

Financial Report and Statements

*For the year ended
31 December 2023*

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Financial review and highlights



Corporation revenues

£1.02bn

- 2023 saw extremely challenging trading conditions across the industry, with a market correction after the post-Covid boom in TV advertising translating to the deepest year-on-year declines since the 2008-2009 financial crisis
- A market recovery, initially anticipated in the second half of the year, failed to materialise as business confidence remained low, and against this backdrop Channel 4 finished 2023 with revenues down -10% year-on-year (2022: £1.14 billion)
- The market experience of 2023 serves to underline the importance of continuing to shift away from reliance on traditional linear advertising and reinforcing the resilience of Channel 4's business model; 2023 saw diversified revenues (across digital and non-advertising revenues) proceeding on track or ahead towards our 2025 targets, making up 37% of our total revenues (2022: 33%)

Digital advertising revenue

£280m

- Digital advertising revenue grew by a further 10% on 2022 (2022: £255 million) despite the headwinds felt in the advertising market
- Digital now makes up 27% of Channel 4's total revenues, up from 22% last year and progressing well towards our Future4 target to reach 30% of revenues from digital advertising by 2025 - Channel 4's proportion of revenues from digital is significantly ahead of other UK and international commercial broadcasters

Content spend

£663m

- Following a record year of investment in 2022 (2022: £713 million), the impact of significant market declines on our revenues necessitated a focus on controlling costs across the whole business, including an inevitable impact on on-screen spend as the largest portion of our cost base
- However, originated content spend of £520 million (2022: £570 million) was still the second-highest in the channel's history, and supported another strong year of remit delivery, ensuring all Ofcom quotas were met or exceeded (see page 123). This performance is articulated through the metrics presented on pages 28 to 113
- Short-term actions taken to control costs now underpin longer-term financial sustainability that will preserve our future remit delivery and overall investment in the independent production sector

Pre-tax deficit

£52m

- Following three years of strong performance and surpluses delivered, Channel 4 finished a tough 2023 with a pre-tax deficit of £52 million (2022: £3 million surplus; £20 million surplus before exceptional items)
- Our plan for the year was to reinvest previous surpluses back into our strategic aims, with a deficit always anticipated in our original targets
- As recovery in the advertising market failed to materialise as the year went on, we sought to preserve investment in content and pursuing our future ambitions where possible, rather than controlling costs to the fullest extent required to offset the resulting revenue shortfall – a strategic decision contributing to the Group's significant final deficit for the year

Net cash reserves

£96m

- Steep year-on-year cash outflows (2022: net cash reserves of £253 million) reflect the priority given to protecting content investment in the context of weakening advertising revenues, as well as the impact of key capital projects completed during 2023 and our continuing pension funding commitments
- Cost reduction initiatives implemented during 2023 will start to crystallise as improvement in our cash position over the mid term
- In early 2024 we have also extended our overall credit facility to £150 million; while we do not anticipate requiring this additional liquidity during 2024 or beyond, the additional headroom obtained provides flexibility in the event of a further market downturn and reinforces our long-term sustainability
- Net cash reserves are presented as an alternative performance measure ('APM') with further details provided on page 199

Net assets

£491m

- The financial challenges faced during 2023 saw Channel 4's net assets decrease by £69 million year-on-year (2022: £560 million)
- In addition to the impact of the Group's post-tax deficit on this position, declines were exacerbated by the year-end revaluation of our Horseferry Road building, reflecting broader market conditions, and a net loss on revaluation of certain investment holdings given the challenging trading environment
- The Fast Forward strategy announced in January 2024, and our plans to reshape the business to prepare for the future will bolster our balance sheet position in the coming years, delivering a sustainable long-term future for the channel and ensuring our continuing investment in the creative sector

Financial review and highlights cont.

Income statement highlights

	2023 £m	2022 £m
Sales House revenues ¹	1,140	1,248
Corporation revenues	1,023	1,142
Content spend	663	713
Originated content spend ²	520	570
Pre-tax (deficit)/surplus before exceptional items ³	(52)	20
Pre-tax (deficit)/surplus	(52)	3

1 Sales House revenues includes Channel 4's advertising revenues as well as those collected on behalf of our partners UKTV and Discovery. As Channel 4 acts as agency in these relationships, we only recognise our commission on these sales within Corporation revenues.

2 Please refer to further detail provided on the originated content spend metric and how this compares to overall content spend on pages 82 to 83.

3 This APH measure is defined on page 199.

Channel 4 entered 2023 with ambitions for a year of renewed investment, following several years of strong performance and a decision reached by the Government on the Group's future ownership. However, while declines in the advertising market were always anticipated in our plans, it became clear in the first half of the year the full extent to which the challenges posed by inflation and high interest rates were impacting business confidence and investment in TV advertising. As a result, 2023 has seen the deepest market declines since the financial crisis of 2008-2009, with the total TV market down 9% year-on-year.

The Group delivered revenues of £1,023 million, down 10% on the previous year (2022: £1,142 million). In an extremely challenging year for absolute revenues, we nonetheless saw positive moves in diversifying our revenues away from traditional forms of advertising. Digital advertising revenues saw another year of growth, up 10% on 2022 and now making up 27% of our total revenues (2022: 22%). Digital revenues have progressed ahead of our expected trajectory towards our existing 2025 target of 30% revenues from digital, and it is this momentum that the Fast Forward strategy announced in early 2024 seeks to accelerate in the coming years. Non-advertising revenues continued to meet our target of 10% of total revenues (2022: 11%), although in absolute terms we saw declines due to slower film revenues and certain partnership deals reaching a conclusion.

While we were initially optimistic about prospects for recovery as the year progressed, market declines continued through the year. Thus we sought where possible to preserve levels of on-screen spend and to continue to invest in our strategic ambitions, and given these principles Channel 4 finished the year with a pre-tax deficit of £52 million (2022: pre-tax surplus of £3 million; £20 million before exceptional items).

However, given the pressure on our revenues, we needed to implement material cost savings, unavoidably impacting on-screen spend as well as our operating cost base. This meant a reset to our levels of content investment, with 2023 spend of £663 million, after a record year in 2022 (2022: £713 million). These cost measures have meant rephasing on-screen delivery of certain titles as well as certain production timelines, and regulating future commissioning over periods where we're already well-stocked with content. Over the longer term this will allow us to preserve future levels of remit delivery and overall investment in the independent production sector.

After a challenging year post-lockdown in 2022, streaming viewing saw a strong return to growth in 2023 – driven by our absolute organisational focus in this area – as views reached 1.6 billion, exceeding challenging targets set for the year. Given the focus on streaming, we had anticipated lower performance in our portfolio share of commercial impacts ("SOCl") during 2023; this is reflected in our final position, down year-on-year for both 16-34-year-olds (18.9%; 2022: 19.6%) and ABCIs (16.5%; 2022: 16.9%), although still a positive achievement given the impact of lower on-screen spend and the longer-term declines to be expected as we pivot to digital.

Balance sheet highlights

	2023 £m	2022 £m
Net assets	491	560
Freehold land and buildings	83	90
Growth Fund investments	59	58
Programme stock and film rights ¹	472	492
Net cash reserves ²	96	253
Pension asset	13	5

1 Programme and film rights (and trade and other payables) as presented in the 2022 and 2021 comparative periods have been restated in 2023 by £94 million and £96 million respectively, to retrospectively reflect the grossing up of amounts relating to acquired programme and film rights at the licence start date; further detail is provided on page 202.

2 This APH reflects the sum of the Group's cash and cash equivalents and other financial assets net of cash borrowings at the balance sheet date; further details are provided on page 199.

As shown on page 196, the Group's net assets decreased significantly during 2023 to a closing position of £491 million, with the post-tax deficit for the year acting as the key driver behind this movement. These declines were compounded by the annual revaluation of our Horseferry Road building: a lower valuation of £83 million at the end of 2023 (2022: £90 million) is attributed to tough market conditions, including the volatility created in commercial property markets as a result of inflationary pressures and interest rate hikes. These factors negate the impact of key capital additions during the year, including repairs to the façade of the building completed in December. Channel 4 announced in January 2024 the intention to move out of Horseferry Road over the next few years, given the shift towards hybrid working and more roles based in the Nations and Regions.

The challenging macroeconomic backdrop has also translated to downward revaluations for certain Growth Fund investments across 2023, totalling a decrease of £12 million in the fair value of the portfolio (although offset by new investment additions in the year). However, our defined benefit pension balance remains in a surplus position following an actuarial revaluation at the year end, resulting in a £13 million asset recognised on the Group's balance sheet (2022: £5 million asset). The benefit of £10 million contributions made by Channel 4 during the year has been largely retained in the final valuation, with the value of the scheme's investment portfolio remaining otherwise relatively stable versus the previous year.

Our programme stock and film rights balance of £472 million has seen some initial reduction as a result of cost-saving measures implemented during 2023 (2022: £492 million); with the lead time between cash committed and content making its way on screen often spanning multiple years, this position is expected to unwind further over the mid term, reflecting the impact of 2023 cost actions taken on our future commissioning pipeline.

Our closing balance sheet position remains in line with levels seen pre-Covid, although inevitably below levels reached in recent years during the post-Covid advertising boom. The Fast Forward strategy announced in early 2024, and difficult decisions required to ensure the business is operationally in the right shape for the future, will further reinforce Channel 4's resilience and financial sustainability, ensuring we can double down on delivering our remit as the viewing landscape changes even faster.

Cash flow

Channel 4 finished 2023 with net cash reserves of £96 million, with the steep decline from our 2022 closing position of £253 million coming as a result of efforts to protect investment in content as far as possible despite significant pressure on revenues. The impact of this revenue downturn is amplified in our closing cash position (as compared to the P&L deficit) as a result of ongoing content commitments, with cost reduction initiatives benefitting the income statement in-year and slower to crystallise as improvements in our cash position.

Our £75 million revolving credit facility provides additional flexibility to withstand a market shock or other economic downturn, and underpins the Group's long-term sustainability. During Q1 2024 we have drawn down on a portion of this facility to manage in-year working capital, enabling us to continue prioritising investment in the production sector while revenues start to stabilise.

We have also extended this facility in early 2024, providing a further £75 million of liquidity if required. While we do not expect to draw down on this further facility in 2024 or beyond, ensuring we have sufficient headroom in the event of a sharper or more prolonged market downturn reinforces Channel 4's financial sustainability in an uncertain climate.

