

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 Enil (2022: Enil) 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 B6 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 Grasse 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.