



INSPIRING

THE NATION

CHANNEL FOUR
TELEVISION
CORPORATION
REPORT AND
FINANCIAL
STATEMENTS 2017

Channel Four Television Corporation Report and Financial Statements 2017

Incorporating the Statement of Media Content Policy

Presented to Parliament pursuant to Paragraph 13(1)
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OVERVIEW

CHAIR'S STATEMENT

CHARLES GURASSA NON-EXECUTIVE CHAIR

Established by Parliament and regulated by Ofcom, Channel 4 has a unique public service remit that requires it to innovate, challenge and inspire, to stimulate debate and provide new opportunities for brilliant creative talent from all walks of life.

Channel 4 is entirely self-financed, generating all of its income through its own commercial activities, which in turn funds the delivery of its public remit. It produces no programmes of its own, but commissions all of its programmes from hundreds of the best independent producers across the UK. By reinvesting its earnings into great content, Channel 4 provides very significant support and investment for the creative industries nationwide.

Against the most difficult economic backdrop for several years, Channel 4 performed at close to record levels against its public remit and delivered a creditable commercial result. The television advertising market has been in decline since the EU Referendum, contracting by 3% in 2017, and this downturn in advertising was reflected in Channel 4's total revenues, which declined to £960 million. Having been weak in the earlier part of 2017, the advertising market improved towards the end of the year.

On the back of prudent financial management over several years, we had built a strong balance sheet and reserves; therefore we were well prepared to meet the challenges of the advertising recession. In 2017, our total content spend was £675 million (our second highest ever) and I am delighted to report that of this, a record £510 million was spent on originated content, prioritising investment in high quality British programmes. In addition, to provide further flexibility, we have put in place a £75 million revolving credit facility that makes additional liquidity available should it be required.

Our financial deficit of £17 million reflects our commitment to maintaining our public remit delivery within a more challenging economic environment and was a better outcome than our planned deficit for the year.

We retain a strong balance sheet with cash reserves of £190 million, a solid financial platform for future growth and continued commercial self-sufficiency. These levels of reserves are important to provide flexibility and protection against any volatility in the advertising market, the seasonality of advertising revenues and the timing of our investment in programmes.

Charles Gurassa
Chair



Our performance in 2017 demonstrated how Channel 4 is able to adapt to a challenging marketplace and to changing viewing habits. We maintained our share of viewing across the Channel 4 portfolio in 2017 whilst continuing to invest in digital innovation. This ensures that we are responding to the way in which younger audiences in particular are increasingly consuming content. In 2017, we recorded strong growth in digital revenue of +22% to £124 million and a 16% increase in programme views on All 4.

Our success in attracting and retaining viewers in 2017 was, of course, a result of our strong creative performance. We continued to deliver compelling content on screen, from brilliant new drama such as *Ackley Bridge* and *The State*, hard-hitting documentaries such as *Syria's Disappeared: The Case Against Assad* and innovative new formats such as *The Trial*.

Audiences responded positively to this content and the Channel 4 brand, with a year of near-record remit delivery documented through our remit trackers. Audiences continue to see Channel 4 favourably when compared with other broadcasters: 43% of adults believe that Channel 4 is the best channel for tackling issues other broadcasters would not and 46% agree that it takes risks with programming that other channels would not.

2017 was also a year of transition within Channel 4. There were significant changes at the top of the organisation, with David Abraham stepping down as Chief Executive

after seven years and Jay Hunt also departing her role as Chief Creative Officer. Both made huge contributions to the success of Channel 4 and left the Corporation in strong commercial and creative health.

In their place, the Board was delighted to appoint Alex Mahon – the first female Chief Executive of Channel 4 – and Ian Katz as Director of Programmes. Alex and Ian bring deep and relevant industry experience to the leadership of the channel and will help us to write the next exciting chapter of this unique institution.

Three long-serving Board members – MT Rainey, Josie Rourke and Paul Potts – retired at the end of their final term in office at the end of 2017 and I would like to thank them for their invaluable service and support over many years. I am very pleased to welcome the four new Members who subsequently joined the Board: Althea Efunshile, Uzma Hasan, Fru Hazlitt and Tom Hooper.

2017 also provided us with welcome certainty following two years of in-depth review over the future ownership of Channel 4. The Government confirmed the significant and unique public value that the Corporation delivers and the importance of it remaining in public ownership. This conclusion recognises and underlines the important role that Channel 4 continues to play – now more relevant than ever – as British public service broadcasters ('PSB') face new competitive challenges from global technology giants.

On confirming Channel 4's continued public ownership, the Government launched a consultation on how Channel 4 could enhance its public value, seeking views for how Channel 4 might further increase its contribution to the Nations and Regions. We welcomed the Government's consultation and committed to producing plans to increase our impact over and above the record £189 million we spent with creative enterprises in the Nations and Regions last year.

We launched our own consultation process, meeting with over 200 independent producers, local and regional representatives and creative businesses from across the UK, as well as leading industry experts and Government. We have analysed carefully and thought creatively as to how we can deliver even more for the country whilst ensuring that Channel 4 continues to perform sustainably and deliver its public remit.

This work has now concluded and we have launched our '4 All the UK' strategy, which will provide a huge boost to our investment and presence in the creative industries in the Nations and Regions in the years ahead. The strategy includes a commitment to significantly increase our content spend and establish three new creative hubs across the country, the largest of which will be a new national headquarters. These plans represent the most ambitious change in Channel 4's operating model since its creation and have been enthusiastically endorsed by the Government.

Although the advertising market has been showing some signs of improvement, there is continued economic and political uncertainty and the challenge of a rapidly changing media landscape ahead.

However, we have entered the new year in excellent commercial and creative health, with new leadership in place, our ownership status resolved and exciting plans to deliver. This is a strong platform from which to build for the future.

I would like to thank all the team at Channel 4 whose drive, passion and imagination continue to deliver its creative and commercial success and make it such a special place.

CHARLES GURASSA
Chair

"Our performance in 2017 demonstrated how Channel 4 is able to adapt to a challenging marketplace and to changing viewing habits."

OVERVIEW

CHIEF EXECUTIVE'S STATEMENT

ALEX MAHON
CHIEF EXECUTIVE

Channel 4's unique remit to innovate, to champion diversity and appeal to the young makes it an essential part of British life. There is nowhere in the world like Channel 4 and I was incredibly proud to become Chief Executive in October 2017.

In a rapidly changing and ever more complex world, the role of public service broadcasting remains important, and the particular mission of Channel 4 has never felt more essential.

With more content available from global providers than ever before, our role as a British broadcaster telling British stories has never been more needed. And by telling British stories and commissioning programmes from British producers, we play a crucial role in supporting creative businesses, finding and nurturing the next generation of talent and helping to build and maintain Britain's international reputation as a powerhouse for film and TV production.

We also have a central role to play in upholding democratic values and holding power to account. In a world of increasing disenfranchisement and the proliferation of information, which has given rise to phenomena such as fake news, our fearless trusted news, investigative journalism and current affairs programmes are indispensable.

We are central to finding and developing the next generation of home-grown talent as well – shaping the next generation of people who bring diversity of experiences and stories to the screen, and deepening the UK's position as a global leader in creativity.

Having spent many years working in production companies myself, I have seen first-hand how Channel 4 shapes the creative industries in the UK: a relentless drive for new ideas, taking risks, pushing boundaries and seeking out and backing the best creative talent. By doing so, we support a thriving and diverse production sector, second only to the US in scale and influence.

It is through this support and collaboration with production companies that Channel 4 keeps ahead of the curve, commissioning from those with the best ideas and experimenting with new formats. It is an interdependent relationship which is as important today as it was when Channel 4 was established as a publisher-broadcaster 35 years ago. I'd like to thank all those creative partners who helped us in 2017 and who we will be working with in 2018.

These partnerships delivered an outstanding breadth of programmes in 2017, from All 4's record-breaking dark comedy-drama *The End of the F***ing World* to *The Trial*, a ground-breaking drama-documentary hybrid in which a fictional crime was subject to an authentic trial.

Meanwhile, we continued to back the best talent. Examples include: Peter Kosminsky's thought-provoking drama *The State*; Jack Rowan's phenomenal performance in *Born To Kill*, a haunting drama which examined teenage psychopathy; and *Ackley Bridge*, which gave acting debuts to a cast which included young people from communities in Yorkshire, including street-cast talent. These complemented our wide-ranging factual programmes that got the British public talking, such as *Extremely British Muslims* and *Diana: In Her Own Words*.

2017 was also a strong year commercially for Channel 4, despite the downturn in the advertising market. Although revenues were down year-on-year from £995 million to £960 million, total content spend remained at its second-highest level ever at £675 million (2016: £695 million) and our commitment to investing in British content was underlined by record originated content spend of £510 million (2016: £501 million).

Yet, television now finds itself at a turning point. In the last five years, the media landscape has changed dramatically, threatening the status quo for established broadcasters such as ourselves.

Digital giants are funding billions worth of content per year. We are now competing not only for content, but also for talent, for viewers and for revenue. This is also against a backdrop of immense technological change and how people (particularly young people) are consuming media – on demand and increasingly on multiple devices.

Channel 4 has always been an organisation that is quick to adapt to change and to innovate, and this process is already well underway for us. We continue to see significant growth in viewing to All 4, and associated growth, supported by our pioneering data strategy.

Our brand remains strong, even in this crowded landscape; viewers associate Channel 4 most as being independent-minded, forward-thinking, edgy and British. We are also perceived to be the most youthful, exciting and surprising public service broadcaster, which will help us to compete against the digital giants.

Despite the changing media landscape, we are in good creative and commercial health. We have a strong platform to build on for the future but we must also evolve. Technological innovation will play a part in this, but so too will differentiating ourselves further. While meeting our remit is a statutory requirement, I believe that it also gives us a commercial advantage. We are a place where voices from across all of Britain can be heard on screen. We are an amplifier of British

democratic values such as diversity, freedom of speech and tolerance. And we have an exceptional ability to challenge orthodoxy.

Diversity is rightly at the heart of our business on and off screen. It is this diversity that has drawn me to Channel 4, first as a viewer, then as a provider and now as Chief Executive. Channel 4 focuses so intently on diversity not because we're told to, but because it is the right thing and because it makes good creative and commercial business sense.

In our industry, no broadcaster is more diverse than Channel 4 – a report by Ofcom in 2017 found that we have a greater proportion of women, BAME, LGBT and disabled staff than any other public service broadcaster. Yet, while Channel 4 performs well within our industry, it does not mean that we perform well enough. We still have a long way to go.

We want to be the media organisation that leads the way with a workforce and with programmes that celebrate difference, that improves BAME representation in media and that breaks down social mobility barriers.

“Channel 4 has always been an organisation that is quick to adapt to change and to innovate, and this process is already well underway for us.”

Alex Mahon: “It is a huge privilege to have come on board to lead this phenomenally important publicly-owned asset, whose mission is more important than ever before.



OVERVIEW

CHIEF EXECUTIVE'S STATEMENT

My vision for Channel 4 sees us dial this up, celebrating difference and reflecting our society like no other broadcaster or technology company can do. One of my first priorities as Chief Executive was to develop a bold and ambitious plan to deepen Channel 4's roots in the Nations and Regions, so that we can do even more to serve the whole of the UK, both in terms of the investment we make in production and to ensure that our content reflects the diversity of every nation and region.

Our bold, new '4 All the UK' plan is a part of this, revolutionising the Channel 4 business and proposing a strategy that ensures we serve the whole of the UK.

It begins with where decisions are made and where we invest in programmes. Therefore, we will increase our Nations and Regions content spend to 50% of our main channel commissions by 2023; an investment of over £250 million more in total.

We will also open a National HQ outside of our London office alongside two new, smaller creative hubs in the Nations and Regions in 2019, which will be home to 300 Channel 4 jobs, including key creative decision makers. The increased programming spend will also support up to 3,000 additional production jobs in the Nations and Regions economy.

Finally, *Channel 4 News* will become a multi-site operation, establishing three new bureaux across the UK and aiming to become the first peak-time British news programme to co-anchor the news from London and the Nations and Regions from 2020.

This new strategy, while it has inherent risks, allows us to go even further to make sure that people right across the UK are represented on screen and in Channel 4's make up, further building on what we already do to support creative businesses, jobs and economies across the whole of the UK.

It is a huge privilege to have come on board to lead this phenomenally important publicly-owned asset, whose mission is more important than ever before. And I'm lucky enough to have an amazingly talented and committed team at Channel 4 and colleagues across the industry to help us achieve our ambitions.

In 2018 and beyond, Channel 4 will remain the beating heart of an ecosystem of independent production across the UK, using our incredible talent on screen, off screen and within the organisation to make high quality, critically-acclaimed fresh television and we will continue to be the prism through which the British public thinks about, understands and reflects on contemporary Britain. I can't wait for the year ahead.

ALEX MAHON
Chief Executive

**"In 2018 and beyond,
Channel 4 will remain the
beating heart of an
ecosystem of independent
production across the UK."**

AT A GLANCE

Investment in content

£675m

total content spend (-3%)

£510m

record originated content investment (+2%)

£189m

record spend on production companies in the Nations and Regions (+12%)

309

producers across the UK (-3%)

Financial stability

£960m

corporation revenue (-4%)

£190m

cash reserves (-12%)

£17m

pre-tax deficit funded from our content reserve in order to sustain content investment (2016: £15m)

Digital innovation

£124m

record digital revenue (+22%)

719m

programme views initiated on-demand (+16%)

16.6m

viewers registered with All 4 (+11%)

OVERVIEW

WHAT IS CHANNEL 4?

Channel 4 is a publicly-owned and commercially-funded UK public service broadcaster, with a statutory remit to deliver high quality, innovative, alternative content that challenges the status quo.

Our twin goals as a content provider and business are to fulfil our remit and to be commercially self-sufficient.

WHAT MAKES US SPECIAL

We make a huge contribution to the UK's economy

17,000

jobs supported per annum across the UK

£1.1bn

contribution to GVA per annum

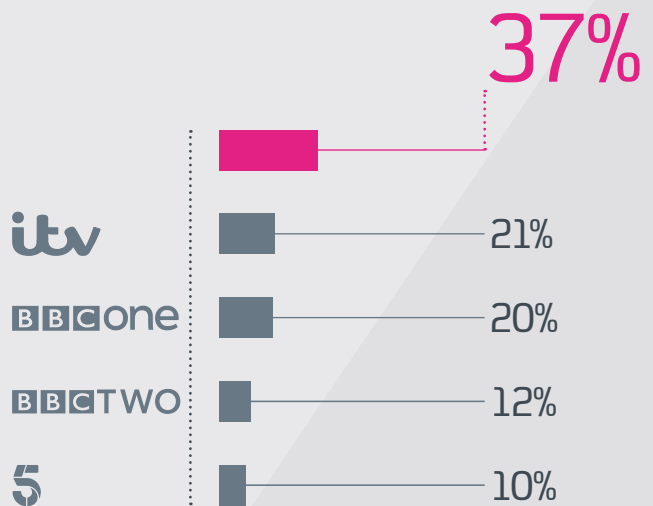
858

employees

Source: Channel 4, Oxford Economics

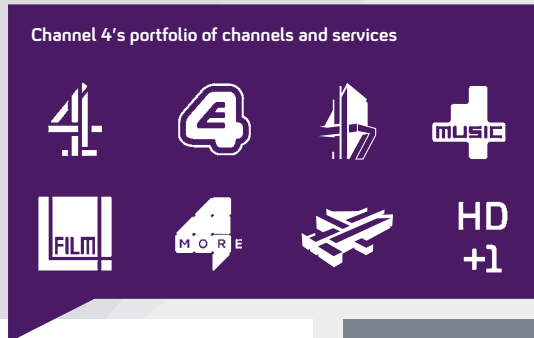
We support the independent production sector more than our competitors

A higher proportion of our total spend goes to UK independent production companies

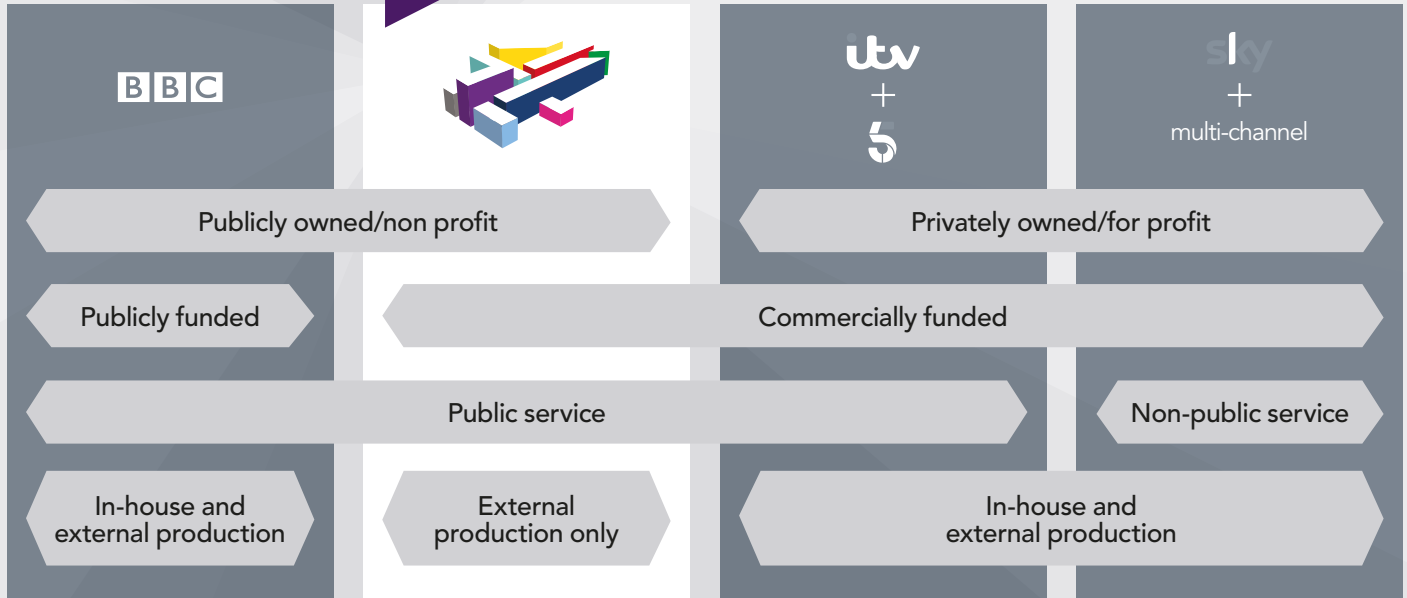


Source: Ofcom

OUR POSITION IN THE BROADCASTING ECOLOGY

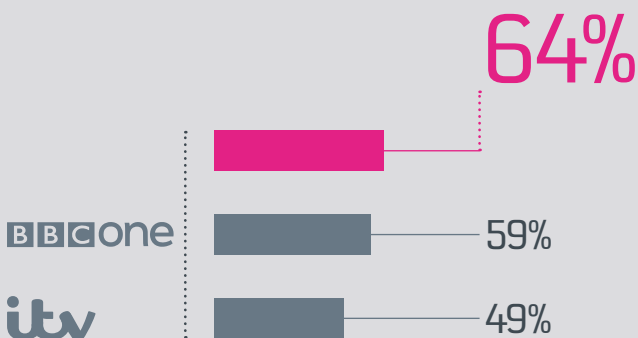


The UK broadcasting ecology is the result of intervention by politicians and regulators. It's a carefully balanced mix of different organisations, with different missions, business models and governance.