Our remit and business model

Channel 4 is a unique organisation: a public service publisher-broadcaster with a distinctive creative remit, funded solely from commercial revenues, existing to provide a range of distinctive, challenging, and provocative content. In order to fulfil our public service remit (which is set out in the Statement of Media Content Policy) we seek to optimise returns from our commercial activities and minimise our overheads in order to maximise our spend on screen, marketing, and investment in our digital strategy.

As a not-for-profit public service media organisation, our aim is to be commercially self-sufficient in the long term, generating surpluses and maintaining a strong balance sheet. A key element of our long-term financial strategy is the way we cross-fund commercially challenging genres with profitable programming. We invest our surpluses (when financially prudent to do so) back into original content and digital innovation to evolve our commercial business model and to maintain the relevance and reach of our remit.

The delivery of Channel 4's unique remit has always relied on a unique funding model, which requires an agile, pioneering, and well-executed commercial strategy. The Members' view is that this is one of the organisation's strengths, incentivising Channel 4 to remain at the sharp end of innovation.

Following confirmation of the Channel's future ownership in early 2023, work on the Government's proposed Media Bill remains ongoing, and may create future opportunities compared to Channel 4's current remit, particularly where it comes to changes to the publisher-broadcaster model and the potential of future intellectual property ownership – changes which we will explore carefully, with any moves into this expected to be gradual and considered.

The section 172(1) statement made on page 167 sets out how the Members promote Channel 4's success in line with our remit and the business model described above.

Our strategy

In January 2024, Channel 4 launched Fast Forward, an ambitious strategy to drive our evolution towards becoming a genuinely digital-first public service media organisation by 2030.

This strategy represents a continuation and acceleration of the Future4 strategy introduced in 2020, which shifted our focus from traditional broadcasting to digital. Fast Forward remains centred on the same clearly articulated view of Channel 4's purpose that formed the basis for Future4: to create change through entertainment. Our vision is unchanged: to represent unheard voices, challenge with purpose, and reinvent entertainment.

Fast Forward presents three key strategic pillars to deliver on this vision and support Channel 4's transformation into a truly digital-first organisation, getting us into the right shape for the 2030s and enhancing our core public service values:

- Digital growth and transformation
- Diversified new businesses
- Re-engineering the business for a digital-first world

Fast Forward is outlined in greater detail on pages 22 and 23, including an overview of the current corporate and financial priorities that these key pillars translate to.

Key performance indicators were introduced alongside the Future4 strategy in 2020 to monitor the business's performance against these objectives and progress over time – 2023 performance is considered on pages 122 to 123. These metrics will be rearticulated in due course to ensure they continue to align with the priorities set out under Fast Forward. Our assessment of our key business risks on pages 140 to 149 notes the hurdles faced in implementing Fast Forward in practice, and the mitigations in place to ensure we perform against our strategic ambitions.

Consolidated income statement

for the year ended 31 December

	Note	2023 €m	2022 €m
Revenue	1	1,023	1,142
Cost of transmission and sales	2	(1,034)	(1,080)
Gross (deficit)/surplus		(11)	62
Other operating expenditure	3	(44)	(44)
Operating (deficit)/surplus		(55)	18
Net finance income	5	3	2
Gain on sale of investments	7	-	1
Impairment losses on investments	7	-	(1)
(Deficit)/surplus before tax and exceptional items	page 199	(52)	20
Exceptional items	page 199	-	(17)
(Deficit)/surplus before tax		(52)	3
Income tax credit/(expense)	6	13	(2)
(Deficit)/surplus for the year		(39)	1

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2023 £m	2022 £m
(Deficit)/surplus for the year		(39)	1
Net remeasurement (deficit)/surplus on pension scheme	19	(3)	25
Revaluation of freehold land and buildings	9	(16)	(15)
Adjustment to non-controlling interest	21	-	(6)
Deferred tax on pension scheme	12	1	(6)
Loss on revaluation of investments	8	(12)	(5)
Other comprehensive expense for the year		(30)	(7)
Total comprehensive expense for the year		(69)	(6)

None of the items in other comprehensive income/expense will be reclassified to the income statement.

Consolidated statement of changes in equity

for the year ended 31 December

	Retained earnings £m	Revaluation reserve £m	Total equity £m
At 1 January 2022	512	54	566
Surplus for the year	1	–	1
Other comprehensive income/(expense)	8	(15)	(7)
Total comprehensive income/(expense) for the year	9	(15)	(6)
At 31 December 2022	521	39	560
At 1 January 2023	521	39	560
Deficit for the year	(39)	–	(39)
Other comprehensive expense	(14)	(16)	(30)
Total comprehensive expense for the year	(53)	(16)	(69)
At 31 December 2023	468	23	491

Consolidated balance sheet

as at 31 December

	Note	2023 £m	2022 £m	2021 £m
Assets				
Investments accounted for using the equity method	7	10	9	8
Other investments	8	50	49	34
Property, plant, and equipment	9	95	105	111
Right-of-use assets	11	8	9	10
Intangible assets	10	32	35	28
Deferred tax assets	12	22	9	17
Employee benefits – pensions	19	13	5	–
Total non-current assets		230	221	208
Programme and film rights ¹	13	472	492	355
Trade and other receivables	14	173	190	224
Other financial assets	15	–	50	115
Cash and cash equivalents	15	96	203	157
Total current assets		741	935	851
Total assets		971	1,156	1,059
Liabilities				
Employee benefits – pensions	19	–	–	(29)
Trade and other payables ¹	16	(34)	(40)	(27)
Lease liabilities	11	(9)	(9)	(10)
Deferred tax liabilities	12	(8)	(6)	(6)
Provisions	17	(1)	(1)	(1)
Total non-current liabilities		(52)	(56)	(73)
Trade and other payables ¹	16	(428)	(541)	(418)
Current tax payable		–	1	–
Provisions	17	–	–	(2)
Borrowings	15	–	–	–
Total current liabilities		(428)	(540)	(420)
Total liabilities		(480)	(596)	(493)
Net assets		491	560	566
Revaluation reserve		23	39	54
Retained earnings		468	521	512
Total equity		491	560	566

The financial statements on pages 193 to 219 were approved by the Members of the Board on 7 May 2024 and were signed on its behalf by:

Sir Ian Cheshire
Chair

Alex Mahon
Chief Executive

¹ Programme and film rights, and trade and other payables, as presented in the 2022 and 2021 comparative periods have been restated in 2023 by £34 million and £36 million respectively, to retrospectively reflect the grossing up of amounts relating to acquired programme and film rights at the licence start date, further detail is provided on page 202. A third balance sheet has been presented above in line with the requirements of IAS 1.40A.

Consolidated cash flow statement

for the year ended 31 December

	Note	2023 £m	2022 £m
Cash flow from operating activities			
(Deficit)/surplus for the year		(39)	1
Adjustments for:			
Income tax (credit)/expense	6	(13)	2
Depreciation	9, 11	8	7
Amortisation of intangibles	10	3	2
Net finance income	5	(3)	(1)
Gain on sale of investments	7	–	(1)
Non-cash transactions ¹		(14)	(17)
Impairment losses on investments	7	–	1
Operating cash flows before movements in working capital		(58)	(6)
Decrease/(increase) in programme and film rights ²	13	20	(137)
Decrease in trade and other receivables	14	17	34
(Decrease)/increase in trade and other payables ²	16	(119)	136
Adjustment for non-cash transactions ¹		1	(4)
Decrease in provisions, excluding unwinding of discounts	17	–	(2)
Cash (used in)/generated by operations		(139)	21
Defined benefit pension contributions	19	(10)	(9)
Tax repaid/(paid)	6	4	(1)
Net cash flow (used in)/from operating activities		(145)	11
Cash flow from investing activities			
Acquisition of investments	7, 21	(1)	(8)
Proceeds on sale of investments	7, 8	–	1
Purchase of property, plant, and equipment	9	(9)	(15)
Internally developed software	10	(4)	(9)
Interest received and foreign exchange gain	5	3	2
Decrease in other financial assets ³	15	50	65
Net cash flow from investing activities		39	36
Cash flow from financing activities			
IFRS 16 payments on lease principal	11	(1)	(1)
Net cash flow used in financing activities		(1)	(1)
Net (decrease)/increase in cash and cash equivalents		(107)	46
Cash and cash equivalents at 1 January		203	157
Cash and cash equivalents at 31 December⁴		96	203

1 The impact of certain transactions relating to investing activities has been removed from the cash flow statement as a reflection of the non-cash nature of these balances

2 Programme and film rights, and trade and other payables, as presented in the 2022 and 2021 comparative periods have been restated in 2023 by £34 million and £56 million respectively, to retrospectively reflect the grossing up of amounts relating to acquired programme and film rights at the licence start date; further detail is provided on page 202

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

4 Please refer to page 199 for a reconciliation of cash and cash equivalents to total net cash reserves of £253 million presented as an alternative performance measure.

Group accounting policies

Introduction

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 2023 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 Corporation 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 7 May 2024. The registered office of Channel 4 is 124 Horseferry Road, London SW1P 2TX.

Basis of preparation

The financial statements of the Group have been prepared and approved by the Members in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). The Corporation's individual financial statements have been prepared under the Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements as a whole have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of HM Treasury, and are principally prepared under the historical cost convention (except that freehold properties, derivatives and certain financial instruments are stated at fair value). In line with IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial statements are presented in Pounds Sterling, rounded to the nearest million.

Critical accounting judgements and sources of estimation uncertainty

In applying the Group's accounting policies (as described in this section), the Members are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these 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.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Members have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- The following aspects of our programme and film rights policy require judgement (see further detail on page 202):
 - The transmission profile over which to amortise programme and film rights
 - Assessment of programme value with reference to the quality of programme that has ultimately been delivered and its expected viewing performance
 - Assessment of the future revenues from distribution when evaluating the carrying value of film rights held for exploitation
- Management's application of IFRS 16 'Leases' requires judgement regarding the classification of transponder contracts under the standard. Management has concluded that these contracts do not constitute leases under the definition given by IFRS 16, as the Group does not control these assets due to the nature of the operation of these assets and due to certain rights which the supplier retains based on the detailed terms provided in the contracts. Further details of these contracts (including remaining term and estimated payments) are disclosed in note 18
- Management applies judgement in recognising deferred tax assets based on its expectation of available future taxable profit (see below)

Key sources of estimation uncertainty

Under IAS 12 Income Taxes, deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which they can be recognised. Management applies estimates in calculating the deferred tax assets with regards to the level of future taxable surpluses that are expected, meaning significant changes to our estimation of forecast profitability over a 10 year forecast horizon could lead to a material change in the valuation of deferred tax assets (please see page 211). A reduction in future profitability over the lookout period of over 50% may result in a material change in the valuation of the deferred tax asset recognised (i.e. of more than £10 million).

