programmes from the core channel across multiple genres, including news, current affairs, drama, factual, entertainment and documentary.
- Film4 – the UK’s leading dedicated film channel, which offers a mix of the best British, European, US and international cinema.

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

Future Media and Technology (reported in 2007 as New Media)
Channel 4 has used interactive platforms to help extend the depth and impact of its programming output for more than a decade and continues to use the internet and new technologies both to develop new commercial opportunities and also to reinforce its public service contribution. These include:

- 4oD – which offers the best of Channel 4’s programming and films on an on-demand basis on cable and broadband platforms.
- Channel4.com and E4.com – which host a variety of micro-sites complementing television content as well as offering free catch-up services for selected programming.

Other
Other includes the provision of creative design and production services as well as premium rate telephony services on a not for profit basis.

Key performance indicators

The Channel’s primary purpose is the fulfilment of its public service remit, which was most recently defined in the 2003 Communications Act. This states that ‘the public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming which, in particular:

- demonstrates innovation, experiment and creativity in the form and content of programmes;
- appeals to the tastes and interests of a culturally diverse society;
- makes a significant contribution to meeting the need for the licensed public channel to include programmes of an educational nature and other programmes of educative value; and
- exhibits a distinctive character.’

Following the publication of Next on 4, and the articulation of Channel 4’s public purposes, for the first time in 2008 this annual report presents a new framework of measures to assess the public value that Channel 4 provides, structured according to the public purposes. These measures, referred to collectively as the Public Impact Report, include data on the volume and value of programming by genre, a range of audience research measures, and other indicators of on- and off-screen performance. They reflect Channel 4’s ambitions to operate as a public service network, covering the core channel and digital services. Measures for each of the four purposes (‘Nurture’, ‘Champion’, ‘Challenge’ and ‘Inspire’) are presented, along with other measures covering aspects of Channel 4’s overall ‘Scale and impact’, on pages 20-21, 32 -33, 44-45, 56-57, 60-63, 66-69 and throughout the programme highlights sections of this report.

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

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

Our digital channels grew their share of viewing by 0.6% in the year (2007: 0.9%) to 3.7% (2007: 3.1%). As a result, the group’s portfolio audience share held at 11.9% (2007: 11.9%) and portfolio viewing was higher over the last three years than at any previous time in our history.

2. Channel 4 audience share
A key measure of how we are delivering on our remit is the impact of Channel 4’s programming, which we measure in terms of our share of audience. Audience viewing shares are measured by the Broadcasters’ Audience Research Board (BARB), of which Channel 4 is a member, and we measure our share of ‘all individuals’ viewing.

Over the five year period to 2008, Channel 4’s audience share held up better than any other terrestrial broadcaster. However in 2008, our share of audience fell for the second consecutive year to 8.2% (2007: 8.7%) in a year in which all of the main terrestrial channels lost audiences to multi-channel television.

3. Ofcom requirements
As a public service broadcaster, the Channel is set various licence obligations from Ofcom, the delivery of which is seen as central to Channel 4’s public service role. Targets are set for a range of production and transmission measures. These targets are set out on page 133. In 2008 and 2007 we met all our licence requirements.

During 2008 the core channel achieved 62% overall of hours of originated programmes (target: 60%) and 76% in peak hours (target: 70%). We also exceeded our target of 30% of programme production outside London with 32% (£115.4 million) of Channel 4’s originated programming being supplied by production companies located outside the M25.

4. Total television advertising revenue
Channel 4 is funded solely from commercial activities without direct public subsidy. The revenue the group derives from television advertising drives overall financial performance and impacts the delivery of our remit. Our commercial performance is dependent on delivering valuable airtime to advertisers, which in 2008 accounted for 87% (2007: 87%) of total revenue.

Although core Channel 4 contributes much of our advertising revenues, our digital channels are increasingly important in mitigating the fall in core advertising revenues in the digital world. Primarily as a result of a drop in the market of 4.6%, our television advertising revenue fell to £789.7 million in 2008 (2007: £825.2 million), a fall of £35.5 million (4.3%) on the previous year. The overall advertising revenue decrease on the core channel was £57.1 million, mitigated by a £21.2 million revenue increase on the digital channels.

5. Operating profit/(loss)
This is used as a measure of financial performance and our ability to continue fulfilling our remit into the future. It does not take into account interest, share of profits or losses from joint ventures, or taxation. The principal factors behind our operating loss of £0.5 million (2007: loss of £8.8 million) are explained opposite.

Financial Review

The financial pressures on core Channel 4 have continued in 2008 as a result of both the drive to digital switchover and advertising market conditions which worsened significantly in the second half of the year. The migration to digital and increase in content available online is continuing to drive a perceptible decline in Channel 4’s audience share and hence a decline in advertising revenues: whilst the growing contribution from the digital channels is mitigating this decline to some extent, it is not expected to replace lost revenues on the core channel. In 2008 we faced the additional pressures of a severe decline in the television advertising market as the year progressed and had to make significant cuts to spend in programming and marketing as well as reducing our overhead cost base in order to achieve financial breakeven.

2009 is expected to continue to be difficult due to ongoing digital switchover and the challenging economic environment. We have set a prudent budget to manage the uncertainties in the television/media sector and beyond.

During 2008 Channel 4, the BBC and ITV continued to invest in Project Kangaroo, the joint web platform and technology project providing a single convenient gateway to the public to stream and download content on demand. In June 2008, the Kangaroo Joint Venture was referred by the Office of Fair Trading to the Competition Commission, and in February 2009 the Competition Commission announced that it would prohibit any further development of this venture. As a result of this decision, we have fully written down the investment we held in Kangaroo (note 8). The Channel already offers the opportunity to view broadcast content through catch-up services on both 4oD and C4.com and is now exploring alternative ways of exploiting its rich content sources online alongside its existing multi-media strategy.

In August 2008, the ‘Box’ digital channel – part of a joint venture between Channel 4 and Bauer Consumer Media Ltd – was re-branded as ‘4Music’ in order to exploit the synergies of the 4 brand and to raise the profile of the channel amongst its key 16-34 age group. 4Music is currently the UK’s most watched music channel, complemented by six further channels run by the Box Television Ltd joint venture available on satellite platforms. Box Television Ltd (Box) continues to appeal to this key demographic and to be profitable, and is expected to generate further benefits for Channel 4 in future years (note 8).

In September 2008, triggered by the speed of structural change in the industry and the uncertainties of the economic environment, the Channel announced that it would implement a restructuring programme to achieve further operational efficiencies. This resulted in a loss of 200 posts, of which 180 were redundancies, in December 2008. The programme represents a significant headcount reduction but increases our ability to sustain Channel 4 through the difficult economic conditions. At the balance sheet date, £6.7 million was provided in respect of the restructuring programme (note 17).

In October 2008, in the light of difficult economic conditions the Channel took the decision to withdraw from its 4Radio venture despite the Channel 4-led consortium, 4 Digital Group Ltd (4DG), winning the second UK commercial radio multiplex bid in July 2007. Subsequent to the year end, the members of the 4DG consortium confirmed their intention to Ofcom not to proceed to launch any radio stations. On 23 February 2009, the members agreed to wind up the assets of the company.

The Channel has robust policies in place (see note 18) to manage its exposure to customer or supplier credit risk, including credit insurance and formal procedures for agreeing any credit or issuing credit notes outside stringent parameters. One of the Channel’s key DVD distributors, EUK Ltd, a subsidiary of Woolworths Group plc, was affected by the appointment of administrators on 28 November 2008. The 4Rights business established alternative trading mechanisms and financial exposure was limited due to the actions taken.

Average headcount for the year was below 2007 levels at 905 (2007: 965) after the withdrawal from Radio and the outsourcing of broadcast and transmission services in August 2008. Exit headcount for the year was 705 and average headcount is expected to be significantly reduced in 2009 compared with 2008.

Financial performance

As shown in the table below, our revenues decreased by 4.1% from 2007. Our operating loss was £0.5 million (2007: loss of £8.8 million).

	TV advertising revenue	Other revenue	Total revenue	Operating (loss) /profit
	£m	£m	£m	£m
2008				
Channel 4	619.7	49.0	668.7	(24.0)
4 Channels	169.6	5.4	175.0	41.1
4 Rights	—	34.6	34.6	8.9
Future Media	0.4	33.0	33.4	(6.8)
Other	—	9.2	9.2	(19.7)
Eliminations	—	(14.8)	(14.8)	—
	789.7	116.4	906.1	(0.5)
2007				
Channel 4	676.8	38.5	715.3	(7.8)
4 Channels	148.4	8.0	156.4	16.2
4 Rights	—	42.6	42.6	7.5
Future Media	—	26.7	26.7	(15.4)
Other	—	22.1	22.1	(9.3)
Eliminations	—	(18.2)	(18.2)	—
	825.2	119.7	944.9	(8.8)

Channel 4 Revenues decreased by £46.6 million to £668.7 million in 2008 on the core channel, driven by a fall in audience share and decline in the advertising market of 4.6% during the year. As the signs of deterioration of market conditions first became apparent we reduced programming and marketing spend and made a significant reduction to our cost base to mitigate the effects of the market. The resulting core channel operating loss was £24.0 million (2007: £7.8 million).

4Channels Revenues grew year on year by £18.6 million from £156.4 million in 2007 to £175.0 million in 2008, driven by growth in audience share despite market conditions. 4Channels generated operating profits of £41.1 million in 2008 (2007: £16.2 million).

4Rights Revenues decreased by £8.0 million from £42.6 million in 2007 to £34.6 million in 2008. Lower DVD sales as a consequence of market conditions together with the full year impact of the disposal of our international rights business in 2007 resulted in lower year on year sales. 4Rights generated operating profits of £8.9 million in 2008 (2007: £7.5 million) as a result of margin improvement.

Future Media and Technology Future Media and Technology generated revenues of £33.4 million in 2008, an increase of £6.7 million on 2007. The increase is a result of improved video on demand advertising. The operating loss reduced to £6.8 million (2007: £15.4 million) and reflects further investment on C4.com and E4.com to build ‘new concept’ platforms for future years to generate further reach and income.

Other Other revenues comprised post-production facilities, creative design and production services and premium rate telephony services. A significant proportion of these revenues is eliminated on group consolidation.

Financial position

The balance sheet on page 89 of the financial statements shows that the net assets of Channel 4 and the group decreased in the year through the revaluation of freehold property (note 10) and revised IAS 19 ‘Employee Benefits’ pensions valuation estimates (note 21).

Cashflow

As shown in the group cashflow statement on page 90, the profit for the year of £1.8 million resulted in a £5.0 million net cash inflow due to working capital improvements and careful management to protect cash and diversify cash holdings, particularly given the volatility of financial markets in the second half of the year. Net cash flows from investing activities were positive compared with the previous year, as purchases of property, plant and equipment were lower than 2007 and there was no comparable acquisition activity. Group cash and cash equivalents were £153.9 million at 31 December 2008 with a further £50.0 million held on deposit for three months or longer (note 15).

Pension

The plan assets and liabilities of the Channel Four Television Staff Pension Plan have been revalued at 31 December 2008 in accordance with IAS 19 ‘Employee Benefits’ and the net accounting deficit of £21.1 million has been recorded in the year end balance sheet (2007: £9.4 million) (note 21).

The most recent triennial valuation was carried out at 1 January 2006, with a current valuation at 1 January 2009 in progress. The Channel Four Television Staff Pension Plan was closed to new joiners with effect from 1 September 2007 and a new Defined Contribution Scheme opened from the same date.

Accounting policies

A summary of significant accounting policies is provided in pages 91 to 94 of this report.

Risks

Outlined below are the key risks that the group faces, together with how we take steps to mitigate them. Further details of our governance structure are provided in the Corporate Governance section on pages 121 to 126.

1. Dependence on advertising revenues 87% of Channel 4’s revenue is derived from advertising. This dependency upon one form of revenue means that the Channel is susceptible to cyclical fluctuations as well as structural changes in the advertising market. Advertising income is extremely variable and has the potential to change significantly during the course of the year as a result of changes in audience share or broader market conditions. The majority of Channel 4 costs are fixed within a year which means that Channel 4 has limited ability to respond to short term downturns in advertising income.

In order to mitigate this risk Channel 4 monitors the advertising market and its share of the market very closely to identify trends and to allow time to respond. As far as possible the group maintains a flexible cost base. Channel 4 also maintains cash reserves. Our Treasury Risk Committee reviews the group’s cashflow forecast and requirements for cash.

Following recent experience, internal expectations and industry forecasts, our budgeted 2009 and provisional 2010 revenue assumptions assume significant market decline in TV advertising. Looking to the future, in the absence of certainty over long-term funding arrangements, the Board has committed to achieving financial breakeven and not to enter into deficit. This could have implications for our future content spend and overall cost base. The Board monitors forecasts each month and ongoing trends in order to respond to market conditions as flexibly as possible.

2. Ofcom Licence Obligations A significant risk to Channel 4 would be any failure to fulfil its statutory duties and functions in order to ensure the successful delivery of Channel 4’s remit and other public service responsibilities.

In December 2004 Channel 4 was issued with a detailed Digital Replacement Licence (‘DRL’) which sets out all of its formal obligations, including detailed programming obligations.

Channel 4 falls within Ofcom’s overall obligations to assess the delivery of public service broadcasting taken collectively, carried out through its Annual Reports and the quinquennial Public Service Broadcasting Review.

The Channel 4 Board is the main body for ensuring that Channel 4 meets all of its public service responsibilities. Current programming output and the delivery of the Channel’s programming obligations are reviewed regularly by the Board.

Channel 4 also publishes an Annual Statement of Programme Policy (‘SoPP’) alongside an Annual Review of performance against this SoPP, as required under its DRL and consistent with the other public service broadcasters.

In addition, as noted on page 80, from 2008, Channel 4 is publishing a Public Impact Report within this annual report.

3. Legal and Regulatory Obligations There are three significant risks in relation to the publication of content by Channel 4:

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

There are a number of detailed legal and compliance procedures and protocols designed to ensure that such risks are identified and appropriately reduced. These procedures are mandatory for all relevant staff. At the heart of these procedures is Channel 4’s Internal Procedures for Referral-up and Compliance. The referral-up process involves senior editorial staff and ultimately the Director of Television and Content and the Chief Executive. This process also requires that independent producers working with Channel 4 ensure that they have their own internal procedures so that legal and compliance issues are referred to senior executives and Channel 4 as and when appropriate. Such procedures exist to ensure that difficult and fine-cut decisions on legal and compliance matters are properly considered by the most experienced editorial and programme lawyers and senior executives within Channel 4.

The members present their report and the audited financial statements for the year ended 31 December 2008.

Business review and
Principal activities

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

Channel 4 is a public service broadcaster funded solely from commercial revenues. Channel 4 receives free analogue spectrum in return for fulfilling public service obligations as set out in the 1990 and 1996 Broadcasting Acts and the licence issued by Ofcom, which came into effect on 28 December 2004.

The core public service channel is available on both analogue and the main digital broadcast platforms. To maintain relevance and impact with audiences in a digital age, new services including the launch of Film4 on Freeview and 4oD were established in 2006, and C4 + 1 and C4 HD were launched in 2007. In 2007, Channel 4 further expanded its digital coverage through a joint venture with Bauer Consumer Media Ltd in Box Television Ltd, which was subsequently re-branded from Box to 4Music in August 2008. The Chairman and Chief Executive present their statements on pages 6 and 7 respectively.

A review of the business of the group, outlining its development and performance during the financial year together with its position at 31 December 2008, is provided in the Operating and Financial Review on pages 80 to 83. This outlines the principal risks and uncertainties facing Channel 4. The group’s financial statements are set out on pages 88 to 120.

Members

The members of the Board have full responsibility and discretion for deciding and operating the group’s policies and for the conduct of the group’s affairs.

The current members of Channel 4 are listed on page 127. Since 1 January 2008, the following member has been appointed/has resigned:

Nathalie Schwarz was appointed on 1 February 2008 and resigned subsequent to the year end on 26 March 2009.

In July 2006, Ofcom confirmed the re-appointment of Luke Johnson as Chairman for a further three years from January 2007. In January 2009, the re-appointments of Lord Puttnam as Deputy Chairman and Martha Lane Fox and Stephen Hill as members of the Board were also confirmed for a further two years to 31 January 2011 (Lord Puttnam and Martha Lane Fox) and 31 December 2010 (Stephen Hill).

Details of members’ remuneration are contained within the report on members’ remuneration on pages 128-131.

Members’ interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members’ interests. During 2008, members, in addition to their salaries, benefits and/or fees as disclosed on pages 128-131, were interested in the following contracts negotiated at arm’s length on normal commercial terms with the Group:

Andy Duncan was appointed a non-executive director of HMV Group plc on 13 March 2009. Channel 4 paid HMV Group plc £146,165 during 2008 in respect of shared marketing activities in the normal course of business.

Employment policy

Channel 4 is an equal opportunities employer and does not discriminate on grounds of sex, sexual orientation, marital status, race, colour, ethnic origin, disability, age or political or religious belief in its recruitment or other employment policies. The ethos of the group for both job applicants and staff is that everyone matters.

Channel 4 has established an ethnic monitoring system for its recruitment and the ethnic composition of its staff. The representation of ethnic minorities amongst its permanent staff in 2008 was 11% (2007: 11%). Women continue to form the majority of its staff at 54% (2007: 53%).

The group encourages applications from people with disabilities. The policy is to recruit, train and provide career development opportunities to disabled people, whether registered as such or not, on the same basis as that of other staff. In the event of an employee becoming disabled, every effort is made to ensure that his or her employment with the group continues.