We prioritise investment in innovative British programmes

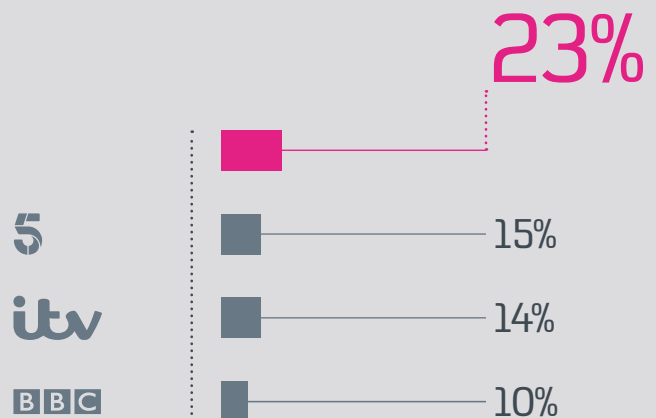
Almost two-thirds of income spent on content



Source: Oliver & Ohlbaum

We have a stronger relationship with young people than other PSBs

A significantly higher proportion of our total audience is aged 16-34 compared to any other PSB channel in the world, including the BBC and ITV



Source: BARB

OVERVIEW

REMIT

CHANNEL 4'S PUBLIC SERVICE REMIT DRIVES ALL THAT WE DO

Everything that Channel 4 does is governed by our public service remit, which is agreed by Parliament and enshrined in legislation. It is the template that gives us our unique and important role in British life: to be an alternative and distinctive voice in broadcasting.

Our remit

Film

Distinctive

Invest in high
quality content

Alternative
views

Stimulate
debate

Current
affairs

News

Inspire
change





Ackley Bridge

Older children
and
young adults

Education

Nurture talent

Work with
cultural
organisations

Digital

Innovative

The remit, along with a set of public service broadcasting quantitative licence obligations that are set and monitored by Ofcom, covers a broad range of elements. Taken together, this framework shapes the types of programming and other content that we invest in, the people and companies we work with to supply this content and the positive impacts our content has on society.

Our public service remit is measured through the programmes that we commission and transmit (see Remit Performance chapters, starting on page 20) as well as through a set of quantifiable metrics (see Investing in Innovation from page 62 and Making an Impact from page 74).

Programming

Our content is required to be high quality and diverse, with a distinctive character. We also need to innovate and take risks. And we must engage in particular with older children and young adults, including through content that is educational in nature. The remit covers our output across the TV portfolio, in digital and in film.

People

We have a duty to support the development of creative talent in TV and film, including those at the start of their careers. Our programming must appeal to a culturally diverse society, which means the people making our programmes must also be diverse.

Production

Our publisher-broadcaster operating model and licence obligations require us to commission large volumes of originated programming from the UK's production sector, including companies based around the Nations and Regions. We provide direct support to new or growing companies as part of our commitment to innovation and creative talent.

Positive impact

Channel 4's programming can be a catalyst for social change. This means supporting and stimulating well-informed debate, promoting alternative views and new perspectives and inspiring changes in people's lives. Our ambition to make a positive difference informs our approach in all types of programming, including News and Current Affairs.

This Annual Report is composed of Channel 4's Statement of Media Content Policy ('SMCP') and our Financial Report and Statements. The SMCP is the means by which we meet our formal statutory duty to publish a report of performance against our remit.

STATEMENT OF MEDIA CONTENT POLICY

NATIONS AND REGIONS

Channel 4 makes a substantial contribution to the UK's Nations and Regions in a number of ways. On screen, we portray people and places from all over the country, showing the different cultures, lifestyles and perspectives of people living in different parts of the UK.

And off screen, Channel 4 plays a vital role in supporting the creative economy across the UK, by working with the best creative talent and businesses around the country. We do this directly, through the programmes, films and digital content that we commission and also by providing support to help companies develop and grow, such as through our Growth Fund.

As a publisher-broadcaster, our investment in content goes further than that of other broadcasters in supporting the production community, as all of our programmes are commissioned externally. And a substantial number of these are commissioned from production companies in the Nations and Regions.

In the last decade, Channel 4 has spent over £1.5 billion on TV production in the Nations and Regions, with a record £189 million spent in 2017 – some £20 million more than in 2016. Of this, £39 million was spent on production in the Nations and £145 million was spent on production in the Regions.

We are the only public service broadcaster to commission 100% of our content from external suppliers and, in 2017, we worked with 309 companies across TV, film and digital media. In expenditure terms, 45% of our investment in first-run originated programming on the main channel came from suppliers outside London, a notable year-on-year increase of five percentage points.

In 2017, the Government launched a consultation looking at how Channel 4 could further increase its impact in the Nations and Regions. We also organised our own consultation process – meeting with over 200 independent producers, local and regional representatives and creative businesses from across the UK – and launched our '4 All the UK' strategy in early 2018.

4 All the UK

'4 All the UK' includes a commitment to significantly increase our Nations and Regions content spend from our current quota of 35% to 50% by 2023 – a boost of over £250 million in the Nations and Regions; to establish three new creative hubs in 2019, including a new National HQ for Channel 4 – this represents 300 Channel 4 jobs, including key creative decision makers, based in the Nations and Regions; and *Channel 4 News* will also expand its footprint, opening three new bureaux across the UK and giving a huge boost to regional representation, and aiming to become the first peak-time national news programme to co-anchor from both London and the Nations and Regions from 2020.

These plans, which received the strong support of Government, represent the biggest operational change in Channel 4's history and will provide a huge boost to the creative economies of the Nations and Regions.

More than

£1.5bn

on TV production in the Nations and Regions over the last ten years

A RECORD OF

£189m

spent in 2017 –
some £20 million
more than in 2016

NIMBLE DRAGON

Nimble Dragon

Independent production company Nimble Dragon, headquartered in Cardiff, received Alpha Funding from Channel 4 in 2016 and again in 2017. Since then, the indie has won a commission for a 20 part hour long daytime series called *Sun, Sea and Brides to Be*.

We now have over 30 freelance and full time staff at our Cardiff Bay offices. Our daytime series currently in production for Channel 4 has given us the foundations to grow the company and we have since added a series with another broadcaster. It's an exciting time for the TV production sector in Wales, says Gareth Rees, MD of Nimble Dragon.

Tern TV Belfast

Tern TV Belfast, a Northern Irish independent production company, has worked closely with our Nations and Regions team to win more Channel 4 business. Programmes have included nine episodes of *Britain At Low Tide*, a pilot for *How To Live Well* and an RTS winning documentary film, *The Good Terrorist*.

Brendan Hughes, Head of Tern TV Belfast, explains:

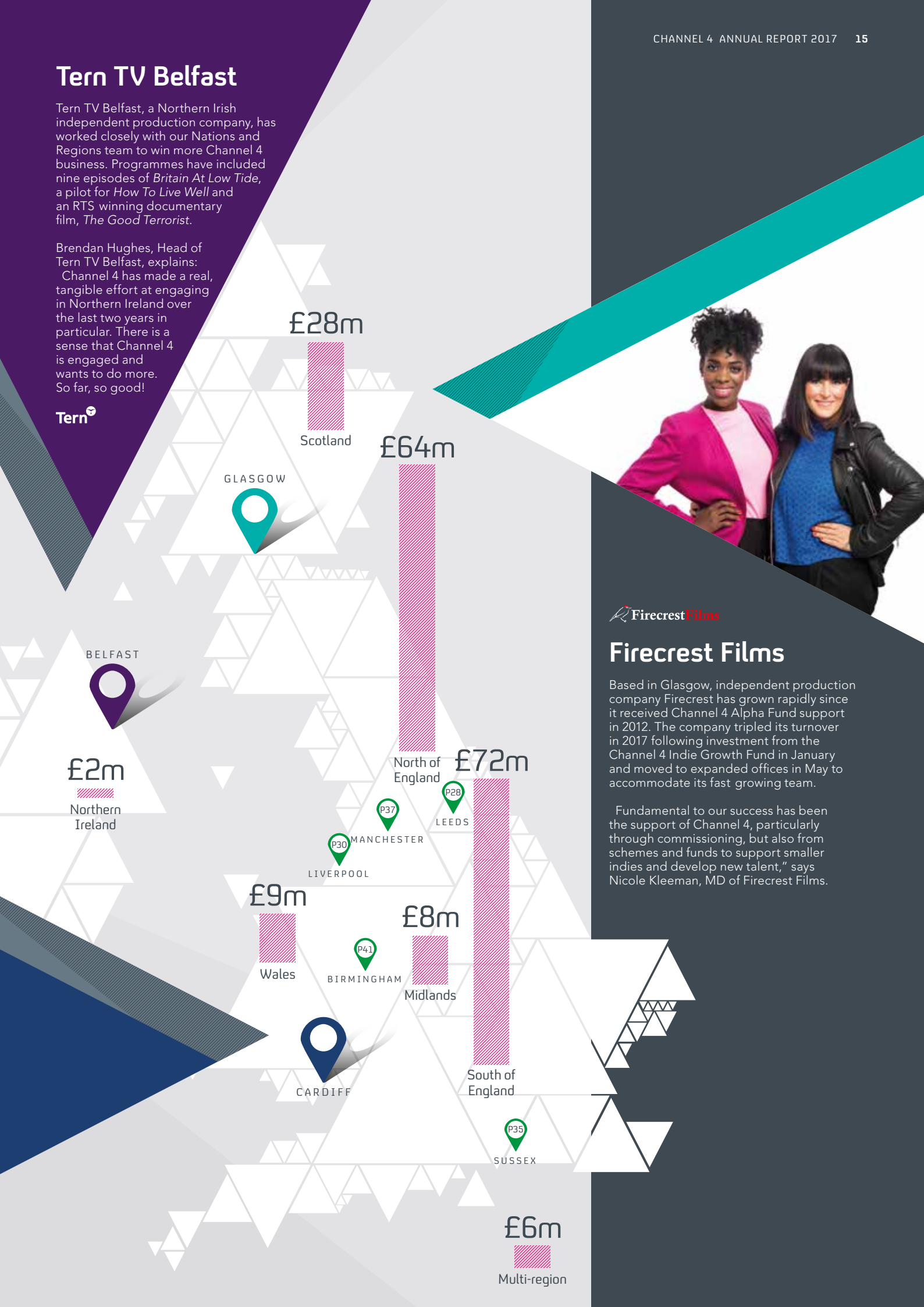
Channel 4 has made a real, tangible effort at engaging in Northern Ireland over the last two years in particular. There is a sense that Channel 4 is engaged and wants to do more. So far, so good!



Firecrest Films

Based in Glasgow, independent production company Firecrest has grown rapidly since it received Channel 4 Alpha Fund support in 2012. The company tripled its turnover in 2017 following investment from the Channel 4 Indie Growth Fund in January and moved to expanded offices in May to accommodate its fast growing team.

Fundamental to our success has been the support of Channel 4, particularly through commissioning, but also from schemes and funds to support smaller indies and develop new talent," says Nicole Kleeman, MD of Firecrest Films.



STATEMENT OF MEDIA CONTENT POLICY

HIGHLIGHT

The Great British Bake Off

A highlight of 2017 was **The Great British Bake Off**, which launched on Channel 4 to huge critical acclaim and some of the largest audiences in our history.

The amateur baking competition has become a quintessential British television staple and cultural reference. It is also one of the country's favourite shows, appealing to vast audiences across all demographics and bringing families together for a shared viewing experience.

Produced by Love Productions, *The Great British Bake Off* was moved from the BBC to Channel 4 in 2017. The innovative and uniquely Channel 4 line-up of presenters was instrumental to the programme's successful transfer, alongside the diverse cast of 12 amateur bakers.

In its new home, the programme welcomed restaurateur, food writer and novelist Prue Leith alongside Paul Hollywood as judges. Presenter, comedian and writer Sandi Toksvig and comedian and actor Noel Fielding also joined the expert judges to present the show, which premiered on Channel 4 in August.

The show was an unparalleled success for Channel 4. *The Great British Bake Off* was the most watched series of the year across all of British television amongst 16-34-year-olds, for both volume of viewers and primetime share.

The Great British Bake Off is also a strong example of Channel 4's business model, where superstar programmes help to bring in audiences – and therefore revenues – which help to fund public service programmes and deliver our public service remit.

Across the series, the programme attracted an average audience of nine million viewers, with an average share of 54.5% of 16-34-year-olds. The programme was also a hit on our on-demand platform All 4, with the first episode becoming the most watched programme ever on All 4, and the series breaking many of the platform's viewing and registration records. The programme was also a critical success, attracting favourable reviews in the press and strongly positive sentiment across social media by the public.

All ten episodes feature in the top 25 programmes shown on Channel 4 since modern reporting began. The series peaked at the final with 10 million viewers, which represented more than one in three TV viewers across the UK.

Our Christmas special, *The Great Christmas Bake Off*, was also a huge success on Christmas Day. It delivered an average audience of 4.8 million viewers and a 16.1% share, making it Channel 4's biggest Christmas Day audience since our modern records began.

The Great British Bake Off will return in 2018, alongside a suite of spin-off programmes, including after-show *The Great British Bake Off: An Extra Slice*, hosted by Jo Brand; *The Great Celebrity Bake Off for Stand Up To Cancer*, which sees celebrities enter the Bake Off tent to impress our judges with their baking skill; and *Bake Off: The Professionals*, where 12 professional duos from across the UK will go head to head in a series of competitive heats judged by celebrated pastry chefs Cherish Finden and Benoit Blin.



The Great British Bake Off

54.5%

Share of 16-34 year olds across the series



"On a new channel with a largely new cast, would this delicate confection still taste as sweet? The answer has proved to be an empathetic yes."

The Sunday Telegraph

STATEMENT OF MEDIA CONTENT POLICY

CREATIVE FORWARD LOOK

IAN KATZ

DIRECTOR OF PROGRAMMES

Channel 4 occupies a unique space in the UK public service broadcasting landscape. Our statutory remit requires us to deliver high quality, innovative content that challenges the status quo.

As the broadcaster Anthony Smith once put it, the channel's task is to be "an imp in the mechanism", offering an alternative and distinctive voice in British life and championing diversity in all of its forms. And through this, we support a thriving production sector across the whole of the UK.

It has been a privilege for me to join a broadcaster whose unique combination of innovation, risk-taking and élan I have admired for decades. In a world of ever multiplying – and increasingly international – content providers, Channel 4's deeply held values, distinctive take on the world and relentlessly challenging sensibility have never been more important or relevant.

I have inherited an outstanding team and strong programming schedule, as well as robust relationships with existing partners across the creative industries. Together, this enables us to support creativity, innovation and risk taking in ways that other broadcasters cannot. Our slate of programmes in 2017 showcased a diverse and innovative UK and 2018 will see us continue to offer a rich and eclectic mix within our schedule, across all of our genres. Our creative strategy will major on two key themes, and we will continue to strive to address underserved audiences and, in particular, younger viewers.

Gender and sexuality

Our first major theme of the year will be the crackling debate around gender and sexuality. Over the last five years, gender fluidity has exploded into public consciousness. Throughout 2018, across our schedule, we will explore the shifting territory of gender identity in contemporary Britain.

In particular, we'll investigate the emerging generational gap in how Britain thinks about this important topic. How has the idea of what it is to be a man or woman changed? How are feminists finding themselves in conflict with the trans rights movement? When should a child be allowed to embark on changing their own gender? There is a fault line opening underneath our society around this topic and it has yet to be tackled by mainstream broadcasters.

Over the year, we will be approaching the topic across the full Channel 4 register of genres and channels, from hard-hitting polemics to intimate observational documentaries and populist entertainment programmes that explore the issues in a highly accessible way.

This theme will launch in the first half of 2018 with our new Factual Entertainment series *Genderquake*, which will bring together ten young people who embody a mix of gender identities to explore their views and challenge their – and the wider public's – preconceptions.

Throughout the year, we will continue to explore the theme through a number of programmes, including a live debate, a polemic programme looking at what age it might be appropriate for children to change gender, a longitudinal series that follows eight individuals through their transition, and a new comedy series, *The Bisexual*, which offers a raw and unapologetic take on bisexuality.

Technology and society

The second major theme we will explore in 2018 is the interface between technology and society. After a 25-year love affair with the digital revolution, based on a widely shared assumption that technology was making the world a better place, the last year has seen a growing disillusionment with technology across a range of fronts.

From the weaponising of technology to subvert democratic processes to the monopolistic behaviour of the largest tech companies, from concerns over whether tech firms are paying their fair share of tax to the effects of social networks on children, the West has been waking up with a 'digital hangover'. Later in the year, Channel 4 will reflect upon this widespread sense that it's time for a reset of society's relationship with technology.

Our programmes addressing the topic will include a new reality show called *The Hive*, a prime-time programme that will explore the impact of social media on the way we construct our identities and engage with others, as well as several films from our Specialist Factual team, which will take a deep dive into the topic.

Diverse slate

Outside of these key themes, we will also develop a larger slate of live programmes in 2018 and beyond. At their core, these new live formats will promote and stage public debate and create informal environments to discuss the issues of the day in. They will be designed to appeal directly to a range of audiences, with an emphasis on young people from all backgrounds, across all of the UK.

Injecting the schedule with more live programmes will allow the channel to be more responsive and they enable us to speak to issues and events in a more immediate fashion.



At the same time, we have built on our success from the past several years and we have a strong slate of new, ambitious scripted series coming out in 2018. Scripted highlights in 2018 include *Kiri*, the second series in Jack Thorne's trilogy of British-based drama for Channel 4; *Jerusalem*, a six-part epic portrait of post-war Britain; *Chimerica*, an adaptation of Lucy Kirkwood's Olivier Award-winning stage play; and *The First*, a drama written by *House of Cards* creator Beau Willimon set in the near future about the first human mission to Mars. These new series will complement our hit existing series, such as *No Offence*, *Humans* and *Ackley Bridge*, which will all return in 2018.

Our factual slate will continue to go through a period of renewal this year, allowing us to experiment with new titles and tweak existing brands. We have seen some erosion in viewing of some of our established factual entertainment titles, so we will work hard in 2018 to renew and keep them fresh, as well as bringing in new scaleable and returnable factual programmes to complete our factual offer.

As Britain's alternative public service broadcaster, we will also retain our existing investment in News and Current Affairs. Through programmes such as our daily *Channel 4 News* and our wider slate of Current Affairs programming, which includes *Dispatches*, *Unreported World* and one-off films, we can continue to hold those in power to account and offer alternative voices and perspectives from across the UK and further afield.

Our 2018 creative budget is designed to build on our creative success and enables us to continue to invest in our next cycle of programme innovation. Our main objective – to deliver our public service remit – is underpinned by a robust strategy to maintain a strong share of TV viewing and ensure we remain commercially sustainable.

IAN KATZ
Director of Programmes

“Our main objective – to deliver our public service remit – is underpinned by a robust strategy to maintain a strong share of TV viewing and ensure we remain commercially sustainable.”

A photograph of a woman wearing a black hijab and a young boy in a blue and green striped shirt. The woman has her hand on the boy's shoulder. Large, bold, white text is overlaid on the image, reading "INVESTMENT".

INVESTMENT

IN HIGH QUALITY
CONTENT

Channel 4's primary function is to deliver its public service remit. Central to that remit is our investment in a broad range of high quality TV programmes, films and digital content.

Investing in content

£675m

total content spend (3%)

£510m

originated content investment (+2%)

10.5%

viewing share across the TV channel portfolio ()

73%

of the main channel peak time schedule devoted to first run originals (1pt)

Our approach to creativity distinguishes us from other broadcasters. We take more risks and we nurture and harness the best creative talent on and off screen, and from across the UK, in order to find the best ideas and pioneer new programme ideas and formats.