Alternative performance measures

In reporting financial information the Group presents alternative performance measures ('APMs') which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional and helpful information on the performance of the business, but does not consider them to be a substitute for, or superior to, IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

In 2022, the Group introduced surplus before tax and exceptional items (also noted as pre-tax surplus before exceptional items) as an APM. This measure was intended to provide stakeholders with additional relevant information to ensure transparency around the underlying performance of the business, before accounting for retention arrangements necessary in 2022 in light of the uncertainty around privatisation. We have not recognised any exceptional items for the 2023 financial year.

The APM is calculated in 2023 and 2022 as follows:

	2023 £m	2022 £m
(Deficit)/surplus before tax	(52)	3
Add back exceptional items		
Retention arrangements	–	17
(Deficit)/surplus before tax and exceptional items	(52)	20

Executive remuneration in relation to these arrangements was also presented as an exceptional item in 2022 in the Members' Remuneration report on page 180, with total remuneration disclosed before and after accounting for these items. The single figure table presented on page 180 provides a reconciliation of the total before exceptional items to total remuneration recognised for 2022.

The Group also presents net cash reserves as an APM, which reflects the sum of the Group's cash and cash equivalents and other financial assets, net of any cash borrowings if these exist at the balance sheet date. This measure does not reflect the impact of other debt held on the balance sheet such as lease liabilities under IFRS 16. This provides stakeholders with additional relevant information relating to the overall cash resources available to the Group, not only those categorised as cash and cash equivalents. This APM is calculated in 2023 and 2022 as follows:

	2023 £m	2022 £m
Cash and cash equivalents	96	203
Other financial assets	–	50
Borrowings	–	–
Net cash reserves	96	253

Going concern

The annual financial statements have been prepared on a going concern basis as the Members have a reasonable expectation that the Group will continue in operational existence, as set out in the Report of the Members.

As part of our 2024 Budget and three-year plan, we have considered the impact of several potential downside scenarios. These include a worsening decline in the linear and digital advertising market beyond our current base-case projections, higher costs of transformation than currently foreseen in our planning, or greater than-anticipated impact from inflationary pressures on non-controllable costs such as our committed transmission costs. Even in the most severe case considered (deemed plausible but beyond the worst-case scenario currently anticipated by management), analysis shows that we remain within our covenants and retain sufficient liquidity within our existing facilities, with a further range of management actions remaining available to control spend and cash flows as required.

Our £75 million revolving credit facility, renewed in March 2022 and running until March 2027, increases our available liquidity if required. We have also put in place a further £75 million extension to this facility in early 2024; while we do not anticipate requiring this additional liquidity during 2024 or beyond, the additional headroom obtained provides flexibility in the event of a further market downturn and reinforces our long-term sustainability, underpinning our assessment of the Group's position as a going concern. There are no changes to the Group's existing covenants as a result of the extension to this facility.

Channel 4's current broadcast licence expires on 31 December 2024, and our industry regulator Ofcom is undertaking the renewal of Channel 4's licence. Ofcom's statutory role in this process is to determine the duration of the renewed licence, and to set appropriate conditions in the licence to secure the delivery of Channel 4's public service remit. Ofcom has noted that Channel 4 remains a key part of the UK's broadcasting ecology, with a credible business plan to support a renewed licence for a ten-year period.

Our scenario analysis and the resources available to Channel 4 (as well as the review of the Group's business activities, future strategy, and other factors likely to affect its future financial performance, position and cash flows throughout the Strategic report on pages 150 to 185) indicate that the Group will be able to continue to operate for at least 12 months from the date that this Annual Report is approved. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

A subsidiary is an entity that is controlled by the Group. Control exists when the Group has exposure, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee by directing the relevant activities of the investee (i.e. the activities that significantly affect the investee's returns). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

The Corporation financial statements note where the Members have taken the exemption under Companies Act s479A from having an audit of the financial statements for certain subsidiaries controlled and consolidated by the Group.

Investments in associates and joint ventures are accounted for using the equity method. Associates are those entities over which the Group has significant influence. Where the Group holds 20% or more of the voting power (directly or through subsidiaries) of an investee, it will be presumed the Group has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, it will be presumed the Group does not have significant influence unless such influence can be clearly demonstrated.

Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

Joint arrangements are those entities over whose activities the Group has joint control. Joint control is established by a contractual agreement whereby the decisions about the relevant activities (i.e. the activities that significantly affect the investee's returns) of the entity require the unanimous consent of the two or more parties sharing joint control of the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under equity accounting, the consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases or until the associate or joint venture is classified as held for sale.

When the Group's share of losses exceeds its interest in an associate or joint venture, 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 or joint venture.

Intra-Group balances and any unrealised gains and losses or income and expense arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures 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.

Group accounting policies cont.

Accounting policies

A summary of the Group and Channel 4 significant accounting policies that are material in the context of the financial statements is set out on the next page. All accounting policies have been applied consistently in all material respects to all periods presented in these financial statements.

There are no new standards that became effective during 2023 that have had a significant effect on the consolidated financial statements of the Group.

There are no new standards that will become effective during 2024 that are expected to have a significant effect on the consolidated financial statements of the Group.

Revenue recognition

Revenues are stated net of value added tax and are recognised when a contract with a customer has been identified and as each of the Group's performance obligations are fulfilled. Contract assets and liabilities are recognised on the balance sheet as accrued and deferred income, respectively. Each of the Group's significant revenues are recognised as described below:

Linear and digital advertising revenues

Revenues are stated net of advertising agency commissions and rebates.

Linear and digital advertising revenue are 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, reflecting the satisfaction of the Group's performance obligations.

Commission revenue earned from advertising representation for third parties is recognised on transmission of the related advertisements in line with contractual arrangements. Following the adoption of IFRS 15 'Revenues from Contracts with Customers', the Group reviewed its treatment of this revenue stream, concluding that it does not control the specified goods or services in these transactions before they are transferred to the customer, and therefore acts as an agent for these parties. The gross advertising sales of these arrangements are not recognised in revenue, but the commission earned by the Group in its capacity as agent is.

Revenues are recognised from barter and other similar contractual arrangements involving advertising when the services exchanged are dissimilar. Revenues are measured with reference to the fair value of the goods or services received; judgement is required in assessing the fair value of the goods or services received.

Non-advertising revenues

Revenues earned from syndicating content to third-party online platforms are typically generated from some or all of the following contractual arrangements:

- Licence fee income – revenue is recognised on a straight-line basis over the contract term as performance obligations are met
- Pence-per-view or revenue share – revenues are calculated based on the number of content views and are recognised when the amounts can be reliably measured

Revenues generated from the exploitation of programme rights are recognised when the rights are transferred to the customer, reflecting the fact that the Group's performance obligations have been fulfilled.

Revenues generated from the exploitation of developed film rights (for example, from theatrical box office releases) are recognised when revenues can be reliably measured.

The Group's contracts with customers do not contain significant financing components or material aspects of variable consideration.

Segment reporting

IFRS 8 'Operating Segments' requires the segment information presented in the financial statements to be that which is used internally by the chief operating decision maker to evaluate performance and allocate resources.

The Group has determined that the Board of Members is its chief operating decision maker, and the financial statements are presented in aggregate as a single operating segment consistent with how the Board evaluates performance and allocates resources.

Taxation

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

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

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

The following temporary 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 joint ventures 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 associates and joint ventures

Investments in associates and joint ventures are recognised using the equity method, where the investment is recorded at cost and adjusted thereafter to include the Group's share of profit or loss and other comprehensive income and dividends received.

Other investments

Other investments includes equity holdings without significant influence, as well as investments made via other financial instruments, such as convertible loan notes. Equity investments are normally carried at fair value in accordance with IFRS 13 'Fair Value Measurement'. Level 1 and Level 2 inputs under IFRS 13 can be obtained for certain investments and used where available assessing their fair value. Where only Level 3 inputs are available (that is, where an active market value or other observable indicators of fair value cannot be obtained), the investment is recorded at cost less provision for impairment. The Members believe that this valuation reflects a reasonable approximation of fair value. In line with IFRS 9 'Financial Instruments', the Group elects at initial recognition to recognise any changes in the fair value of its other equity investments through other comprehensive income, reflecting the fact that the management of these investments is not part of the Group's core activities. If applicable, changes in the fair value of other financial instruments are recognised through the income statement.

Property, plant, and equipment

Freehold land and buildings are stated at open market valuation (fair value, using Level 2 inputs per IFRS 13) 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 the fair open market value approximates the current value.

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

Fixtures, fittings, and equipment are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost or valuation of the asset evenly, on a straight-line basis, over its estimated useful life. Useful lives are estimated taking into account the rate of technological change and the intensity of use of each asset. The annual rates used for this purpose are as follows:

Freehold buildings	2%
Computer hardware	25%–50%
Office equipment and fixtures and fittings	25%
Technical equipment	14%–25%

Freehold land is not depreciated.

The carrying values of property, plant, and equipment are reviewed for impairment when events or other changes in circumstances indicate that the carrying values may not be recoverable. Where an indicator of impairment exists, an estimate is made of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

Intangible assets

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

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

Other intangible assets acquired by the Group, including network distribution rights, are stated at cost less accumulated amortisation and any provision for impairment. Network distribution rights are amortised over an estimated useful life of 16 years. Broadcast licences are amortised over a useful life of seven years. 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. Brand intangibles are deemed to have an indefinite useful life and are tested annually for impairment.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested annually for impairment.

A gain realised on bargain purchase arising on the acquisition of an entity represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the entity recognised at the date of acquisition over the cost of acquisition.

Any gain realised on bargain purchase is recognised in the income statement in the year that it arises.