Employee involvement
and consultation

The quality, commitment and effectiveness of the group’s staff are crucial to its continued success. Channel 4 has continued to invest in its staff through training and development and has been accredited with the Investors in People standard since 2001. In addition, the group informs and consults with its employees through:

- an internal intranet information service available to all members of staff;
- meetings hosted by executive members during which staff are briefed on recent developments and strategic plans;
- regular departmental meetings during which information is disseminated and staff have an opportunity to air their views;
- recognition of trade unions. The group has two recognised trade unions, BECTU and Equity;
- an internal communications function, which aids effective communication across the organisation, co-ordinates internal culture activities and helps to implement business change projects;
- an employee forum, which allows the sharing of information and an exchange of views with an elected group of employees on key matters affecting the Channel’s business, structure and organisation.

During the restructuring process in late 2008 the Channel made use of all of the above communication and consultation channels.

Diversity

4Talent develops and supports talented people at different stages of their careers, reflecting a diverse Britain and a multi-platform industry. Each year 4Talent runs a range of diversity initiatives with the primary aim of breaking down barriers to entry for those groups within our society that are currently under-represented in the media. These initiatives range from structured ‘new entrant’ schemes such as our Diversity Production Trainee Programme, to talks and events and bespoke funding of talented individuals to help to enhance their careers through training, placement and shadowing opportunities.

Our Diversity Production Trainee Scheme was re-launched in 2008 and combines previous disability and diversity trainee initiatives, which found internships for researchers to try their hand at other job roles such as script editor, production manager and games designer, into a single expanded initiative with places for 18 trainees. These initiatives have been running for over six years in total, with 73% of graduates still working in the creative industries.

4Talent gave over fifty talks in 2008 to a range of schools, universities and community groups across the UK. The 4Talent team also ran events at Channel 4 enabling people from diverse communities to meet key people behind our programming and training schemes, through a series of sessions covering TV Production, Commissioning, Marketing and the future of broadcasting. The aim of these events was to give an exclusive insight into the different roles and routes for creative talent into Channel 4 and the wider television industry.

Environmental matters

Channel 4 takes its responsibilities to minimise the impact of its activities on the environment seriously and continued in 2008 to work towards reducing carbon emissions as far as possible. In 2008 a corporate social responsibility strategy was agreed by the senior Executive team, which included a strategy for managing our environmental management activities. Initiatives which have been implemented since the 2008 report include a ‘green taxi’ solution and enhanced recycling facilities throughout Channel 4 premises. In addition, key service providers have been set corporate social responsibility targets with agreed milestones to measure achievement. Plans for 2009 include measures to continue to increase our recycling, to use more eco-friendly stationery and to measure our carbon footprint to assess how this can be further reduced in future years.

Community

Channel 4 has formed links with several local charities and community groups and provides support in terms of meeting room space, building tours and donations of surplus office furniture and technical equipment. Office supplies such as toners and ink cartridges are donated to charity for recycling and cooking oil is donated as green fuel. Channel 4 is also a member of the Media CSR Forum (mediacsrforum.org), Business in the Community (bitc.org.uk) and the Muslim mentoring network Mosaic (mosaicnetwork.co.uk).

Charitable donations

During 2008, the group donated £1.5 million to charities (2007: £3.2 million). Of this amount, £1.2 million (2007: £1.4 million) was paid to charities to provide training that will improve the overall expertise of television staff in the industry. Once again in 2008, a charity payment was made for each vote cast relating to Big Brother with charity donations for the ninth series totalling £0.3 million paid to three charities (2007: £0.2 million).

Development

The group devotes substantial resources to the development of scripts for possible commissioning. Research and development expenditure charged to the income statement in 2008 amounted to £9.5 million (2007: £8.6 million) (note 3).

Group foreign
currency, cash
and treasury
management

The group’s treasury management function operates within defined treasury policies determined by the Board. Details of the group’s foreign currency, cash and treasury matters are disclosed in note 18, including information on the group’s exposure to market, foreign currency, interest rate, liquidity and credit risk as well as the disclosures required in respect of IFRS 7 ‘Financial Instruments: Disclosures’.

In 2008 a full review of the group’s treasury policies was undertaken and presented to the Board. As banking and credit conditions tightened during the second half of the year, in line with the policies, potential exposures to the credit markets were monitored on an ongoing basis and the Treasury Risk Committee met frequently to discuss changes in credit ratings of the institutions holding Channel 4 deposits and other emerging events and their potential impact on Channel 4. Through strict adherence to the policies, the Channel spread its cash and other financial asset deposits across a number of financial institutions, all of which were either AA-rated or backed by the UK Government.

Channel 4 website

In keeping with our strategy to connect with viewers across all platforms, Channel 4 has published this report on its website, channel4.com.

Disclosure of
information to auditors

Each of the persons who is a member at the date of approval of this annual report confirms that:

- so far as the member is aware, there is no relevant audit information of which the company’s auditors are unaware; and
- the member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company’s auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

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

Going concern

Based on normal business planning and control procedures, the members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Whilst we are participating in the Digital Britain and wider consultation process and advocating options which will allow us to maximise our public service remit, the members intend to achieve financial breakeven until Channel 4 has certainty over its long-term funding. For this reason, the members continue to adopt the going concern basis in preparing the financial statements.

By Order of the Board:

Andy Duncan
Chief Executive
17 April 2009

Independent
auditors’ report to
the members
of Channel
Four Television
Corporation
(Channel 4)

We have audited the financial statements of the group and Channel 4 (the “financial statements”) for the year ended 31 December 2008 which comprise the group Income Statement, the group and Channel 4 Balance Sheets, the group and Channel 4 Cashflow Statements, the group and Channel 4 Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

In addition to our audit of the financial statements, the members have engaged us to audit the information in the Members’ Remuneration Report that is described as having been audited, which the members have decided to prepare (in addition to that required to be prepared) as if Channel 4 were required to comply with the requirements of Schedule 7A to the Companies Act 1985.

This report is made solely to Channel 4’s members, as a body, in accordance with the Broadcasting Act 1990 and direction thereunder by the Secretary of State and the terms of our engagement. Our audit work has been undertaken so that we might state to Channel 4’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Channel 4 and Channel 4’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective
responsibilities
of members and
auditors

The members’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of members’ responsibilities on page 121.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and under the terms of our engagement letter, to audit the part of the Members’ Remuneration Report that is described as having been audited.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Members’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, as if those requirements were to apply. We also report to you whether in our opinion the information given in the Members’ Report is consistent with the financial statements. The information given in the Members’ Report includes that information presented in the Chairman’s and Chief Executive’s Statements and the Operating and Financial Review that is cross referred from the Business Review section of the Members’ Report.

In addition, we report to you if, in our opinion, Channel 4 has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding members remuneration and other transactions is not disclosed.

In addition to our audit of the financial statements, the members have engaged us to review their Corporate Governance Statement as if the company were required to comply with the Listing Rules of the Financial Services Authority in relation to those matters.

We review whether the Corporate Governance Statement reflects the company’s compliance with the nine provisions of the 2006 Combined Code specified for our review by those rules, and we report if it does not. We are not required by the terms of our engagement to consider whether the board’s statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Members’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and Channel 4’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Members’ Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Members’ Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group’s affairs as at 31 December 2008 and of its profit for the year then ended;
- Channel 4’s financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of Channel 4’s affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Broadcasting Act 1990 and the Companies Act 1985, to the extent that those provisions are applicable;
- the part of the Members’ Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 7A to the Companies Act 1985, as if those requirements were to apply to Channel 4; and
- the information given in the Report of the members is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditors
8 Salisbury Square
London
EC4Y 8BB
17 April 2009

Consolidated income statement for the year ended 31 December

	Note	Group 2008 £m	Group 2007 £m
Revenue	1	906.1	944.9
Cost of transmission and sales	2	(846.9)	(888.5)
Gross profit		59.2	56.4
Other operating expenditure	2	(59.7)	(65.2)
Operating loss	3	(0.5)	(8.8)
Financial income	5	25.4	19.5
Financial expense	5	(11.7)	(9.5)
Net financial income		13.7	10.0
Share of (loss)/profit of investments accounted for using the equity method, net of income tax	8	(3.3)	0.4
Profit before tax		9.9	1.6
Income tax expense	6	(8.1)	(1.1)
Profit for the year		1.8	0.5
Attributable to:			
Channel Four Television Corporation	19	2.1	1.2
Minority interest	19	(0.3)	(0.7)
Profit for the year		1.8	0.5

Statement of recognised income and expense for the year ended 31 December

	Note	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Net actuarial (losses)/gains in pension scheme	21	(13.7)	4.0	(13.7)	4.0
Deferred tax on pension scheme recognised directly in equity	12	3.8	(1.1)	3.8	(1.1)
Revaluation of freehold land and buildings	10	(8.2)	9.9	(8.2)	9.9
Total (losses)/gains recognised directly in equity		(18.1)	12.8	(18.1)	12.8
Profit/(loss) for the year	19	1.8	0.5	(7.2)	2.5
Total recognised (losses)/gains for the year		(16.3)	13.3	(25.3)	15.3
Attributable to:					
Equity holders of Channel Four Television Corporation	19	(16.0)	14.0	(25.3)	15.3
Minority Interest	19	(0.3)	(0.7)	—	—
Total recognised (losses)/gains for the year		(16.3)	13.3	(25.3)	15.3

The notes on pages 95 to 120 form part of these financial statements.

Balance sheets as at 31 December

	Note	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Assets					
Investments in subsidiaries	7	—	—	—	—
Investments accounted for using the equity method	8	30.4	32.1	—	—
Equity investments	9	2.2	2.1	—	—
Freehold property	10	49.0	58.3	49.0	58.3
Fixtures, fittings and equipment	10	12.4	16.5	12.4	16.5
Intangible assets	11	8.4	8.6	5.1	4.5
Deferred tax assets	12	10.0	8.1	9.5	6.5
Total non-current assets		112.4	125.7	76.0	85.8
Programme and film rights and other inventories	13	209.1	206.8	188.5	186.4
Trade and other receivables	14	114.8	135.7	130.8	167.5
Current tax assets	14	—	—	1.8	—
Other financial assets	15	52.5	56.4	52.5	56.4
Cash and cash equivalents	15	153.9	139.2	152.8	139.2
Total current assets		530.3	538.1	526.4	549.5
Total assets		642.7	663.8	602.4	635.3
Liabilities					
Employee benefits – pensions	21	(21.1)	(9.4)	(21.1)	(9.4)
Provisions	17	(1.9)	(2.6)	(1.9)	(2.6)
Deferred tax liabilities	12	(5.8)	(4.9)	(2.7)	(1.3)
Other financial liabilities	18	—	(0.3)	—	(0.3)
Total non-current liabilities		(28.8)	(17.2)	(25.7)	(13.6)
Trade and other payables	16	(157.6)	(178.6)	(100.5)	(120.4)
Current tax liabilities	16	(3.7)	(2.5)	—	(2.7)
Provisions	17	(17.2)	(13.8)	(16.7)	(13.8)
Total current liabilities		(178.5)	(194.9)	(117.2)	(136.9)
Total liabilities		(207.3)	(212.1)	(142.9)	(150.5)
Net assets		435.4	451.7	459.5	484.8
Retained earnings	19	434.0	441.8	458.1	474.9
Revaluation reserve	19	1.4	9.9	1.4	9.9
Total equity		435.4	451.7	459.5	484.8
Equity attributable to:					
Channel Four Television Corporation	19	435.0	451.0	459.5	484.8
Minority interest	19	0.4	0.7	—	—
Total equity		435.4	451.7	459.5	484.8

The financial statements on pages 88 to 120 were approved by the Board of members on 17 April 2009 and were signed on its behalf by:

Luke Johnson
Chairman

Andy Duncan
Chief Executive

The notes on pages 95 to 120 form part of these financial statements.

Cashflow statements
for the year
ended 31 December

	Note	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Cashflow from operating activities					
Profit/(loss) for the year		1.8	0.5	(7.2)	2.5
Adjustments for:					
Income tax expense/(credit)	6	8.1	1.1	(2.6)	1.9
Depreciation	3	7.0	8.9	7.0	8.9
Amortisation of intangibles	3	1.9	3.7	1.1	3.0
Net financial income	5	(13.7)	(10.0)	(14.2)	(12.1)
Impairment of property, plant and equipment and developed software	3	2.3	8.0	2.3	8.0
Reversal of impairment of property, plant and equipment	3	—	(1.5)	—	(1.5)
Share of loss/(profit) from investments accounted for using the equity method	8	3.3	(0.4)	—	—
Impairment of investment in joint venture	8	3.8	—	—	—
Operating cashflow before changes in working capital and provisions		14.5	10.3	(13.6)	10.7
Changes in working capital:					
(Increase)/decrease in programme and film rights and other inventories	13	(2.3)	30.5	(2.1)	25.5
Decrease/(increase) in trade and other receivables		18.1	16.6	42.7	(35.0)
Movement in assets and liabilities held for sale		—	0.6	—	—
(Decrease)/increase in trade and other payables	16	(21.0)	(13.6)	(19.9)	3.9
Increase in provisions (excluding unwinding of discounts)	17	1.7	12.3	1.2	12.9
Movement in pension liability		(2.0)	—	(2.0)	—
Cash generated from operations		9.0	56.7	6.3	18.0
Tax paid		(4.0)	(3.0)	(4.1)	(1.2)
Net cashflow from operating activities		5.0	53.7	2.2	16.8
Cashflow from investing activities					
Investment in Life One Broadcasting Ltd	7	—	(3.6)	—	—
Investment in joint ventures	8	(3.6)	(29.2)	—	—
Proceeds from sale of subsidiaries net of cash disposed	7	—	1.9	—	—
Acquisition of other investments	9	(0.1)	(2.1)	—	—
Purchase of property, plant and equipment	10	(3.6)	(10.6)	(3.6)	(10.6)
Internally developed software	11	(2.2)	(3.9)	(2.2)	(3.9)
Interest received		10.4	8.2	10.4	12.1
Dividends received	8	2.0	—	—	—
Decrease/(increase) in other financial assets	15	6.0	(56.0)	6.0	(56.0)
Net cashflow from investing activities		8.9	(95.3)	10.6	(58.4)
Cashflow from financing activities					
Net cashflow from financing activities		—	—	—	—
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at 1 January		13.9	(41.6)	12.8	(41.6)
Effect of exchange rates on cash held		139.2	180.4	139.2	180.4
Cash and cash equivalents at 31 December		0.8	0.4	0.8	0.4
		153.9	139.2	152.8	139.2

Significant
accounting policies

Channel Four Television Corporation (Channel 4) is a statutory corporation domiciled in the United Kingdom. The consolidated financial statements of Channel 4 for the year ended 31 December 2008 comprise Channel 4 and its subsidiaries (together referred to as the ‘group’) and the group’s investments accounted for using the equity method. Channel 4’s financial statements present information relating to Channel 4 as a separate entity and not about its group.

The financial statements were authorised for issue by the members on 17 April 2009. The registered office of Channel 4 is 124 Horseferry Road, London, SW1P 2TX.

Statement of
compliance

Both Channel 4’s and the consolidated financial statements have been prepared and approved by the members in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). On publishing the Channel 4 financial statements here together with the group financial statements, Channel 4 is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties and derivative financial instruments are stated at fair value; and are presented in pounds sterling, rounded to the nearest one hundred thousand. Certain amounts have been reclassified in respect of prior years for the purpose of comparability. These items have been disclosed within the notes to which they relate. The financial statements have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury and meet the disclosure and measurement requirements, in so far as they are applicable, of the Companies Act 1985 and Adopted IFRSs.

The preparation of financial statements in conformity with Adopted IFRSs requires the use of estimation and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of Adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Recoverability of trade receivables
Trade debtors are reflected net of an estimated provision for doubtful accounts. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid. The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made. Trade and other receivables are detailed in note 14.

Programme rights
Programme rights are included in the balance sheet at the lower of cost and net realisable value. In assessing net realisable value, consideration is given to the contracted sales price and estimated costs to complete for programmes in production, and the estimated airtime value of the rights. Programmes which are unlikely to be transmitted or sold are expensed to the income statement (note 13).

Provisions for onerous contracts
A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability (note 17).

Employee post retirement benefit obligations
The group operates a defined benefit pension plan. The obligations under the plan are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from the members. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of assumptions used are provided in note 21.

Income tax
The actual tax on the result for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits which are recognised in the financial statements. The group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior years’ tax liabilities could be different from the estimates reflected in the financial statements. Further analysis of income tax is provided in note 6.

Accounting policies

A summary of the group and Channel 4 accounting policies that are material in the context of the accounts is set out below. The accounting policies have been applied consistently to all periods presented in these financial statements.

The following new interpretation became effective in 2008 and has been applied by the group in the financial statements:

— IFRIC 14 ‘the time limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction’

The adoption of this interpretation has had no material impact on the financial statements.

The following Adopted IFRS was available for early adoption but has not been applied by the group in these financial statements:

— IFRS 8 ‘Operating Segments’

The members anticipate that the adoption of this standard in future will not have a material impact on operating segments reported or on the financial statements of the group.

The following amendments have been endorsed by the EU but are not yet effective:

- IAS 1 ‘Presentation of Financial Statements’
- IAS 27 ‘Consolidated and Separate Financial Statements’.

Basis of consolidation

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Investments accounted for using the equity method comprise associates and joint ventures.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or until the associate is classified as held for sale in accordance with IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’. When the group’s share of losses exceeds its interest in an associate, the group’s carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement. The financial statements include the group’s share of total recognised gains and losses using the equity method of accounting from the date that joint control commences to the date it ceases or until the jointly controlled entity is classified as held for sale in accordance with IFRS 5.