This shines through our content in everything that we do – from creative, risk taking documentaries that tackle controversial subjects, through dramas that reflect the realities of contemporary Britain, to backing feature films with great potential, and much more.

Our ability to engage audiences and make an impact is dependent on great ideas being generated within a thriving and diverse production sector. Therefore, a core part of our mission is to strengthen the production sector both by supporting companies directly and by commissioning impactful, distinctive content that draws in sizeable audiences and revenues that can in turn be reinvested into more great content.

In 2017, despite a challenging advertising market, we increased our investment in new content. This enabled us to continue to deliver world class programmes across all genres and continue to support the UK production sector.

2018 ambitions

- 2018 will be a strong year for our scripted content, with a combination of returning titles, such as *Humans* and *No Offence*, alongside big new ambitious drama series. These include *The First*, created by Beau Willimon, about the first human mission to Mars, and *Kiri*, a four-part drama set in Bristol about the abduction of a child, written by Jack Thorne and starring Sarah Lancashire.
- Film4 will continue to invest in proven, quality filmmakers with a unique vision. Film4-backed films launching in 2018 include Martin McDonagh's BAFTA and Oscar-winning *Three Billboards Outside Ebbing, Missouri*, Lynne Ramsay's *You Were Never Really Here*, and John Cameron Mitchell's *How To Talk To Girls At Parties*.

REMIT PERFORMANCE

INVESTMENT IN HIGH QUALITY CONTENT CONTINUED

In 2017, Channel 4 protected its investment in the creative economy, despite a challenging economic backdrop, with the advertising market declining 3% year-on-year. We spent a total of £675 million on content, with a record £510 million spent on originated content.

Reflecting Britain's cultural diversity is central to all that we do at Channel 4, and we continued to showcase this diversity in many of our most popular hits, including *Educating Greater Manchester*, *First Dates* and *Gogglebox*. Successful new shows included *Ackley Bridge* (see case study on page 37), *Lego Masters* and *Loaded*, as well as the much-awaited transfer of *The Great British Bake Off* to its new home on Channel 4. Amongst a number of high quality acquisitions, *The Handmaid's Tale* was one of the most acclaimed shows of the year globally.

2017 was a year of many creative highlights, with returning and new programmes that stood out in an increasingly congested broadcasting landscape, which is a threat to Channel 4, as an incumbent. As a result, we maintained a strong lead over our public service broadcasting competitors on all of our key remit measures, and the public's perception of Channel 4 remains strong.

Our investment in quality content ensures that we can both deliver our remit as well as attract large, engaged audiences.

This is exemplified by our high-profile sports content, which delivered distinctive programming to viewers throughout the year. It peaked during a sensational summer of sport which featured the 2017 British Formula 1 Grand Prix, the London 2017 World Para Athletics Championships and the UEFA Women's EURO 2017 football championships.



▲ *The Handmaid's Tale*



Philip K. Dick's *Electric Dreams* ▲

A strong year for drama

Channel 4 is the home of innovative, high-profile drama. Taking on new work from the best-established and emerging writers, our drama slate offered a surprising, thought-provoking and entertaining alternative to the programmes shown on other channels and platforms.

Our dramas encourage audiences to look at the world through a different lens. This year, alongside our continuing series *Hollyoaks* and *No Offence*, we created a new hit in the shape of youth-focused *Ackley Bridge*, a new school-based series set in a multicultural academy in Yorkshire – our first 8pm drama since *The Mill*, in 2014. Other highlights included Philip K. Dick's *Electric Dreams*, an ambitious Amazon co-production that saw the stories of Philip K. Dick adapted by some of the UK and the US's most exciting talent, including Steve Buscemi, Sidse Babbett Knudsen, Richard Madden, Bryan Cranston and Tuppence Middleton. Other highlights included *Loaded*, an original comedy-drama by Jon Brown; and *Born to Kill*, a haunting psychological thriller about family and psychopathy set in a rural British town.

We also launched one of the freshest and most talked-about programmes of 2017, *The End of the F***ing World*, one of our most 'binge-watched' programmes of the year, which was co-produced with Netflix and stunt-launched on Channel 4 and All 4.

Authorship is at the heart of our drama, and we are always searching for new, original voices in writing and filmmaking. In 2017, we continued to run a number of talent development programmes, including 4Stories, 4Screenwriting, The Channel 4 Playwright Scheme and The Channel 4 and Northumbria University Writing for TV Awards – read more about our talent initiatives on page 41.

Ackley Bridge



"The State shows that Channel 4 is the essential broadcaster, which runs the dramas and documentaries that others run from."

Nick Cohen
Standpoint (September 2017)

The State

A compelling, fictional story based on extensive research, *The State*, which aired in August 2017, is a powerful four part drama that follows the experience of four young British men and women who leave their lives in the UK behind to join Isis.

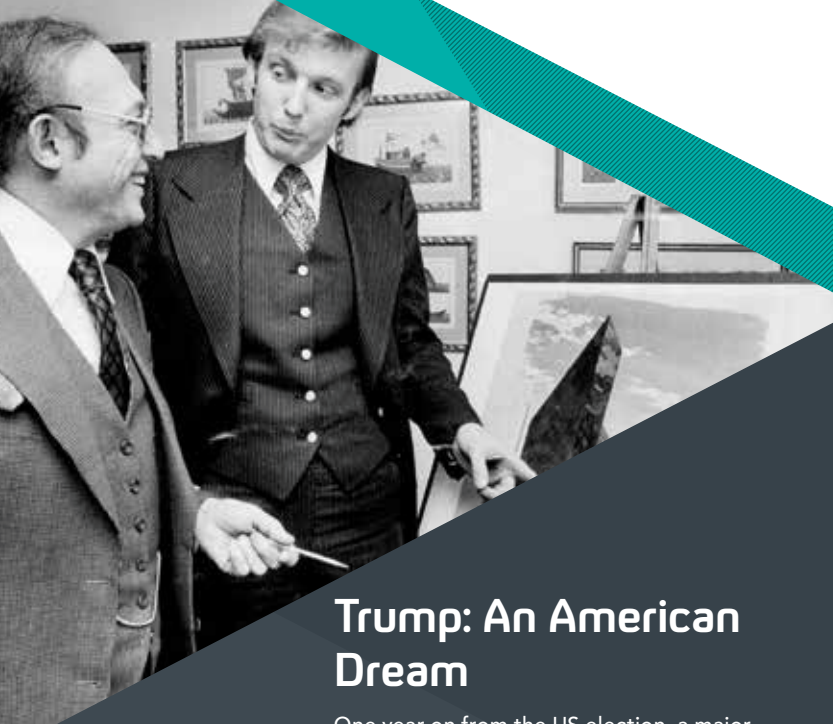
Written and directed by Golden Globe and BAFTA Award winner Peter Kosminsky, and produced by Archery Pictures, the drama is a prime example of Channel 4 investing in distinctive, high quality content.

The State was always going to be a controversial drama and one intended to stimulate debate. Independent research found that three quarters of viewers believe that this is the sort of programme Channel 4 should be showing.

The programme was a success with the public, reaching a total of 5.5 million viewers, or 9.2% of the TV population. It was particularly successful at attracting BAME viewers, who were up by 134% against the slot average.

Although it proved a difficult watch for many, a notable eight out of ten viewers polled by research agency Other Lines agreed that it was good to see controversial yet important issues – such as modern extremism – being confronted and explored through a mainstream drama in a way that they hadn't seen before on TV. 65% of viewers also said that the drama made them think about the process of radicalisation in a different way (rising to 69% with younger viewers).

REMIT PERFORMANCE
INVESTMENT IN HIGH QUALITY CONTENT CONTINUED



Trump: An American Dream

One year on from the US election, a major four part specialist factual series, *Trump: An American Dream*, charted President Donald Trump's long rise to power across five decades as a businessman, developer and media star before reaching the White House.

Commissioned by Channel 4 and co-produced with Netflix, *Trump: An American Dream* was made by UK indie producer 72 Films, as an epic exploration of one of modern America's most extraordinary lives.

Through the eye witness testimony of 50 friends and enemies, and with a treasure trove of rare and revelatory archive, the series helped viewers to better comprehend the Trump phenomenon and stimulated debate on a range of issues surrounding his rise to power.

This documentary series is a good example of the co-production model, with the external financing enabling us to produce a more substantial and in depth documentary than we otherwise would have been able to. The four episodes captured the attention of UK audiences, attracting 6.4 million viewers across the series, before being released by Netflix outside of the UK.

"A well-made account of an unusual ascent."

The Telegraph

Catastrophe



Co-productions

2017 saw a rise in the number of programmes that were co-produced with partners, a key part of our content strategy as budgets in genres such as drama are rising.

Co-productions enable us to work with on-demand platforms and distributors – such as Netflix, Hulu, all3media and FremantleMedia – to make innovative, world-class content together. In each of our co-productions, we ensure we retain editorial control over these programmes which, after premiering on Channel 4, may move on to SVOD services, or other platforms in the UK and sold internationally by distributors.

A growing number of scripted and non-scripted genres tap into this innovative model, including Drama (Philip K. Dick's *Electric Dreams*, co-produced with Sony Pictures Television and Left Bank Pictures, and *The End of the F***ing World*, co-produced with Netflix) and Documentaries (*Trump: An American Dream*, co-produced with Netflix).

This trend towards co-productions illustrates the appeal of Channel 4's distinctive editorial input and taste: our co-production partners are investing in our expertise, knowledge and network of talented writers, producers and actors. For platforms looking to appeal to similar demographics to our audiences, Channel 4's taste palate and experience is attractive. For us, these partnerships enable us to bring larger-scale and ambitious productions to our audiences.



▲ Free Fire

◀ Three Billboards Outside Ebbing, Missouri

Investment in film

Our investment in film continued in 2017 with a bold and diverse slate of films. As a vital supporter of British film, Film4 has a strong track record of working with the most distinctive and innovative talent in the UK, developing and co-financing many award-winning films, including past Academy Award-winners such as Lenny Abrahamson's *Room*, Asif Kapadia's *Amy*, Steve McQueen's *12 Years a Slave*, Phyllida Lloyd's *The Iron Lady*, and Danny Boyle's *Slumdog Millionaire* among others.

Film4's investment strategy, which was expanded in 2016, now allows us to take a bigger financial stake in films such as Martin McDonagh's *Three Billboards Outside Ebbing, Missouri* (released in the UK in early

2018), which was co-financed on an equal basis with Fox Searchlight and looks set to do excellent international business.

Our strategy is to back creative excellence and primarily invest in British content and British filmmakers, enabling them to realise the vision they have for their films.

Film4-backed films released in UK cinemas in 2017 include: Ang Lee's *Billy Lynn's Long Halftime Walk*, Ben Wheatley's *Free Fire*, Rungano Nyoni's *I Am Not A Witch*, Danny Boyle's *T2 Trainspotting*, Yorgos Lanthimos's *The Killing of a Sacred Deer* and Adam Smith's *Trespass Against Us*.

Film4 has a strong slate for 2018, including both new and established filmmakers with distinctive stories that aim to resonate with UK and international audiences. Upcoming titles include Martin McDonagh's *Three Billboards Outside Ebbing, Missouri*, Clio Barnard's *Dark River*, Andrew Haigh's *Lean on Pete*, Stephen Merchant's *Fighting With My Family* and Lynne Ramsay's *You Were Never Really Here*. Films still in production include Mike Leigh's *Peterloo*, Steve McQueen's *Widows* and Lenny Abrahamson's forthcoming adaptation of Sarah Waters' acclaimed wartime ghost story *The Little Stranger*.



▲ T2 Trainspotting

"Film4 is known as a home for high quality commercial and critically successful titles and is a major developer of talent."

Deadline

SUPPORTING

CRE- ATIVE

BUSINESSES



As a publisher-broadcaster, we don't make any of our programmes in-house, but commission from hundreds of independent production companies right across the UK – giving opportunities to British creative talent and supporting a thriving and world-renowned production sector.

Working with independent production companies

£496m

investment in first run external commissions across our TV portfolio (+2%)

171

independent TV production partners across our commissions in TV, film and digital media out of 309 suppliers (+7%)

Investment in the Nations and Regions

£189m

spent on production companies based outside of London (+£20m)

57%

of hours of first run originated programmes came from suppliers outside of London (+2pts)

2018 ambitions

- We will continue to support production companies across the UK, with regionally produced programmes such as new comedy series *Derry Girls*, filmed and produced in Northern Ireland, as well as returning factual series, including *999: What's Your Emergency?* and *Supervet*.
- Our content will reflect the lives of people throughout the UK, with programmes including returning dramas *No Offence* and *Ackley Bridge*, long-running soap *Hollyoaks*, as well as ensuring a breadth of regional diversity in our popular Features and Daytime formats.
- We will continue to nurture talent throughout the UK: with indies via producer briefings and our Alpha Fund investment, and with young people via our C4 Pop Ups and higher education partnerships.

We're proud of our influential and disproportionately impactful role in the UK's creative economy. Our remit to be innovative, distinctive and experimental means we give creative people a unique place to bring bold, new ideas.

This adds up to an economic legacy that will last long into the future. We support 17,000 jobs throughout the UK, contributing £1.1 billion in Gross Value Added each year.

Supporting creative businesses and those who work across all parts of the industry is an intrinsic part of our business model and our purpose, helping Britain maintain its position as a global creative powerhouse.

REMIT PERFORMANCE

SUPPORTING CREATIVE BUSINESSES CONTINUED

Channel 4 accounts for

37%

of all UK spending on indies by public service broadcasters

For over 35 years, we have successfully balanced the twin goals of delivering a public service whilst being commercially self-sufficient. It's a powerful business model that enables us to maintain our editorial and financial independence, and to continuously reinvest our revenues back into high quality British content and creative businesses.

In 2017, we worked with 309 companies across our portfolio, investing £510 million in originated content from British producers, an increase of 2% on the previous year.

The independent producers that we work with typically retain the secondary rights to the programmes that they create (beyond Channel 4's first-run window). This ensures that our investment has a multiplier effect, whereby our production partners can go on to sell their content in secondary windows and internationally, generating additional revenue streams for them. Through this model, in which both the risks and rewards can be significant, Channel 4 helps to foster entrepreneurialism within the UK's creative industries.

LEEDS



True North Productions

Leeds based indie True North was set up in 2001 by producers Andrew Sheldon and Jess Fowle in a bid to build a truly indigenous and sustainable TV production business outside of London. In 2014, it was one of the first companies Channel 4 invested in through its new £20 million Indie Growth Fund.

Following our strategic investment, we worked with True North to help it become one of the biggest factual indies in the country and to establish an important training ground for new and diverse creative talent in the north of England. As part of its growth strategy, the company focused on developing formatted factual entertainment shows – these include *A New Life in the Sun* (for Channel 4), *Junior Vets* (CBBC), *Homes by the Sea* (More4) and *Teen Mom UK* (MTV).

In January 2017, True North became the first successful exit for our Indie Growth Fund, delivering a profit on sale.

Indeed, Channel 4 accounts for 37% of all UK spending on indies by the main public service broadcasters. This is a higher proportion than BBC One and BBC Two combined.

Our spend in the Nations and Regions is growing: in 2017, the Nations and Regions accounted for a record 57% (55% in 2016) of hours, and we invested £189 million on programmes from the Nations and Regions, £20 million more than in 2016. For the fifth successive year, more than half of all first-run originations were from suppliers outside of London (57%, up two percentage points year-on-year).

Regional indies continue to deliver successful returning hits, including *No Offence* (Manchester's Abbotsvision); *Extreme Cakemakers* (Cardiff's Boom Cymru); *Homes by the Sea* (Leeds' True North); *Supershoppers* (Glasgow's Firecrest); and *Hollyoaks* (Liverpool's Lime Pictures), which has now been on Channel 4 for more than 20 years (read our full case study, page 30).

Some of our most significant new commissions this year came from indies in the Nations and Regions, including *Steph and Dom's One Star to Five Star* (Wales' Blink Entertainment); *Lego Masters* (Suffolk's Tuesday's Child East); *How to Stay Well* (Glasgow's Tern Television); and *The World's Most Expensive Cars* (Northern Ireland's Waddell Media).

Our investment in programming made in the Nations and Regions isn't just about economic impact – it's also integral to ensuring that we reflect stories, experiences and voices from all over the UK.

Many of our programmes are strongly rooted in the locations in which they are based, with the storylines and characters or contributors in the programmes reflecting their locations' culture and diversity. For example, new drama *Ackley Bridge* tells the story of a diverse school in Yorkshire, grappling with the challenges of cultural integration in a segregated community. Meanwhile, *Confessions of a Junior Doctor*, filmed in Northampton General Hospital, examined the struggles faced by young doctors in an NHS hospital.

Some of our most popular returning series reflect the diversity of the UK at their cores. For example, *Location, Location, Location* is filmed in many parts of the UK. Each episode of *Gogglebox* features families drawn from a range of locations across the UK, including Merseyside, Clacton-on-Sea, Wiltshire and Wales.

"They're investing in us and we're investing in them. The Nations and Regions team have been great champions of ours and have always had our back. There's no doubt that their support has helped secure commissions."

Jane Muirhead
MD of Glasgow-based Raise the Roof Productions

A dedicated Nations and Regions team

Our investment in content in the Nations and Regions is supported by best-in-class development funding, outreach, skills and training from our dedicated Nations and Regions team.

Based in Glasgow, the team is a strategic arm of the Channel 4 Commissioning division, delivering programmes of outreach work to support production companies from the Nations and Regions. This work is particularly aimed at small and emerging businesses, prioritising strategic input and partnership, in order to help them win commissions.

In 2017, our Nations and Regions team worked with 84 indies on a monthly basis, supporting them in a number of ways, including working with their development team, giving advice, helping to shape ideas and introducing them to Channel 4 commissioners. In addition, the Nations and Regions team spent £450,000 through our Alpha Fund, to provide development funding to seven indies in the English regions, five companies in Northern Ireland, three companies in Wales and three in Scotland.

The number of Nations and Regions commissioner briefings increased from 16 events in 2016 to 21 events this year. These were attended by 311 individuals from 139 companies from the Nations and Regions. The briefings were tailored to improve existing supplier growth as well as to connect with new indies.

The Nations and Regions team developed a number of partnerships with other organisations in 2017, including with RTS Yorkshire, RTS Midlands, Glasgow College, University of South Wales and Creative Access. These partnerships, which gave students access to Channel 4 Briefing Days and work experience at those events, provided another way for the team to further embed their work into the wider creative community. In total, the Nations and Regions team sponsored 14 festivals, award ceremonies and talent schemes.



Meet Deborah Dunnett, Nations and Regions Manager

"Diversity of supply is at the heart of Channel 4's remit. We strive to work with new production talent and compelling, diverse voices from across the UK.

"My team is there to support that talent and to help their companies succeed. We maximise the indies' commissioning potential by embedding ourselves within the commissioning teams, helping to shape ideas and providing regular commissioner engagement and intelligence – all with a dedicated development fund to back our work up.

"If we're working with an indie that is new to Channel 4, we help make introductions and partner them with the appropriate commissioner, coaching them on how we work as a business and helping them to get in a position to win their first commission with Channel 4. If we're working with an existing indie partner, we look at expansion – introducing them to new commissioners or partnering them with new genres, giving them business advice and helping them with talent.

"It's thrilling to be with our indies as they grow and to see their region's economy grow alongside them. In fact, a large part of our current focus is to increase our partnerships with each wider creative community, to help strengthen each hub and its talent."