Impairment

An impairment charge is recognised if the carrying value of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment charges are recognised in the income statement (with the exception of impairments which the Group has elected to recognise in other comprehensive income under IFRS 9 'Financial Instruments').

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 cash flows for the specific asset, or if the asset does not generate independent cash flows, the discounted future net cash flows for the cash-generating unit to which it belongs.

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

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

Reversal of impairments

An impairment charge in respect of freehold land and buildings is reversed in the event of a subsequent increase in fair value. Such a gain is recognised in other comprehensive income, unless the gain reverses an impairment of the same asset previously recognised in the income statement, in which case it is also recognised in the income statement. An impairment charge in respect of goodwill is not reversed. In respect of other assets, an impairment charge is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Programme and film rights

All programme and film rights are valued at the lower of their direct cost (as applicable to the relevant type of rights, see further detail on next page) and value to the Group. Development expenditure is included in programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme, or a 'greenlit' film, directly to the income statement.

Group accounting policies cont.

Programme and acquired film rights

Direct cost - commissioned rights

Direct cost is defined as payments made or due to programme suppliers.

Payments for programme and film rights made in advance of taking delivery and/or of the legal right to broadcast the programmes are recorded in programme and film rights, but are separately identified as in the course of production. Before being included in programme rights, the rights are disclosed as contractual commitments (see note 18).

Direct cost - acquired programme and film rights

Direct cost is defined as the total expected value of the acquired rights over the life over the associated contract.

Programme and film rights and trade and other payables as presented in the 2022 and 2021 comparative periods have been restated in 2023 to reflect the grossing up of amounts related to acquired programme and film rights, to ensure that the presentation of these balances reflects the full cost of the asset being recognised at the license commencement date, and an associated liability to reflect the full obligation under the contract, which is recognised in trade and other payables.

Value to the Group

Consistent with Channel 4's business model, in which programmes that generate more revenue cross-subsidise programmes with a higher public but sometimes lower commercial value, the value to the Group of the programme and acquired film rights portfolio is assessed on an aggregate basis.

This assessment is overlaid by an evaluation of individual programmes when there is an indicator that the value of these specific programmes may be less than originally envisaged. Value to the Group of individual programmes is assessed both qualitatively and quantitatively, with reference to the quality of programme that has ultimately been delivered and its expected viewing performance.

In certain instances, Channel 4 is committed to funding the acquisition or production of specific programmes where the value to the Group no longer warrants the level of expenditure to which the Group is committed. In these instances, provision is first made against the costs incurred to date and then a liability is recognised to reflect the unavoidable costs in relation to the remaining commitment.

Amortisation

Programme and acquired film rights are exploited by transmission on the Channel 4 suite of channels and availability on the Group's streaming platform. The cost of broadcast programmes and acquired films are wholly written off on first transmission, except for certain feature films, sports rights, and certain acquired series, the costs of which are written off over more than one transmission in line with the expected value to the Group. Content exclusive to Channel 4 streaming is written off in line with the anticipated viewing profile.

Developed film rights

Direct cost

Direct cost is defined as payments made or due to the film producer.

Direct cost of developed film rights is recorded on the balance sheet from the point that the Group commits to financing a film.

Value to the Group

Developed film rights are exploited both through broadcast on Channel 4's suite of channels and through distribution.

Broadcast film rights are assessed in the same way as programme and acquired film rights.

To the extent that developed film rights are expected to generate revenue, where Channel 4's share of distribution revenues the film is anticipated to earn does not support the associated cost held within inventory, provision is made. The main assumptions employed to estimate future distribution revenues are minimum guaranteed contracted revenues and sales forecasts by territory.

Amortisation

Developed film rights expected to generate future revenues from distribution are held on the balance sheet and expensed to the income statement in the proportion that the revenue in the year bears to the estimated ultimate revenue, after provision for any anticipated shortfall. Management has rebutted the presumption under IAS 38 'Intangible Assets' and concluded that a revenue-based amortisation profile is appropriate for developed film rights as the revenue and consumption of economic benefits embodied in the film rights are highly correlated and management does not consider there to be any methodology that is more appropriate.

Trade and other receivables

Trade and other receivables are reflected net of any expected credit loss. For trade and other receivables with a remaining life of less than one year, the Group applies the practical expedient under IFRS 9 'Financial Instruments' to assume that there is no significant financing component, and the receivables are therefore measured at the transaction price. All other receivables are recognised at fair value, estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. The adoption of IFRS 9 in 2018 did not have a material impact on the value of the Group's trade and other receivables as it has no significant record of historical credit losses.

Trade and other payables

Trade and other payables are recognised as current if due for payment in less than one year, or recognised non-current if settled over a longer period. Trade and other payables are recognised based on contractual cash flows, and no differences have been identified between the book value of trade and other payables and their fair value.

Other financial assets

Other financial assets comprise deposits of three or more months' duration and other funds with time-restricted access, and are stated at fair value.

Cash and cash equivalents

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

Foreign currency

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

Derivative financial instruments

The Group transacts primarily in Sterling but also in Euros and US Dollars. Certain exposures to fluctuations in exchange rates are managed by transactions in the forward foreign exchange markets. These derivative financial instruments are stated at fair value based on quoted market rates. Changes in the fair value of these derivative financial instruments are recognised in the income statement. The Group does not hold or issue derivative financial instruments for trading purposes.

Channel 4 has not sought to apply hedge accounting treatment for any of its foreign exchange hedging activity in either of the years presented. As a result, changes in the fair value of hedging instruments have been recognised in the income statement as they have arisen.

Where Channel 4 has identified forward foreign exchange derivative instruments within certain contracts (embedded derivatives), these have been included in the balance sheet at fair value. Fair value of these derivatives is determined by reference to quoted market rates.

The value of the derivatives is reviewed on an annual basis or when the relevant contract matures.

Leases

The Group adopted the lessee accounting model required under IFRS 16 'Leases' on 1 January 2019. This removes the distinction between finance leases and operating leases previously reflected in the Group's accounting policy.

On adoption of the standard (and at the inception of subsequent new leases) a right-of-use asset is recognised in the Group's financial statements reflecting its right to control the underlying lease assets and use them to generate future economic benefits. A corresponding lease liability is also recognised in line with the principal and interest to be repaid over the lease term. These amounts are determined based on the present value of the minimum lease payments to be made over the contract term, discounted using the rate implicit in the lease if this can be determined, and otherwise using the Group's incremental borrowing rate.

The Group subsequently recognises depreciation relating to the right-of-use asset, as well as interest accrued on the lease liability, in the income statement.

The Group applies practical expedients provided in IFRS 16 to exclude short-term and low-value lease contracts from the new accounting model, and these are presented as operating costs.

Employee benefits – pensions

Defined benefit scheme

The Group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine a value at today's prices, and deducting the fair value of scheme assets at bid price. The assumed discount rate for the liabilities is the current rate of return of high-quality corporate bonds with similar maturity dates.

The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurement gains and losses that arise in calculating the Group's obligation in respect of the plan are recognised directly in other comprehensive income within the statement of comprehensive income in the period in which they arise. The finance cost is recognised in the income statement.

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 significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Before provisions are established in relation to onerous contracts, impairment reviews are carried out and impairment charges recognised on assets dedicated to the contract.

Notes to the consolidated financial statements

1. Revenue

	2023 £m	2022 £m
Linear advertising revenue	642	766
Digital advertising revenue	280	255
Non-advertising revenue	101	121
Total revenue	1,023	1,142

The Group had no individual external customers with gross revenues comprising more than 10% of the Group's overall revenues in 2023 (2022: one external customer amounting to £135 million). The Group's major customers are all media buying agencies. Approximately 5% of the Group's revenues (2022: 5%) are attributable to external customers outside the UK and these are therefore not separately presented.

The Group has material contracts with customers with a duration of more than one year, relating to partnerships and distribution of channels and services. The aggregate amount of the transaction price for these contracts allocated to performance obligations which are still unfulfilled as at 31 December 2023 is £60 million (2022: £82 million). The Group expects to recognise £27 million of revenue relating to these performance obligations in 2024 (2022: £24 million to be recognised in 2023), with the remainder recognised on a straight-line basis until 2026.

The Group recognised £42 million of revenue during 2023 that was recorded as a contract liability at the previous year end (2022: £40 million).

2. Cost of transmission and sales

	2023 £m	2022 £m
Content	663	713
Other content-related costs	119	109
Broadcast and transmission costs	98	95
Other cost of sales	154	163
Total cost of transmission and sales	1,034	1,080

The Group's cost of transmission and sales is reported here as one segment as described in the 'Group accounting policies' section on page 200. Other cost of sales includes direct costs of linear and digital advertising and rights, marketing, technology, and audience research costs.

3. Other operating expenditure

Other operating expenditure includes:

	2023 £m	2022 £m
Depreciation of property, plant, and equipment (notes 9, 11)	8	7
Amortisation of intangible assets (note 10)	3	2
Other administrative expenses	33	35
Other operating expenditure	44	44

In 2023, there were no restructuring costs expensed to the income statement in respect of initiatives to increase operational efficiency within the Group (2022: £nil).

Auditor's remuneration

Fees in respect of services provided by the auditor were:

	2023 £000	2022 £000
Audit of these financial statements	437	447
Amounts receivable by auditor and their associates in respect of:		
Audit-related assurance services	63	50
Auditor remuneration	500	497

4. Employee expenses and information

A detailed analysis of Members' remuneration, including salaries and variable pay, is provided in the Members' Remuneration report.

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

	2023 £m	2022 £m
Aggregate gross salaries	105	92
Employer's National Insurance contributions	11	10
Employer's defined contribution pension contributions	7	6
Total direct costs of employment before exceptional items	123	108
Exceptional items (page 199)	-	17
Total direct costs of employment	123	125

The Executive Members are considered to be the key management of the Corporation. As disclosed in the Members' Remuneration report on page 180, the total remuneration of the Executive Members for the year ending 31 December 2023 is £2,156,000 (2022: £3,321,000; £2,930,000 before exceptional items).

The salary multiple of highest paid Executive Member to employees in the 25th, 50th, and 75th percentiles was as presented below. The Chief Executive was the highest paid Executive Member in 2022 and 2023.