As explained in note 8, certain of the group’s joint ventures are not-for-profit organisations. Cost contributions to those organisations are charged to the income and expenditure account in the period that they occur.

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group’s interest in the equity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

All revenues are stated net of advertising agency commissions where these are borne and paid by advertisers, and value added tax. Revenues are recognised when services have been performed, persuasive evidence of an arrangement exists and when collectibility is reasonably assured.

Television advertising revenue is recognised on transmission of the advertisement.

Revenue from sponsorship of the group’s programmes and films is recognised on a straight line basis in accordance with the transmission schedule for each sponsorship campaign.

Online advertising revenue is recognised over the period of display of the advertisement.

Revenue from the sale of film and television rights is recognised on the later of signature of the contract, and the start of the licence period, provided that the film or programme rights have been made available for delivery.

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

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

Segment reporting

A segment is a distinguishable component of the group that is engaged in providing products or services.

Taxation

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

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

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

The following temporary timing differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Investments in subsidiaries

Investments in subsidiaries are consolidated in the group balance sheet from the date that control commences to the date it ceases.

Investments in associates and interests in jointly controlled entities

Investments in associates and interests in jointly controlled entities are recognised initially at cost. The carrying amount is subsequently increased or decreased to recognise the share of total recognised gains or losses, or share of profit or loss if these are the same, after the date of acquisition or investment.

Equity investments

Equity investments represent equity holdings without significant influence. These investments are carried at cost, less any provision for impairment. Where an active market value is not available, the members believe that valuation at cost less provision for impairment is a reasonable approximation of fair value.

Property, plant and equipment

Freehold land and buildings are stated at open market valuation (fair value) and are revalued at 31 December each year. Directions from the Secretary of State for Culture, Media and Sport require freehold land and buildings to be valued at current value. The members believe that open market value approximates to current value.

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

Fixtures, fittings and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost or valuation of the asset evenly, on a straight line basis, over its estimated useful life. Useful lives are estimated taking into account the rate of technological change and the intensity of use of each asset. Freehold land is not depreciated. The annual rates used for this purpose are as follows:

Freehold buildings	2%
Computer hardware	25%–50%
Office equipment and fixtures and fittings	25%
Technical equipment	20%–25%

Where applicable, fixed assets held under finance leases are depreciated over the period of the lease.

Intangible assets and goodwill

Expenditure on internally developed computer software applications is capitalised to the extent that the project is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits. The expenditure capitalised includes the cost of software licences, direct staff costs and consultancy costs.

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

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

All business combinations are accounted for by applying the purchase method. Identifiable intangible assets are those which can be sold separately or arise from legal rights regardless of whether those rights are separable. Goodwill represents amounts arising on the acquisition of subsidiaries, associates or jointly controlled entities where a difference exists between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill in respect of associates and jointly controlled entities is included in the carrying value of the associate or jointly controlled entity within which benefits are expected to accrue as a result of the acquisition.

Goodwill is stated at cost less impairment losses. Goodwill is not amortised but is tested annually for impairment whether or not an indication of impairment exists.

Impairment

All impairment loss is recognised if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses 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 units 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 group of assets.

Reversal of impairments

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

An impairment loss in respect of goodwill is not reversed.

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

Programme rights
and other inventories

Inventories are valued at the lower of cost and net realisable value. Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for programmes and films which are unlikely to be transmitted or sold. Direct cost is defined as payments made or due to programme suppliers.

Development expenditure, consisting of funds spent on projects prior to a final decision being made on whether a programme will be commissioned, is included in broadcast programme and film rights after making provision for any expenditure that is not expected to lead to a commissioned programme.

The cost of broadcast programme and film rights is wholly written off on first transmission, except for certain feature films, the costs of which are written off over more than one transmission in line with expected revenue.

Developed film rights are stated at direct cost incurred up to the balance sheet date. Provision is made for any excess over the value of the film held in stock and the revenues the film is anticipated to earn. The main assumptions employed to estimate future revenues are minimum guaranteed contracted revenues and sales forecasts by territory.

Film rights are amortised in the income statement in the proportion that the revenue in the year bears to the estimated ultimate revenue, after provision for any anticipated shortfall.

Other inventories principally comprise DVDs and other physical inventories held within the 4Rights segment, and are stated at the lower of cost and net realisable value.

Trade and other
receivables

Trade debtors are reflected net of an estimated provision for doubtful accounts.

Other financial assets

Other financial assets comprise deposits of more than three months duration and financial instruments with debit balances and are stated at fair value.

Cash and cash
equivalents

Cash and cash equivalents comprise cash balances and deposits of less than three months duration from the date of placement.

Foreign currency

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

Derivative financial
instruments

The group transacts in a number of currencies as well as Sterling, and is a net purchaser of Euros. Certain exposures to fluctuations in exchange rates are managed by transactions in the forward foreign exchange markets. These derivative financial instruments are stated at fair value based on quoted market rates. Changes in the fair value of these derivative financial instruments are recognised in the income statement. The group does not hold or issue derivative financial instruments for trading purposes.

The group has not sought to apply hedge accounting treatment for any of its foreign exchange hedging activity in any of the periods presented. As a result, changes in the fair value of hedging instruments have been recognised in the income statement as they have arisen.

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

Leases

Assets held under finance leases (those in which the group assumes substantially all the risks and rewards of ownership) are treated as tangible fixed assets and depreciation is charged accordingly. The capital elements of future obligations are recorded as liabilities. Interest is charged to the income statement over the period of the lease in proportion to the capital outstanding. All other leases are treated as operating leases. The rental costs arising from operating leases are charged to the income statement in the year in which they are incurred.

Employee benefits –
pensions

Defined benefit scheme
The group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine its present value and deducting the fair value of scheme assets at bid price. The assumed discount rate for the liabilities is the current rate of return of high quality corporate bonds with similar maturity dates. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses that arise in calculating the group’s obligation in respect of the plan are recognised within the statement of recognised income and expense in the period in which they arise. The current service cost, interest cost and return on plan assets are recognised in the income statement in the current period.

Defined contribution scheme
Obligations under the group’s defined contribution scheme are recognised as an expense in the income statement as incurred.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the
financial statements

1. Segment reporting

Segment information is only included in the primary format, business segment, which is based on the group’s management and internal reporting structure. Geographical segments outside the UK account for approximately 1% of the group’s activities (2007: 3%) and are therefore not presented.

Segment results, assets and liabilities include items directly attributable to a segment, along with certain costs which are allocated on an equitable basis.

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

	Channel 4 £m	4 Channels £m	4 Rights £m	Future Media** £m	Other* £m	Eliminations £m	Group £m
Year ended 31 December 2008							
Revenue							
External sales	668.7	175.0	33.7	26.0	2.7	—	906.1
Inter-segment sales	—	—	0.9	7.4	6.5	(14.8)	—
Total revenue	668.7	175.0	34.6	33.4	9.2	(14.8)	906.1
Result							
Gross profit/(loss)	11.3	42.2	10.8	(1.0)	(4.1)	—	59.2
Other operating expenditure	(35.3)	(1.1)	(1.9)	(5.8)	(15.6)	—	(59.7)
Operating (loss)/profit	(24.0)	41.1	8.9	(6.8)	(19.7)	—	(0.5)
Net financial income							13.7
Share of loss of investmtns accounted for using the equity method, net of income tax							(3.3)
Profit before tax							9.9
Income tax expense							(8.1)
Profit for the year							1.8
Other information							
Capital additions (notes 10 and 11)	5.8	—	—	—	—	—	5.8
Depreciation (note 10)	7.0	—	—	—	—	—	7.0
Amortisation (note 11)	1.1	—	—	—	0.8	—	1.9
Impairment of fixtures, fittings and equipment and developed software (notes 10 and 11)	2.3	—	—	—	—	—	2.3

	Channel 4 £m	4 Channels £m	4 Rights £m	Future Media** £m	Other* £m	Eliminations £m	Group £m
As at 31 December 2008							
Balance sheet							
Segment assets	602.4	23.9	50.2	3.6	84.1	(121.5)	642.7
Segment liabilities	(142.9)	(58.8)	(19.3)	(24.9)	(82.9)	121.5	(207.3)

* During 2008 the group made the decision to exit its 4Radio venture (included within ‘Other’). As this undertaking had not started to generate revenues and does not constitute an individual segment on the basis of materiality it has not been disclosed as a discontinued operation.

** During 2008 the New Media business segment was renamed Future Media and Technology to reflect its revised business focus and strategy.

1. Segment reporting (continued)

Year ended 31 December 2007	Channel 4 £m	4 Channels £m	4 Rights £m	Future Media** £m	Other* £m	Eliminations £m	Group £m
Revenue							
External sales	715.3	153.4	36.3	19.7	20.2	—	944.9
Inter-segment sales	—	3.0	6.3	7.0	1.9	(18.2)	—
Total revenue	715.3	156.4	42.6	26.7	22.1	(18.2)	944.9
Result							
Gross profit/(loss)	40.1	18.7	9.1	(6.2)	(5.3)	—	56.4
Other operating expenditure	(47.9)	(2.5)	(1.6)	(9.2)	(4.0)	—	(65.2)
Operating (loss)/profit	(7.8)	16.2	7.5	(15.4)	(9.3)	—	(8.8)
Net financial income							10.0
Share of profit of investments accounted for using the equity method, net of income tax							0.4
Profit before tax							1.6
Income tax expense							(1.1)
Profit for the year							0.5
Other information							
Capital additions (notes 10 and 11)	19.1	—	—	—	—	—	19.1
Depreciation (notes 10)	8.9	—	—	—	—	—	8.9
Amortisation (note 11)	3.0	—	—	—	0.7	—	3.7
Impairment of fixtures, fittings and equipment (note 10)	8.0	—	—	—	—	—	8.0

As at 31 December 2007	Channel 4 £m	4 Channels £m	4 Rights £m	Future Media** £m	Other* £m	Eliminations £m	Group £m
Balance sheet							
Segment assets	635.3	23.0	51.3	5.1	85.2	(136.1)	663.8
Segment liabilities	(150.5)	(92.2)	(19.3)	(36.3)	(49.9)	136.1	(212.1)

* During 2008 the group made the decision to exit its 4Radio venture (included within ‘Other’). As this undertaking had not started to generate revenues and does not constitute an individual segment on the basis of materiality it has not been disclosed as a discontinued operation.

** During 2008 the New Media business segment was renamed Future Media and Technology to reflect its revised business focus and strategy.

2. Total operating expenditure

Cost of transmission and sales	Programme and other content £m	Transmitter and regulatory costs		Indirect programme costs £m	Cost of sales £m	Cost of marketing £m	Total £m
		Analogue £m	Digital £m				
2008							
Channel 4	516.3	20.2	35.5	34.3	25.4	25.7	657.4
4 Channels	85.8	—	27.1	4.3	4.8	10.8	132.8
4 Rights	—	—	—	—	21.1	2.7	23.8
Future Media**	0.4	—	1.1	23.0	7.9	2.0	34.4
Other	3.5	—	—	1.7	7.9	0.2	13.3
Eliminations	(7.4)	—	—	—	(7.4)	—	(14.8)
Group continuing operations	598.6	20.2	63.7	63.3	59.7	41.4	846.9
2007							
Channel 4	536.5	20.3	34.9	30.3	23.4	29.8	675.2
4 Channels	98.2	—	22.6	3.9	3.0	10.0	137.7
4 Rights	0.2	—	—	0.2	29.9	3.2	33.5
Future Media**	0.5	—	1.3	13.2	15.5	2.4	32.9
Other	0.2	—	1.0	3.0	23.0	0.2	27.4
Eliminations	(11.4)	—	—	(0.1)	(5.2)	(1.5)	(18.2)
Group continuing operations	624.2	20.3	59.8	50.5	89.6	44.1	888.5

Programme and other content classified as ‘other’ relates to expenditures on 4iP and cross-platform activities which exploit and enhance programme content across online distribution channels. Indirect programme costs classified as ‘Future Media’ include certain other expenditures on digital media content.

** During 2008 the New Media business segment was renamed Future Media and Technology to reflect its revised business focus and strategy.

Other operating expenditure	2008 £m	2007 £m
Administrative expenses	(29.9)	(37.7)
Restructuring costs (note 17)	(6.7)	(8.2)
Depreciation/amortisation (notes 10 and 11)	(8.9)	(12.6)
Impairment of fixtures, fittings and equipment and internally developed software (notes 10 and 11)	(2.3)	(8.0)
Impairment of investments (note 8)	(3.8)	—
Other business development	(8.1)	—
Reversal of impairment on freehold land and building (note 10)	—	1.5
Profit on disposal of subsidiary	—	1.6
(Loss) on disposal of subsidiary	—	(1.8)
	(59.7)	(65.2)

Other business development includes pre-trading expenditure relating to 4Radio and Project Kangaroo.

3. Operating loss

Operating loss is stated after charging/(crediting):

	2008 £m	2007 £m
Depreciation of property, plant and equipment (note 10)		
– owned	7.0	8.8
– held under finance leases	—	0.1
	7.0	8.9
Impairment of investments, included within other operating expenditure (note 8)	3.8	—
Impairment of fixtures, fittings and equipment and internally developed software, included within other operating expenditure (notes 10 and 11)	2.3	8.0
Reversal of impairment on freehold land and building (note 10)	—	(1.5)
Amortisation of intangible assets (note 11)	1.9	3.7
Restructuring costs	6.7	8.2
Research and development	9.5	8.6
Members’ remuneration (page 129)	3.4	3.5
Other operating lease rentals (note 20)	2.9	2.9
(Profit) on disposal of subsidiary	—	(1.6)
Loss on disposal of subsidiary	—	1.8

In accordance with the exemption available under section 230 of the Companies Act 1985 Channel 4 has not presented its own income statement. Within the profit for the year of £1.8 million (2007: profit of £0.5 million) recorded in the consolidated Income Statement, a loss of £7.2 million (2007: profit of £2.5 million) results from Channel 4.

Impairment of investments relates to the write-down of assets held at the year end in relation to the Project Kangaroo Joint Venture (UK VOD LLP) and to Galaxy New Media Limited (note 8).

Restructuring costs include the costs associated with initiatives to increase the operational efficiency of the group during the year (note 17).

Auditors’ remuneration

Fees in respect of services provided by the auditors were:

	2008 £000	2007 £000
Audit of these financial statements	66	70
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	63	58
Other services relating to taxation	35	18
All other services	162	280
	326	426

In addition to the above services £21,000 (2007: £21,000) was paid to the group’s auditors who acted as auditors to the Channel Four Television Staff Pension Plan.

The appointment of auditors to the Channel Four Television Staff Pension Plan and the fees paid in respect of those audits are agreed by the trustees of the Plan, who act independently from the management of the group.

4. Personnel expenses and employee information

A detailed analysis of members’ remuneration, including salaries and performance-related bonuses, is provided in the report on members’ remuneration on pages 128-131.

The aggregate gross salaries of all employees, including members, appears below:

	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Aggregate gross salaries	55.3	58.5	35.2	38.6
Employer’s national insurance contributions	5.9	6.5	3.7	5.2
Employer’s defined benefit pension contributions (note 21)	4.8	6.1	4.3	5.5
Employer’s defined contribution pension contributions	0.2	—	0.1	—
Total direct costs of employment	66.2	71.1	43.3	49.3

The average number of employees, excluding non-executive members, was as follows:

	2008 Number	2007 Number
Channel 4		
Programme commissioning	190	189
Transmission and engineering	36	87
Corporate affairs and press office	39	41
Advertising and sponsorship sales and research	111	113
Corporate and strategy	26	21
Information systems	39	43
Marketing and creative services	35	28
Finance, human resources and facilities management	57	65
	533	587
4 Channels	132	126
Future Media	146	137
4 Rights	22	44
Other	72	71
	372	378
Group total	905	965
Permanent employees	846	875
Contract staff	59	90
	905	965
Male	415	455
Female	490	510
	905	965

Exit headcount for the year was 705 and average headcount is expected to be significantly reduced in 2009 compared with 2008.

4. Personnel expenses and employee information (continued)

Travel, subsistence and hospitality expenditure was as follows:

	2008 £000	2007 £000
Members	107	72
Other employees:		
Channel 4	1,975	2,004
Other businesses	271	534
	2,353	2,610

Staff loans outstanding at 31 December were as follows:

	2008 £000	2007 £000
Season ticket loans	162	134

There were no loans to members.

5. Net financial income

Net financial income recognised in the year comprises:

	2008 £m	2007 £m
Interest receivable on short-term deposits	10.5	8.6
Change in fair value of financial assets	2.6	—
Foreign exchange gain	0.8	0.4
Expected return on pension scheme assets (note 21)	11.5	10.5
Financial income	25.4	19.5
Unwinding of discount on provisions	(1.0)	—
Interest on pension scheme liabilities (note 21)	(10.1)	(9.1)
Financing costs	(0.6)	(0.4)
Financial expense	(11.7)	(9.5)

Income from foreign exchange gains reflects the effect of the appreciation of the US dollar and Euro against Sterling towards the end of the year on cash holdings denominated in US dollars and Euros.

Financing costs reflect interest costs borne by the group on certain content agreements.