£450,000
spent through our Alpha Fund

REMIT PERFORMANCE

SUPPORTING CREATIVE BUSINESSES CONTINUED



"Channel 4's commitment to *Hollyoaks* has enabled Lime Pictures to sustain over 300 permanent roles, meaningfully invest in the local infrastructure and talent, providing a stable foundation for the creation and retention of a strong craft base."

Claire Poyser
Joint Managing Director, Lime Pictures

Lime Pictures

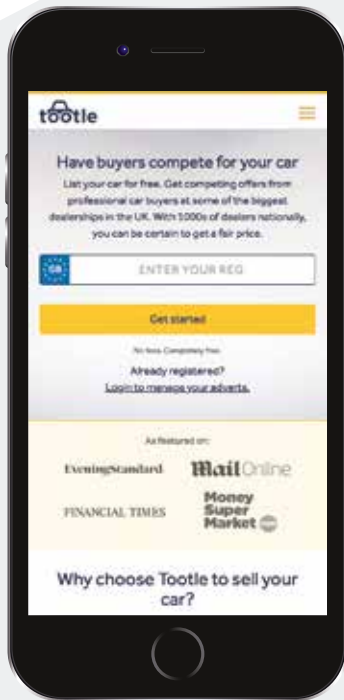
Lime Pictures – originally founded as Mersey Television – has produced *Hollyoaks* for 21 years and previously made Channel 4's first 'soap', *Brookside*, until 2003.

Filmed on a dedicated set on Lime Pictures' campus in Childwall, Liverpool, *Hollyoaks* is Channel 4's biggest Nations and Regions-commissioned programme. Now running at five episodes a week, *Hollyoaks* is also one of our most popular and enduring shows. As well as providing entertaining storylines that appeal to hard-to-reach young viewers, it delivers impactful, important public service messages to this core audience on challenging subjects including rape, teen pregnancy, substance abuse, eating disorders, mental health problems, HIV, body dysmorphia and LGBT issues.

The scale of Channel 4's investment in *Hollyoaks* provides Lime Pictures with a stable platform from which to build and invest in talent over a sustained period of time. Having developed a stable of writers and directing talent, Lime Pictures has become one of the most successful British production companies, producing programmes for other broadcasters including *The Only Way Is Essex* for ITV2, *Geordie Shore* for MTV and Disney's *Evermoor*.

Lime Pictures' success brings further economic benefits to its local economy: it is an important local employer, with half of its entire Childwall-based staff living within a 20-minute drive of the campus. And it has helped to ensure a rich and varied talent pool in the Liverpool area, many of whom will go on to build successful careers in the creative economy.

Lime Pictures works actively with Channel 4 on a number of talent development initiatives, such as the Northern Writers' Award, which offered winner Sharma Walfall a placement on *Hollyoaks*. Lime also supports Channel 4's diversity 'storylining' initiative, offering two 12-week placements on the *Hollyoaks* team for people from a BAME background or with a disability.



◀ Tootle

Growth Funds

Our two main investment funds – the Indie Growth Fund and Commercial Growth Fund – continue to support UK business growth through their targeted investments.

Launched in 2014, the £20 million Indie Growth Fund was established to nurture the independent sector by providing access to funding for small and medium-sized UK independent production companies. The aim was to help these businesses grow and develop without the need to consolidate with other production companies. The fund has invested in 13 companies across the UK.

In 2017, we successfully divested two companies in which the Indie Growth Fund had taken stakes. Renowned Films, a BAME-led production company, was sold to Critical Content, while True North Productions, a Leeds-based indie, was sold to Sky (see case study, page 28).

Meanwhile, our Commercial Growth Fund, which we launched in 2015 following our success with the Indie Growth Fund, continues to invest in start-ups, offering 'media for equity' to high-growth-potential companies.

This represents an alternative route for companies to access valuable Channel 4 airtime in exchange for shares. The Commercial Growth Fund focuses on consumer growth-phase companies, with a bias towards highly disruptive companies that are aligned to Channel 4's audience profile. As TV continues to be the biggest medium for mass reach, reaching 97% of the UK population each month, the Commercial Growth Fund proposition remains attractive for start-ups looking to gain more visibility.

Since it launched in 2015, the Commercial Growth Fund has completed ten equity investments. The Fund has quickly found success. Most notably, one of its earlier investments, Eve Sleep, successfully listed on the AIM Exchange in May 2017.

In 2017, Commercial Growth Fund investments included: HundredRooms, a meta search engine for booking holiday homes; Get Agent, an online comparison service for estate agents; and Tootle, an online marketplace for pre-owned car sales.

Supporting exports

Our most significant means of supporting the health and growth of the UK's globally successful indie sector is through the ongoing investment in content by our commissioning teams. Channel 4 commissions enable production companies to build their profile and their businesses, allowing them to win business from other clients, both in the UK and internationally.

As the indies that we work with own the intellectual property behind their programmes, they are able to sell on their programmes and formats around the world. Indies have done this with great success over the years – in 2015-2016, the UK was the second-largest exporter of television formats in the world, with total revenues from TV exports worth more than £1.3 billion per year.

Channel 4 was set up to take risks, innovate and invest in talent. Our model – as a publisher-broadcaster that commissions all of our programmes from outside suppliers, and reinvests our profits into programmes – enables us to take risks on creative ideas and people that other organisations with different models might not.

Those risks pay off in the long term to the benefit of UK plc, as is evident from Channel 4's strong track record of developing the early careers of internationally successful British talent. This includes world-renowned film directors Danny Boyle, Steve McQueen and Martin McDonagh, as well as many TV presenters, comedians and actors who started on Channel 4 before moving to more mainstream channels. And it is evident from the many television formats that were initially developed for Channel 4 and which production companies have then gone on to sell around the world, such as Gogglebox, which has been exported to over 35 territories from the USA to Japan.



▲ Gogglebox

REMIT PERFORMANCE



YOU'VE BEEN SAYING

PEOPLE

Maintaining and growing our connection with young people is now, more than ever, a key focus for Channel 4. Across all our output, our alternative and distinctive approach to subjects appeals strongly to young audiences, and our programmes tend to focus on themes that are particularly relevant to young people. Factual programmes especially often contain educational content that helps young people develop life skills, bridging the knowledge gap between what is taught in the classroom and at home, and supporting young people, especially 14-19-year-olds, as they transition from childhood to adulthood.

Engaging young people

16.4%

portfolio viewing share among 16-34-year-olds (+1%)

5.2%

viewing share for E4 among 16-34-year-olds (+5%)

3rd

Channel 4 is the third most popular UK TV channel among 16-34-year-olds (=)

7.5%

Channel 4 has a share of 7.5% of 16-34-year-olds (+1%)

2018 ambitions

- We will grow our emphasis on young-skewing popular Factual, Education and Entertainment content with new programmes including *Class of Mum and Dad* plus extended returning series such as *Ackley Bridge* and *Lego Masters*. We will also launch new titles that appeal to 10-14-year-olds, including *Postcode Playdates*. Meanwhile, new series *Derry Girls* will showcase an array of new on-screen talent from Northern Ireland.
- We will further build on our successful online strategy to engage young people in News and Current Affairs and explore issues that impact their lives, while our Education content will continue to focus on life skills for teens.

This approach results in disproportionately strong viewing figures relative to other public service broadcasters, particularly in our factual genres. In 2017, Channel 4 programmes accounted for seven of the top ten factual entertainment shows among young audiences, with *The Great British Bake Off* attracting higher viewing figures and share amongst 16-34-year-olds than any other series.

Our factual genres are one of the most effective ways to engage with young people. Of our ten top-performing programmes among 16-34-year-olds, eight were original commissions and seven came from factual genres.

REMIT PERFORMANCE
YOUNG PEOPLE CONTINUED

Engaging young audiences is a core part of our remit. We work hard to commission programmes that appeal to 16-34-year-olds, an increasingly hard-to-reach audience as young viewers migrate towards on-demand content and platforms. In 2017, our programmes tackled serious subjects such as cyber bullying (*Hollyoaks*, *Ackley Bridge*), sexuality (*50 Shades of Gay*, *Is Love Racist?*, *The Sex Testers*), and fake news (*The Fake News Show*).

Viewing amongst 16-34-year-olds was particularly strong in Factual genres this year. In Factual Entertainment, seven of the UK's top ten programmes amongst 16-34-year-olds were shown on Channel 4. New launches such as *The Great British Bake Off*, *Celebrity Hunted* and *First Dates Hotel* complemented existing titles such as *The Island*, *Gogglebox*, *The Undateables* and *Travel Man*.

Overall, the main channel's share of 16-34-year-olds grew by one percentage point in 2017, in a highly competitive market. Indeed, for the first time, ITV2 overtook E4 in terms of 16-34-year-old viewing share in 2017, largely due to ITV2's success with *Love Island*. Our dedicated youth-focused digital channel, E4, saw a 5% rise in viewing amongst 16-34-year-olds, thanks to the continued success of shows such as *Made in Chelsea*, *Tattoo Fixers* and *Celebs Go Dating*.

Our flagship soap *Hollyoaks* has run on Channel 4 for more than 20 years and continues to be the youngest-skewing soap on British television. 65% of its audience on E4 were under the age of 35, whilst across Channel 4 and E4 it reached 50% of 16-34-year-olds in 2017, or 7.2 million young viewers. With storylines in *Hollyoaks* featuring a range of important contemporary themes in 2017 – including mental health, sexuality and relationships – the soap continues to provide a platform to tackle important social issues.



▲
Hollyoaks

50%

Hollyoaks reached 50% of the 16-34-year-old TV-viewing population in 2017

7.2m

Hollyoaks viewers under 35

Older children strategy – focusing on prime time

Our strategy for older children is to provide content that reflects their lives and interests while also having popular mainstream appeal amongst broader age groups. This was exemplified by *Child Genius*, an annual competition to find the UK's child prodigies.

In 2017, we sought to develop successful returnable formats for this audience. *Lego Masters* was a new commission that put children's Lego design and construction skills to the test. It aired at 8pm on Thursdays in August and September, forming part of a deliberate strategy to schedule programmes that appeal to 10-14-year-olds in the pre-watershed 8pm time slot. This strategy was extremely successful, with a 38% increase in viewing share amongst 10-14-year-olds in this time slot, a bigger increase than for any other age group.

Lego Masters will return as an extended series in 2018, along with *Postcode Playdates*, in which families with children from the same neighbourhood but across social divides will open their doors to their neighbours' offspring for a playdate for the very first time.

As well as programmes made specifically for 10-14-year-olds, Channel 4 engages this age group with a wide range of programming, including programmes for young audiences more generally (such as *Ackley Bridge*) and programmes with broad family appeal, such as *The Secret Life of 4 and 5 Year Olds* and *The Great British Bake Off*.

Channel 4's appeal to older children was evidenced by Ofcom research in 2017 which found that 48% of 10-14-year-olds "like or love" the Channel 4 family, rising to 63% among regular Channel 4 viewers.

SUSSEX



Lego Masters

New format *Lego Masters* attempted to find Britain and Ireland's most talented amateur Lego builders. Hosted by Melvin Odoom, eight pairs of children competed against one another by designing and building intricate Lego masterpieces.

The programme was developed with the aim both to appeal to the tastes of older children and also to meet our renewed strategy to develop strong returnable formats that are educational and entertaining. It performed strongly with a series average audience of two million viewers and a 9.7% viewing share.

The series became Channel 4's biggest prime time series for children by viewers since 2014: it gained a 24.2% viewing share for 10-15 year olds (272% higher than the slot average) and a 22.7% share of 4-9 year olds (254% above the slot average). The programme will return in 2018.

Our strategy has been to develop strong returnable formats that are not just educational – but also watchable.



◀ *The Secret Life of 4 and 5 Year Olds*



◀ *The Great British Bake Off*

REMIT PERFORMANCE
YOUNG PEOPLE CONTINUED

Fake News Week

It's never been easier to spread fake news stories. In the last year, new websites have sprung up posting unverified and untrue information, which has been shared widely on social media. Channel 4 dedicated a week-long season of programming in February 2017 to look at the 'post-truth' world.

Working with its award-winning Fact Check team, *Channel 4 News* explored where fake news comes from and the implications of the spread of fake news in a special programme. It also hosted an interactive Q&A on the subject using Facebook Live. The season also included two documentaries that looked at different aspects of the manipulation of truth (*Confessions of A Paparazzi* and *Britain's Greatest Hoaxer*)

as well as entertainment programmes, such as the one-off comedy panel show *The Fake News Show*, which dissected the outlandish headlines and wild lies that have pushed 'post-truth' to the front pages.

The Fake News season reached a total of 7.5 million viewers across the week, 1.6 million of whom were young people. This equates to 11.3% of 16-34-year-olds across the UK.

Channel 4 News' special programme performed especially strongly with young people, with a 40% boost in viewing share amongst 16-34-year-olds relative to its slot average, and an even higher 51% increase vs slot average for 16-24-year-olds.

Channel 4 News



57%

of 18-24 year olds state they are worried about the effects of fake news

1.6m

 viewers were young people

11.3%

of 16-34 year olds across the UK

Viewers across the week

7.5m

"Judging by the way things are going, it might be a good idea to make this programme a permanent fixture."

Radio Times
(*The Fake News Show*)

Ackley Bridge

Ackley Bridge, a new drama launched in June 2017 in an 8pm prime time slot, was developed as part of Channel 4's commitment to new talent and regional production. It formed the centrepiece of our educational content provision for 14-19 year olds.

Targeted at young people, the programme is set in a fictional Yorkshire mill town, home to a largely divided white and Asian population. Based on real schools in Lancashire and Yorkshire that merged in order to unite culturally divided communities, the six-part drama follows storylines at the fictional brand new academy Ackley Bridge College. The series had a strong educational element, focusing on subjects that affect young people, such as bullying, poverty, sexuality, social integration and racism.

Filmed in Halifax, West Yorkshire, production company The Forge worked with Calderdale, Kirklees, Bradford and Leeds city councils during the development of the series.

Many of the supporting actors in the series were 'street cast' alongside professionals. These local residents – who were talent scouted in local boxing clubs, schools and community groups – provided the show with extra authenticity and grit. The production company also gave work experience placements to local students throughout the preparation and production of the show.

Ackley Bridge was one of Channel 4's most successful dramas of 2017, reaching 5.5 million viewers over the series. The show performed very strongly with younger audiences, securing an 18.5% share of 16-34 year olds. It connected more strongly still with teen audiences, achieving a 21.8% share amongst 14-19 year olds, a 446% increase on the Wednesday 8pm slot average for this age group. And amongst older children aged 10-14, its share was 441% above the slot average.

Not only was the first series of *Ackley Bridge* popular, it was also impactful. A notable 72% of 10-15 year olds said that they had spoken about the show with friends, while 65% said they had spoken to their parents about issues tackled in the programme – such as diversity and integration, bullying, personal development and identity. A further 15% were motivated to talk to a teacher about aspects of *Ackley Bridge*.

Ackley Bridge returns for an extended second series in early 2018.

“All the threads of a great series come together for a brilliant finale, bring it back soon Channel 4!”

The Sun



Q&A interview: 17-year-old Nazmeen Kauser, who played Razia in Ackley Bridge

Q

Why was *Ackley Bridge* so successful with young people?

A

The topics and storylines of *Ackley Bridge* are like modern life; when you watch it, you see today's society – it shows how we speak and how we deal with things. It's just bang on about how we live today, as kids and teenagers. It shows all our tricks!

It's a drama series, but it's just like reality – it shows what real life is like for us. Most of the young people who worked on the show came from the same background as the characters they played.

Q

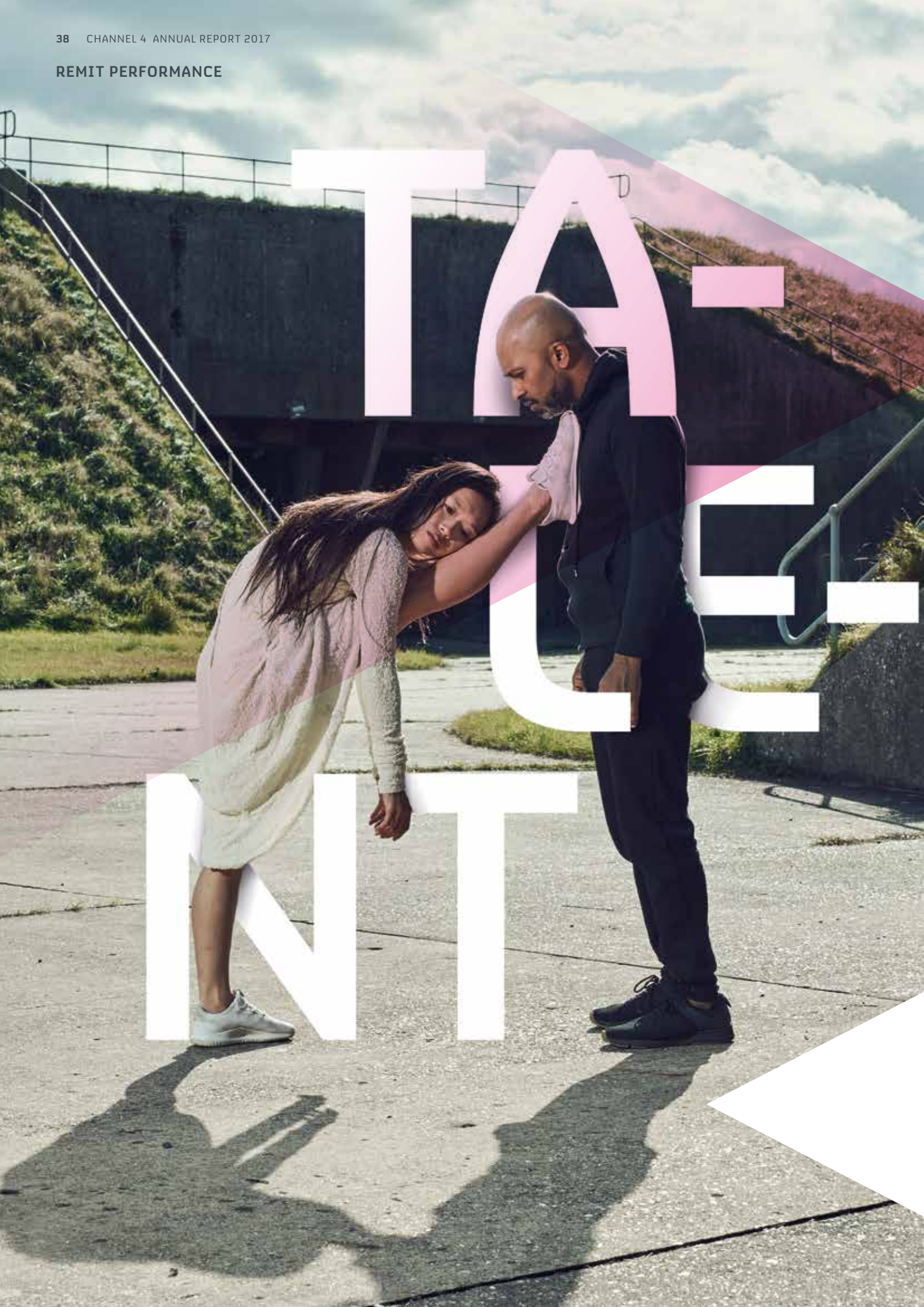
How did you end up with a role on *Ackley Bridge*?

A

I was cast on the street! I was walking home after being excluded from school for a day (for refusing to take my jacket off in winter!), when I bumped into Penny Woolcock, *Ackley Bridge*'s director, and she asked if I wanted to audition for a TV show.