	2023 £000	2022 £000
Total remuneration of highest paid Executive Member before exceptional items (page 180)	993	1,335
Total remuneration of employee at 75th percentile	95	95
Total remuneration of employee at 50th percentile	65	63
Total remuneration of employee at 25th percentile	46	45
Multiple of highest paid Executive Member to employee at 75th percentile	10.5	14.1
Multiple of highest paid Executive Member to employee at 50th percentile	15.3	21.1
Multiple of highest paid Executive Member to employee at 25th percentile	21.6	29.8

Total remuneration is defined as base salary, variable pay, employer pension contribution, and other benefits. The total remuneration of employees in the 25th, 50th, and 75th percentiles is calculated based on the methodology set out under Option A provided in the Companies (Miscellaneous Reporting) Regulations 2018.

The average monthly number of employees, including Executive Members, was as follows:

	2023 Number	2022 Number
Commercial	274	261
Creative	503	429
Operational	525	463
4Talent	49	44
Total	1,351	1,197

The headcount calculation reflects the actual proportion of hours worked in a week for each individual employee. The employee information disclosed in this note excludes a small number of on-screen talent who are remunerated via Channel 4's payroll.

5. Net finance income

Net finance income recognised in the year comprised:

	2023 £m	2022 £m
Interest receivable on short-term deposits	2	3
Net interest income on pension scheme (note 19)	1	-
Other finance expense	-	(1)
Net finance income	3	2

Notes to the consolidated financial statements cont.

6. Income tax (credit)/expense

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

	2023 £m	2022 £m
Current tax:		
Current year	–	–
Prior year	(3)	–
Deferred tax: origination and reversal of temporary differences (note 12)		
Current year	(12)	2
Prior year	2	–
Total income tax expense	(13)	2

Corporation tax is charged at an effective standard UK rate of 23.5% for the year (2022: 19%). An increase in this rate to 25% (effective 1 April 2023) was announced in the 2021 Spring Budget and substantively enacted on 24 May 2021. This will increase the Corporation's future tax charge accordingly. This change in rate has been reflected in calculating the Group's deferred tax balances.

Reconciliation of income tax:

	2023 Rate	2023 £m	2022 Rate	2022 £m
Surplus before income tax		(52)		3
Income tax using the UK corporation tax rate	23.5%	(12)	19.0%	1
Effects of:				
Non-deductible expenses		1		1
Recognition of deferred tax on trading losses carried forward		(1)		–
Other tax adjustments		(1)		–
Total income tax expense		(13)		2

The income tax expense excludes the Group's share of income tax of investments accounted for using the equity method of £nil (2022: £nil) which has been included in the Group's share of post-acquisition profits, net of income tax (note 7).

7. Investments accounted for using the equity method

The carrying value of the Group's investments accounted for using the equity method is as follows:

	Indie Growth Fund £m
Carrying value at 1 January 2022	8
Acquisitions	3
Disposals	(1)
Impairment loss	(1)
Total carrying value at 31 December 2022	9
Carrying value at 1 January 2023	9
Acquisitions	1
Disposals	–
Impairment loss	–
Total carrying value at 31 December 2023	10

7. Investments accounted for using the equity method continued

The Indie Growth Fund

In 2023, Channel 4 invested £1 million (2022: £3 million) in the Indie Growth Fund. Investment activity during 2023 reflected the Fund's strategy geared to fast-growing independent production companies in the Nations and Regions as well as digital and diverse businesses across the whole of the UK.

Channel 4 set out two key aims when launching the Indie Growth Fund. Firstly, to provide access to funding for a broad portfolio of small and medium-sized independent production companies based in the UK to help them grow and develop their business. Secondly, to put our capital to work in more remit-delivering ways and open Channel 4 up to sharing in the benefits of companies that go on to generate shareholder value in the medium term. Therefore, the Indie Growth Fund companies are held for investment purposes and it is not management's intention to control these entities. The Indie Growth Fund companies have been classified as associates as Channel 4 generally has commitments to purchase more than 20% of the equity and voting rights in these entities. Where this is not the case, management is satisfied that significant influence exists over these entities due to Channel 4's ability to influence, but not control, the financial and operating policies of these entities.

During 2022, Channel 4 sold its stake in one Indie Growth Fund entity – Voltage TV Productions Limited (for consideration of £1 million, recognising a gain on disposal of £1 million). There were no exits from the Fund during 2023.

The Indie Growth Fund investments are assessed annually to identify any indicators of impairment, and if any are noted then a full impairment review is performed. No impairment losses were recognised during 2023 (2022: impairment loss of £1 million recognised in non-operating expenditure).

Of the £663 million (2022: £713 million) total of programme rights recognised as expenses in 2023 (note 13), Channel 4 commissioned £20 million (2022: £24 million) of content from Indie Growth Fund companies. Channel 4 owed the Indie Growth Fund companies £nil in respect of these transactions at 31 December 2023 (2022: £nil).

Channel 4 had committed £nil for subsequent investment in the Indie Growth Fund entities as at 31 December 2023 (2022: £nil).

The Indie Growth Fund is comprised of the following entities incorporated in the United Kingdom:

Company	Activity	Registered address	Proportion of equity owned at 31 December	
			2023	2022
Dial Square 86 Limited	TV programme production activities	Somerset House, Strand, London WC2R 1LA	4.7%	4.7%
Spelthorne Community Television Limited	TV programme production activities	2nd Floor, 63–64 Margaret Street, London W1W 8SW	25.0%	25.0%
Voltage TV Productions Limited	TV programme production activities	5 Elstree Gate, Borehamwood, Herts WD6 1JD	–	–
Parable Ventures Limited	TV programme production activities	64 New Cavendish Street, London W1G 8TB	18.0%	18.0%
Firecrest Films Limited	TV programme production activities	Fairfield, 1048 Govan Road, Glasgow G51 4XS	25.0%	25.0%
Two Rivers Media Limited	TV programme production activities	James Miller Building, 4th Floor, 98 West George Street, Glasgow G2 1PJ	17.0%	17.0%
Candour Productions Limited	TV programme production activities	Springfield Mill, Unit 15, 1 (E) Bagley Lane, Farsley, Pudsey LS28 5LY	25.0%	25.0%
Five Mile Films Limited	TV programme production activities	Lower Ground Floor, 2 St Pauls Road, Clifton, Bristol BS8 1LT	17.5%	17.5%
Eagle Eye Drama Limited	TV programme production activities	35 Soho Square, London W1D 3QX	25.0%	25.0%
Yeti Media Limited	TV programme production activities	Lon Cae Ffynnon Unit 1i, Cibyn Industrial Estate, Caernarfon LL55 2BD	25.0%	25.0%
Proper Content Limited	TV programme production activities	6th Floor, Charlotte Building, 17 Gresse Street, London W1T 1QL	25.0%	25.0%
Uplands Television Limited	TV programme production activities	93 Chatterton Road, Bromley BR2 9QQ	25.0%	25.0%
Big Deal Films Limited	Artistic creation	Unit 6, 58–60 Minerva Road, London NW10 6HJ	25.0%	25.0%
Duck Soup Films Limited	Motion picture production activities	2nd Floor South, Marshall Court, Leeds LS11 9YP	25.0%	25.0%
Paper Entertainment Limited	TV programme production activities	39 Long Acre Covent Garden, London WC2E 9LG	25.0%	25.0%
Salamanda Media Limited	TV programme production activities	135 Church Street, Horwich, Bolton BL6 7BR	25.0%	20.0%
Spirit Media Studios Limited	Video production activities	PO Box 484, Teddington TW11 1DU	25.0%	25.0%
Freedom Scripted Entertainment Limited	TV programme production activities	G/A Atlantic Chambers, 45 Hope Street, Glasgow G2 6AE	25.0%	20.0%
Rockerdale Studios Limited	TV programme production activities	99 Levison Way 99 Levison Way, London N19 3XF	25.0%	25.0%
Warp Films Limited	TV programme production activities	37 Gilbert South Street, Park Hill, Sheffield S2 5QY	20.0%	20.0%
Studio Crook Limited	TV programme production activities	Europa House, Goldstone Villas, Hove, England, BN3 3RQ	20.0%	–

The equity owned for each of the entities listed above relates to ordinary shareholdings.

Notes to the consolidated financial statements cont.

7. Investments accounted for using the equity method continued

Summary annual financial information of Indie Growth Fund investments

	Current assets £m	Non-current assets £m	Current liabilities £m	Long-term liabilities £m	Revenue £m	(Loss)/profit from continuing operations £m
2023	28	1	(10)	(3)	78	-
2022	20	(1)	(15)	(2)	60	(1)

Other

Channel 4 holds 25% of the shares and voting rights in European Broadcaster Exchange (EBX) Limited, a digital advertising sales venture with other European broadcasters. European Broadcaster Exchange (EBX) Limited is incorporated in the United Kingdom.

Company	Activity	Registered address	Proportion of equity owned at 31 December	
			2023	2022
European Broadcaster Exchange (EBX) Limited	Television programming and broadcasting activities	6th Floor, 65 Gresham Street, London EC2V 7NQ	25%	25%

8. Other investments

Channel 4 Ventures

	Channel 4 Ventures £m	Other £m	Total £m
Carrying value at 1 January 2022	30	4	34
Acquisitions	20	-	20
Fair value movement	(5)	-	(5)
Disposals	-	-	-
Total carrying value at 31 December 2022	45	4	49
Carrying value at 1 January 2023	45	4	49
Acquisitions	13	-	13
Fair value movement	(8)	(4)	(12)
Disposals	-	-	-
Total carrying value at 31 December 2023	50	-	50

Channel 4 Ventures

During 2015, Channel 4 launched the Commercial Growth Fund (now renamed as Channel 4 Ventures), a fund with the aim of attracting new advertisers to TV and stimulating existing sectors. Channel 4 Ventures exchanges advertising airtime in return for equity shareholdings or convertible loan instruments. During 2023, the Corporation invested a further £13 million (2022: £20 million) in Channel 4 Ventures holdings.

Channel 4 Ventures investments are recorded at fair value. In line with IFRS 9 'Financial Instruments', the Group elects at initial recognition to recognise any changes in the fair value of its equity investments through other comprehensive income, reflecting the fact that the management of these investments is not part of the Group's core activities. If applicable, changes in the fair value of other financial instruments are recognised through profit and loss. Fair value has been assessed against quoted prices in active markets where available or against other observable inputs. A net fair value loss of £8 million (2022: a net fair value loss of £5 million) has been recognised in other comprehensive income during 2023.