6. Income tax expense

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

	2008 £m	2007 £m
Current tax:		
Current year	7.0	5.0
Less relief for overseas taxation	—	(0.3)
Overseas taxation	—	0.3
Adjustment for prior years	(1.7)	(0.8)
	5.3	4.2
Deferred tax: origination and reversal of temporary differences		
Current year	1.0	(3.5)
Prior year	1.8	0.4
Income tax expense	8.1	1.1
Share of income tax of investments accounted for using the equity method	0.7	0.3
Total income tax expense	8.8	1.4

Corporation tax is charged at the standard UK rate of 28.5% for the year (2007: 30%).

Reconciliation of effective tax rate

	2008 %	2008 £m	2007 %	2007 £m
Profit for the year		1.8		0.5
Total income tax expense		8.8		1.4
Profit excluding income tax		10.6		1.9
Income tax using the domestic corporation tax rate		3.0		0.6
Effects of:				
Expenses not deductible for tax purposes		4.5		1.0
Tax losses not recognised		1.2		—
Adjustments to tax charge in respect of previous periods		0.1		(0.4)
Change in deferred tax rate		—		0.2
Income tax expense	83.0	8.8	73.7	1.4

Current tax assets and liabilities

The current tax liability of £3.7 million (2007: £2.5 million) represents the amount of income tax payable in respect of current and prior periods (note 16).

Deferred tax recognised directly in equity

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

	2008 £m	2007 £m
Relating to employee benefits	3.8	(1.1)
Deferred tax recognised in equity	3.8	(1.1)

7. Investments in subsidiaries

Subsidiaries The cost of investments at 31 December was:			
		Channel 4 2008 £000	Channel 4 2007 £000
Subsidiary companies		1	1
Channel 4 owns directly * or indirectly, more than 50% of the issued share capital of the following companies, each of which is incorporated in Great Britain:			
Name	Activity	Issued ordinary £1 shares	Ownership %
4 Ventures Ltd*	Digital channels, Future media, educational and related services	1,000	100
FilmFour Ltd	Film distribution	1,000	100
Life One Broadcasting Ltd	Digital channel	1,000	100
Life Two Broadcasting Ltd	Digital channel	1,000	100
Life Showcase Ltd	Digital channel	1,000	100
Channel 4 Radio Ltd	Digital Radio channels	1	100
Channel 4 Radio Services Ltd	Digital Radio channels	1	100
4 Digital Group Ltd	Digital Radio channels	3,000,000	55

The group acquired Life One Broadcasting Ltd and its two wholly-owned subsidiaries, Life Two Broadcasting Ltd and Life Showcase Ltd, in 2007. The companies broadcast three channels on the Sky platform.

During 2008, Channel 4 announced its withdrawal from 4Radio (see note 1). As a result, management’s intention is to participate in a voluntary winding up of the assets held in 4 Digital Group Ltd. Channel 4 Radio Ltd and Channel 4 Radio Services Ltd will also become dormant in future years. The group’s tax charge (note 6) takes account of the deferred tax impacts arising from the withdrawal.

8. Investments accounted for using the equity method

Box Television Ltd
On 31 July 2007, the group acquired 500 ordinary shares of £1, representing 50% of the share capital of Box Television Ltd (Box). The other shareholder is Bauer Consumer Media Ltd. The cash consideration was £29.2 million less £1.6 million, reflecting an estimated contractual refund due in March 2008. As the refund paid was £1.8 million, total goodwill was reduced during the year by £0.2 million to £19.3 million.
Impairment tests on the goodwill and intangible assets acquired as a result of the investment in Box are carried out annually or when indications arise of a possible impairment. The recoverable amounts of the goodwill and intangible assets in Box are determined by reference to their value in use.
An impairment review was carried out by estimating the future expected cash flows for Box, using a pre-tax discount rate of 11.25% and a growth rate of 2.5% after five years, consistent with long-term average growth rates for the digital television industry. The present value of the cash flows accruing to Channel 4 was then compared to the carrying value of the goodwill and other intangible assets held on the balance sheet. No impairment was required as a result.
Management has approved the forecast on which the cashflow analysis has been based and believes that there is currently no reasonably possible change in revenues or discount rate which would reduce the value in use for Box down to the carrying amount of the investment.
Taste of London Ltd
The investment reflects 27,250 ordinary shares of £1 representing 50% of the share capital of Taste of London Ltd. The other shareholder is Brand Events Ltd.

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

UK VOD LLP
During 2008 the group continued to invest in Project Kangaroo, a joint venture to develop a one-platform video on demand service with BBC Worldwide and ITV plc. Channel 4’s share in UK VOD LLP was 33.3%. Subsequent to the balance sheet date, the venture and launch of Kangaroo was prohibited by the Competition Commission. As a result, the value of the investment in the jointly controlled entity has been fully written down in the year.
In addition to the share of loss of UK VOD LLP in the year, a further loss of £0.4 million was incurred relating to pre-UK VOD LLP expenditures. This amount is also included in the share of investments accounted for using the equity method in the consolidated income statement.
Galaxy New Media Ltd
On 17 March 2008, the group entered into an arrangement with Brooklands Group Ltd to form a new joint venture, Galaxy New Media Ltd for the purpose of developing an overseas classified property website based on the Channel 4 programme <i>A Place in the Sun</i> . The investment principally represents shareholder loans. The group purchased 2,450 ordinary shares of £0.01 each, representing 50% of the share capital of the newly incorporated company.
As a result of market conditions and Brooklands Group Ltd going into administration in November 2008, the investment has been fully written down in the year.
Protagonist Pictures Ltd
The investment reflects 131,250 ordinary shares of £1, representing 33% of the share capital of Protagonist Pictures Ltd. The other shareholders are Vertigo Holdings Ltd and Ingenious Media Services Ltd.
Popworld Ltd
The group holds 29% of the share capital of Popworld Ltd. This investment was fully provided in 2008 and 2007 following the transfer of the assets and liabilities of the company to 19 Entertainment Ltd.

Summary annual financial information of continuing investments						
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Revenue £m	Expenses £m
2008						
Taste of London Ltd	1.7	—	(1.2)	—	4.6	(4.0)
Box Television Ltd	10.6	0.7	(4.9)	—	26.6	(21.9)
Protagonist Pictures Ltd	0.4	—	(0.3)	—	—	(0.4)
	12.7	0.7	(6.4)	—	31.2	(26.3)
2007						
Taste of London Ltd	0.9	—	(0.4)	—	4.9	(4.3)
Box Television Ltd	10.9	—	(6.3)	—	28.1	(21.5)
	11.8	—	(6.7)	—	33.0	(25.8)

There are no contingent liabilities and no capital commitments in respect of joint ventures to be included within the group’s financial statements. The trademark acquired as part of the investment in Taste of London Ltd is amortised over ten years from acquisition. The broadcast licence acquired as part of the investment in Box Television Ltd is amortised over the duration of the licence (eight years). This is included within the carrying value of investments accounted for using the equity method.

The last reporting date of Box Television Ltd was 31 October 2007. A long period of accounts will be prepared for the period to 31 December 2008. For the purposes of this report, 2007 assets and liabilities have been included at 31 December 2007, with revenues and expenses apportioned to reflect the calendar years 2007 and 2008.

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

Investments accounted for using the equity method comprise:

	2008 £m	2007 £m
Box Television Ltd		
Carrying value at 1 January	30.4	—
Goodwill on acquisition	—	19.5
Fair value of identifiable assets and liabilities acquired	—	10.6
Adjustment to goodwill	(0.2)	—
Share of post acquisition profits (net of amortisation and income tax)	0.2	0.3
Share of dividends	(1.8)	—
Total carrying value at 31 December	28.6	30.4
Taste of London Ltd		
	2008 £m	2007 £m
Carrying value at 1 January	1.7	1.6
Share of post acquisition profits (net of amortisation and income tax)	0.1	0.1
Share of dividends	(0.2)	—
Total carrying value at 31 December	1.6	1.7
UK VOD LLP		
Carrying value at 1 January	—	—
Investments*	6.4	—
Share of loss (net of income tax)	(2.7)	—
Impairment	(3.7)	—
Total carrying value at 31 December	—	—
Galaxy New Media Ltd		
Carrying value at 1 January	—	—
Investments	0.5	—
Share of loss (net of income tax)	(0.4)	—
Impairment	(0.1)	—
Total carrying value at 31 December	—	—
Protagonist Pictures Ltd		
Carrying value at 1 January	—	—
Investments	0.3	—
Share of loss (net of income tax)	(0.1)	—
Total carrying value at 31 December	0.2	—
Popworld Ltd		
Carrying value at 1 January and 31 December	—	—

* Investments include £2.8 million funding provided to UK VOD LLP during the year (note 22) and other amounts paid in prior years included within other current assets reclassified to investments in 2008.

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

The following of the group’s joint ventures are not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. Contributions that the group makes to the funding requirements of these organisations are recognised in the appropriate line in the income statement in the period to which they relate.

Digital 3 and 4 Ltd
Channel 4 holds 1,000 A class ordinary £1 shares in Digital 3 and 4 Ltd, representing 50% of the share capital. ITV Network Ltd owns the other 50%. Digital 3 and 4 Ltd has been granted a licence by Ofcom to operate the Channel 3 and Channel 4 digital terrestrial multiplex. At 31 December 2008, Channel 4’s share of the net assets of Digital 3 and 4 Ltd amounted to £1,000. The company acts as an agent for its shareholders.

Clearcast Ltd
Channel 4 holds one ordinary £1 share in Clearcast Ltd, representing 12.5% of the share capital. ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd, GMTV Ltd, Viacom Brand Solutions Ltd, Turner Entertainment Networks International Ltd and Interactive Digital Sales Ltd own the remaining 87.5%. Clearcast Ltd is responsible for the pre-transmission examination and clearance of television advertisements.

DTV Services Ltd
Channel 4 holds 6,000 ordinary £1 shares in DTV Services Ltd, representing 20% of the share capital. The BBC, National Grid Wireless, BSkyB plc and ITV Network Ltd own the remaining 80%. DTV Services Ltd is the company responsible for marketing the Freeview digital terrestrial TV network.

Broadcasters’ Audience Research Board Ltd (BARB)
BARB is a company limited by guarantee. Channel 4 is a joint member along with the BBC, ITV Network Ltd, Channel 5 Broadcasting Ltd, BSkyB plc and the IPA.

DTT Multiplex Operators Ltd (DMOL)
DMOL is a company limited by guarantee. The group is a member via its share in Digital 3 & 4 Ltd. The other members are the BBC, National Grid Wireless plc and SDN Ltd.

Thinkbox Ltd
Channel 4 holds 3,000 ordinary £1 shares representing 14% of the share capital. Thinkbox Ltd is the television marketing body for the main UK commercial broadcasters. Channel 5 Broadcasting Ltd, GMTV Ltd, ITV plc, BSkyB plc, Turner Broadcasting and Viacom Brand Solutions Ltd hold the remainder of the shares.

Parliamentary Broadcasting Unit Ltd
Channel 4 holds one share in the Parliamentary Broadcasting Unit Ltd, representing 11.1% of the share capital. The BBC owns four shares and ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd and Park Square (Leeds) Nominees Ltd each own one share.

9. Equity Investments

Equity investments held comprise:

	2008 £m	2007 £m
At 1 January	2.1	—
Additions	0.1	2.1
At 31 December	2.2	2.1

In February 2008, the group acquired a 7% stake in the ordinary share capital of School of Everything Ltd, a website promoting interactive learning opportunities, for £100,000. Subsequent to the year end, in January 2009 the group acquired 10,000 £10 preference shares representing 38% of the newly issued preference share capital, bringing the total investment in School of Everything Ltd to £0.2 million.

£2.1 million of the equity investments held by Channel 4 at 31 December 2008 relate to a 10% equity holding in Espresso Broadband Ltd, a leading digital curriculum service, held since March 2007.

A further investment is held in Mobile IQ Ltd. The value of the investment is less than £0.1 million.

There is no active market for the above investments. The members believe that valuation at cost is a reasonable approximation to fair value.

10. Property, plant and equipment

Group and Channel 4	Freehold property £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation			
At 1 January 2007	47.5	101.9	149.4
Additions	—	10.6	10.6
Reversal of impairment	0.9	—	0.9
Revaluation	9.9	—	9.9
At 31 December 2007	58.3	112.5	170.8
At 1 January 2008	58.3	112.5	170.8
Additions	—	3.6	3.6
Revaluation	(9.3)	—	(9.3)
At 31 December 2008	49.0	116.1	165.1
Depreciation			
At 1 January 2007	—	79.7	79.7
Charge for the year	0.6	8.3	8.9
Impairment	—	8.0	8.0
Reversal of impairment	(0.6)	—	(0.6)
At 31 December 2007	—	96.0	96.0
At 1 January 2008	—	96.0	96.0
Charge for the year	1.1	5.9	7.0
Impairment	—	1.8	1.8
Revaluation	(1.1)	—	(1.1)
At 31 December 2008	—	103.7	103.7
Net book value			
At 1 January 2007	47.5	22.2	69.7
At 31 December 2007	58.3	16.5	74.8
At 1 January 2008	58.3	16.5	74.8
At 31 December 2008	49.0	12.4	61.4

Commitments to purchase property, plant and equipment are detailed in note 20. There were no material assets held under finance leases at the balance sheet date. No assets have been pledged for security (2007: none).

The impairment of fixtures, fittings and equipment relates to a number of assets written down in the year for which the depreciated historical cost value exceeded their recoverable amount, where recoverable amount is the higher of value in use and the fair value less costs to sell. As there is no active market for the assets impaired, value in use has been taken as an approximation of the recoverable amount. The impairment has been charged to other operating expenditure within the income statement (note 2).

Valuation of freehold property

The freehold property, comprising the office and transmission centre at 124 Horseferry Road, London SW1P 2TX, was valued as at 31 December 2008 by external valuers Atisreal Limited, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the members believe approximates to current value.

The open market value for this property was £49.0 million (2007: £58.3 million). After depreciation charged on the open market value at 31 December 2007 (£1.1 million), the decrease in valuation of £8.2 million for the year (2007: increase of £9.9 million) has been taken directly to equity in the revaluation reserve. As permitted by IAS16 ‘Property, Plant and Equipment’, a further £0.3 million representing the excess depreciation over the asset’s original cost was transferred from the revaluation reserve into retained earnings (note 19).

10. Property, plant and equipment (continued)

If freehold property had not been revalued it would have been included in the financial statements at the following amounts:

	2008 £m	2007 £m
Cost	62.3	62.3
Accumulated depreciation	(14.7)	(13.9)
Net book value based on historical cost	47.6	48.4

11. Intangible assets

	Channel 4		Other	Group
	Developed software £m	Broadcasting licence £m	Radio licence £m	Total £m
Cost				
At 1 January 2007	11.7	—	1.0	12.7
Acquired through business combinations	—	4.6	—	4.6
Internally developed	3.9	—	—	3.9
Disposal	—	—	(1.0)	(1.0)
At 31 December 2007	15.6	4.6	—	20.2
At 1 January 2008	15.6	4.6	—	20.2
Internally developed	2.2	—	—	2.2
At 31 December 2008	17.8	4.6	—	22.4

Amortisation

At 1 January 2007	8.1	—	0.2	8.3
Amortisation for the year	3.0	0.5	0.2	3.7
Disposal	—	—	(0.4)	(0.4)
At 31 December 2007	11.1	0.5	—	11.6
At 1 January 2008	11.1	0.5	—	11.6
Amortisation for the year	1.1	0.8	—	1.9
Impairment	0.5	—	—	0.5
At 31 December 2008	12.7	1.3	—	14.0

Carrying amount

At 1 January 2007	3.6	—	0.8	4.4
At 31 December 2007	4.5	4.1	—	8.6
At 1 January 2008	4.5	4.1	—	8.6
At 31 December 2008	5.1	3.3	—	8.4

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 depreciation/amortisation line (note 2).

The impairment charge in the year reflects the write-down of certain Future Media and Technology projects for which the expected benefits did not support their carrying value. The impairment has been charged to other operating expenditure within the income statement.

The Broadcasting licences acquired as part of the acquisition of Life One Broadcasting Ltd on 30 April 2007 (note 7) are considered to have a useful economic life of six years and are amortised over this period. At the year end no indications of impairment of these assets were identified.

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2008 £m	Assets 2007 £m	Liabilities 2008 £m	Liabilities 2007 £m	Net 2008 £m	Net 2007 £m
Property, plant and equipment	3.0	3.0	—	—	3.0	3.0
Intangible assets	—	—	(2.0)	(1.3)	(2.0)	(1.3)
Employee benefits	5.9	2.7	—	—	5.9	2.7
Other short-term timing differences	0.6	0.8	(0.7)	—	(0.1)	0.8
Channel 4 deferred tax assets/(liabilities)	9.5	6.5	(2.7)	(1.3)	6.8	5.2
Other short-term timing differences	0.5	1.6	(3.1)	(3.6)	(2.6)	(2.0)
Group deferred tax assets/(liabilities)	10.0	8.1	(5.8)	(4.9)	4.2	3.2

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of:

	2008 £m	2007 £m
Revaluation of freehold land and buildings	3.7	1.1
Carried forward capital losses	1.2	1.2
Carried forward trading losses	2.0	—
Total	6.9	2.3

Unrecognised deferred tax assets include capital losses carried forward that the group is not yet able to utilise. A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised (either now or in later accounting periods).