Obviously, in real life, a normal, young person from West Yorkshire like myself would never expect to get a main part in a TV series – but I did, and it's been fantastic. It was a bit mad, but the *Ackley Bridge* set became like a second home to me.

REMIT PERFORMANCE



Identifying and nurturing talent is a vital part of Channel 4's role: our remit to experiment and take risks means that a core part of our business strategy is to support emerging and established talent alike across TV, film and digital media. This ensures we can produce the best quality content and bring through the brightest and best of the next generation, both in front of the camera and in the production teams behind the scenes. Supporting new talent in particular helps keep our output distinctive and strengthens our appeal to younger audiences.

Nurturing young talent

618

young people attended
C4 Pop Ups (5%)

More than

50%

of our work experience cohort
came from outside of London ()

17

apprentices were employed
by Channel 4 in 2017 from
a pool of 2,379 applicants
(+5 apprentices)

56

young people were offered
work experience placements
at Channel 4 in 2017, half of
which came from the Nations
and Regions

2018 ambitions

- We will continue to cultivate new talent and bring new voices to British screens, for example with our new series *Lee & Dean*, written by new comedy talents Mark O'Sullivan and Miles Chapman, and new projects with Big Narstie and Jamali Maddix.
- Within Channel 4, we will continue to take action on tackling the gender gap, improving BAME representation at all levels and breaking down social mobility barriers. We will also super-charge our 4Talent initiatives to engage young, diverse people in a career in media, taking our C4 Pop Ups to towns across the UK. More of our apprenticeships will be based in the Nations and Regions.

We are committed to ensuring that people from different backgrounds and walks of life can successfully pursue careers in the media industry, both on and off screen, helping to foster the UK's vibrant and innovative television and film sectors.

We invest significantly in talent and skills development initiatives within Channel 4, through our production partners, and by supporting cultural and educational institutions, to help people 'get in' and 'get on'.

Our strategy for nurturing talent is targeted at people at every stage on the career ladder, including the earliest stages. We are committed to finding new on and off screen talent, from the grassroots, providing practical hands on experience through our paid apprenticeships and production training schemes, through to mentoring and outreach programmes.

We also take pride in working with and helping develop talent as they progress through their careers, developing long lasting relationships which ensure that Channel 4 and the talent we work with share in mutual success.

REMIT PERFORMANCE

TALENT CONTINUED

Channel 4's output in 2017 demonstrates the depth of our commitment to talent – forging long-term relationships, helping established talent move in new directions and discovering and championing new UK talent.



NATIONAL



Comedy Blaps

Comedy Blaps is Channel 4's vehicle for piloting comedy online. Blaps are entry level, grassroots series of four minute pieces comprising brand new comedy ideas that allow talent to find their creative feet. Open to anyone, Comedy Blaps has proved very successful at identifying and breaking exciting comedy talent early in their careers and introducing them to large audiences on All 4.

In the seven years since the annual Comedy Blaps scheme was launched, seven series have been picked up for development by Channel 4 and E4 – a phenomenal success rate.

In 2017, two of our comedy programmes stemmed from Comedy Blaps: Michaela Cole's *Chewing Gum* – the first comedy series written by a BAME performer on Channel 4, which has won multiple awards – and Roisin Conaty's *Game Face*, which was initially created as a Comedy Blap four years ago.

One of the TV drama highlights this year was *The State*, from renowned director Peter Kosminsky. Channel 4 has worked with Peter for many years, giving him the time, space and editorial support to make a number of complex and challenging films about modern Britain, including *The Government Inspector* (2005), *Blitz* (2007) and *The Promise* (2011).

There is always a risk of creative talent being pigeon-holed, and the diversity of our output allows us to help talented individuals expand their horizons across different genres or in different media. Comedian Richard Ayoade found new audiences in 2017 when he fronted the revival of *The Crystal Maze*. Richard's earliest collaborations with Channel 4 were on scripted comedy productions, including *The Mighty Boosh*, *Nathan Barley* and *The IT Crowd*. Film4 Productions supported his feature film directorial debut with the comedy-drama *Submarine* (2011). And in television, Channel 4 worked with Richard to apply his comedic talents in new genres with the launch of factual entertainment show *Travel Man* in 2015, the latest series of which also aired this year.

In 2017, Film4 teamed up again with leading film director Danny Boyle on *T2 Trainspotting*, the long-awaited sequel to his 1996 classic *Trainspotting*. Danny made his first two feature films with Film4 Productions (the ground-breaking *Shallow Grave* (1994) and *Trainspotting* (1996)), and has returned to make films with us a number of times since, including the Oscar-winning *Slumdog Millionaire* (2008).

Meanwhile, in Drama, we continued to develop new talent in 2017, giving breakthrough roles to Jack Rowan (*Born to Kill*) and Jessica Barden (*The End of the F***ing World*).



T2 Trainspotting

Talent at Channel 4

Our activity around talent is underpinned by a clear business rationale as well as by wider advocacy within – and beyond – our sector. Why is this important to us? It's an important part of our remit, but it's also absolutely essential for ensuring our continued creative and commercial success.

At the heart of our talent strategy is social mobility, which we have divided into three strands: early outreach, 'getting in' and 'getting on'. For these strands to work, it is essential both to raise awareness of opportunities among young people and then to ensure that they are able to use those opportunities to further their careers.

Over the past few years, we have launched a number of industry-leading schemes tailored to early outreach.

The Channel 4 Pop Ups are a national outreach programme of skills workshops and challenges taking place across the UK, which deliberately target young people from disadvantaged backgrounds. In 2017, 618 young people attended our Pop Ups in Belfast, Birmingham, Bristol, Glasgow, London and Manchester. We succeeded in attracting a more diverse group of young people than in 2016, with 31% of attendees from a BAME background, 16% identifying as LGBT and 8% as disabled.

Our Work Experience Scheme provides training and hands-on experience of working in a team at Channel 4. This attracted 2,216 applications in 2017 and we offered 56 work placements across the year. Of these, half of the placements were offered to young people from the Nations and Regions, who we supported financially during their placement.

We also continued our partnership with the Royal Television Society, offering five grants worth £1,000 each per year through the RTS Technology Bursary Scheme, as well as mentoring. These bursaries aim to encourage talented engineering and computer science graduates from low-income backgrounds to consider a career in TV through placements and support.

The cornerstone of our 'getting in' strategy is our Apprenticeship Scheme. Apprentices spend 12 months attached to one of our departments in London, Manchester or Glasgow, working on a range of in-depth projects that count towards their Level 3 or 4 qualification. In 2017, we welcomed 17 young apprentices for year-long placements, out of a pool of 2,379 applicants.

Turning to the 'getting on' strand, we funded 16 young people through our Production Training Scheme, a 12-month salaried training programme where we place trainees at independent production companies. Of these 16 places, 11 were with companies based in the Nations and Regions, in Birmingham, Bristol, Glasgow, Liverpool, Manchester and Newry. Of our trainees graduating in 2017, 77% are now working full time in the industry, including at production companies such as The Garden, North One, BBC Three and Firecracker.

BIRMINGHAM



Testimonial: Ella Powell, Pop Up attendee and Work Experience Trainee at North One Television

"After attending the Production Pop Up in Birmingham, I reached out to North One for work experience and was grateful to be given a week with the team. I was put in the Channel 4 *Travel Man* team and got to see how the pre-production worked as well as taking part in administrative tasks.

"I wouldn't have been able to get this opportunity without attending the Pop Up."

"I wouldn't have been able to get this opportunity without attending the Pop Up. The event helped me understand how to get started and get into the industry. Without a doubt, I was better prepared because of the event. Without the Pop Up, I wouldn't have been able to network and meet North One's Production Manager, and therefore wouldn't have had the opportunity to do the work experience."



REMIT PERFORMANCE
TALENT CONTINUED



Rungano Nyoni's *I Am Not A Witch*

Born in Zambia and raised in Wales, Rungano Nyoni – the writer and director of *I Am Not A Witch* – is a perfect example of how we identify and cultivate talent from across the UK.

Our Film4 team first came across Rungano when she was a screenwriter on a separate film project and we quickly started exploring the possibility of working on her directorial feature debut. She submitted her script for *I Am Not A Witch* in May 2016 and, alongside BFI and Ffilm Cymru Wales, we helped to develop and co finance the film, which tells the story of nine year old Shula, exiled to a travelling witch camp. She is told that if she tries to escape, she will be transformed into a goat. As she navigates through her new life, she must decide whether to accept her fate or risk the consequences of seeking freedom.

The film has been a critical success following its world premiere at Cannes in May 2017, winning multiple awards at the British Independent Film Awards, Africa International Film Festival, Stockholm Film Festival, Mumbai Film Festival and Adelaide Film Festival among others.

And in 2018, Rungano won the prestigious BAFTA Award for Outstanding Debut – which undoubtedly marks the start of a long, prosperous career.



▲
I Am Not A Witch

WALES



"Rungano Nyoni's debut feature is comic, poignant and captivatingly beautiful."

Mark Kermode
The Observer

Professional development

The quality of our programming is dependent on the people that we work with, both in front of the camera (e.g. actors and presenters) and behind the scenes (e.g. directors, producers and writers). Everyone plays their part in turning brilliant ideas into well-made original content.

Our commissioning teams work hand-in-hand with independent production companies to find and cultivate new talent from all walks of life. We run a number of schemes across different genres that provide a platform to showcase new creative, artistic writing and directing talent. Examples include First Cuts and Cutting Edge (Documentaries); Comedy Blaps (Comedy); Random Acts (Arts); and 4Stories (Drama).

On the production side, our Commissioning Mentor Network focuses on identifying diverse rising stars and helps to elevate them to more senior posts in commissioning and production, both at Channel 4 and within independent production companies. This has created a reservoir of diverse talent: there are now 140 rising stars in the Network, of which 89% come from a range of diverse backgrounds.

The Network is supplemented by the Northern Writers' Award, a scheme launched in 2014 by Northumbria University in partnership with Channel 4, to identify raw and diverse talent from the north of England. Channel 4's Alpha Fund also spent £450,000 in 2017 on supporting start-ups, BAME-led and regionally based companies as well as projects with diverse talent attached. Eighteen companies received Alpha Funding, of which five were based in Northern Ireland, three in Wales, three in Scotland and seven in the English regions.

On the film side, Film4 has also continued to support new talent, nurturing diverse voices across its film slate. Debut films supported by Film4 in 2017 include Rungano Nyoni's *I Am Not A Witch*, which won three British Independent Film Awards (case study, left). Through these bespoke talent initiatives, we continue to develop a strong pipeline of talent, supporting Channel 4's success as well as that of the wider UK creative sector.



Educating new talent

Our training scheme for budding investigative journalists continued in 2017. We have now trained 40 journalists since we launched the junior scheme six years ago, from a wide range of backgrounds. Of these, 14 journalists trained in the Nations and Regions and 12 were from diverse sections of the community.

We have also trained 16 more advanced journalists on the senior scheme, which helps people to make the jump to produce and direct their own current affairs documentaries. We also continued to sponsor the RTS Technology Bursary scheme, a development programme for highly talented technologists from low-income families.

2017 saw the first graduates of the MA degree in Investigative Journalism that we set up in partnership with De Montfort University in Leicester. Many of the degree's first cohort of seven students, who joined the course in October 2016, have already secured journalism jobs, including one young man who has joined Hardcash Productions, working as a researcher for Channel 4's *Dispatches* programme, and another who now works at the BBC.

Demand for places on the programme is strong, with the second intake of MA students expanding to a group of 13 students, six of whom are from diverse backgrounds.

16

advanced journalists trained on our senior scheme

40

journalists trained through our junior scheme in six years

Q&A interview: Jack Rowan

Q

What has been the effect on your career of starring in *Born to Kill*?

A

Born to Kill changed my life – it's been my golden ticket and it's now my calling card. Since it aired, I've appeared on the BBC's *Peaky Blinders* and have also signed with an agent in the US.

As well as being a success on TV, *Born to Kill* was a success within the industry because it was so different to everything else. It was the first time that I'd ever gotten a lead role, and this has helped to make casting directors and producers aware of me.

For me, as a young actor, *Born to Kill* has been the seed from which the tree keeps on growing.

Q

How did you prepare for the role?

A

In addition to being the biggest role I've ever had, it was also the most demanding.

It wasn't easy – I had to do a lot of preparation, as I knew this was an amazing opportunity and I didn't want to waste it. I read a lot of material to understand more about teenage psychopathy – what happens in the brain, what are psychopathic tendencies? I also watched many documentaries to see how real people with psychopathy act. So I took bits from everywhere – the softness, the anger, the intelligence – to mould my character.

Q

Why do you think the programme was so successful?

A

Born to Kill worked so well because Channel 4 was not afraid to take risks – it was very raw and rough and told a story that had never been seen on British TV. Plus, highlighting the issue of teenage psychopathy, the programme also made sure to do it in a very British way.

Q

What advice would you give to young talent that also wants to break through?

A

I would just say, don't be lazy! If you get an audition, do your best, even if you don't think the part is necessarily right for you, as you never know who will be in the room. Also have confidence in your future – put in the work and you will get rewarded. If you want something that badly, you'll get it!

REMIT PERFORMANCE

AL- YST- CAT-

FOR SOCIAL
CHANGE



In a year of social and political upheavals, Channel 4 continued to play a crucial role in provoking debate, inspiring change and telling stories from contemporary Britain and a rapidly changing world.

Inspiring change

65%

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

33%

of viewers said that Channel 4 is the TV channel they associate the most with challenging prejudice (=)

Alternative views

37%

of viewers said Channel 4 is the home for alternative voices (=)

34%

of viewers said that Channel 4 is the best channel to show the viewpoints of minority groups in society (=)

2018 ambitions

- As Britain navigates through political and economic uncertainty, we will continue to produce programmes that challenge viewers and stimulate debate, such as Jack Thorne's *Kiri*, a four-part drama set in Bristol about the abduction of a child, starring Sarah Lancashire.
- Through our flagship News and Current Affairs programmes, such as *Channel 4 News*, *Dispatches* and *Unreported World*, we will hold those in power to account, investigating key issues affecting people at home and further afield.
- We will also continue our support of parasport in 2018, with 100 hours of coverage of the PyeongChang 2018 Paralympic Winter Games in South Korea, plus ongoing parasport coverage across the year.

In News and Current Affairs, we pushed boundaries and took risks, continuing to deliver long-form programmes in peak-time whilst also forging new modes of connection with young people through digital platforms.

On the global stage, we tracked the highs and lows of the first tempestuous year of Donald Trump's presidency, continued to shine a light on the war in Syria, and exposed the plight of the Rohingya people in Myanmar.

Closer to home, across a mix of genres – including Drama, Documentaries and Factual – we provoked debate and offered a platform for alternative views. By stimulating debate and covering thought-provoking issues that affect people's day-to-day lives, our content is a powerful catalyst for social change.

REMIT PERFORMANCE
CATALYST FOR SOCIAL CHANGE CONTINUED

Channel 4's distinctive approach to News and Current Affairs – in terms of the form and subject matter of our programmes – allows us to provide alternative views and stimulate debate, particularly among younger viewers.



▲ Dispatches: Syria's Disappeared

Channel 4 News is the only hour-long news programme in peak-time on the main PSB channels; the extended running time enables stories to be covered in more depth and from more angles. Channel 4 News was watched by an average of 8.2 million viewers each month in 2017. It has particular appeal to young adults, with 16-34-year-olds making up 13% of viewers this year. The programme also performed well amongst BAME groups, who accounted for 15% of viewers. Its viewing share rose by 3% in 2017, a fourth consecutive year of growth.

Channel 4 News was the news programme that viewers most associated with being independent from Government and from the influence of big businesses in 2017, more than the news on the BBC, ITV or Sky.

A window on the world

The strength of our News and Current Affairs helped us to win our third International Emmy for News in five years. In 2017, this was for our coverage of the Syrian civil war, which featured exclusive reports from inside Syria that showed the turmoil and destruction of war and brought it to the attention of the wider British public.

One of our most impactful films was *Syria's Disappeared*, a documentary from our *Dispatches* series, which was transmitted in March. The film offered extraordinary access to survivors of detention, families of detainees, regime defectors and international war crimes investigators.

It told the hidden story of the tens of thousands of men, women and children who have been 'disappeared' in Syria by the Assad regime into a network of clandestine detention centres. Among those giving testimony were former captives Manzen Alhumada, a human rights activist who was brutally tortured, and Mansour al-Omari, who courageously smuggled out details of other prisoners written on scraps of cloth in rust and blood.

The *Inside Aleppo* films, produced by Channel 4 News' Waad al-Kateab, also had a major impact. Her coverage prompted discussion around the world, with the Deputy Secretary General of the UN, Amina Mohammed, stating they were "heart-breaking".

The reach of our award-winning investigative films was extended by our multi-platform strategy. Films were not only aired on Channel 4, they were also watchable online and were shared widely on social media, helping them to reach a younger audience. The *Inside Aleppo* films received close to half a billion views online and were shared millions of times on social media, which made them the most watched reports on Aleppo by a single filmmaker ever.

"Brilliant and sickening... important, superbly constructed and focused documentary... required viewing for MPs."

The Times

Across 28 films, our flagship *Dispatches* strand investigated the things that matter to communities that are often neglected by the state and ignored by the media. The programme aired almost entirely in a peak-time 8pm slot, bringing large audiences to its domestic investigations on topics such as the gig economy, the housing crisis and welfare reforms.

Across the year, *Dispatches* averaged 1.1 million viewers per episode, with the most successful programme, *Secrets of Coca-Cola* – about Coca-Cola's opposition to the sugar tax and its close ties to influential scientists – pulling in 1.7 million viewers.

28

Dispatches films were aired in 2017

1.7m Viewers of *Secrets of Coca-Cola*

Dispatches: Under Lock and Key

Under Lock and Key, which aired in March 2017, illustrates how our *Dispatches* films can have powerful real life impacts.

The film focused on life inside one of Britain's largest psychiatric hospitals, St Andrew's in Northampton, showing how people with learning disabilities and autism are still being held in institutions that do not meet their needs, make them better or – in some cases – even keep them safe.

Without being granted personal access to the hospital, filmmaker Alison Millar relied on three families to tell their stories from outside the hospital's walls. The film painted a damning picture of medical neglect, inadequate treatment and the exclusion of families from decision making.

Following its transmission, the Government was pressed in Parliament about the investigation, with Minister for Care David Mowat acknowledging that the current care situation was "not good enough". Chief Nursing Officer Jane Cummings convened the programme's key contributors to discuss the issues raised in the film. The programme is now being used as a teaching resource across the care industry to help change the way that vulnerable adults are treated.



REMIT PERFORMANCE
CATALYST FOR SOCIAL CHANGE CONTINUED

"Intriguing – and potentially pivotal. One lethal, unexpected question, or one fluffed answer, can undo the best-laid plans."

The Observer
(*May vs Corbyn Live: The Battle for Number 10*)



5.3m

Viewers of *May vs Corbyn Live: The Battle for Number 10*

Engaging young people in the election

Compared to the relatively traditional coverage on other channels, Channel 4 seeks new ways to bring elections to life, particularly for younger audiences. Our programming in the run up to the 2017 General Election combined tough talking current affairs with comedy and entertainment to engage viewers and stimulate debate on the big issues.

The centrepiece of our pre-election coverage was *May vs Corbyn Live: The Battle for Number 10*, in which Jeremy Paxman interviewed the chief contenders for Prime Minister. The 90-minute live programme, which was broadcast simultaneously on Channel 4 and Sky News, allowed viewers to hear directly from the two party leaders, who answered questions from a live studio audience. The programme succeeded in informing and engaging viewers, particular younger ones amongst whom the propensity to

vote proved especially important in this election. It reached a total of 5.3 million viewers over its 90 minutes on Channel 4. Viewing share was a substantial 40% above slot average for 16-34 year olds.