There were no other transactions with the Channel 4 Ventures companies in 2023 (2022: none).

Other investments

Other investments held at 31 December 2022 related to certain other airtime-for-equity shareholdings outside the remit of Channel 4 Ventures. Channel 4 exited these holdings during 2023, recognising a loss in fair value of £4 million through other comprehensive income.

9. Property, plant, and equipment

	Freehold land and building £m	Fixtures, fittings, and equipment £m	Assets under construction £m	Total £m
Cost or valuation				
At 1 January 2022	98	48	2	148
Additions	9	2	4	15
Revaluation	(17)	–	–	(17)
At 31 December 2022	90	50	6	146
At 1 January 2023	90	50	6	146
Additions	1	3	5	9
Transfers	9	3	(9)	3
Revaluation	(17)	–	–	(17)
At 31 December 2023	83	56	2	141
Depreciation				
At 1 January 2022	–	37	–	37
Charge for the year	2	4	–	6
Revaluation	(2)	–	–	(2)
At 31 December 2022	–	41	–	41
At 1 January 2023	–	41	–	41
Charge for the year	1	6	–	7
Transfers	–	(1)	–	(1)
Revaluation	(1)	–	–	(1)
At 31 December 2023	–	46	–	46
Net book value				
At 1 January 2023	90	9	6	105
At 31 December 2023	83	10	2	95
At 1 January 2022	98	11	2	111
At 31 December 2022	90	9	6	105

The Group had committed £nil for expenditure on property, plant, and equipment at the balance sheet date (2022: £7 million). No assets have been pledged for security (2022: none).

Valuation of freehold property

The freehold property at 124 Horseferry Road, London SW1P 2TX was valued at 31 December 2023 by independent valuers CBRE Limited, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. CBRE Limited has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. The property was valued on the basis of open market value, which the Members believe approximates to current value. In reaching their conclusions, the valuers have paid attention to comparable transactions which have taken place in recent months within the Victoria area of London. They have also taken into account ongoing repair work to the building in arriving at their valuation.

The open market value for this property was £83 million (2022: £90 million). After additions made to the building during 2023 and depreciation charged on the open market value at 31 December 2023 (£1 million), a loss on revaluation of £16 million has been recognised in the statement of other comprehensive income (2022: loss on revaluation of £15 million).

If freehold property had not been revalued it would have been included in the financial statements at the following amounts:

	2023 £m	2022 £m
Cost	97	88
Additions	1	9
Transfers	9	–
Accumulated depreciation	(46)	(45)
Impairment	(6)	(6)
Net book value based on cost	55	46

Post balance sheet events

Following the year-end date, it was announced in January 2024 that Channel 4 intends to move out of the Horseferry Road property in the coming years as part of its new Fast Forward strategy. As at the date of this report, management are continuing to assess options for future workspace including a potential sale or lease of Horseferry Road.

Notes to the consolidated financial statements cont.

10. Intangible assets

	Goodwill £m	Developed software £m	Broadcasting licence £m	Software under construction £m	Network distribution rights £m	Brands £m	Total £m
Cost							
At 1 January 2022	2	23	5	3	27	1	61
Additions	-	6	-	3	-	-	9
Disposal	-	-	-	-	-	-	-
At 31 December 2022	2	29	5	6	27	1	70
At 1 January 2023	2	29	5	6	27	1	70
Additions	-	-	-	4	-	-	4
Transfer	-	(3)	-	-	-	-	(3)
Disposal	-	-	-	-	-	-	-
At 31 December 2023	2	26	5	10	27	1	71
Amortisation							
At 1 January 2022	-	22	5	-	6	-	33
Amortisation for the year	-	-	-	-	2	-	2
At 31 December 2022	-	22	5	-	8	-	35
At 1 January 2023	-	22	5	-	8	-	35
Amortisation for the year	-	1	-	-	1	1	3
Transfer	-	1	-	-	-	-	1
At 31 December 2023	-	24	5	-	9	1	39
Carrying amount							
At 1 January 2023	2	7	-	6	19	1	35
At 31 December 2023	2	2	-	10	18	-	32
At 1 January 2022	2	1	-	3	21	1	28
At 31 December 2022	2	7	-	6	19	1	35

Goodwill represents goodwill arising on the acquisition of Global Series Network Limited ("GSN") on 30 July 2015. GSN holds the rights to the Walter Presents foreign language content transmitted across the Channel 4 portfolio.

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.

The network distribution rights and brands arose during 2018 on the acquisition of Box Plus Network Limited ("Box").

11. Lease assets and liabilities

Right-of-use assets

	Property £m	Total £m
At 1 January 2022	10	10
Additions and changes in terms	-	-
Charge for the year	(1)	(1)
At 31 December 2022	9	9
At 1 January 2023	9	9
Additions and changes in terms	-	-
Charge for the year	(1)	(1)
At 31 December 2023	8	8

The Group expenses short-term leases and low-value assets as incurred in accordance with the exemption permitted by IFRS 16. These expenses amounted to £0.2 million in 2023 (2022: £0.1 million).

11. Lease assets and liabilities continued

Lease liabilities

	Property £m	Total £m
Current		
Within one year	1	1
Non-current		
Between two to five years	3	3
Greater than five years	5	5
Total	9	9

The interest expense relating to lease liabilities under IFRS 16 was £0.2 million in 2023 (2022: £0.1 million).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 25% (2022: 25%) reflecting the corporation tax rate substantively enacted as at 31 December 2023.

	Assets 2023 £m	Assets 2022 £m	Liabilities 2023 £m	Liabilities 2022 £m	Net 2023 £m	Net 2022 £m
Property, plant, and equipment	2	4	–	–	2	4
Employee benefits	–	–	(3)	(1)	(3)	(1)
Trading losses	20	5	–	–	20	5
Temporary differences on acquired intangible assets	–	–	(5)	(5)	(5)	(5)
Total deferred tax assets/(liabilities)	22	9	(8)	(6)	14	3

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). At 31 December 2023, based on long-term forecasts, and in line with the Group's aim to remain commercially self-sustainable in the long term and the launch of its Fast Forward strategy, management considers it probable that future taxable profit will be available against which to recognise these assets. Unrecognised deferred tax assets include losses carried forward that the Group is not yet able to utilise.

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2023 £m	2022 £m
Carried forward capital losses	2	2
Carried forward trading losses	–	–
Tax assets	2	2

Movements in temporary differences during the year

The amount of deferred tax recognised in the income statement or other comprehensive income in respect of each type of temporary difference is as follows:

	Balance at 1 January 2023 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 December 2023 £m
Property, plant, and equipment	4	(2)	–	2
Employee benefits	(1)	(3)	1	(3)
Trading losses	5	15	–	20
Temporary differences on acquired intangible assets	(5)	–	–	(5)
Total deferred tax assets/(liabilities)	3	10	1	14

	Balance at 1 January 2022 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 December 2022 £m
Property, plant, and equipment	5	(1)	–	4
Employee benefits	7	(2)	(6)	(1)
Trading losses	5	–	–	5
Temporary differences on acquired intangible assets	(6)	1	–	(5)
Total deferred tax assets/(liabilities)	11	(2)	(6)	3

Notes to the consolidated financial statements *cont.*

13. Programme and film rights

	2023 £m	2022 £m
Programmes and films completed but not transmitted	126	160
Acquired programme and film rights	180	168
Programmes and films in the course of production	166	164
Total programme and film rights	472	492

Programme and film rights as presented in the 2022 comparative period have been restated in 2023 by £94 million, to retrospectively reflect the grossing up of amounts relating to acquired programme and film rights at the licence start date; further detail is provided on page 202.

Certain programmes and film rights may not be utilised within one year but are expected to be consumed during the normal operating cycle and are therefore disclosed as current assets. The proportion of total programme and film rights not expected to be utilised within one year is 35% (2022: 42%).

Programmes and films in the course of production are disclosed within programme and film rights, rather than within prepayments, as management believes this most clearly reflects the total value of current assets relating to the production of content and that it is most useful to the readers of the financial statements to include the total value of current assets relating to the production and acquisitions of content in one line on the balance sheet.

Programme and film rights to the value of £663 million were recognised as expenses in the year across the main and digital television channels (2022: £713 million). Of this amount, obsolete programmes and developments written off totalled £20 million (2022: £35 million).

Programme and film rights include £36 million (2022: £32 million) in respect of developed film rights.

14. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	143	145
Prepayments	20	27
Accrued income	10	18
Total trade and other receivables	173	190

There is no difference between the fair value and book value of trade and other receivables. Trade receivables are shown net of impairment charges amounting to £nil (2022: £nil).

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade receivables

Credit risk with respect to trade receivables is principally related to amounts due from advertising agencies and retailers. A risk strategy exists to protect these receivables including insurance for most customers. Exposure is monitored continually and reviewed on a weekly basis, and any issues are formally reported. Based on credit evaluation and discussions with insurers, customers may be required to provide security in order to trade with the Group.

The Group may establish an allowance for impairment that represents our expected credit loss in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as advertising revenue is either protected by trade credit insurance or pre-paid prior to transmission. The Group's expected lifetime credit loss at 31 December 2023 was £nil (2022: £nil).

(ii) Counterparty

See interest rate risk and exposure in note 15.

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 was £143 million for the Group (2022: £145 million), with £nil of other financial assets (2022: £50 million), and cash and cash equivalents of £96 million (2022: £203 million). The exposure to credit risk all arises in the UK.

Trade receivables of £143 million for the Group (2022: £145 million) were aged under six months or were not yet due under standard credit terms at the balance sheet date. £124 million of the receivables were insured at the balance sheet date (2022: £120 million) and £139 million (2022: £142 million) has been subsequently collected by the Group since the balance sheet date.

15. Net cash reserves

	2023 £m	2022 £m
Bank balances	39	50
Money market funds ¹	57	113
Money market deposits with initial maturity of less than three months	–	40
Cash and cash equivalents	96	203
Money market deposits with initial maturity of more than three months	–	50
Investment funds	–	–
Other financial assets²	–	50

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

2 Other financial assets comprise deposits of three or more months' duration and other funds with time-restricted access, and are stated at fair value.

There is no difference between the fair value and book value of cash, cash equivalents, and other financial assets.