Movements in temporary differences during the year

The amount of deferred tax recognised in the income statement in respect of each type of temporary timing difference is as follows:

	Balance at 1 Jan 08 £m	Recognised in income £m	Recognised in equity £m	Recognised in joint ventures £m	Recognised in intangible assets £m	Balance at 31 Dec 08 £m
Property, plant and equipment	3.0	—	—	—	—	3.0
Intangible assets	(1.3)	(0.7)	—	—	—	(2.0)
Employee benefits	2.7	(0.6)	3.8	—	—	5.9
Other short-term timing differences	0.8	(0.9)	—	—	—	(0.1)
Channel 4 deferred tax assets/(liabilities)	5.2	(2.2)	3.8	—	—	6.8
Other short-term timing differences	(2.0)	(0.6)	—	—	—	(2.6)
Group deferred tax assets/(liabilities)	3.2	(2.8)	3.8	—	—	4.2

12. Deferred tax assets and liabilities (continued)

	Balance at 1 Jan 07 £m	Recognised in income £m	Recognised in equity £m	Recognised in joint ventures £m	Recognised in intangible assets £m	Balance at 31 Dec 07 £m
Property, plant and equipment	0.7	2.3	—	—	—	3.0
Intangible assets	(1.1)	(0.2)	—	—	—	(1.3)
Employee benefits	4.5	(0.7)	(1.1)	—	—	2.7
Other short-term timing differences	0.3	0.5	—	—	—	0.8
Channel 4 deferred tax assets/(liabilities)	4.4	1.9	(1.1)	—	—	5.2
Other short-term timing differences	0.3	1.2	—	(2.5)	(1.0)	(2.0)
Group deferred tax assets/(liabilities)	4.7	3.1	(1.1)	(2.5)	(1.0)	3.2

13. Programme and film rights and other inventories

	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Programmes and films completed but not transmitted	74.5	78.1	69.8	71.6
Acquired programme and film rights	66.4	65.7	53.8	54.7
Programmes and films in the course of production	67.3	62.1	64.9	60.1
Other inventories	0.9	0.9	—	—
	209.1	206.8	188.5	186.4

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

Programme rights and other inventories to the value of £598.6 million were recognised as expenses in the year (2007: £624.2 million). Of this amount, obsolete programmes and developments written off totalled £16.1 million for the group (2007: £32.0 million) and £15.2 million for Channel 4 (2007: £29.9 million).

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

14. Trade and other receivables

	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Trade receivables	90.4	91.8	70.8	79.1
Amounts due from subsidiaries	—	—	42.6	63.8
Prepayments and accrued income	20.2	40.5	17.4	24.6
Distribution and producer advances	4.2	3.4	—	—
	114.8	135.7	130.8	167.5

Corporation tax	—	—	1.8	—
Current tax assets	—	—	1.8	—

Amounts due to Channel 4 from subsidiaries are unsecured and bear interest at the Bank of England base rate prevailing at the beginning of the year.

Trade receivables are shown net of impairment losses amounting to £0.2 million (2007: £0.2 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 include £2.0 million of producer advances in 2007, which were previously categorised within trade receivables.

15. Cash and cash equivalents and other financial assets

	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Bank balances	1.3	3.0	0.2	3.0
Money market deposits maturing in less than three months	53.2	43.3	53.2	43.3
Money market funds*	99.4	92.9	99.4	92.9
Cash and cash equivalents	153.9	139.2	152.8	139.2
Money market deposits maturing after three months	50.0	56.0	50.0	56.0
Derivative financial instruments	2.5	0.4	2.5	0.4
Other financial assets	52.5	56.4	52.5	56.4

* Amounts held in Money market funds are redeemable within seven days.

16. Trade and other payables and current tax liabilities

	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Trade payables	7.1	6.9	7.1	6.9
National insurance payable	0.3	0.7	0.2	0.7
Other creditors	4.0	3.9	3.9	4.1
Accruals	137.3	154.1	84.9	98.8
VAT payable	8.9	13.0	4.4	9.9
Total trade and other payables	157.6	178.6	100.5	120.4
Corporation tax	3.7	2.5	—	2.7
Current tax liabilities	3.7	2.5	—	2.7

The group supports the Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group (payontime.co.uk).

The group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Group Finance Director, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services other than programmes in 2008, as calculated using year end creditor balances, was 10 for both the group and Channel 4 (2007: 9). Payments to suppliers of programmes are excluded from this calculation as the members believe that to include them could result in a distortion of the underlying average.

17. Provisions

	Channel 4			Other	Group
	Onerous contracts £m	Restructuring costs £m	Total £m	Restructuring costs £m	Total £m
At 1 January 2007	3.5	—	3.5	0.6	4.1
Utilised in the year	(0.9)	—	(0.9)	(0.6)	(1.5)
Charged to income statement	7.5	6.3	13.8	—	13.8
At 31 December 2007	10.1	6.3	16.4	—	16.4
At 1 January 2008	10.1	6.3	16.4	—	16.4
Utilised in the year	(7.1)	(1.0)	(8.1)	—	(8.1)
Released in the year	—	(2.2)	(2.2)	—	(2.2)
Charged to income statement	5.3	6.2	11.5	0.5	12.0
Unwinding of discount	1.0	—	1.0	—	1.0
At 31 December 2008	9.3	9.3	18.6	0.5	19.1

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

	2008 Group £m	2007 Group £m	2008 Channel 4 £m	2007 Channel 4 £m
Current	17.2	13.8	16.7	13.8
Non-current	1.9	2.6	1.9	2.6
	19.1	16.4	18.6	16.4

Onerous contracts

The provision relates to rental deficits on three buildings which are surplus to requirements and certain content agreements with contracted commitments at the balance sheet date. Utilisations of the provision are recorded in other operating expenditure and programme and other content costs within the income statement. The property rental agreements are set to expire in 2014 and 2020 and the content agreements expire in 2010.

Restructuring costs

The restructuring provision at 31 December 2007 related to costs associated with initiatives to increase the operational efficiency through outsourcing Channel 4’s broadcast and transmission services. In 2008 certain amounts were utilised or released following finalisation of the outsourcing contract. A further charge in the year relates to the restructuring programme implemented by the group in late 2008. The provision held at the balance sheet date is expected to have been fully utilised by 2010.

Utilisations and releases during the year have been included within other operating expenditure within the income statement. The amounts charged to the income statement have been allocated to Channel 4 and Other in accordance with employees’ responsibilities within the group.

Where the effect is material, provisions have been discounted at a rate of 11.25%.

18. Derivatives and other financial instruments

In accordance with IFRS 7 ('Financial Instruments: Disclosures'), Channel 4 is required to provide disclosures about the nature and extent of risks arising from financial instruments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group's income or the value of its assets and liabilities. These risks are managed by the group's treasury function as described below.

The Board is responsible for approving the treasury policy for the group. The group's treasury and funding activities are undertaken by a treasury function which reports to the Group Finance Director. Its primary activities are to manage the group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates. The group's policy is to ensure that adequate liquidity and financial resource is available to support the group's continuing activities and growth whilst managing these risks. The group's policy is not to engage in speculative financial transactions. The group does not seek to apply hedge accounting. Group treasury operates within clearly defined objectives and controls and is subject to periodic review by internal audit.

Foreign currency risk

The group is exposed to currency risk on sales and purchases that are denominated in a currency other than Sterling. The currencies that give rise to this risk are US Dollars and Euros. The group uses forward exchange contracts and currency cash receipts to hedge its currency risk. Changes in the fair value of exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the change in the fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of 'Net financial income' (note 5). The group does not have any foreign subsidiaries and as a result is not exposed to foreign currency risk in this regard. The group is exposed to currency movements on foreign cash holdings. Amounts held by currency are detailed below within the analysis of the group's and Channel 4's cash and deposits.

It is estimated that if Sterling had strengthened/weakened by 10% at the balance sheet date against other currencies with all other variables held constant, the group's profit before tax would have been £0.1 million lower/higher (2007: £0.5 million).

Interest rate risk and exposure

The group invests surplus cash in fixed rate money market deposits and variable rate money market funds. Funds are invested only with an agreed list of organisations that carry a minimum of an AA- credit rating or equivalent from Standard and Poor's and Moody's credit rating services, or with money market funds that have an AAA credit rating from either of these credit rating services.

Invested funds are also monitored for any changes in ratings. Following an investment of funds with The Royal Bank of Scotland (RBS), in December 2008 its credit rating was downgraded by Standard and Poor to A+. In accordance with the treasury policy a meeting of the Treasury Risk Committee was convened, at which it was agreed that, as RBS was backed by the UK Government, the group should not break the deposit held with the bank. As at 31 December 2008, the group held £20 million on deposit with RBS.

Subsequent to the year end, in March 2009 the credit rating of Lloyds TSB plc was downgraded by Standard and Poor to A+. In line with the approach adopted towards RBS, the Treasury Risk Committee determined that as Lloyds TSB is also government-backed, the £10 million deposit held at that time should be held to maturity (2 April 2009). As at 31 December 2008, the group held £35 million on deposit with Lloyds TSB.

Given their high credit ratings and the UK Government's support for RBS and Lloyds TSB, management does not expect any counterparty to fail to meet its obligations.

It is estimated that if interest rates had been 0.1% lower/higher throughout the year, with all other variables held constant the group's profit before tax would have been £0.2 million lower/higher (2007: £0.2 million).

The group does not have any debt and as such is not exposed to fluctuations in interest rates in this regard.

18. Derivatives and other financial instruments (continued)

The interest rate profile of the group's and Channel 4's cash and deposits at 31 December 2008 and 31 December 2007 is set out below:

Interest rate risk

	Group		Channel 4	
	Effective interest rate %	Total £m	Effective interest rate %	Total £m
2008				
Cash and cash equivalents				
Interest bearing deposits maturing in less than three months held in Sterling	3.3	151.2	3.3	151.2
Interest bearing deposits maturing in less than three months held in US Dollars	1.2	1.3	1.2	1.3
Interest bearing deposits maturing in less than three months held in Euros	3.0	0.1	3.0	0.1
Non-interest bearing assets held in Sterling	—	1.3	—	0.2
	3.2	153.9	3.2	152.8

	Group		Channel 4	
	Effective interest rate %	Total £m	Effective interest rate %	Total £m
2007				
Cash and cash equivalents				
Interest bearing deposits maturing in less than three months held in Sterling	6.1	130.8	6.1	130.8
Interest bearing deposits maturing in less than three months held in US Dollars	5.0	2.3	5.0	2.3
Interest bearing deposits maturing in less than three months held in Euros	4.6	3.1	4.6	3.1
Non-interest bearing assets held in Sterling	—	3.0	—	3.0
	5.9	139.2	5.9	139.2

	Group		Channel 4	
	Effective interest rate %	Total £m	Effective interest rate %	Total £m
2008				
Other financial assets				
Money market deposits maturing after three months held in Sterling	5.5	50.0	5.5	50.0

	Group		Channel 4	
	Effective interest rate %	Total £m	Effective interest rate %	Total £m
2007				
Other financial assets				
Money market deposits maturing after three months held in Sterling	6.1	56.0	6.1	56.0

18. Derivatives and other financial instruments (continued)

Liquidity risk
Liquidity risk is the risk that the group fails to meet its financial obligations as and when they fall due. The management of operational liquidity risk aims primarily to ensure that the group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the group’s reputation. The cash balances held by the group are considered to be adequate to support the group’s medium-term funding requirements.

Trade and other payables are shown in note 16. The value of trade and other payables at 31 December 2008 was £157.6 million for the group (2007: £178.6 million) and £100.5 million for Channel 4 (2007: £120.4 million). The fair value of these financial liabilities equals their book values. The contractual cash flows are equal to the carrying amount and are classified as payable within 6 months or less at 31 December 2008 and 2007.

Credit risk
Credit risk is the risk of a financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group’s receivables from customers.

(i) Trade receivables
Credit risk with respect to trade receivables is principally related to amounts due from advertising agencies. A risk strategy exists to protect against exposure to advertising sales receivables working to approved terms of reference. Exposure is monitored and reviewed on a weekly basis, and any issues are formally reported to an executive committee chaired by the Group Finance Director. Based on credit evaluation and discussions with both the committee and insurers, customers may be required to provide security in order to trade with the group.

The group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as agencies must settle their debts before future transmissions are broadcast.

(ii) Counterparty
See Interest rate risk exposure above.

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 £90.4 million for the group (2007: £91.8 million) and £70.8 million for Channel 4 (2007: £79.1 million), with £52.5 million other financial assets for both the group and Channel 4 (2007: £56.4 million) and cash and cash equivalents of £153.9 million for the group (2007: £139.2 million) and £152.8 million for Channel 4 (2007: £139.2 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £88.8 million for the group (2007: £90.3 million) and £69.2 million for Channel 4 (2007: £77.6 million). The maximum exposure to credit risk for trade receivables for other regions for both the group and Channel 4 was £1.6 million (2007: £1.5 million).

Trade receivables of £90.3 million for the group (2007: £91.7 million) and £70.7 million for Channel 4 (2007: £79.0 million) were aged under six months, with the remainder of £0.1 million for both the group and Channel 4 aged between six and twelve months (2007: £0.1 million). Included in receivables due under six months are receivables of £87.3 million for both the group and Channel 4 which were not yet due under standard credit terms at the balance sheet date (2007: £89.2 million). There was no significant movement in the allowance for impairment of trade receivables of £0.2 million (2007: £0.2 million) and there were no significant individual impairments of trade receivables.

Capital structure and management
Channel 4 is a statutory corporation without shareholders. Whilst returns to shareholders are therefore not relevant, the group maintains cash reserves to help protect against short term fluctuations in revenue and meet its business objectives in a timely and efficient manner. The group is committed to efficient utilisation of the cash resources at its disposal to generate an appropriate return taking into account the liquidity needs of the business and scope of treasury policy.

18. Derivatives and other financial instruments (continued)

Derivative financial instruments
At 31 December 2008, the total value of forward contracts used as economic hedges of monetary liabilities was £16.2 million (2007: £4.9 million). This represents fourteen Euro forward purchase contracts, of which £12.7 million had a fixed maturity date with settlement within twelve months from the balance sheet date and £3.5 million within one to two years from the balance sheet date. At the 2008 year end, these have been revalued with reference to forward exchange quotes based on maturity. The change in fair value of £2.6 million has been recognised in the income statement (note 5) and the associated asset of £2.5 million has been included in other financial assets in the balance sheet (note 15).

Other financial liabilities		
Other financial liabilities comprise:		
	2008	2007
Group and Channel 4	£m	£m
Embedded derivatives	—	0.3
	—	0.3

Embedded derivatives
The group purchases programmes and satellite transponder capacity in currencies other than Sterling. In some cases, the requirements of IAS 39 ‘Financial Instruments: Recognition and Measurement’ deem that the contracts under which these services are purchased include forward foreign exchange derivatives that need to be recognised separately. The fair value of these derivatives is determined at the end of each financial year, or when the derivative matures, by reference to forward foreign exchange quotes at that time. Changes in the fair value of these derivatives are recognised in the income and expenditure account, and the associated liability is included in the balance sheet in ‘Other non-current liabilities’.

	2008	2007
Group and Channel 4	£m	£m
Fair value at 1 January	0.3	0.4
Changes in fair value during the year	0.2	0.2
Derivatives maturing during the year	(0.5)	(0.3)
Fair value at 31 December	—	0.3

Fair values
The table below sets out a comparison of book values and corresponding fair values of all the group’s financial instruments by class:

	2008 book value £m	2008 fair value £m	2007 book value £m	2007 fair value £m
Financial assets				
Cash and cash equivalents (note 15)	153.9	153.9	139.2	139.2
Other financial assets (note 15)	52.5	52.5	56.4	56.4
Trade and other receivables (note 14)	114.8	114.8	135.7	135.7
Investments accounted for using the equity method (note 8)	30.4	30.4	32.1	32.1
Equity investments (note 9)	2.2	2.2	2.1	2.1
	353.8	353.8	365.5	365.5
Financial liabilities				
Trade and other payables (note 16)	(157.6)	(157.6)	(178.6)	(178.6)
Embedded derivatives	—	—	(0.3)	(0.3)
	(157.6)	(157.6)	(178.9)	(178.9)

As there is no publicly traded market for the equity investments held, the members believe that valuation at cost is a reasonable approximation of fair value. The group does not intend to dispose of its equity investments in the foreseeable future.

18. Derivatives and other financial instruments (continued)

The major methods and assumptions used in estimating the fair values of the group’s financial instruments are summarised below.

Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

Trade and other receivables/payables

For trade and other receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

All other receivables/payables are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value

The group’s cost of capital at the reporting date is used to discount future cash flows to determine the fair value of financial assets and liabilities.

Except where otherwise stated, the disclosures in respect of derivatives and other financial instruments for Channel 4 are the same as for the group.

19. Reserves

	Channel 4			Other	Attributable to minority interest	Group total
	Retained earnings	Revaluation reserve	Total	Retained earnings		
	£m	£m	£m	£m	£m	£m
2008						
At 1 January 2008	474.9	9.9	484.8	(33.8)	0.7	451.7
Total expense recognised directly in equity	(9.9)	(8.2)	(18.1)	—	—	(18.1)
(Loss)/profit for the year attributable to Channel Four Television Corporation	(7.2)	—	(7.2)	9.3	—	2.1
Transfer from revaluation reserve	0.3	(0.3)	—	—	—	—
Loss for the year attributable to minority interest	—	—	—	—	(0.3)	(0.3)
At 31 December 2008	458.1	1.4	459.5	(24.5)	0.4	435.4
2007						
At 1 January 2007	469.5	—	469.5	(32.5)	—	437.0
Total income recognised directly in equity	2.9	9.9	12.8	—	—	12.8
Profit/(loss) for the year attributable to Channel Four Television Corporation	2.5	—	2.5	(1.3)	—	1.2
Minority interest in group subsidiary	—	—	—	—	1.4	1.4
Loss for the year attributable to minority interest	—	—	—	—	(0.7)	(0.7)
At 31 December 2007	474.9	9.9	484.8	(33.8)	0.7	451.7

20. Commitments

a) Programme and film

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

	Group 2008 £m	Group 2007 £m	Channel 4 2008 £m	Channel 4 2007 £m
Within one year	368.5	343.9	316.3	297.7
After one year	367.6	524.1	322.1	454.4
	736.1	868.0	638.4	752.1

b) Digital 3 and 4 Ltd

Under the terms of the shareholder agreement for Digital 3 and 4 Ltd, Channel 4 is committed to meeting its share of contracted costs entered into by the company. Digital 3 and 4 Ltd’s exact annual monetary commitment will be dependent upon the time and extent of the roll-out of the digital transmission network.