Research conducted after the programme aired found that the majority of 18-24 year old viewers felt more engaged with the General Election after watching the programme. 69% of them said that they felt more informed about the Labour and Conservative policies. And 20% of 18-24 year olds stated that they were more likely to go out and vote having watched the programme.

On the night of the election, our *Alternative Election Night* programme was hosted by Jeremy Paxman, David Mitchell and Richard Osman, with additional guests in the studio and across the country plus the *Channel 4 News* team on the ground in key electoral battlegrounds. This all-night feast of reaction, comment and analysis offered a lively and irreverent alternative to the more staid coverage elsewhere. It reached 3.8 million people, with a viewing share of 8.1% amongst 16-34 year olds.

Challenging perceptions

Beyond News and Current Affairs, our Drama commissions also helped to stimulate debate among the British public in 2017. *The State* followed the experiences of four British men and women who joined Isis in Syria. It reached 5.5 million viewers and was largely credited as being a thought-provoking, gripping and “frighteningly realistic” piece of drama by critics and viewers. Although a challenging watch, 69% of viewers polled by research agency Other Lines – and 76% of Muslim viewers – agreed that the programme had value for society as a whole, as programmes like these serve to open up discussions surrounding the radicalisation of young British Muslims in society today.

Many of our documentaries also raised thought-provoking or challenging issues. Filmed at the height of the junior doctors’ crisis at the NHS, during which one in every ten junior doctors quit over a system they felt was being pushed to breaking point, *Confessions of a Junior Doctor* raised important questions over the future of the NHS.

Confessions of a Junior Doctor ▶

The four-episode series, transmitted in April, reached 5.9 million people (9.9% of the TV-viewing population). Nine out of ten viewers said that the programme succeeded in raising awareness of the increasing pressures that young doctors face, while 55% said that their opinion of NHS staff had improved as a result of the programme.

In March, we challenged perceptions of Muslim people in a three-part documentary series *Extremely British Muslims*.

Filmed over a year, the series captured the day-to-day lives of Birmingham Central

Mosque’s 6,000 worshippers. It focused on three themes: finding a partner, the identity crisis facing young Muslim men, and the challenges faced by some British Muslims as they try to reconcile the rules of their faith with life in Britain.

With eight out of ten Muslim people feeling unfairly represented by mainstream PSBs, this programme helped to dispel myths and stereotypes. The series drew a large audience, reaching close to four million people. 85% of Muslim viewers agreed that programmes such as this one helped to overcome prejudice and break taboos.



Food Unwrapped ▼



Food for thought

Our lifestyle programming can also act as a catalyst for change in people’s lives. In 2017, a range of informative series set out to reflect how we live now and how we can live life better, inspiring positive change among our viewers.

Healthy living was a key theme across the year. New series *How to Get Fit Fast* aimed to help viewers find the most effective exercise regime, reaching 3.4 million across the series. 36% of those surveyed stated that the programme made them think about changing something in their own life.

The promotion of positive lifestyles also featured in popular returning series *Food Unwrapped*, *How To Lose Weight Well* and *Superfoods: The Real Story*. These health-focused lifestyle programmes together reached a remarkable 28 million people across 2017 (47% of the UK TV-viewing population).

REMIT PERFORMANCE



DIVERSITY

For Channel 4, more than any other broadcaster, diversity is at the heart of everything we do, on and off screen. In 2017, we further consolidated our reputation as a diversity leader, not only in broadcasting but in industry generally.

Diversity on and off screen

129hrs

of first-run originations covering diversity issues on the main channel (-48%*)

* 2016 figures were notably higher due to the 2016 Rio Paralympics

69hrs

of first-run programmes covering international topics (-10%)

10%

portfolio viewing share among BAME audiences (-2%)

32%

of output on the Film4 channel came from outside the US – and 17% were British films (=)

2018 ambitions

- We will continue to showcase diversity in all of its forms across all of our genres, including Factual Entertainment with *Genderquake*, which will explore gender fluidity; Comedy with *The Bisexual*, written by Desiree Akhavan, which explores ambiguity in sexuality; and Specialist Factual with *Grayson Perry: Rites of Passage*, which explores the landmark events that mark a person's life.
- Three years on from the launch of our 360° Diversity Charter, we will conduct a strategic review of our approach to diversity, in order to develop a new, next generation diversity and inclusion plan for the future.

Diversity has always been important to us and we know that we will need to work constantly in order to become the diverse and inclusive organisation that we aspire to be – it is a journey that never ceases. It is enshrined in our statutory remit, which asks us “to appeal to the tastes and interests of a culturally-diverse society”. Many of the most iconic Channel 4 moments over the years have had diversity at their heart: from *Brookside's* pre-watershed lesbian kiss to our gold-standard Paralympic sport coverage.

Through our work and our partnerships with others, we aim to fully reflect the diversity of Britain today in our output, and in the people who make these programmes.

We want our employees to feel that their individual talents are appreciated, that they can be themselves and be different. And we want our independent production partners to feel that Channel 4 enables them to tell the widest range of stories from different parts of society.

REMIT PERFORMANCE

DIVERSITY CONTINUED

Our remit on diversity empowers us and drives our approach, which is to commission programmes that showcase exceptional talent drawn from the widest talent pools. We not only seek to entertain our audiences but also endeavour to show modern, diverse Britain in all of its forms on screen.

This is done across all genres, from Sport (*UEFA Women's Euros*, *World Para Athletics Championships*), to Features (*The Autistic Gardener*, *Can I Catch It?*), Entertainment (*The Last Leg*, *The Crystal Maze*), Factual Entertainment (*The Undateables*, *Gogglebox*), Drama (*Ackley Bridge*, *Born to Kill*) and Specialist Factual (*Random Acts*, *Grayson Perry: Divided Britain*). The fall, by 48%, in hours of first-run originated diversity content in 2017 is attributable to the greater number of hours in 2016 broadcast for the 2016 Rio Paralympics.

In 2017, 86% of our programmes met our Commissioning Diversity Guidelines, which set genre-specific diversity targets on and off screen. This is the highest level we have achieved since we introduced the guidelines three years ago, and it has led to greater on-screen diversity in programmes such as *8 Out Of 10 Cats*, *First Dates*, *How to Get Fit Fast* and *Food Unwrapped*. This has also resulted in more people from diverse backgrounds working behind the camera, in programmes such as *The Secret Life of 4 and 5 Year Olds*, *Ackley Bridge*, *The Undateables* and our *First Cut* documentary strand.

Our programmes also appealed to diverse audiences. Factual programmes specifically covering diversity issues had a particularly strong pull for our BAME audiences, including *The Truth About Muslim Marriage* (18% BAME viewing share vs 5.2% share for all individuals), *My Week As A Muslim* (24.7% BAME share vs 8.5% share for all individuals) and *Extremely British Muslims* (15.6% BAME share vs 5.6% share for all individuals).

This appeal was not limited to diversity-related documentaries and applied also to a range of programmes in other genres, such as *Child Genius* (17.4% BAME share vs 8.7% share across all individuals) and *May vs Corbyn: The Battle for Number 10* (14.7% BAME share vs 11.9% share for all individuals).



Helen Lawal

Born in Nigeria and having grown up in Leeds, Dr Helen Lawal is a GP and sexual health specialist. One of our rising diverse talents, she was introduced to British audiences in 2017 as the co presenter of our myth busting prime time health programme *How To Stay Well* alongside Dr Javid Abdelmoneim and Dr Phil Kieran.

Dr Helen went on to present hit series *Food Unwrapped*, which saw her travel the world to explore the industry secrets behind our favourite foods. This series did particularly well at engaging BAME

people, with two episodes ranking in our top ten shows for BAME audiences, showing that the subjects tackled by Dr Helen were relevant across all demographics.

In total across 2017, *Food Unwrapped* and its specials reached 17.1 million people (or 34% of the UK TV viewing population), with 30% of viewers saying that they went on to talk about the programme with others. Meanwhile, *How To Stay Well* reached 4.9 million people, with 80% of viewers saying they felt informed by the programme.

360° Diversity Charter

2017 was a year of meaningful progress towards our 360° Diversity Charter commitments, which are designed to put diversity at the heart of everything we do. One of the Charter's commitments was to apply for EY's National Equality Standard, the UK's most forensic third-party diversity audit. In January 2017, we became the first company ever to reach the highest of the five possible levels of attainment – an achievement that we are very proud of, and one that cements our reputation as a diversity leader in UK industry.

In March, we launched our *360° Diversity Charter – Two Years On* report in Parliament, with a keynote speech delivered by actor Riz Ahmed (whose career has progressed from Film4's *Four Lions* to global blockbuster *Star Wars: Rogue One*), who spoke alongside The Rt Hon Matt Hancock MP, the current Secretary of State for Digital, Culture, Media and Sport, and Helen Grant MP. This event garnered significant media coverage.

We also held the second D.I.V.E.R.S.E. Festival at Channel 4's headquarters, bringing together game-changers from outside the industry, including from the worlds of politics, professional services, music and the third sector. Speakers included Sally Phillips, Ruth Hunt, RJ Mitte and Tommy Jessop.

In August, we became the first media company to ever achieve Disability Confident Leader Status, awarded by the Department for Work and Pensions.

And in September, we were confirmed as the most diverse public service broadcaster in Ofcom's first *Diversity and Equal Opportunities in Television* report, with higher proportions of female; black, Asian and minority ethnic (BAME); disabled; and LGBT employees than any other broadcaster.

Among our employees, we increased our proportion of BAME staff to 17.9%, and remain on track to hit our 2020 target of 20%. We grew our proportion of disabled employees, reaching 10.9% at the end of 2017 (close to double our 2020 target of 6%) and the proportion of LGBT employees reached 6.2% (above our 2020 target of 6%). We exceeded all of our 2017 diversity targets among our leaders group.

For the third consecutive year, our *4Talent Grassroots* programme went on the road to find young talent and promote our Production Training Scheme, Apprenticeship Scheme and Work Experience Placements. 618 diverse young people attended six

Channel 4 Pop Up events held across the UK – including three in Birmingham, Bristol and Belfast. Across all attendees, 31% were BAME, 16% LGBT and 8% were disabled.

We also boosted our Deputy Commissioning Editor commitment, where we fund a number of Deputy Commissioning Editors over two years, including one year within the Channel 4 commissioning team. In 2017, we supported four diverse commissioning executives (up from three in 2016), who completed a 12-month immersive commissioning experience with our Factual Entertainment, Features, Comedy and Specialist Factual departments. We also retained one of 2016's candidates in our Drama department, who now works on programmes including *Hollyoaks* and *Ackley Bridge*.

Spotlight on diverse directors

As part of our Spotlight on Directors initiative, our Creative Diversity team funded and worked with Marian Mohamed to help her transition from being a Shooting Assistant Producer (AP) to Director.

Marian explains: "I was funded by Channel 4 for three months to work with BAFTA winning filmmakers Pete Beard and Dave Nath at their new independent production company Story Films.

It has been incredibly exciting having the freedom to develop my own film ideas with both of them, while also working across in house drama and factual development. The transition period from AP to Director can be challenging, so to be able to work towards that with Pete and Dave – who I deeply respect as filmmakers – has been a real privilege.



REMIT PERFORMANCE
DIVERSITY CONTINUED

Four New Frontiers

Where 2016 had an additional focus as the 'Year of Disability', 2017 was a year of 'Four New Frontiers', which allowed us to make an impact in four new areas. These were BAME progression, diverse directors, diversity in advertising and social mobility.

We recorded many achievements on screen, in production and inside our organisation in 2017. The Four New Frontiers helped us to identify areas that we will continue to develop in the future, to ensure that we retain our position as the UK's most diverse broadcaster.

The 360° Diversity Charter has now been in operation for three years and it has served its purpose very effectively, kick-starting a more comprehensive and, above all, energetic approach to diversity – impacting our content, the diversity of Channel 4's workforce and of our overall supply chain.

It is also now possible to see that the example we set as a business and as an employer – to our competitors and partners, in other areas of the private and public sectors, in the UK and across the world – has acted as a significant catalyst for others to change.

Notwithstanding these achievements, we recognise that our journey to becoming a truly diverse and inclusive organisation has only just begun. Channel 4 might perform well within the industry, but that does not mean to say it performs well enough. This is certainly true for BAME inclusion: internal research in 2017 showed us that retention and progression of BAME staff are particular issues. We have therefore announced a strategic review of our approach to diversity, to be completed in 2018, to develop a new, next generation diversity and inclusion plan for the future, which will include greater levels of ambition in the targets that we set ourselves on screen, in production and in our own organisation.

“Our journey to becoming a truly diverse and inclusive organisation has only just begun.”



▲ Channel 4's new diverse idents

Embedding diversity between our programmes

One of our Four New Frontiers in 2017 was to boost diversity between our programmes – such as in advertisements, our idents and promotional films – in order to improve the diversity of TV advertising and incentivise the industry to change. Across our ad sales and marketing departments, we developed innovative ways to engage audiences with diversity between our programmes.

We launched a competition offering £1 million worth of airtime to the advertiser that develops the best advert championing diversity. Lloyds Banking Group, the winner, will see its advert air in 2018.

We also formed a task force bringing together advertisers, agencies and trade bodies to build a strategy for change and launched innovative diversity-led campaigns for a variety of clients.

Finally, we also improved diversity in our own major marketing campaigns. Channel 4's new idents celebrated inclusion, diversity, Britain, youth and our alternative voice.

We will continue to champion diversity between our programmes in 2018 and beyond.



▲ Lloyds Banking Group's diversity advert

"We're delighted to have attracted the largest-ever TV audience for a women's international match."



UEFA Women's EURO 2017

As a programme genre, Sport provides fertile opportunities to make significant advances in on screen diversity, both through the range of sporting events that are transmitted and the approach taken to their coverage on TV. Channel 4 has transformed the coverage of disability sports over the last decade. This year, our decision to broadcast the UEFA Women's EURO 2017 tournament helped to address the significant imbalance between coverage of men's and women's football on the main UK TV channels.

During UEFA Women's EURO 2017, we committed to live coverage of all of the knock out games featuring England and Scotland, and all of the quarter finals, semi finals and final on Channel 4 and More4. Moreover, every single tournament match was available live on All 4, which also hosted a daily highlights show of the best action.

Match coverage benefited from a first class line up of diverse commentators, which included Clare Balding, Ian Wright, Jermaine Jenas and three of the women's game's most capped players – Chelsea Ladies' Eni Aluko, Arsenal Ladies' Heather O Reilly and England's record goalscorer Kelly Smith.

Our coverage was well received by the UK public, with the championships reaching a total of 15.7 million people, equivalent to 26% of the TV population. TV audiences were substantially higher than those for the last tournament four years ago: viewing was up by 55% compared to the Women's EURO 2013, which aired on BBC Two and BBC Three.

Viewers praised the fact that a mainstream broadcaster was covering the tournament in prime time, with 74% of viewers describing the coverage as "entertaining" and 71% stating it was "high quality".

Our most viewed match, the England vs Netherlands semi final, averaged 3.4 million viewers, peaking with 4.2 million, making it the biggest ever women's football game on UK television by a margin of over one million.

Our coverage was an unrivalled success for Channel 4 and helped to raise the profile of women's football in the UK.

A photograph of a young man and a young woman standing in a forest. The man is on the left, wearing a dark plaid shirt over a black t-shirt and dark trousers. The woman is on the right, wearing a light blue t-shirt and dark trousers. A large, semi-transparent triangle with a purple-to-white gradient is overlaid on the image, pointing downwards. The word 'INNOVATION' is written in large, white, sans-serif capital letters across the triangle.

INNOVATION

Channel 4 has a unique operating model – a publicly-owned organisation that is entirely self-funding, with a remit to experiment and take risks. That means that, for us, innovation is about pushing the boundaries both commercially and creatively. This drives our commissioning decisions, informs how we use technology to reach audiences, and encourages us to find new commercial approaches.

A record year for All 4

719m

programme views initiated on All 4 (+16%)

16.6m

registered users on All 4 (+11%)

190

new and one off programmes were shown (between 6pm and midnight) (+9%)

1.98bn

Channel 4 News video views on Facebook and YouTube

2018 ambitions

- All 4 will remain a standalone content destination and explore new curated channels that offer the very best must-watch content from our 35-year library of programmes alongside new handpicked acquisitions. We will also continue to showcase the best international drama via Walter Presents.
- Our News and Current Affairs team is exploring virtual reality technology that will offer fully immersive experiences for viewers, bringing the world to their fingertips.
- We will continue to experiment with innovative programmes, such as *Kiss Me First*, the first mainstream British TV drama to combine live action with state-of-the-art computer-generated virtual world sequences.

Innovation drives our creative strategy. We commission more programme titles than any other broadcaster, taking more risks with new programme ideas to find winning formats and programmes.

In 2017, we remained at the cutting edge of innovation in the media sector: experimenting with new programme formats in order to produce fresh, original and accessible content; forging new commercial partnerships to ensure we remain competitive within an increasingly crowded marketplace; and harnessing technology so that we continue to best serve and reach audiences.

REMIT PERFORMANCE INNOVATION CONTINUED

All 4

Since relaunching in 2015, our online channel All 4 has continued to grow strongly. With 16.6 million registered users by the end of 2017, viewing increased by 16% in 2017 on our All 4 apps and platforms, with a record 719 million video views over the year.



In 2017, we completed the roll-out of a new version of the platform, with personalisation at its heart. This personalised experience is based on viewing history, ensuring that recommended content is tailored to our users' viewing habits – it is based on what users watch and what people like them watch, rather than on who they are.

This new version of All 4 comes with mandatory sign-in, leading to an increase in the frequency of use and an increase in engagement, with log-ins reaching four million per month by the end of the year.

'Stunt' launches were a successful innovation for All 4 in 2017, whereby the first episode of a programme is aired on television to whet viewers' appetites, with the remainder of the series made available online. These were primarily used with Walter Presents, our curated channel dedicated to quality foreign language programming. Every month in 2017, a Walter Presents title was stunt-launched on Channel 4, before the box set was distributed through All 4.

We also did our first stunt launch for Channel 4 originated content last year, with *The End of the F***ing World* (TEOTFW), an eight-part darkly comic road trip tale co-produced with Netflix.

The first episode of TEOTFW premiered on Channel 4 in October, after which the rest of the box set became immediately available on All 4. By stunt-launching the programme, we were able to introduce it to a wider audience than it would otherwise attract. This strategy proved very successful, with the series being

viewed by 3.1 million users within 100 days of the programme launching. It also became our most binge-watched series ever, with 69% of those who watched episode two on All 4 – following the stunt launch on E4 – finishing the whole series on the same day.

Careful curation

All 4's popularity has been driven by a mixture of expert curation, catch-up programming and programmes available exclusively on the platform, such as the entire back catalogue of *Dawson's Creek*, *The Island USA with Bear Grylls* and *Comedy Blaps*. None of the other main PSBs offers such a varied mix of content on their on-demand services.

Research shows that 35% of TV viewers say they will only try a new show if they're confident that it is "great", so curation forms a key part of All 4's proposition.

This is exemplified by the popularity of Walter Presents, which combines Channel 4's creative, technical and commercial innovation. Handpicked by Walter Presents curator Walter Iuzzolino, these carefully selected world dramas are exclusively available free to UK viewers, with no subscription required. It is now the go-to destination for fans of world drama and those curious to discover more. Without Walter Presents, most – if not all – of these titles would not be available in any form to UK viewers.