Cash flow information

	2023 £m	2022 £m
Cash and cash equivalents at 1 January	203	157
Other financial assets at 1 January	50	115
Borrowings at 1 January	–	–
Total net cash reserves¹ at 1 January	253	272
Net cash flow (used in)/generated from operating activities	(145)	11
Net cash flow used in investing activities	(11)	(29)
Net cash flow used in financing activities	(1)	(1)
Total cash flow	(157)	(19)
Cash and cash equivalents at 31 December	96	203
Other financial assets at 31 December	–	50
Total net cash reserves¹ at 31 December	96	253

1 The Group presents net cash reserves as an alternative performance measure; an explanation of this APM is provided on page 198. Net cash reserves represents the total of Cash and cash equivalents and Other financial assets above net of any cash borrowings.

Interest rate risk and exposure

The Group invests surplus cash in fixed-rate money market deposits, high-interest bank accounts, and variable and constant net asset value money market funds. Funds are invested only with an agreed list of counterparties that carry a minimum of an A- credit rating or equivalent from Standard & Poor's and Moody's credit rating services with Government support, or with money market funds that have an AAA credit rating from either of these credit rating services.

It is estimated that if interest rates had been 0.5% lower/higher throughout the year, with all other variables held constant the Group's surplus before tax would have been £0.4 million lower/higher (2022: £1.0 million).

At the balance sheet date the Group had no debt and was not exposed to fluctuations in interest rates. In 2022, the Group renewed its revolving credit facility ("RCF"). The RCF is for a five-year term until March 2027 and provides £75 million of additional liquidity. This facility was extended by a further £75 million in early 2024. The facility is unsecured and is committed with a single tangible net worth covenant.

The Channel 4 Finance Committee granted approval in 2022 to increase the current limits in relation to our investment funds ("LVNAV's") from £75 million to £80 million per fund.

The interest rate profile of the Group's cash and deposits at 31 December 2023 and 31 December 2022 is set out below:

	Effective interest rate 2023 %	Effective interest rate 2022 %	Total 2023 £m	Total 2022 £m
Interest-bearing deposits maturing in less than three months held in Sterling	5.04	2.49	88	197
Interest-bearing deposits maturing in less than three months held in foreign currencies	4.94	2.53	8	6
Total cash and cash equivalents	5.03	2.49	96	203
Money market deposits maturing after three months held in Sterling	–	4.10	–	50
Other financial assets	–	4.10	–	50

Notes to the consolidated financial statements cont.

15. Net cash reserves continued

Foreign currency risk and derivative financial instruments

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than Sterling. The currencies that give rise to this risk are US Dollars and Euros. The Group uses forward exchange contracts and currency cash receipts to hedge its currency risk. Changes in the fair value of exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the change in the fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net finance expense (note 5).

The Group does not have any foreign subsidiaries and as a result is not exposed to foreign currency risk in this regard. The Group is exposed to currency movements on foreign cash holdings. Amounts held by currency are detailed above within the analysis of the Group's and Channel 4's cash and deposits.

At 31 December 2023, the total value of forward contracts used as economic hedges of monetary liabilities was £nil (2022: £1 million).

At 31 December 2023, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £nil (2022: £nil) has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2023. The forward contracts have been assessed as Level 2 in the fair value hierarchy under IAS 13 and assessed against observable market inputs.

	Maturity within 12 months of balance sheet date	Maturity within 12 months of balance sheet date	Maturity more than 12 months after balance sheet date	Maturity more than 12 months after balance sheet date	Total	Total
	2023 No.	2022 No.	2023 No.	2022 No.	2023 No.	2022 No.
Forward contracts to purchase US Dollars	–	–	–	–	–	–
Forward contracts to purchase Euros	–	3	–	–	–	3
Total forward contracts with fixed maturity dates	–	3	–	–	–	3

It is estimated that if Sterling had strengthened/weakened by 10% at the balance sheet date against other currencies, with all other variables held constant, the Group's deficit before tax would have been £1 million lower/higher (2022: £1 million).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its assets and liabilities. These risks are managed by the Group's treasury function as described below.

The Audit Committee is responsible for approving the treasury policy for the Group. The Group's policy is to ensure that adequate liquidity and financial resource is available to support the Group's continuing activities and growth while managing the risks described above. The Group's policy is not to engage in speculative financial transactions. The Group does not seek to apply hedge accounting. The Group's treasury and funding activities are undertaken by a treasury function, whose work is overseen by a Treasury Risk Committee reporting to the 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 within the parameters of the approved treasury policy.

16. Trade and other payables

	2023 £m	2022 £m
Current		
Trade payables	27	65
Taxation and social security	1	1
Other creditors	52	65
Programme and film creditors	198	236
Accruals	79	116
Deferred income	40	42
VAT	31	17
Total current trade and other payables	428	541
Non-current		
Programme and film creditors	34	40
Total non-current trade and other payables	34	40

Trade and other payables as presented in the 2022 comparative period have been restated in 2023 by £94 million, to retrospectively reflect the grossing up of amounts relating to acquired programme and film rights at the licence start date; further detail is provided on page 202. Programme and film creditors represent amounts payable for both commissioned content (where this is due but not yet invoiced at the reporting date) and acquired content (not yet due but contractually committed).

There is no difference between the fair value and book value of trade and other payables. The contractual cash flows are equal to the carrying amount and (with the exception of certain programme and film creditors not yet due) are payable within six months or less at 31 December 2023 and 2022.

The Group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, the Group's standard payment terms are within 45 days of the date of the invoice, with the exception of certain programme and transmission costs with qualifying independent production companies which are on immediate payment terms. Any complaints about failure to pay on time should be addressed to the Chief Operating Officer, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services in 2023, as calculated using average trade payable balances, was ten (2022: 11). This is significantly lower than the Group's standard payment terms due to the impact of the immediate payment terms described above.

Liquidity risk

Liquidity risk is the risk that the Group fails to meet its financial obligations as they fall due. The management of operational liquidity risk aims primarily to ensure that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. The cash balances held by the Group and the £150 million total revolving credit facility are considered to be sufficient to support the Group's medium-term funding requirements.

17. Provisions

	Onerous lease/ dilapidations £m	Restructuring costs £m	Total £m
At 1 January 2022	1	2	3
Utilised in the year	-	(2)	(2)
Charged to the income statement	-	-	-
At 31 December 2022	1	-	1
At 1 January 2023	1	-	1
Utilised in the year	-	-	-
Charged to the income statement	-	-	-
At 31 December 2023	1	-	1

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

	2023 £m	2022 £m
Current	-	-
Non-current	1	1
Total	1	1

Contingent liabilities

The Members are not aware of any legal or arbitration proceedings, pending or threatened, against any Member of the Group which give rise to a significant contingent liability.

18. Commitments

	Due within 1 year £m	Due within 2-5 years £m	Due after 5 years £m	Total £m
2023				
Programme commitments	416	267	-	683
Transmission contracts	31	50	36	117
Total	447	317	36	800
2022				
Programme commitments	457	299	-	756
Transmission contracts	31	57	45	133
Total	488	356	45	889

Transmission contracts represent committed capacity costs for transmission on the digital terrestrial and satellite network. Committed payments for digital terrestrial transmission capacity costs amounted to £22 million in 2023 (2022: £21 million). The digital terrestrial transmission contracts expire between 2024 and 2031. Committed payments for satellite transmission capacity costs were £7 million in 2023 (2022: £7 million). The satellite transmission contracts expire in 2024.

In addition to the above, the Group is party to the shareholder agreement for Digital 3 and 4 Limited. The Group is committed to meeting its share of contracted costs entered into by that company. The Group's share of Digital 3 and 4 Limited's committed payments was £25 million in 2023 (2022: £26 million) and is forecast to be £28 million in 2024. Digital 3 and 4 Limited has entered into long-term distribution contracts that expire in 2028 and 2034 and the Group is committed to funding its contractual share.

The Group's commitments for further subscriptions for minority shareholdings in companies in the Indie Growth Fund as at 31 December 2023 are disclosed in note 7.

Notes to the consolidated financial statements cont.

19. Employee benefits – pensions

Prior to 2015, the Group operated a defined benefit pension scheme – the Channel 4 Television Staff Pension Plan (the ‘Plan’), providing benefits based on final salary for employees. The scheme closed to future accrual with effect from 31 December 2015 without material impact to the Group’s defined benefit obligation.

Nature of benefits, regulatory framework, and governance

The Plan is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Trustees of the Plan are responsible for operating the Plan and have a statutory responsibility to act in accordance with the Plan’s Trust Deed and Rules, in the best interests of the beneficiaries of the Plan, and UK legislation (including Trust law). The employer has the power to set the contributions that are paid to the Plan, following advice from the scheme actuary. However, these must be agreed by the Trustees to the extent required by Part 3 of the Pensions Act 2004 (Scheme Funding).

Risks to which the Plan exposes the employer

The nature of the Plan exposes the employer to the risk of paying unanticipated additional contributions to the Plan in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation and salary increase experience;
- lower than expected investment returns; and
- the risk that movements in the value of the Plan’s liabilities are not met by corresponding movements in the value of the Plan’s assets.

The sensitivity analysis disclosed on page 226 is intended to provide an indication of the impact on the value of the Plan’s liabilities of the risks highlighted.

Plan amendments, curtailments, and settlements

There have not been any material curtailments or settlements during the year.

Investment strategy

The Trustees’ primary objectives are that the Plan should meet benefit payments as they fall due; and that the Plan’s funding position should remain at an appropriate level. The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Plan.

The Trustees’ investment objective is to target an appropriate return on the Plan’s assets to meet the objectives above while managing and maintaining investment risk, taking into account the strength of the employer covenant.

The Trustees, with the help of their advisers and in consultation with Channel 4, undertake a review of investment strategy from time to time. This includes consideration of the broad split between growth and matching assets, as well as asset class and asset manager arrangements. The Trustees have also considered how social, environmental, and ethical factors should be taken into account in the selection, retention, and realisation of investments, given the time horizon of the Plan and its members.

The Trustees regularly seek advice from their investment adviser about the target asset allocation and consider opportunities to enhance the investment portfolio, taking into account market conditions and anticipated future cash flows.

The investment portfolio includes exposure to UK and global equities, infrastructure, fixed income and a multi-asset mandate. The Plan also maintains a liability driven investment (“LDI”) portfolio, designed to partially track changes in the assessed value of the Plan’s liabilities due to movements in long-term interest rate and inflation assumptions.