Channel 4’s share of Digital 3 and 4 Ltd’s committed payments is estimated to amount to £11 million in 2009, rising to an anticipated £20 million by the time of digital switch-over in 2012. Digital 3 and 4 Ltd has entered into long-term distribution contracts that expire in 2022 and 2034 and Channel 4 is committed to funding its contractual share.

c) Operating lease commitments

At 31 December, the group had total commitments under non-cancellable operating leases, all of which were for land and buildings, as set out below:

	2008 £m	2007 £m
Operating leases which expire:		
Within two to five years	0.4	0.1
After five years	29.8	33.0
	30.2	33.1

The group leases office space in four properties in London under operating leases expiring between 2014 and 2020. Annual rentals of £2.8 million were charged to the income statement in 2008 and the total future rental commitment amounts to £29.6 million. Office space in three of the properties has been sublet by the group, with the minimum future payments due amounting to £2.0 million on sub-leases expiring in 2010 and 2014.

In addition, the group leases office space in Glasgow and Manchester under operating leases expiring between 2013 and 2015. Annual rentals of £0.1 million were charged to the income statement in 2008 and the total commitment under the leases amounts to £0.6 million.

d) Capital commitments

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

	2008 £m	2007 £m
Property, plant and equipment:		
Contracted but not provided in the financial statements	0.5	4.2

21. Employee benefits – pensions

The group operates a defined benefit pension scheme – the Channel Four Television Staff Pension Plan (the Plan), providing benefits based on final salary for employees.

The amounts recognised in the group and Channel 4 balance sheets are as follows:

	2008 £m	2007 £m	2006 £m	2005 £m
Present value of funded obligations	(170.4)	(176.2)	(168.1)	(165.4)
Fair value of plan assets	149.3	166.8	153.2	133.3
Recognised liability for defined benefit obligations	(21.1)	(9.4)	(14.9)	(32.1)

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

	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets at 1 January	166.8	153.2	133.3	104.3
Expected return on plan assets	11.5	10.5	9.4	7.4
Benefits paid	(3.0)	(3.0)	(1.9)	(2.7)
Employer contributions net of charges *	5.4	6.2	10.5	9.4
Employee contributions net of charges	1.6	1.3	1.3	1.6
Actuarial (loss)/gain on plan assets	(33.0)	(1.4)	0.6	13.3
Fair value of scheme assets at 31 December	149.3	166.8	153.2	133.3

* The employer contribution includes an additional contribution of £5.7 million paid in March 2006.

The fair value of the plan assets and the return on those assets were as follows:

	2008 Actual return £m	2007 Actual return £m	2008 Actual return %	2007 Actual return %	2006 Actual return %	2005 Actual return %	2008 Fair value £m	2007 Fair value £m	2006 Fair value £m	2005 Fair value £m
Equities	(28.4)	7.7	(26.3)	7.6	10.7	21.7	76.6	105.3	105.6	81.4
Bonds	7.0	1.4	11.2	5.1	0.3	10.6	69.3	58.0	43.5	43.2
Other	—	—	—	5.3	3.0	4.0	3.4	3.5	4.1	8.7
	(21.4)	9.1					149.3	166.8	153.2	133.3

Movements in the present value of scheme liabilities for defined benefit obligations recognised in the balance sheet:

	2008 £m	2007 £m	2006 £m	2005 £m
Present value of scheme liabilities at 1 January	176.2	168.1	165.4	129.8
Current service cost	5.7	6.1	6.1	5.3
Gain on curtailments	(0.9)	—	—	—
Employee contributions net of charges	1.6	1.3	1.3	1.6
Interest costs	10.1	9.1	8.3	7.2
Benefits paid	(3.0)	(3.0)	(1.9)	(2.7)
Actuarial (gain)/loss on plan liabilities	(19.3)	(5.4)	(11.1)	24.2
Present value of scheme liabilities at 31 December	170.4	176.2	168.1	165.4

21. Employee benefits – pensions (continued)

Expense recognised in the income statement:

	2008 £m	2007 £m	2006 £m	2005 £m
Current service cost	5.7	6.1	6.1	5.3
Gain on curtailments	(0.9)	—	—	—
Interest on pension scheme liabilities	10.1	9.1	8.3	7.2
Expected return on plan assets	(11.5)	(10.5)	(9.4)	(7.4)
Net charge to income statement	3.4	4.7	5.0	5.1

The expense has been recognised in the following lines in the income statement:

	2008 £m	2007 £m	2006 £m	2005 £m
Cost of transmission and sales	3.9	4.0	4.1	3.8
Other operating expenditure	0.9	2.1	2.0	1.5
Net financial income	(1.4)	(1.4)	(1.1)	(0.2)
Net charge to income statement	3.4	4.7	5.0	5.1

Net actuarial gain/(loss) recognised directly in equity:

	2008 £m	2007 £m	2006 £m	2005 £m
Experience gain/(loss) on plan liabilities	19.3	5.4	11.1	(24.2)
Experience (loss)/gain on plan assets	(33.0)	(1.4)	0.6	13.3
Actuarial (loss)/gain	(13.7)	4.0	11.7	(10.9)

The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense since transition to IFRS is £16.8 million.

Principal actuarial assumptions at the balance sheet date

	2008 %	2007 %	2006 %	2005 %
Discount rate	6.00	5.60	5.25	4.85
Rate of increase in salaries	3.65	3.45	3.30	3.00
Rate of increase in pensions	2.75	3.20	3.05	2.75
Inflation	2.75	3.20	3.05	2.75
Expected return on plan assets – equities	7.00	7.50	7.60	8.00
Expected return on plan assets – bonds	5.00	5.70	5.10	4.10
Expected return on plan assets – cash	3.00	5.50	5.25	4.00

	2008 years	2007 years	2006 years	2005 years
Life expectancy from 65 (now aged 40) – male	28.3	26.6	26.6	26.6
Life expectancy from 65 (now aged 40) – female	29.1	29.4	29.4	29.4
Life expectancy from 65 (now aged 65) – male	26.6	26.6	24.5	24.5
Life expectancy from 65 (now aged 65) – female	28.0	29.4	27.5	27.5

21. Employee benefits – pensions (continued)

These assumptions were adopted in consultation with the independent actuary to the Channel Four Television Staff Pension Plan. If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the group balance sheet. The expected returns on plan assets are set by reference to historical returns, current market indicators and the expected long term asset allocation of the plan.

The 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 Actuary to the Plan undertook a triennial valuation on 1 January 2006. This indicated a deficit of £3.9 million after allowing for a special employer contribution of £5.7 million in March 2006. This reflected a scheme asset ratio of 97%. Following this valuation and discussions with the Actuary, the Trustees and Channel 4 agreed to pay an additional contribution of 1.2% to cover the Plan’s expenses and £56,000 per month for a period of nine years to reduce the Plan’s funding deficit with effect from 1 January 2007.

An independent valuation is currently being carried out as at 1 January 2009. As market conditions have deteriorated very seriously, Channel 4 and the Trustees of the Plan anticipate a reduced level of funding at 1 January 2009. Once the full valuation is complete a revised plan to address the increase in the deficit will be agreed with the Trustees.

The estimated employer contributions in 2009 are £5.9 million.

22. Related party transactions

Details of transactions in which members have an interest are disclosed on page 84. Details of members’ remuneration are shown in the remuneration report on pages 128-131.

Subsidiary undertakings

Channel 4 purchased studio, creative and interactive services from 4 Ventures Ltd totalling £13.9 million (2007: £15.7 million). At 31 December 2008, the total receivable to Channel 4 from subsidiary undertakings was £42.6 million (2007: £63.8 million).

Joint Ventures

During 2008, Channel 4 received a dividend of £0.2 million from Taste of London Ltd and £1.8m from Box Television Ltd. Box Television Ltd received £1.8 million of marketing, finance and other support services from Channel 4. In respect of these services, Box Television Ltd owed £0.4 million to Channel 4 at 31 December 2008.

During 2008, Channel 4 paid £0.5 million of funding to Galaxy New Media Ltd (2007: £nil), £2.8 million of funding to UK VOD LLP (2007: £nil), £0.3 million of funding to Protagonist Pictures Ltd (2007: £nil), £0.3 million for cashflow support and DTT services to DTT Multiplex Operators Ltd (2007: £nil), £0.7 million of funding to Clearcast Ltd (2007: £nil) and £0.1 million of funding to Parliamentary Broadcasting Unit Ltd (2007: £0.1 million). DTT Multiplex Operators Ltd owed £0.2 million to Channel 4 at 31 December 2008. There were no other amounts due from these companies at 31 December 2008.

Also during 2008, Channel 4 paid £8.9 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2007: £9.9 million), £1.4 million to BARB for research services (2007: £1.7 million) and £0.9 million to Thinkbox TV Ltd for marketing services (2007: £0.9 million). In addition, Channel 4 recognised equal revenue and expense of £2.0 million reflecting the group’s contribution of promotional airtime to DTV Services Limited in respect of marketing of the Freeview platform. No amounts were due to any of these companies at 31 December 2008.

Equity investments

During 2008, Channel 4 received £0.2 million from Espresso Education Ltd in respect of brand fees. No amounts were due to Channel 4 at 31 December 2008.

Also during 2008, Channel 4 paid £0.2 million to Mobile IQ Ltd for development of the Channel 4 mobile portal (2007: £nil). There were no amounts due to Mobile IQ Ltd at 31 December 2008 (2007: £nil).

As it is committed to high standards of corporate governance, the Board of members has decided to prepare voluntarily a Corporate Governance Statement as if the Channel were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters.

Since the publication of the revised Combined Code in 2006, we have been working to ensure the group continues to comply with corporate governance best practice.

Channel 4’s status as a statutory corporation without shareholders means those provisions concerning relations with shareholders are not directly applicable. Also, instead of a nominations committee, there are formal nominations procedures which are described on page 122.

The terms of reference for Channel 4’s audit committee and remuneration committee are available on request from the Corporation Secretary.

The Board

Channel Four Television Corporation is controlled through its Board of members. The Board’s main roles are to provide entrepreneurial leadership of the group, to approve the group’s strategic objectives and to ensure that Channel 4’s responsibilities including the fulfilment of its statutory functions and public service remit are discharged in accordance with all applicable laws and regulations.

The Board, which meets at least 10 times a year, has a schedule of matters reserved for its approval. The following matters must be referred to the full Board:

- Channel 4’s annual budget (programme and non-programme)
- the appointment and re-appointment of the Chief Executive
- confirmation of the appointment and re-appointment of the other executive members nominated by the Chief Executive and the Chairman acting jointly
- banking arrangements and loan facilities
- any significant proposal outside the ordinary course of Channel 4’s business

- the appointment and re-appointment of the Corporation Secretary
- the appointment and re-appointment of auditors
- the audited accounts of Channel 4 presented by the audit committee
- the establishment, purchase or acquisition of any qualifying company and the approval or variation of terms of reference for any subsidiary
- approval of any significant new business investment
- significant proposed changes to Channel 4’s headcount
- such other matters as the Board may from time to time resolve to review or decide upon.

In addition, as part of its overall responsibility to ensure the fulfilment of Channel 4’s statutory duties and functions, the Board continues to focus on ensuring the successful delivery of Channel 4’s remit and other public service responsibilities. Current programming output and plans for future investment of the programming budget are regularly discussed as part of the overall Board agenda, as are regular updates on audience reactions to Channel 4’s programmes. The Board also approves Channel 4’s proposed Statements of Programme Policy prior to publication, the annual reviews of performance against these Statements and the Channel 4 Public Value framework presented for the first time within this annual report.

The Board has delegated authority for certain other activities to a number of sub-committees and groups.

Statement of members’ responsibilities

Channel 4 is required by its governing legislation to keep proper accounting records and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year in the form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury.

The members are therefore responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Channel 4 and the group. The members are also responsible for preparing the annual report and the group and Channel 4 financial statements in compliance, to the extent applicable, with the provisions of the Companies Act 1985, and accounting standards currently in force that give a true and fair view of the state of affairs of the group and Channel 4 as at the end of the financial year and of the profit or loss and cashflow for the group and Channel 4 for that year.

The members have voluntarily decided, where applicable, to comply with the disclosure provisions of the Financial Services Authority Listing Rules. In line with the latest developments concerning listed company accounts, the members have elected to prepare the group and Channel 4 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business; and
- take reasonable steps to safeguard assets of the group and to prevent and detect fraud and other irregularities.

The members have decided voluntarily to include a Report on members’ remuneration in accordance with Section 7A to the Companies Act 1985, as if those requirements were to apply to Channel 4.

The members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Channel 4 website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board, Luke Johnson, and the Chief Executive, Andy Duncan, 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, inter alia:

- leadership of the Board, ensuring its effectiveness on all aspects of its role including the setting of the agenda
- ensuring that all members receive accurate, timely and clear information
- ensuring that all members continually update their skills and the knowledge and familiarity with Channel 4 required to fulfil their role both on the Board and on committees
- facilitating the effective contribution of non-executive members and ensuring constructive relations between executive and non-executive members.

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board and to implement the policies and strategy agreed by the Board. In addition, the Chief Executive, on behalf of the Board, should ensure effective communication with Ofcom and other key stakeholders.

Senior independent member

Lord Puttnam acted as Deputy Chairman and Senior Independent Member throughout the year.

Members and members’ independence

The Board currently comprises the Chairman, eight non-executive members and five executive members. The names of the members, together with brief biographies, are set out on page 127.

The non-executive members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge, and experience to the Board’s deliberations. The non-executive members are of sufficient calibre and number that their views carry significant weight in the Board’s decision making. The members are given access to independent professional advice at the group’s expense when the members deem it is necessary in order for them to carry out their responsibilities. Details of the Chairman’s professional commitments are included in the Chairman’s biography. These do not impact on his role with Channel 4.

The Board considers all its non-executive members to be independent in character and judgement. At the time of this report, no non-executive member:

- has been an employee of the group within the past five years
- has, or has had within the past three years, a material business relationship with the group
- receives remuneration other than their member’s fee (although attention is drawn to the related party transactions in note 22)
- has close family ties with any of the group’s advisers, members or senior employees
- holds cross-directorships or has significant links with other members through involvement in other companies or bodies
- has served on the Board for more than six years from the date of their first election.

Board member and executive nominations

Given its constitution, Channel 4 does not have a formal nomination committee. However, the following formal nomination procedures are in place:

- non-executive members are appointed for fixed terms by Ofcom following consultation with Channel 4’s Chairman and the approval of the Secretary of State for Culture, Media and Sport
- the Chief Executive is appointed by the Board
- other executive members are appointed to the Board after nomination by the Chief Executive and the Chairman acting jointly.

Professional development

On appointment, the members take part in an induction programme when they receive information about the group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and management committees, and the powers delegated to those committees, the group’s corporate governance practices and procedures, including the powers reserved to the group’s most senior executives, and the latest financial information about the group. This is supplemented by meetings with members of the senior management team. On appointment, all members are advised that they have access to advice and the services of the Corporation Secretary. Throughout their period in office the members are continually updated on the group’s business, the environments in which it operates and other changes affecting the group and the industry it operates in as a whole, by written briefings and meetings with senior executives.

Performance evaluation

Procedures have been established to undertake an annual evaluation of the performance of the Board.

The Corporation Secretary

The Corporation Secretary’s responsibilities include ensuring an effective flow of information within the Board and its committees and between senior management and non-executive members, and assisting with professional development as required. The Corporation Secretary is responsible for advising the Board through the Chairman on all governance matters.

The Corporation Secretary is available to provide advice and services to all members, to ensure compliance with Board procedures.

Nick Swimer served as acting Corporation Secretary during 2008. On 17 December 2008 Paola Tedaldi stepped down as Corporation Secretary and Nick Swimer was appointed Corporation Secretary.

Board meetings

The number of full Board meetings and committee meetings attended by each member during the year was as follows:

Information

Regular reports and papers are circulated to the members in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the members from time to time. Each executive member circulates a report in advance of each Board meeting, and provides a review of performance, together with comments on future plans and outlook.

Internal control

In accordance with the guidance of the Turnbull committee the Board of members:

- is responsible for the company’s system of internal control
- sets appropriate policies on internal control
- seeks regular assurance and receives regular reports that enables it to satisfy itself that the system is functioning effectively
- ensures that the system of internal control is effective in managing risks in the manner which it has approved.

Control environment
Clear management responsibilities are established for the executive members. These are laid down in the group’s terms of reference manual.

Risk management
In addition to its requirements under Schedule 9 of the Communications Act 2003 set out on page 125, the Board and management have a clear responsibility for the identification of risks facing the business and for putting in place procedures to monitor and mitigate such risks. The Board operates a process for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. This business risk evaluation process accords with the Combined Code’s guidance on internal controls. Regular reports are prepared by the executive members and include a summary of risks and the corresponding action taken to mitigate those risks.