The service now includes 61 titles from 17 countries and its library features around 643 hours of curated content, including Mexican thriller and International Emmy-winner *Mr Avila*, Czech historical drama and Czech Lion award-winner *Burning Bush* and the hit German drama *Deutschland 83*, which will return for a second series in 2018. In March 2017, Walter Presents also premiered in the US through a venture between Channel 4 and Global Series Network, with 34 series available to view from 12 countries.

Building on this success, All 4 will continue to develop this strategy in the future, anticipating the launch of new curated channels in addition to Walter Presents, mining Channel 4's 35-year library of programmes and featuring new handpicked acquisitions to create collections of the very best must-watch programmes.

“The series as a whole is a brilliant, concise and emotionally charged bit of British dramedy. It is an effing triumph.”

Radio Times
(*The End of the F***ing World*)

The full box set of *The End of the F***ing World* became immediately available on All 4

3.1m

users watched the series within 100 days of the programme launching

69% finished the whole series in the same day



▲ *The End of the F***ing World*



Walter Presents ▶

REMIT PERFORMANCE INNOVATION CONTINUED

Innovative programme making

As well as constantly refreshing and updating much-loved programmes in the schedule, Channel 4 brought hundreds of new shows to the screen in 2017. On the main channel alone, in the evening period when most people are watching (between 6pm and midnight), 190 new and one-off programmes were shown this year. Innovative new shows covered a range of topics, including citizenship and social issues.

One example was *The Trial: A Murder in the Family*, a ground-breaking five-part series in which a fictional crime was subject to an authentic trial by a team including eminent practicing QCs, a genuine judge and a jury of 12 members of the public. The only actors were the accused – a man who was pleading not guilty to the murder of his wife – the deceased and some of the witnesses.

This drama-documentary hybrid, directed by BAFTA-winner Nick Holt, hooked viewers with the real twists and turns of a criminal murder trial and revealed the inner workings of the justice system as never seen before. This innovative concept was successful, particularly among 16-34-year-olds, with viewing share amongst this demographic 44% higher than the slot average. In total, the programme reached six million people (10.2% of the population).

Other programmes helped to bring British history to younger audiences through innovative formats, as with *Mutiny*.

230 years ago, British navy ship HMS Bounty was sailing from Tahiti to the West Indies when, during the 17-month voyage, a mutiny broke out and the ship's captain, Captain William Bligh, along with a handful of loyal men, were forced into a tiny open boat. Instead of dying as expected, Captain Bligh and his crew navigated 4,000 miles to safety, through some of the world's most remote and unforgiving seas.

Mutiny was a unique experiment that followed the ups and downs of nine modern men, who travelled across the Pacific Ocean in a replica 23-foot open wooden boat, with the same equipment and rations of food and water as Captain Bligh and his shipmates.

In addition to being an intense survival challenge, the programme was also an exciting new way of getting under the skin of one of history's great adventure stories.

The programme performed well, averaging two million viewers across the five episodes. *Mutiny* performed particularly well for older children (viewing amongst 10-14-year-olds was 26% above slot average) and 16-34-year-olds (viewing share was 18% above slot average), demonstrating how innovative approaches can engage younger audiences in genres such as history.

Mutiny

Innovation in advertising

Innovation runs through the entire Channel 4 business – from experimental production techniques and programme formats, right through to ground-breaking advertising breaks and commercial firsts.

An example of this is our partnership with the Royal National Institute of Blind People ('RNIB') and five advertisers during National Eye Health Week in September, when we launched a unique campaign to raise awareness of the importance of eye care. Broadcast during *The Undateables*, the ads enabled viewers to 'see' an ad break through the eyes of those living with sight loss conditions.

The application of different visual filters across ads for O2, Paco Rabanne, Amazon Echo, Freeview and Specsavers illustrated the five most common eye conditions in the UK: macular degeneration (which affects the central part of a person's vision), cataracts (which cause sight to become cloudy), eye conditions caused by diabetes (which can affect the blood vessels at the back of the eye), hemianopia (in which people lose half of their vision) and glaucoma (a condition that damages the optic nerve).

The fully audio-described ad break was an industry first, developed through our creative arm PL4Y and produced by our award-winning in-house creative agency, 4Creative. Each brand – which took on significant risk to allow their own crafted adverts to be "distorted" by the visual filters – also donated 10% of their production fee to the RNIB, in support of National Eye Health Week.

Towards the end of the year, we also announced our investment in the European Broadcaster Exchange ('EBX'), becoming its unique UK partner. Expected to launch trading in early 2018, the EBX is a digital multi-territory ad sales joint venture between ProSiebenSat.1 (Germany), TF1 (France), Mediaset (Italy and Spain) and Channel 4.

Our investment allows us to cater for the exponential demand in the programmatic, on-demand video ad market, which grew at an annual rate of 45% in 2017 in Western Europe. It has the added benefit of forging closer strategic and commercially successful partnerships with key broadcasters in European markets which, in turn, will generate new digital revenues for Channel 4 to reinvest back into the UK creative sector.



Video content on social media in 2017

6.5bn



Views across Facebook, Instagram and YouTube

4.3bn



Facebook views across Channel 4's three top channel brands

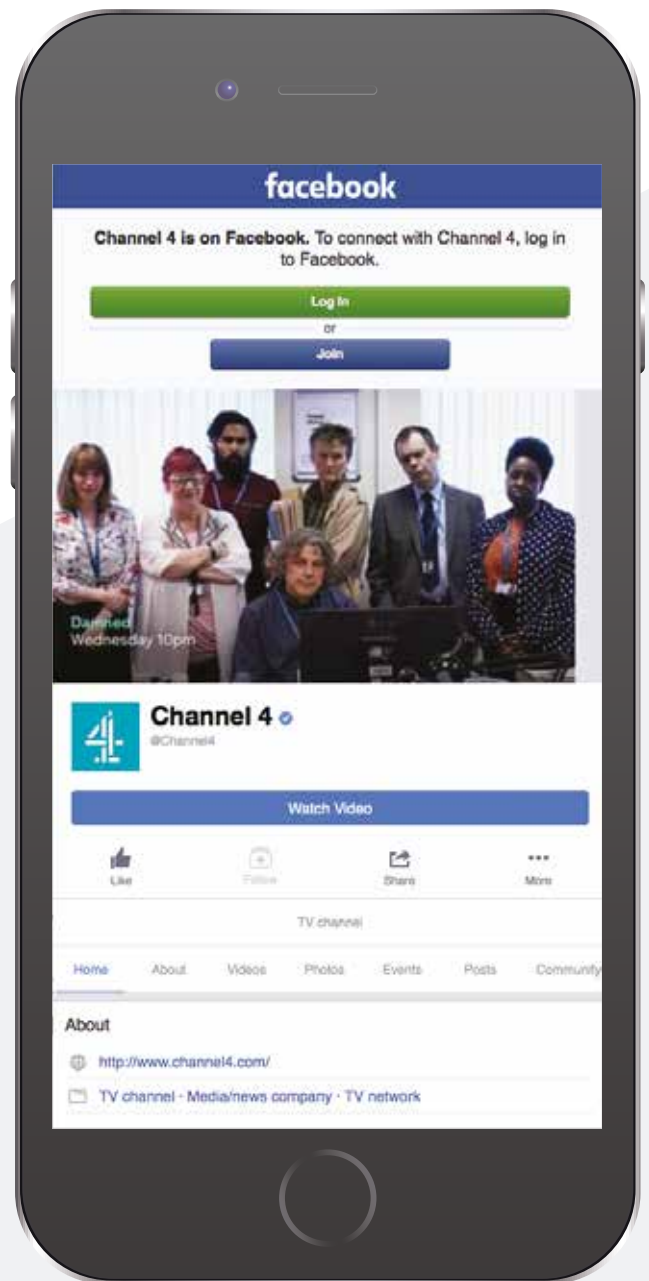
Leading the field in social media

Channel 4 News continues to be one of the UK's biggest video news brands on social media. In 2017, videos across the *Channel 4 News* portfolio received 1.98 billion views across Facebook and YouTube.

In addition, *Unreported World* now has its own YouTube channel, with new videos being uploaded every Wednesday and Sunday – from the current series plus re-publishing classics from its 20-year archive – with some videos garnering in excess of one million views.

Building on the success of *Channel 4 News'* video content in social media, Channel 4, E4 and All 4 have also experienced explosive growth on social media this year. This has resulted in Channel 4 being ranked 47th globally for social video at year end – higher than much bigger organisations such as Netflix, Amazon, ITV and Sky and higher also than key challenger brands such as Vice. This success is crucially important in showing that Channel 4 can engage with younger audiences in new ways.

It was a record-breaking year for our pages on social media, with our entire network's video content being viewed over 6.5 billion times across Facebook, Instagram and YouTube – this is more than double the number in 2016. The content also amassed 111.5 million engagements – such as likes, comments and sharing – in 2017, against 55.2 million in 2016.



“Innovation runs through the entire Channel 4 business – from experimental production techniques and programme formats, right through to ground-breaking advertising breaks and commercial firsts.”

Our approach to social video has been an iterative process to test, learn and roll out best practice. This strategy has paid dividends: on Facebook, with a combined 4.3 billion views, Channel 4's three top channel brands (Channel 4, E4 and All 4) together generated 83% more views than the BBC's top three (BBC One, BBC Two and BBC Three) combined in 2017.

Channel 4's reach on Twitter also continued to grow in 2017, showing that our programmes stimulate debate online, particularly among young people – indeed, more than half of Twitter users are aged 16-34. Our most tweeted programme of the year, *The Great British Bake Off*, was mentioned in close to one million tweets. This was followed by *May vs Corbyn Live: The Battle for Number 10* (with 862,000 tweets) and *Hollyoaks* (515,000 tweets).

METRICS

INVESTING IN INNOVATION

Channel 4's commitment to innovation underpins everything it does – spanning the full range of its creative output, the geographical spread of its supplier base, the diversity of voices and perspectives it brings to the screen, and its technological innovation on digital platforms.

Innovation through content

Channel 4 invested £675 million in originated and acquired content across its TV and digital portfolio in 2017. Its total content budget fell back slightly (by 3%) after reaching record levels in 2016, but was still the second-highest ever. Spend on Channel 4's own commissions rose by 2% to £510 million in 2017, the largest sum in Channel 4's history. After three years of increases, it is now £80 million above its 2014 level.

Channel 4 broadcast 8.5 hours of first-run originations every day on average across the TV portfolio in 2017. This was 9% down on last year, when output was boosted by *Rio 2016 Paralympics* coverage. This also accounted for the 11% decline in new commissions on the main channel. Conversely, continued investment beyond the main channel prompted a 17% increase in the volume of new commissions on the digital channels. In peak-time (6-10.30pm), when the biggest audiences are watching TV, first-run originated programmes accounted for 73% of hours on the main channel – one percentage point down on 2016, but still the joint second-highest figure since 2003. Including repeats, 81% of peak-time hours were taken up with originations (level with 2016).

Across the TV portfolio, Factual, Drama and Entertainment were the genres with the biggest content budgets in 2017. Investment in Factual, the biggest genre, rose by 21% to £254 million, helping to fund the acclaimed relaunch of *The Great British Bake Off*, along with new series such as *Eden* and *Escape*. There were 1,545 hours of first-run originated Factual programmes across the TV portfolio, 11% up year-on-year. In Drama, key commissions this year included *The State* and *Ackley Bridge*. While the budget fell by 4% to £87 million, as *Indian Summers* was not replaced, the volume of programming held steady (172 hours, a 0% change). A highlight of this year's £86 million Entertainment budget was the revival of Channel 4 classic *The Crystal Maze*. Investment in this genre was down by 17% year-on-year, and the volume of first-run originations fell by 12%, as *Deal or No Deal* was not replaced and there was less Alan Carr programming than in 2016. The other significant year-on-year movement in volume was in Sport: with no comparable event of the scale of the *Rio 2016 Paralympics*, Sports output this year fell by 53%.



▲
Ackley Bridge



▶ The Great British Bake Off

Innovation through diversity

Channel 4 maintained its vital support for the UK's production sector in 2017, as the only PSB that commissions 100% of its content from external suppliers. It spent £440 million on first-run external commissions on the main channel (level with 2016 in percentage terms). On the digital channels, spend rose by a substantial 21% to £56 million. Overall, across the TV portfolio, Channel 4 invested £496 million in first-run originations from external suppliers, a year-on-year increase of 2%. Channel 4 worked with 309 creative partners across its commissions in TV, film and digital media, slightly down on 2016 (by 3%). 48 of these suppliers were new to Channel 4, a 31% decline, with All 4 investing in a smaller number of bigger-budget commissions online.

In a London-centric industry, Channel 4 is committed to increasing regional diversity, commissioning content from across the Nations (Northern Ireland, Scotland and Wales) and the English Regions. In 2017, 57% of hours of first-run originated programmes on the main channel came from suppliers based outside London, two percentage points more than in 2016. Channel 4 has now sourced more than 50% of its first-run commissions from outside London in each of the last five years. In expenditure terms, 45% of Channel 4's investment in first-run originated programming on the main channel was on programmes from suppliers outside London, a notable year-on-year increase of five percentage points. Across the TV portfolio, Channel 4 spent a record £189 million on programmes from production companies based outside London, £20 million more than in 2016 (a 12% rise). Of this total, expenditure on content from companies based in the Nations rose by 9% to £39 million.

Parasport



Turning to on-screen diversity, in 2017 Channel 4 showed 253 hours of originated programmes on the main channel whose subject matter covered issues relating to religion, multiculturalism, disability and sexuality. 129 of these originated hours were first-run programmes and 91 of the first-run hours related to programmes shown in peak-time. After big jumps last year, due to Channel 4's coverage of the Rio 2016 Paralympics, these three figures fell back in 2017 – by 29% (total originations), 48% (first-run originations) and 12% (first-run originations in peak-time) – but still remained higher than in 2013, 2014 or 2015. Programme highlights this year included a season to mark the 50th anniversary of the partial decriminalisation of male homosexuality, with films offering both historic (*Epidemic: When Britain Fought AIDS*) and contemporary (*50 Shades of Gay*) perspectives on gay life.

Channel 4's international programming also contributes to the diversity of its schedules. There were 69 hours of first-run non-news programmes covering international topics on the main channel and in the cross-channel *True Stories* documentary strand in 2017. After 2016's coverage of the US presidential election race, this was 10% down year-on-year, but remained above the 2014 and 2015 levels. Following the launch of Walter Presents in 2016, the opening episodes of 14 foreign language TV series were premiered on Channel 4's main channel in 2017. With some series also shown on More4, Walter Presents-branded titles showcased on the TV portfolio reached 9.4 million people this year. Meanwhile, the Film4 channel continued to offer a diverse and international slate: 32% of its output came from outside the US, with British films accounting for 17% of total output.



METRICS CONTINUED

INNOVATION THROUGH CONTENT

£675m

SPENT ON CONTENT ACROSS ALL SERVICES

-3% ON LAST YEAR

● INVEST IN HIGH QUALITY CONTENT

£663m

INVESTED IN ORIGINATED AND ACQUIRED PROGRAMMING ACROSS THE CHANNEL 4 TV PORTFOLIO (ALL GENRES)

-3% ON LAST YEAR

● INVEST IN HIGH QUALITY CONTENT

INVESTMENT IN ALL CONTENT

After reaching record levels in 2016, Channel 4's total content budget across its services fell back slightly in 2017, but was still the second-highest in the broadcaster's history. Channel 4 spent £675 million on the main channel, digital TV portfolio and digital media. 81% of the total budget (£544 million) was spent on content for the main channel, which continued to attract larger audiences than any other channel or service in the portfolio. £119 million was spent on the digital TV channels, and a further £12 million on digital media, which includes Channel 4's websites, cross-platform content and investment in All 4 content, including foreign language TV service Walter Presents.

Content expenditure on the main channel fell slightly, by £9 million, a 2% decline relative to the 2016 record figure. There were bigger year-on-year changes, in percentage terms, in spend on the digital services. For the digital TV channels, while content investment was down by £12 million (a 9% reduction), with less expenditure on original content and US acquisitions, this still represented the second-highest ever spend in the digital channels. Spend on digital media rose in 2017, by £1 million, equivalent to an annual increase of 15% – taking it to a new record high.

In 2017, £663 million was invested in originated and acquired programming across Channel 4's TV portfolio – the main channel and digital channels – 3% below the 2016 figure of £684 million. £254 million was spent on Factual programming, making it the biggest single genre by a considerable margin. Investment in Factual rose substantially this year, by 21%, the biggest single increase in any genre, and this was the sixth successive year in which Channel 4 has increased its spend on this key genre. The additional £45 million of funds supported major new series such as *The Great British Bake Off*, *Eden and Escape*. The next three biggest genres in terms of content investment were Drama (£87 million), Entertainment (£86 million) and Film (£81 million). The Drama budget fell slightly by 4% (a £4 million drop), as *Indian Summers* was not replaced. Key commissions this year included *The State* and *Ackley Bridge*. Investment in Entertainment was down by 17% (equivalent to £17 million), as *Deal or No Deal* was not replaced and there was less Alan Carr programming than in 2016. Highlights this year included the revival of Channel 4 classic *The Crystal Maze*. The Film budget fell by 12% year-on-year, an £11 million reduction, with fewer high-cost US titles. UK theatrical premieres of Film4 productions this year included *Free Fire* and *The Killing of a Sacred Deer*.

In other genres, the content budget for Education (14-19-year-olds) rose from £2 million to £10 million. *Ackley Bridge* accounted for the five-fold rise, the largest of any genre this year in percentage terms. There were also small increases in investment in News (up £1 million to £27 million, a 3% rise) and programmes which appeal to Older Children (up £1 million to £7 million, a 15% rise) – the latter due to series such as *Lego Masters* and *Gogglesprogs*. Content investment declined in other genres, reflecting the small decline in the overall budget and the increased investment in Factual programming. The largest decline – in both absolute and percentage terms – was in Sport. After a big increase in 2016 to cover the *Rio 2016 Paralympics*, the Sport budget fell back by 36% (equivalent to £25 million) to £43 million. Major events shown this year included *Formula 1*, the *UEFA Women's EURO 2017* and the *London 2017 World Para Athletics Championships*. The other notable decline in spend was in Comedy: investment was down by £16 million to £43 million, a 27% fall, in part due to *Derry Girls* being pushed back to early 2018. Following extensive coverage of the Brexit referendum and US election in 2016, spend on Current Affairs programmes fell by 11% this year to £25 million (a £3 million drop from its record level last year).

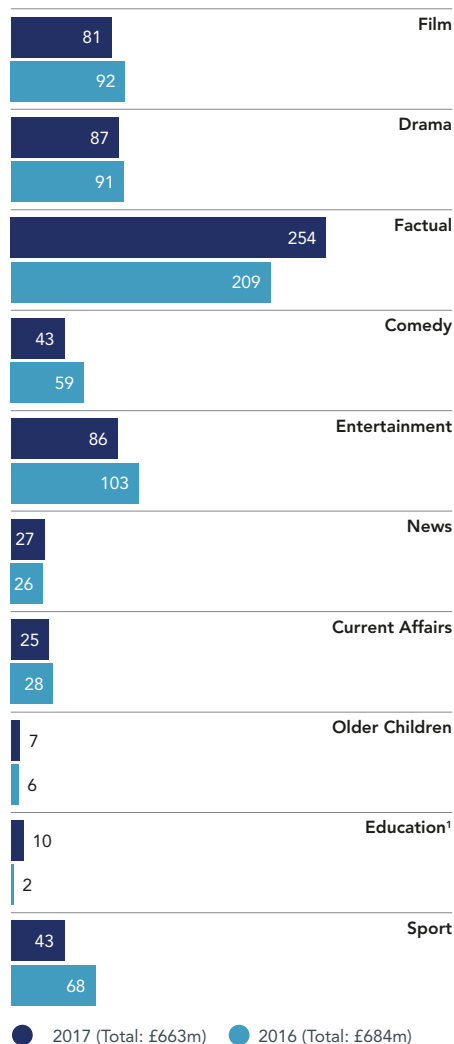
Spend across the Channel 4 network on all content (£m)

	Channel 4 (main channel)		Digital channels	Digital media	Total (£m)
2017	544	119	12		675
2016	553	131	11		695

● Channel 4 (main channel) ● Digital channels
● Digital media

Source: Channel 4

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



Source: Channel 4

¹ Education in this metric refers to specifically commissioned programmes for 14-19-year-olds, as opposed to Channel 4's broader educational remit.