The latest formal actuarial valuation of the Plan, as at 31 December 2021, took place during 2022 and included a comprehensive review of the Plan’s investment portfolio. Subsequent to the completion of the Actuarial Valuation and the accompanying investment review, the Trustees have:

- Undertaken various re-balancing activity to keep the Plan’s investment portfolio broadly in line with target allocations.
- More recently, during 2023, reduced the Plan’s target exposure to global equities in favour of lower-risk fixed income investments. This amendment reflected an improvement in the Plan’s funding level (its ratio of assets to liabilities), resulting in a reduced need to make use of higher-risk investments.

To help reduce longevity risk (that is, the risk that members of the Plan live for longer than expected over time), the Trustees entered into a c.£45 million bulk annuity policy with Just Retirement in March 2018. This provides income to match the requirements of certain pensioner liabilities (providing protection against interest rates, inflation and longevity risks).

19. Employee benefits – pensions continued

Amounts recognised in the consolidated balance sheet

	2023 £m	2022 £m
Present value of funded obligations	(365)	(357)
Fair value of Plan assets	378	362
Recognised asset for defined benefit obligations	13	5

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

	2023 £m	2022 £m
Fair value of scheme assets at 1 January	362	547
Interest income on Plan assets	18	11
Return on Plan assets (excluding amounts in interest income)	(1)	(191)
Employer contributions net of charges	10	9
Benefits paid	(11)	(14)
Fair value of scheme assets at 31 December	378	362

The fair value of the Plan assets at the balance sheet date is comprised as follows:

	2023 £m	2022 £m
Overseas and emerging markets equity	12	35
Total equity securities	12	35
Corporate bonds	59	48
Infrastructure	49	66
Total debt securities	108	114
Multi-asset absolute return	30	32
Liability driven investments	200	153
Total investment funds	230	185
Cash and cash equivalents	2	2
Annuity policy buy-in	26	26
Fair value of scheme assets at 31 December	378	362

The Plan assets do not include any directly or indirectly owned financial instruments issued by the Corporation. The valuation of the assets above is based on Level 1 inputs in the IFRS 13 fair value hierarchy, with the exception of the infrastructure assets and annuity policy buy-in which are valued based on relevant Level 3 inputs.

All equities and bonds are held as part of investment portfolios which have quoted prices in active markets.

Movements in the present value of scheme liabilities for defined benefit obligations recognised in the balance sheet:

	2023 £m	2022 £m
Present value of scheme liabilities at 1 January	357	576
Interest expense on pension scheme liabilities	17	11
Remeasurement gain on plan liabilities arising from changes in demographic assumptions	(7)	(1)
Remeasurement gain/(deficit) on plan liabilities arising from changes in financial assumptions	9	(251)
Experience remeasurement	–	36
Benefits paid	(11)	(14)
Present value of scheme liabilities at 31 December	365	357

Notes to the consolidated financial statements cont.

19. Employee benefits – pensions continued

Income recognised in the income statement arose as follows:

	2023 £m	2022 £m
Net interest income	1	–
Net credit to income statement	1	–

The remeasurement deficit recognised in other comprehensive income arose as follows:

	2023 £m	2022 £m
Remeasurement (deficit)/gain on plan liabilities	(2)	216
Remeasurement deficit on plan assets (excluding amounts in interest income)	(1)	(191)
Net remeasurement surplus/(deficit) on pension scheme	(3)	25

The cumulative amount of net remeasurement deficits/gains recognised in the statement of changes in equity since transition to IFRS is a £87 million deficit (2022: £84 million deficit).

Principal actuarial assumptions at the balance sheet date

	2023 %	2022 %
Discount rate	4.55	4.75
Rate of increase in salaries	2.25	2.25
Rate of increase in pensions	2.95	3.00
Inflation	3.00	3.05
	2023 years	2022 years
Life expectancy from 65 (now aged 45) – male	23.4	23.9
Life expectancy from 65 (now aged 45) – female	26.2	26.6
Life expectancy from 65 (now aged 65) – male	22.7	23.2
Life expectancy from 65 (now aged 65) – female	24.9	25.3

These assumptions were adopted in consultation with the independent actuary to the Channel Four Television Staff Pension Plan. If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the Group balance sheet. The expected returns on Plan assets are set by reference to historical returns, current market indicators, and the expected long-term asset allocation of the Plan.

Sensitivity analysis

The table below sets out the sensitivity of the scheme's pension liabilities to changes in actuarial assumptions, showing the revised present value of scheme liabilities in each scenario:

	2023 £m	2022 £m
0.5% decrease in discount rate	395	386
1 year increase in life expectancy	379	371
0.5% increase in salary assumptions	366	358
0.5% increase in inflation (and inflation-linked) assumptions	386	377

The sensitivities disclosed are calculated using approximate methods taking into account the duration of the Plan's liabilities.

Funding arrangements

The Plan was closed to future accrual with effect from 31 December 2015. The Corporation's contributions to the scheme are determined by a qualified independent actuary (the 'Actuary to the Plan') on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 31 December 2021. The results of the valuation at 31 December 2021 showed that the scheme's assets represented 85% of the benefits that had accrued to members, reflecting a deficit of £96 million. The next triennial valuation will be carried out as at 31 December 2024.

Following the valuation and discussions with the Actuary to the Plan, the Trustees and the Board agreed a revised schedule of contributions to reduce the Plan's funding deficit of £10 million per annum from January 2022 until April 2028.

The weighted average duration of the Plan's defined benefit obligation is approximately 16 years. The majority of the Plan's benefits are to be paid as annuities from retirement of a member until their death.

In accordance with the fund rules, the Corporation can realise any surplus on the winding up of the scheme after all other benefits have been paid. As a result, no adjustment is required in respect of IFRIC 14 IAS 19, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

20. Related party transactions

Members

Details of transactions in which Members have an interest are disclosed in the Report of the Members (page 161).

Details of Members' remuneration are shown in the Members' Remuneration report (page 180).

Key management personnel

The Executive Members are considered to be the key management of the Group.

Joint ventures and associates

Details of transactions between the Group and its joint ventures and associates as at 31 December 2023 are disclosed in note 7.

Other

The Group also contributes to the funding of the following organisations, each of which is incorporated in the United Kingdom. The table below presents the Group's ownership of the entities, or legal guarantee (indicated with *), and transactions with them during the year.

Name	Nature of business	Share class	Ownership interest	Services received		Funding and services provided	
				2023 £m	2022 £m	2023 £m	2022 £m
Broadcasters' Audience Research Board Limited	Research	*	–	–	–	3	2
Clearcast Limited	Regulator	Ordinary, deferred	25.0%	–	–	2	1
Digital 3 and 4 Limited	Operator	'A' Ordinary	50.0%	1	1	25	26
DTV Services Limited	Marketing	Ordinary	20.0%	6	7	4	4
Everyone TV Limited (formerly Digital UK)	Marketing	*	–	–	–	4	2
Thinkbox Limited	Marketing	Ordinary	20.0%	1	1	1	2
YouView Limited	Platform	Voting, non-voting	14.3%	–	–	1	1

The Group had £3 million trade payables remaining with the organisations listed above at 31 December 2023 (2022: £nil). No dividends were received in 2023 (2022: £nil) from any of the related parties listed above.

These related party disclosures are also applicable to the Channel 4 financial statements.

21. Business combinations

On 30 June 2022, the Group acquired the remaining 20% holding in GSN Holdings International Limited (and indirectly in its trading subsidiary GSN International Limited ('GSNI')) for £6 million, comprising cash of £4 million and deferred consideration of £2 million. GSNI had been accounted for (following the acquisition of the previous 82.5% shareholding in 2017) as a subsidiary and fully consolidated into the Group's financial statements. This resulted in an adjustment to the previous non-controlling interest, recognised in other comprehensive income:

Equity adjustment on change in non-controlling interest

	£m
Carrying value of non-controlling interest	–
Consideration on date of acquisition	4
Deferred consideration	2
Adjustment to parent's equity	6

No business combinations took place during 2023.

22. Post balance sheet events

In January 2024, Channel 4 announced the launch of its new Fast Forward strategy. As part of its strategic plans, Channel 4 announced the intention to move out of Horseferry Road over the next few years, given the shift towards hybrid working and more roles based in the Nations and Regions. Management are continuing to assess options for future workspace and, as at the date of this report, are not committed to plans to sell or lease the property.

As part of the Fast Forward strategy, management also initiated a review of the Group's operations in order to align them with its ambition to be the first public service streamer. This included a redundancy consultation process to reduce operational costs, particularly out of legacy activities, returning headcount close to 2021 levels, but with the organisation in the right shape to deliver further digital growth and lead public service media into the future.

Channel 4 balance sheet

as at 31 December

	Group note	Channel 4 note	2023 £m	2022 £m
Assets				
Property, plant, and equipment	9		95	105
Right-of-use asset	11		8	9
Intangible assets		2	26	29
Other investments		3	-	4
Deferred tax assets	12		22	9
Employee benefits – pensions	19		13	5
Total non-current assets			164	161
Programme and film rights		4	466	488
Trade and other receivables		5	169	185
Other financial assets		6	-	50
Cash and cash equivalents		6	91	190
Total current assets			726	913
Total assets			890	1,074
Liabilities				
Employee benefits – pensions	19		-	-
Trade and other payables		7	(34)	(40)
Lease liabilities	11		(9)	(9)
Deferred tax liabilities	12		(8)	(6)
Provisions	17		(1)	(1)
Total non-current liabilities			(52)	(56)
Trade and other payables		7	(509)	(627)
Current tax payable			-	1
Borrowings	15		-	-
Total current liabilities			(509)	(626)
Total liabilities			(561)	(682)
Net assets			329	392
Revaluation reserve			23	39
Other retained earnings			306	353
Total equity			329	392

As permitted by section 408 of the Companies Act 2006, the Corporation has not presented its own income statement. A deficit of £41 million has been recognised in relation to the Corporation in 2023.

The financial statements on pages 220 to 225 were approved by the Members of the Board on 7 May 2024 and were signed on its behalf by:

Sir Ian Cheshire
Chair

Alex Mahon
Chief Executive

The notes on pages 223 to 225 form part of these financial statements.