	Appointed	Number of meetings attended		
		Board	Audit Committee	Remuneration Committee
Executives				
Andy Duncan		11(11)	3(3)	2(2)
Andy Barnes		11(11)		
Anne Bulford		10(11)	3(3)	2(2)
Kevin Lygo		10(11)		
Jon Gisby		11(11)		
Nathalie Schwarz	1 February 2008	10(10)		
Non-executives				
Luke Johnson		11(11)	3(3)	
Lord Puttnam		9(11)		
Sue Ashtiany		10(11)	2(3)	
Karren Brady		8(11)	3(3)	2(2)
Tony Hall		10(11)		2(2)
Andy Mollett		11(11)	3(3)	
Stephen Hill		8(11)		
Martha Lane Fox		8(11)		2(2)

Figures in brackets indicate the maximum number of meetings in the period in which the individual was a Board/committee member.

A summary of the key risks that the group faces, together with how those risks are mitigated, is presented in the Operating and Financial Review on page 83.

Management systems
Detailed annual budgets and business plans are prepared for each area of the business, and are approved by the budget committee and the Board. Detailed monthly management reports are produced, comparing actual income and expenditure with budget and prior year. Full year forecasts are prepared throughout the year. These reports are monitored by the members, and explanations are provided for all significant variances.

Control procedures
All expenditure has to be authorised in line with a delegations framework. An electronic invoice authorisation system is used to further enhance the control environment. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate. The financial controls are monitored by management review and by the audit committee.

Internal audit
During 2008, the business assurance function has undertaken a number of specific projects to provide assurance that control processes are appropriate and working effectively and where necessary recommend improvements.

The members have continued to review and improve the effectiveness of the group’s system of financial and non-financial controls, including operational and compliance controls, risk management and the group’s high-level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by:

- reports from management
- reports from the external auditors and Schedule 9 auditors on matters identified in the course of their statutory audit work
- reports from the business assurance function as set out on page 124.

Remuneration
committee

The remuneration committee comprises Karren Brady (Chair), Martha Lane Fox and Tony Hall. All the members of the committee are independent non-executive members. The remuneration committee met twice during the year. Luke Johnson, Andy Duncan and Anne Bulford attend meetings as appropriate. No executive member attends meetings of the remuneration committee at times when any aspect of his or her remuneration or terms of employment is being discussed.

The committee’s principal responsibilities are:

- to approve the level of any annual salary increases, corporate bonuses payable where applicable and the structure of remuneration for executive members and senior management
- to approve significant merit or market increases for individuals or posts above the general award
- to approve Channel 4’s vehicle policy
- to review any other significant change in Channel 4’s remuneration package
- Channel 4’s pension fund arrangements and related employee benefits. In particular, the remuneration committee considers the pension consequences and associated costs to Channel 4 of basic salary increases and any other changes in pensionable remuneration, especially for members close to retirement.

Further details concerning members’ remuneration are shown in the report on members’ remuneration on pages 128-131.

Audit committee

The audit committee comprises Andy Mollett (Chair), Sue Ashtiany and Karren Brady. All the members of the committee are independent non-executive members. The audit committee met three times during the year. At the committee Chairman’s invitation, Luke Johnson, Andy Duncan, Anne Bulford, the KPMG LLP external audit partner and the Head of Business Assurance attend meetings of the committee. The external audit partner and Head of Business Assurance have direct access to the Chairman of the audit committee as required. The committee has at least one member possessing recent and relevant experience. Andy Mollett, a chartered accountant, is Chief Financial Officer of Chrysalis plc. Other members of the committee bring to it a wide range of experience from positions at the highest level.

The audit committee’s key responsibilities are:

- to monitor the integrity of the financial statements of Channel 4 and any formal announcements relating to Channel 4’s financial performance, reviewing significant financial reporting judgements contained in them
- to review Channel 4’s internal financial controls and Channel 4’s internal control and risk management systems
- to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors
- to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements
- to develop and implement policy on the engagement of the external auditors to supply non-audit services taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken

- to regularly update the Board about the audit committee’s activities and make appropriate recommendations
- to ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business
- to monitor and review the effectiveness of Channel 4’s business assurance function and activities
- to make recommendations regarding the Schedule 9 audit.

If necessary, the audit committee can instigate special investigations and, if appropriate, engage special counsel or experts to assist. The committee meets with the executive members and management and the Chairman of the audit committee meets privately with the external auditors and Head of Business Assurance.

In 2008 the audit committee discharged its responsibilities by:

- reviewing the group’s draft financial statements prior to Board review and approval and reviewing the external auditors’ detailed reports thereon
- reviewing the appropriateness of the group’s accounting policies
- reviewing regularly the potential impact in the group’s financial statements of certain matters such as asset impairments
- reviewing and approving the audit fee and reviewing non-audit fees payable to the group’s external auditors
- reviewing the external auditors’ plan for the audit of the group’s accounts, which included key areas of extended scope work, key risks on the accounts, confirmations of auditors’ independence and the proposed audit fee
- reviewing the findings of business assurance reports
- reviewing the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003
- reviewing the new Public Impact Report prior to Board review and approval.

The audit committee also monitors the group’s whistle-blowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, and with suitable subsequent follow-up action. Mechanisms are in place to allow employees to report perceived wrongdoing.

Channel 4 will not use its external auditors to provide other services unless it is efficient and effective to do so. A summary of the fees earned by KPMG LLP in respect of services provided in 2008 is shown in note 3 to the financial statements. KPMG LLP also makes an annual statement to the audit committee to confirm its independence.

Budget committee

The role of the budget committee is to review the details of the group’s annual budget and any other significant financial matters which the Board refers to the budget committee for detailed consideration. The budget committee comprises Luke Johnson (Chair), Andy Duncan, Anne Bulford, Martha Lane Fox and Andy Mollett, and meets at least twice a year.

Digital and new
business board

The digital and new business board assists the Channel 4 Board by scrutinising, reviewing and agreeing upon significant commercial digital and new business investment proposals before they are referred to the Corporation Board.

The new business board is chaired by Stephen Hill. The other members of the new business board are Luke Johnson, Andy Duncan, Anne Bulford, Martin Baker (Head of Commercial Affairs), Jon Gisby (Director of New Media and Technology) and Robin Miller (senior industry consultant). Gill Pritchard (Director of Strategy) was appointed to the digital and new business board in October 2008. Polly Cochrane (Director of Marketing, Audiences and Research), and Jonathan Thompson (Head of Strategy and Research) retired from the digital and new business board during the year. Subsequent to the year end, Nathalie Schwarz (New Business and Corporate Development Director) resigned from the digital and new business board.

Content committee

The role of the content committee is to determine and review programme policy and standards at Channel 4, and to ensure the effective delivery of Channel 4’s public service remit. The content committee meets quarterly and is chaired by Tony Hall. The other members of the content committee are Lord Puttnam, Stephen Hill, Andy Duncan, Kevin Lygo and Anne Bulford.

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 and JP Morgan Life Ltd at least once a year. The trustees are Luke Johnson (trustees’ Chairman); an independent member, Louise Botting; two of Channel 4’s executives, Anne Bulford and Diane Herbert (Director of Human Resources); and two member-nominated trustees, Julie Kortens (Head of Facilities Management) and Neil Pepin (Deputy Head of Legal and Compliance).

Requirements of
Schedule 9 of the
Communications Act
2003 (the Act)

The Act requires Channel 4 to submit proposals to Ofcom detailing the arrangements under which it proposes to secure, so far as reasonably practicable, that all significant risks to the primary function are identified, evaluated and properly managed. These proposals are referred to as the Arrangements.

In addition, the Arrangements must include proposals which Channel 4 considers appropriate for securing the transparency objectives as set out in the Act, namely:

- an appropriate financial and organisational separation between the activities of Channel 4 that relate to the carrying out of their primary functions and their other activities; and

- an appropriate degree of transparency in financial and other reporting where resources are shared between separated activities or where there is some other financial or practical connection between otherwise separated activities.

The Act sets out the matters to which the submitted Arrangements may relate. These include the procedures and other practices to be followed by Channel 4 in the case of the initiation and management of new ventures, the exercise of particular powers, the assessment of risks, the imposition of charges and the keeping of records.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance with the Arrangements to be checked regularly by a person (other than Channel 4’s auditor) appointed in accordance with that provision.

Channel 4 has appointed Deloitte LLP to review compliance with the Arrangements and their report is shown on page 126. Copies of the Arrangements are available from the Corporation Secretary and at channel4.com.

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 2008 with the arrangements agreed between the Corporation and the Office of Communications (‘Ofcom’) under section 2 of schedule 9 of the Communications Act 2003.

This report is made solely to Channel Four Television Corporation and Ofcom in accordance with our letter of engagement dated 5 January 2009 and in order to (a) allow the Corporation to meet its obligations under the Licence and Schedule 9 of the Communications Act 2003 to procure such reports and (b) to facilitate the carrying out by Ofcom of its regulatory functions. Our work has been undertaken so that we might state to the Corporation and Ofcom those matters we are required to state to them in a reporting accountant’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and Ofcom (in accordance with our contract with Ofcom dated 15 January 2009), for our work, for this report, or for the opinions we have formed.

Respective
responsibilities
of Channel
Four Television
Corporation
and Reporting
Accountants

The Corporation has agreed arrangements with Ofcom to secure the following objectives (‘the Objectives’) as set out in Schedule 9 of the Communications Act 2003:

- So far as reasonably practicable, secure that all significant risks that their other activities will have an adverse effect on the carrying out, during the relevant licence period, of their primary functions are:
 - a) identified;
 - b) evaluated; and
 - c) properly managed.
- The transparency objectives of securing:
 - a) an appropriate financial and organisational separation between the activities of the Corporation that relate to the carrying out of their primary functions and their other activities; and
 - b) an appropriate degree of transparency in financial and other reporting where resources are shared between separate activities or where there is some other financial or practical connection between otherwise separated activities.

The arrangements agreed between the Corporation and Ofcom are available from http://www.channel4.com/about4/pdf/C4_arrangements.pdf. The responsibility of the Corporation in terms of Schedule 9 of the Communications Act 2003 is to act in accordance with these arrangements throughout the review period.

Our responsibility is to check whether the Corporation has complied with these arrangements during the year ended 31 December 2008 and report to you our independent conclusion as to whether they have done so.

Basis of opinion

We carried out our work in accordance with International Standard on Assurance Engagements 3000 *Assurance Engagements*. Our work consisted of:

- confirming our understanding of the Corporation and the internal procedures and controls in place made to comply with the arrangements made under Schedule 9 of the Communications Act 2003 through enquiry of senior management and other appropriate personnel; and
- testing the operation of the relevant internal procedures and controls and examining of the financial records relating to the above.

Our work was carried out based on the internal procedures and controls in place to comply with the arrangements during the year ended 31 December 2008. 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 2008.

Deloitte LLP
Chartered Accountants
London, United Kingdom
17 April 2009

Members

Non-executive
members

Chairman
Luke Johnson
Appointed Chairman in January 2004. His appointment runs until 27 January 2010. He is Chairman of Risk Capital Partners. He was previously Chairman of Pizza Express plc and is currently Chairman of Giraffe Restaurants, Patisserie Valerie and Seafood Holdings.

Deputy Chairman
Lord Puttnam
Joined the Board as Deputy Chairman in February 2006. His previous appointment ran until 31 January 2009 and has been extended to 31 January 2011. After 30 years as an independent film producer, David now focuses on his interests in education, and has been President of UNICEF UK since 2002. He was awarded a CBE in 1982, knighted in 1995 and appointed to the House of Lords in 1997.

Sue Ashtiany^A
Joined the Board in July 2003. Her appointment runs until 30 June 2009. She is a solicitor and a partner in the city firm of Nabarro Nathanson. She is also a Commissioner for the Equal Opportunities Commission, a member of the Court of Oxford Brookes University and an Honorary Fellow of Harris Manchester College, Oxford.

Karren Brady^{A^R}
Joined the Board in July 2004. Her appointment runs until July 2010. She is Managing Director of Birmingham City Football Club, a non-executive Director of Mothercare plc, a non-executive Director of Sport England and Chairman of the Mothercare Foundation.

Tony Hall^R
Appointed to the Board on 1 April 2005. His appointment runs until 31 March 2011. He is Chief Executive of the Royal Opera House and a former Chief Executive of BBC News.

Stephen Hill
Joined the Board in January 2006. His previous appointment ran until 31 December 2008 and has been extended to 31 December 2010. From 2003 to 2005, Stephen was Chief Executive of Betfair Ltd. Previously he worked at Pearson plc, including six years as Chief Executive of the Financial Times Media Group, and was also closely involved in setting up BSB and its subsequent merger with Sky.

Martha Lane Fox^R
Joined the Board in February 2006. Her previous appointment ran until 31 January 2009 and has been extended until 31 January 2011. Martha co-founded lastminute.com in 1998, floating the company in 2000 and remaining on its board until its sale in 2005 to Sabre Holdings. It is still Europe’s largest travel and leisure website. Martha is now founder and chairman of Lucky Voice and Antigone.org.uk, her own grant giving foundation. She is a non executive director of Marks and Spencer plc and mydeco.com and is also a founding trustee of Reprieve.

Andy Mollett^A ACA
Joined the Board in July 2004. His appointment runs until 18 July 2010. He is Chief Financial Officer of Chrysalis plc and was formerly the Chief Financial Officer of EMI Music Publishing Ltd and Virgin Radio Ltd.

Executive members

Andy Duncan
Appointed Chief Executive in July 2004. Prior to this he was the Director of Marketing, Communications and Audiences at the BBC and a member of the BBC’s Executive Board. He also led the project to launch Freeview and was Chairman of the joint venture with BBC, Sky and Crown Castle for its first two years. Prior to that he worked at Unilever for more than 16 years. Andy is also Chairman of the Media Trust and on 13 March 2009 was appointed a non-executive director of HMV Group plc.

Andy Barnes
Sales Director since October 2002, having been Commercial Director since July 1997. He is a Director of Broadcasters’ Audience Research Board Ltd (BARB). He is also Chairman of Thinkbox, the television marketing body, and a member of the Advertising Association’s council. He joined Channel 4 in 1991 as Head of Advertising Sales.

Anne Bulford FCA
Appointed Group Finance Director in July 2005. Before joining Channel 4, Anne spent three years with the Royal Opera House as Director of Finance and Business Affairs, prior to which she was Finance Director at Carlton Productions, prior to which she worked at the BBC, as Finance Director of BBC Productions, and Head of Internal Audit. She is a lay member of the council of University College London and Honorary Treasurer. She is also a non-executive member of the Ministry of Justice’s Corporate Management Board and Chair of the Audit Committee.

Kevin Lygo
Director of Television since November 2003. Prior to joining Channel 4 he was Director of Programmes at Five. He had worked for Channel 4, as Head of Entertainment from 1998 to 2001, and prior to that, at the BBC.

Jon Gisby
Joined the Board in December 2007 as Director of Future Media and Technology. Prior to joining Channel 4, Jon was Vice President of Media at Yahoo Europe and Managing Director of Yahoo UK. Prior to this he was a Managing Director of portals at Freeserve and a Senior Advisor within the BBC’s Corporate Strategy team.

Nathalie Schwarz
Appointed to the Board in February 2008 as New Business and Corporate Director. Nathalie was previously Director of Radio at Channel 4 having overseen the Channel 4-led bid for the second national commercial DAB multiplex. Prior to joining Channel 4 in 2005 she was Strategy and Development Director and an Executive Board Director at Capital Radio plc. She is a non-executive Director of Amiad Filtration Systems Ltd. Nathalie Schwarz resigned from the Board on 26 March 2009.

Corporation Secretary
Nick Swimer

^A Member of the audit committee
^R Member of the remuneration committee

Remuneration policy for executive members of the Board

The remuneration of executive Board members is determined by the remuneration committee, the membership and terms of reference of which are detailed on page 124. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the Combined Code.

The group continues to aim to attract, motivate and retain high calibre staff and executive Board members by rewarding them with competitive salary and benefit packages, including participation in bonus schemes and in certain cases participation in long-term incentive schemes. These are established by reference to those salaries and benefit packages prevailing for executives of comparable status in the television and the wider media industry, but without any of the share option schemes available to executives at most of Channel 4’s commercial competitors.

Any bonus payments made to executives are based on performance and recommended and approved by the remuneration committee. Andy Barnes participates in the Advertising Sales Bonus Scheme, which is linked to advertising revenue targets and is paid quarterly throughout the year based on performance. The maximum bonus payable under that scheme is 75% of salary. The other executive members participate in the Channel 4 Executive Bonus Scheme, which in 2008, as in previous years, set the maximum bonus payable at 30% of salary. Additionally, long-term incentive scheme payments are subject to the achievement of a range of corporate and strategic commercial measures which typically include viewing share, revenue and profit.

In 2008 a number of steps were taken in response to the unprecedented circumstances within the media industry and the economy as a whole. A significant restructuring of the business was undertaken resulting in the loss of over 25% of the workforce. Andy Barnes, who participates in the Advertising Sales Bonus Scheme, offered to waive the unpaid portion of his bonus, which was worth 10% of his entitlement for 2008. The other Executive Directors, who participate in the Executive Bonus Scheme, offered to waive their bonus for 2008. These offers were accepted by the Remuneration Committee.

In addition, although the majority of key performance targets were met, the Remuneration Committee gave serious consideration to what form of bonus should be paid and to whom given the difficult economic circumstances. After careful consideration the Remuneration Committee decided that no bonuses should be awarded to Heads of Department and a reduced payment should be made to more junior staff. Additionally, a pay freeze has been implemented for 2009.

Andy Duncan and Kevin Lygo have also volunteered reductions to their remuneration in 2009. This has been accepted by the Remuneration Committee and will be reflected in the 2009 Annual Report and Accounts.

Service contracts

The service contracts of all the executive members are subject to notice periods of one year or less. At the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office.

Taxable benefits

Executive members are eligible for a range of taxable benefits which include the provision of a company car and payment of its operating expenses, and membership of a private medical insurance scheme which is open to all staff. These benefits are not pensionable. In line with the groups expenses policy, no expenses claimed by executive members were chargeable to UK income tax.

Remuneration policy for non-executive members of the Board

Ofcom appoints non-executive Board members for fixed terms and determines their fees. They are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board meetings. The service contracts are subject to a maximum of three years or less.

Members’ remuneration

	Salary and fees £000	Bonus £000	Benefits £000	LTIP payments £000	2008 Total £000	2007 Total £000
Executive members						
Andy Duncan	670	—	13	—	683	1,211
Andy Barnes	400	99	13	—	512	438
Anne Bulford	322	—	13	—	335	400
Kevin Lygo	773	—	13	350	1,136	888
Jon Gisby	250	—	13	—	263	22
Nathalie Schwarz (appointed 1 February 2008)	245	—	9	—	254	—
Non-executive members						
Luke Johnson	73	—	—	—	73	73
Lord Puttnam	29	—	—	—	29	29
Sue Ashtiany	22	—	—	—	22	21
Karren Brady	22	—	—	—	22	21
Tony Hall	22	—	—	—	22	21
Stephen Hill	22	—	—	—	22	21
Martha Lane Fox	22	—	—	—	22	21
Andy Mollett	22	—	—	—	22	21
Retired members						
Rod Henwood (resigned 17 December 2007)	—	—	—	—	—	311
	2,894	99	74	350	3,417	3,498

In 2008, Anne Bulford also earned £3,250 in fees for services from the Ministry of Justice in respect of her roles as member of the Corporate Management Board and Chair of the Audit Committee.

In 2008, Rod Henwood received compensation for loss of office of £30,000 and a further pension payment of £100,000.

Subsequent to the year end, Nathalie Schwarz resigned from the Board on 26 March 2009.

Long-term incentive schemes

	Balance at 1 January 2008 £000	Recognised in income statement £000	Paid during the year £000	Balance at 31 December 2008 £000
Andy Duncan	113	56	—	169
Andy Barnes	31	33	—	64
Anne Bulford	75	77	—	152
Kevin Lygo	338	12	(350)	—
Jon Gisby	—	40	—	40
	557	218	(350)	425

A proportion of Andy Duncan’s salary is deferred in the form of a long-term loyalty scheme. This scheme requires Andy to remain with Channel 4 from 1 July 2007 to 30 June 2009 and meet certain performance criteria, and accrues at a rate of £225,000 per annum to a maximum of £450,000 which becomes payable on 1 July 2009. Following the year end, Andy has offered to waive 50% of his entitlement to his long-term loyalty scheme payment due in 2009. This will reduce his due payment of £450,000 to £225,000. This offer has been accepted by the Remuneration Committee. Andy’s accrued entitlement at the balance sheet date was £337,500. This has been adjusted to £169,000 to reflect the waiver of 50% of his bonus entitlement.

Andy Barnes joined a long-term incentive scheme linked to Corporation performance from 2007 to 2009 based on performance against stated Corporation objectives, up to a maximum of 33% of value of his advertising sales scheme bonus. The 2008 financial statements include a provision for Andy’s accrued entitlement at the balance sheet date of £64,000.

Long-term incentive schemes (continued)

Anne Bulford joined a long-term incentive scheme linked to Corporation performance from 2007 to 2009. Under the scheme, Anne can accrue up to 30% of her salary each year based on performance against stated Corporation objectives, up to a maximum of 90% over 3 years. The scheme requires her to remain at Channel 4 until April 2010. The 2008 financial statements include provision for Anne’s accrued entitlement (£152,000) at the balance sheet date.

Kevin Lygo joined an additional bonus scheme which required him to remain at Channel 4 from 1 August 2005 until 31 January 2008, when an amount of £350,000 became payable. The financial statements include no further provision for any further long-term entitlements.

Jon Gisby has joined a long-term incentive scheme linked to Corporation performance from 2008 to 2010. Under the scheme, Jon can accrue up to 20% of his salary each year based on performance against stated Corporation objectives, up to a maximum of 60% over 3 years. The scheme requires him to remain at Channel 4 until April 2011. The 2008 financial statements include provision for his accrued entitlement (£40,000) at the balance sheet date.

Also during the year, Rod Henwood received £250,000 in relation to a long-term bonus scheme in accordance with his contractual terms.

Payments made under long-term incentive schemes are not pensionable.

Pension

Executive members are eligible for membership of the Channel Four Television Staff Pension Plan on the same basis as all other members of staff. The plan is contributory, at 7.5% of pensionable salary, and provides members with a pension based on 1/50th of final pensionable pay for each year of service up to a maximum of two-thirds of final pensionable earnings.

Non-executive members are not eligible for membership of the Channel Four Television Staff Pension Plan. The executive members of the plan during 2008 were as follows:

	Increase in accrued pension entitlement during 2008 £000	Total accrued pension entitlement at 31 December 2008 £000	Transfer value of increase in accrued pension entitlement less members’ contributions £000	Transfer value at 1 January 2008 £000	Increase in transfer value less members’ contributions £000	Members’ contributions during 2008 £000	Transfer value at 31 December 2008 £000
Andy Duncan	4	8	39	39	52	13	104
Andy Barnes	3	129	38	1,800	388	13	2,201
Anne Bulford	4	6	42	19	50	13	82
Kevin Lygo	5	27	68	279	143	13	435
Nathalie Schwarz	3	4	19	3	26	13	42

- the total accrued pension entitlement shown is that which would be paid annually on retirement from the age of 60 but based on service to the end of 2008.
- the accrued benefits for all members have been restricted as a result of the impact of HMRC’s earnings cap.
- members who are not subject to the earnings cap have the option to pay Additional Voluntary Contributions (AVCs) to a separate scheme. Neither the AVCs made nor the resulting benefits accrued have been included in the above table.
- all transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- they do not represent sums payable to individual members.

Pension (continued)

- The benefits provided to all members of the Channel Four Television Staff Pension Plan (the Plan) are as follows:
- normal retirement age is 60 (65 on benefits accrued from 2010).
 - there is a spouse’s pension of one-half of a scheme member’s pension in the event of death in retirement and of one-half of a scheme member’s present expected pension in the event of death in service. There is an additional benefit equal to one-half of the benefit payable to the spouse in respect of each child up to the age of 18, or 23 if in full-time education, subject to a maximum of two children.
 - pensions in the course of payment, in excess of the Guaranteed Minimum Pension, increase at 5% per annum compound, or the increase in the retail prices index if lower.
 - from 1 May 2003, new employees are required to complete two years’ continuous service with Channel 4 before they can join the Plan. During the two-year waiting period employees are covered for death in service benefits.
 - scheme members who leave within two years of joining the Plan receive a refund of their own contributions.
 - scheme members who leave after being in the Plan for two years receive a benefit from normal retirement date preserved within the scheme, calculated as above, but relating to pensionable service and pensionable earnings up to the date of leaving.
 - an early retirement option exists from the age of 50. Any scheme member taking an early retirement option receives a pension at a discounted rate.
 - there are provisions for a member to exchange part of the retirement pension for cash.

Jon Gisby joined the Channel 4 Defined Contribution Scheme during the year. Employer contributions towards Jon’s pension scheme were £17,000 in the year.

Auditable information

The information in the remuneration and pension tables have been audited by Channel 4’s auditors, KPMG LLP, in accordance with Schedule 7A to the Companies Act 1985 as if those requirements were to apply to Channel 4.

By Order of the Board

Luke Johnson
Chairman
17 April 2009

Sources of Programmes

Channel 4 commissions programmes from independent producers and the ITV companies and purchases programmes in the international markets. The source and cost of the programmes transmitted on Channel 4 (the core channel) in 2008 and 2007 are shown in the table below:

	2008 Hours	2007 Hours	2008 £m	2007 £m
Originated				
Independents	4,400	4,563	331.2	325.2
Other	1,048	1,057	59.2	55.0
Acquired	5,448	5,620	390.4	380.2
	3,336	3,140	118.5	148.4
Programmes total	8,784	8,760	508.9	528.6
Other direct programme costs			7.4	7.9
Total programme and other content			516.3	536.5

	2008 Hours	2007 Hours	2008 %	2007 %
All hours				
Originated	5,448	5,620	62	64
Acquired	3,336	3,140	38	36
	8,784	8,760	100	100
Peak hours				
Originated	1,248	1,245	76	76
Acquired	399	398	24	24
	1,647	1,643	100	100

Independent production companies are the most important source of originated programmes. 300 independent companies provided programmes transmitted on Channel 4 in 2008 (2007: 312).

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 2008 amounted to £115.4 million (2007: £124.9 million).

Programme transmissions

Channel 4

The core Channel 4 service broadcast 8,784 hours in 2008 (2007: 8,760) – 24 hours each day. The hours and costs of the channel’s wide range of programme transmissions were as follows:

	2008 Hours	2007 Hours	2008 £m	2007 £m
Entertainment	1,561	1,552	114.2	113.6
Drama	1,006	929	99.1	119.5
Education	1,677	1,572	81.2	69.6
Sport	810	807	8.3	8.9
Feature films	1,140	1,123	51.3	49.8
Other factual	952	1,096	76.7	83.2
News	313	313	23.2	22.4
Documentaries	198	173	16.8	19.9
Current affairs	215	241	13.1	14.9
Quiz and gameshows	357	360	6.8	6.4
Arts and music	506	541	14.9	16.1
Religion	49	53	3.3	4.3
	8,784	8,760	508.9	528.6

E4, More4 and Film4

The E4 channels broadcast for a total of 17,568 hours in 2008 (2007: 17,520 hours) with 63 % of these hours being subtitled (2007: 54%). The More4 channels broadcast for 13,605 hours (2007: 12,318 hours) with 85% of these hours being subtitled (2007: 78%). The Film4 channels broadcast for 10,398 hours (2007: 10,084 hours) with 76% of these hours being subtitled (2007: 70%).

Ofcom

Ofcom monitors compliance with broadcasters’ licence obligations (including compliance with its Broadcasting Code) and deals with complaints concerning standards in programmes and complaints of unfair treatment and/or infringement of privacy. Ofcom will consider a matter to have been resolved where the broadcaster has taken appropriate action in response to an issue.

Channel 4

Ofcom recorded two breaches of its Code on standards in programmes by the main Channel 4 service in 2008 (2007: six), neither of which were judged serious enough to merit a statutory sanction (2007: four). Three matters were treated as resolved by Ofcom in 2008 (2007: two). In 2008 five complaints about fairness/privacy in Channel 4’s programmes were upheld (2007: none), four of these breaches were upheld in part only; ten complaints were not upheld (2007: six) and no complaints were treated as resolved (2007: none).

E4, More4 and Film4

No recorded breaches of the Code on standards in programmes were noted against E4 in 2008 (2007: none) and one complaint was treated as resolved (2007: none). There were no recorded breaches of the Code on standards for Film4 (2007: none) and none for More4 (2007: none). In 2008 no complaints about fairness/privacy on E4, More4 or Film4 programmes were upheld (2007: none) and no complaints were treated as resolved (2007: none).

The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4’s programming policy. Channel 4 takes pride and pleasure in the challenge of fulfilling it in different ways each year. Our licence from Ofcom, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

Our principal licence requirements are set out below:

	Compliance minimum	2008	2007
Average hours per week			
News			
— in peak-time (6 pm to 10.30 pm)	4	4	4
Current affairs			
— overall	4	4	5
— in peak-time (6 pm to 10.30 pm)	1.54	2	2
Hours per year			
Schools	330	370	379
Percentage			
Original production			
— overall	60	62	64
— in peaktime (6 pm to 10.30 pm)	70	76	76
Independent production *	25	88	87
European independent production *	10	56	58
European origin	50	70	72
Subtitling for the deaf and hard-of-hearing	88	90	90
Audio description	10	11	10
Signing	5	5	5
Production expenditure outside London	30	32	35
Regional hours	30	41	43

The 2008 Ofcom licence quotas 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 within this section of the report are discussed in more detail on pages 66-69 as part of the Public Impact Report.

Historical record

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m
Consolidated results:							
Revenue	766.9	769.6	841.4	894.3	936.9	944.9	906.1
Operating profit/(loss)	28.9	55.6	59.8	56.9	14.0	(8.8)	(0.5)
Share of loss in joint ventures	(9.9)	(10.5)	—	—	—	0.4	(3.3)
Operating profit/(loss)	19.0	45.1	59.8	56.9	14.0	(8.4)	(3.8)
Net financial (expense)/income	(2.5)	0.2	3.9	9.9	7.3	10.0	13.7
Profit before taxation	16.5	45.3	63.7	66.8	21.3	1.6	9.9
Taxation	(6.3)	(11.0)	(19.1)	(18.3)	(6.8)	(1.1)	(8.1)
Profit for the year	10.2	34.3	44.6	48.5	14.5	0.5	1.8

Figures for 2001 to 2003 are shown under UK GAAP in force at the time. Figures for 2004 to 2008 are shown under Adopted IFRS.

Advertising and sponsorship revenue

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m
Channel 4	645.9	643.0	692.1	729.3	692.0	705.9	652.2
ITV, GMTV, S4C and Five	2,031.6	1,993.8	2,106.5	2,063.6	1,869.6	1,831.3	1,644.5
	2,677.5	2,636.8	2,798.6	2,792.9	2,561.6	2,537.2	2,296.7
	%	%	%	%	%	%	%
Channel 4	24.1	24.4	24.7	26.1	27.0	27.8	28.4
ITV, GMTV, S4C and Five	75.9	75.6	75.3	73.9	73.0	72.2	71.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Audience share (portfolio)

	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %
BBC (ten channels)	38.8	38.3	36.6	35.2	34.5	34.0	33.5
ITV (six channels)	24.8	24.6	24.1	24.0	22.9	23.1	23.2
Channel 4 and S4C (seven channels)	10.8	10.4	10.5	11.0	12.1	11.9	11.9
Five (three channels)	6.3	6.5	6.6	6.4	5.9	6.0	6.0
Other (>350 channels)	19.3	20.2	22.2	23.4	24.6	25.0	25.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The figures in brackets indicated the number of channels in that portfolio as at 31 December 2008.

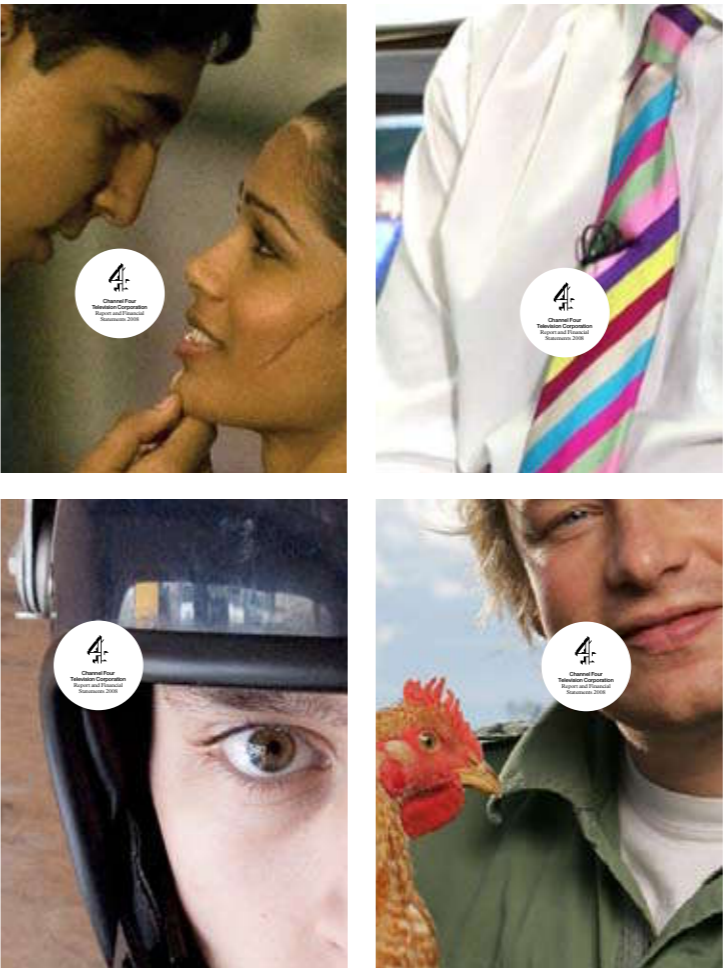
Source: BARB all individuals

Audience share

	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %
BBC 1	26.2	25.6	24.7	23.3	22.8	22.0	21.8
BBC 2	11.4	11.0	10.0	9.4	8.8	8.6	7.8
ITV and GMTV	24.1	23.7	22.8	21.5	19.6	19.2	18.4
Channel 4 and S4C	10.0	9.6	9.7	9.7	9.8	8.7	8.2
Five	6.3	6.5	6.6	6.4	5.7	5.2	5.0
Satellite and cable	22.0	23.6	26.2	29.7	33.3	36.3	38.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BARB all individuals

The cover folds out to make a single sided poster.
There are four covers in total, reflecting each of Channel 4's public purposes.



Design: NB Studio
Printing: PUSH

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