INNOVATION THROUGH CONTENT

73%

OF THE MAIN CHANNEL
PEAK-TIME SCHEDULE DEVOTED
TO FIRST-RUN ORIGINATIONS

-1PT ON LAST YEAR

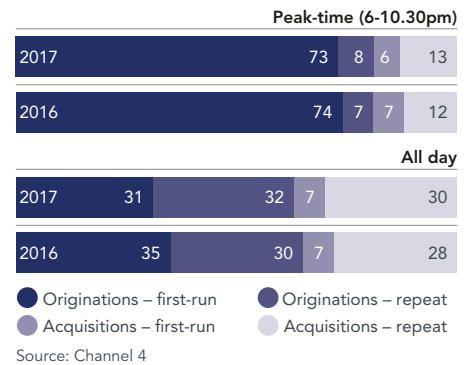
● INVEST IN HIGH QUALITY
CONTENT

OUTPUT MIX ON CHANNEL 4

Channel 4 broadcasts most of its new original programming on the main channel during peak-time hours (defined by Ofcom as 6-10.30pm), exposing them to the largest audiences and enabling them to have the greatest impact. In 2017, 73% of all peak-time hours on the main channel were made up of first-run originated programming. While this is a slight (one percentage point) decline on the 2016 level, it nonetheless represents the joint second-highest figure since 2003. Repeats of original programming accounted for another 8% of peak-time output, meaning that originations comprised a total of 81% of peak-time hours – well ahead of Ofcom's 70% licence requirement. Channel 4's daytime schedules include a more balanced spread of originations and acquisitions, with originations representing 63% of output on the main channel across the day in 2017, again well above the relevant Ofcom quota (of 56%).

There was little year-on-year variation in these figures in peak-time: the proportion of originated programming on Channel 4's main channel in 2017 remained at 2016 levels, with the one percentage point decrease in first-run originations offset by a corresponding one percentage point rise in originated repeats. Across the whole day, the proportion of originated programming on the main channel was down by two percentage points year-on-year.

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



£510m

SPENT ON ORIGINATED
CONTENT ACROSS ALL
SERVICES

+2% ON LAST YEAR

● INVEST IN HIGH QUALITY
CONTENT

INVESTMENT IN ORIGINATED CONTENT

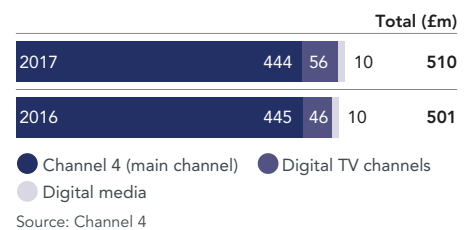
Channel 4 delivers its public remit – and distinguishes its output from that of other broadcasters – primarily through the original content that it commissions and invests in. In 2017, its total expenditure on originated content across its TV channels (covering first-run transmissions and repeats) and online services was £510 million, the largest sum in Channel 4's history. With new records being set in each of the last three years, Channel 4's original content investment is now £80 million higher than it was in 2014.

The main channel continues to account for the large majority of Channel 4's originated content budget: its £444 million expenditure in 2017 was 87% of the total spend on originations. Of this total, £193 million was spent on News, Current Affairs, Education programming, Comedy, Drama series and single dramas (including Film4 productions), Arts and Religion – up 3% year-on-year. This does not include the full range of programming genres e.g. Factual or Sport, where Channel 4 also delivers important public service content.

Beyond the main channel, £56 million was spent on original content for the digital channels, and a further £10 million on digital media content (including websites and cross-platform content).

There was a £9 million increase in Channel 4's total spend on original content in 2017, 2% up year-on-year. This increase was directed entirely towards the digital TV channels, which benefited from a £10 million boost to their original content budget (up 21%), to a new record high. There were minimal variations elsewhere: the main channel's budget fell slightly, by £1 million, while spend on digital media content was level with the 2016 figure.

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



METRICS CONTINUED

INNOVATION THROUGH CONTENT

8.5hrs
OF FIRST-RUN ORIGINATIONS EVERY DAY ON AVERAGE ACROSS THE CHANNEL 4 PORTFOLIO

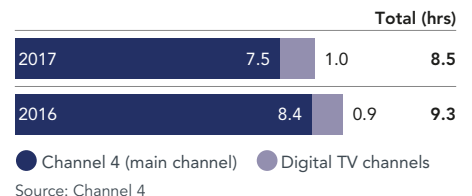
-9% ON LAST YEAR
● INVEST IN HIGH QUALITY CONTENT

ORIGINATED OUTPUT ACROSS CHANNEL 4 TV PORTFOLIO
Channel 4 broadcast an average of 8.5 hours of new commissioned programmes (first-run originations) every day in 2017 across the main channel, E4, More4 and Film4. The main channel accounted for 7.5 of these daily hours, with the other 1.0 hours on the digital channels.

The volume of first-run originations across the TV portfolio fell by 9% in 2017, returning to similar levels to 2014 and 2015 (8.3-8.7 hours), after a big increase in 2016 when Channel 4's extensive coverage of the *Rio 2016 Paralympic Games* took the total to 9.3 hours.

The volume of new commissions on the main channel was down 11% year-on-year, while on the digital channels it increased by 17%, with new series such as *Celebs Go Dating*, *Bizarre ER* and *Body Fixers*.

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



3,103hrs
OF FIRST-RUN ORIGINATIONS ACROSS THE PORTFOLIO

-9% ON LAST YEAR
● INVEST IN HIGH QUALITY CONTENT

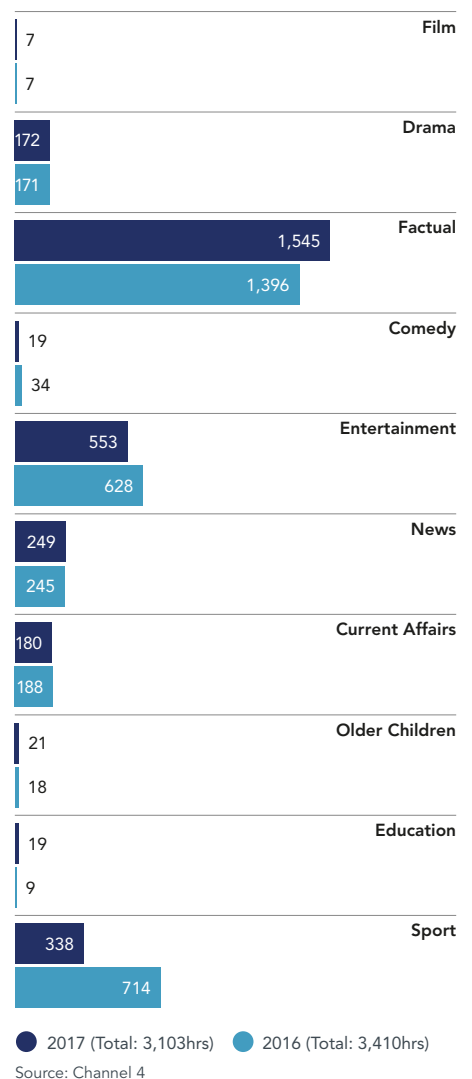
VOLUME OF FIRST-RUN ORIGINATIONS BY GENRE
Channel 4 broadcast 3,103 hours of first-run originated programming across its TV portfolio (main channel and digital channels) in 2017. The genres with the largest volumes of first-run originations were Factual (accounting for 1,545 hours), Entertainment (553 hours) and Sport (338 hours).

There was a 9% fall in the total volume of first-run originations this year, equivalent to 307 hours. The most significant factor accounting for this was the reduced amount of Sport programming: with no comparable event of the scale of the *Rio 2016 Paralympic Games*, coverage of which contributed to a 70% rise in the volume of Sport programming last year, output this year fell by 53%, or 376 hours – larger than the total year-on-year decline across all genres. Two other genres experienced substantial changes in the volume of first-run originations in 2017. There were 75 fewer hours of Entertainment programming, a 12% decline, as there was less Alan Carr programming and programmes such as *Host the Week* did not return. Offsetting this was a large increase in Factual programming, with 149 additional hours, an 11% increase, due primarily to *The Great British Bake Off*, *Eden* and *Escape*. These three genres – the net impact of which was a fall of 302 hours – accounted for 98% of the overall variation in 2017.

Year-on-year changes were much smaller in other genres in terms of the number of hours. Of the genres with increases in the amount of first-run originated programming in 2017, in percentage terms the most notable changes were in Education (99% increase, more than doubling from 9 to 19 hours), due to *Ackley Bridge*, and programmes for Older Children (a rise of 18%, or 3 hours), with the new series of *Gogglesprogs*. There were also small increases in News (2% up, or 4 hours) and Drama (flat in percentage terms, up 1 hour in absolute terms).

Turning to the other genres for which the amount of first-run originated programming fell year-on-year, the biggest decline was in Comedy (43% down, or 15 hours), due to some titles being pushed back to 2018. The amount of Current Affairs programming fell by 4%, or 8 hours, as coverage of the snap General Election was less extensive than that relating to the Brexit referendum in 2016. Film was down by 7% but level in absolute terms; premieres this year included *X-Men* and *Lucy*.

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



INNOVATION THROUGH CONTENT

MEETING CHANNEL 4'S LICENCE OBLIGATIONS

Average hours per week		Compliance minimum	2017	2016
News	in peak time (6-10.30pm)	4	4	4
Current Affairs	overall	4	6	6
	in peak time (6-10.30pm)	2	3	3
Hours per year	schools*	1	20	29
Percentage				
Origination production	overall	56	63	65
	in peak time (6-10.30pm)	70	81	81
Independent production		25	51	59
European independent production		10	30	30
European origin		50	71	70
Subtitling for the deaf and hard of hearing		90	100	100
Audio description		10	36	31
Signing		5	6	6
Regional production		35	45	40
Regional hours		35	57	55
Production in the Nations		3	9	8
Nations hours		3	12	9

* Figures for 2016 include titles attributed to content that appeals to the tastes of Older Children (10-14-year-olds) and Education titles (14-19-year-olds). To provide greater clarity on our licence delivery, 2017 figures are attributed to Education titles (14-19-year-olds) only.

INNOVATION THROUGH DIVERSITY

£440m

INVESTMENT IN FIRST-RUN EXTERNAL COMMISSIONS ON THE MAIN CHANNEL IN 2017

-0.2% ON LAST YEAR

● NURTURE TALENT

BROADCASTERS' INVESTMENT IN THE PRODUCTION SECTOR

Channel 4 has no in-house production base, sourcing 100% of its original programming from external suppliers. This investment, which is an intrinsic part of the Channel 4 model, provides vital support for the independent production sector. In 2017, Channel 4 spent £440 million on first-run originations for the main channel, level with 2016 in percentage terms (the absolute figure was marginally down, by £1 million). 48% of this total was spent on qualifying independent production companies. On the digital channels, Channel 4's corresponding expenditure was £56 million, a substantial year-on-year increase of 21%. As a result, Channel 4's total £496 million investment in first-run originations from external suppliers across its TV portfolio rose by 2% in 2017.

Channel 4 plays a disproportionately important role in supporting the independent production sector, as Ofcom's cross-industry data for the PSBs demonstrates. In 2016, the most recent year for which Ofcom's data is available, Channel 4's £441 million expenditure on first-run external commissions on the main channel exceeded that of any of the other PSBs on their network channels – including BBC One and BBC Two combined. Looking across their entire TV portfolios, Channel 4's £487 million expenditure on first-run external commissions was £58 million more than the BBC's corresponding investment across all of its TV channels, £239 million more than the corresponding figure for ITV's portfolio and £364 million more than that for Channel 5's portfolio.

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

		Total (£m)		
2016	378	51	429	BBC
2015	359	82	441	
2016	248		248	ITV
2015	247		247	
2016	441	46	487	Channel 4
2015	403	39	441	
2016	123		123	Channel 5
2015	108		108	

● Main channels (BBC main channels are BBC One and BBC Two)
● Digital channels

Source: Channel 4, Ofcom (other channels)
2017 data not available for other channels

METRICS CONTINUED

INNOVATION THROUGH DIVERSITY

309

COMPANIES WORKING WITH CHANNEL 4 PORTFOLIO ACROSS TV, FILM AND DIGITAL MEDIA IN 2017, OF WHICH 171 WERE INDEPENDENT TV PRODUCTION COMPANIES

-3% ON LAST YEAR

● NURTURE TALENT

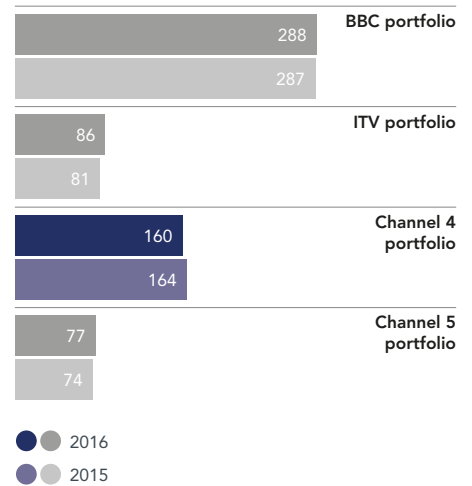
DIVERSITY OF SUPPLY BASE

Cross-industry data allows comparisons to be drawn between the number of independent TV production companies each of the public service broadcasters work with across their TV portfolios (see chart on the right). In 2016, the most recent year that comparative TV industry data is available, Channel 4 worked with 160 independent TV production companies, behind only the BBC (288 companies), and significantly more than either ITV or Channel 5 (86 and 77 companies, respectively).

Turning to Channel 4's data across its entire portfolio for 2017, 309 companies supplied the TV, film and digital media content that it commissioned this year. In TV, this total included 171 independent production companies, and a further 41 non-independent producers, giving a total of 212 suppliers of TV programmes. In other media, there were 84 online suppliers and 71 film companies (some suppliers worked across TV, film and online). Across all types of content, 48 companies were new suppliers to Channel 4.

The number of TV suppliers rose by 12% in 2017 (including an 8% rise in the number of independent TV production companies, notwithstanding ongoing consolidation in the sector). There was a 25% fall in the number of online suppliers (with All 4 investing in a smaller number of bigger-budget commissions), while the number of film companies held steady. The 309 companies that Channel 4 worked with overall was down slightly year-on-year, by 3% (2016: 317), while the number of new suppliers fell by 31%, returning to levels comparable to those in 2014-2015 (of 49-53) after a jump in 2016 to 70

Number of independent TV production companies supplying the PSBs



Source: Channel 4, Broadcast (other channels) 2017 data not available for other PSB channels.

57%

OF FIRST-RUN ORIGINATED PROGRAMME HOURS

+2PTS ON LAST YEAR

22PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

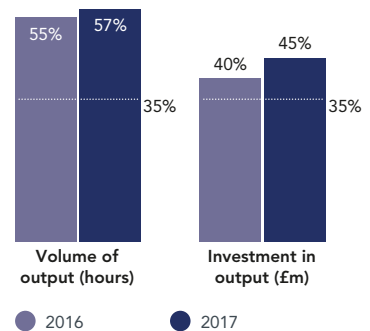
INVESTMENT IN THE NATIONS AND REGIONS (MAIN CHANNEL)

In 2017, Channel 4 sourced a greater proportion of the volume of first-run originated programmes on its main channel from suppliers based outside London than ever before. 57% of first-run originated programming hours on the main channel came from out-of-London suppliers, an increase of two percentage points year-on-year, and the highest figure that Channel 4 has achieved in its history. This figure has now grown for three consecutive years, and has exceeded 50% for the last five years (the corresponding figure was less than 50% for each of the five preceding years).

In spend terms, 45% of Channel 4's expenditure on first-run originated programming on the main channel was on programmes from suppliers outside London in 2017. This represents a marked year-on-year increase of five percentage points.

In both volume and spend terms, these figures exceed by some margin the 35% licence quotas set by Ofcom.

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



Source: Channel 4

45%

OF THE VALUE OF FIRST-RUN ORIGINATIONS

+5PTS ON LAST YEAR

10PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

INVESTING THROUGH DIVERSITY

12%

OF FIRST-RUN ORIGINATED PROGRAMME HOURS

+3PTS ON LAST YEAR

9PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

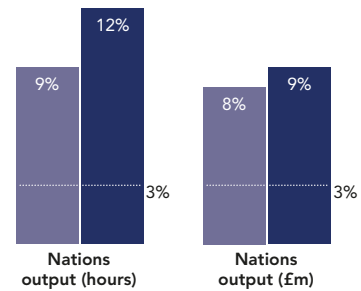
INVESTMENT IN THE NATIONS (MAIN CHANNEL)

In 2017, Channel 4's investment in the Nations reached new record levels in terms of both volume and spend. Commissions in the Nations represented just over 12% of total hours of first-run originated programming on Channel 4's main channel: of this, Scotland accounted for 8.6%, Wales 2.7% and Northern Ireland 0.7%. In spend terms, the Nations represented more than 9% of the total budget for first-run originated programmes on the main channel (with 6.8% spent in Scotland, 2.2% in Wales and 0.5% in Northern Ireland). The Nations' share of first-run originated programming hours on Channel 4's main channel rose by three percentage points year-on-year (2016: 9%), and is now double the corresponding 6% figure from 2014. Their share of investment rose by one percentage point (2016: 8%) for the third consecutive year.

Commissions from the Nations provided 298 hours of first-run programming on the main channel in 2017, 15% up year-on-year. In Scotland, the corresponding volume of programming rose by 21% to 214 hours (up from 177 in 2016), while total investment was up by 31% to £27.4 million (2016: £21.0 million). This increase was accounted for by a mixture of returning daytime shows like *Fifteen To One* and peak-time titles such as *Eden*. In Wales, the volume of programme commissions fell by 4% to 66 hours in 2017 (2016: 69 hours), while total investment was 20% down, to £9.0 million (from £11.3 million in 2016), as *Inside Birmingham Children's Hospital* did not return this year. Turning to Northern Ireland, new 10-part daytime series *World's Most Expensive Cars* contributed to the 40% increase in the volume of programmes to 18 hours (2016: 13 hours), while investment rose slightly, by 4%, to £2.1 million (2016: £2.0 million).

In both volume and spend terms, these figures exceed by some margin the 3% licence quotas set by Ofcom (they also meet the increased 9% quotas which come into effect in 2020).

Proportion of first-run originated output and spend on Channel 4 which is made outside of England



● 2016 ● 2017
..... Quota
Source: Channel 4

9%

OF THE VALUE OF FIRST-RUN ORIGINATIONS

+1PT ON LAST YEAR

6PTS ABOVE OFCOM QUOTA

● NURTURE TALENT

£189m

SPENT ON PRODUCTION COMPANIES BASED OUTSIDE LONDON

+12% ON LAST YEAR

● NURTURE TALENT

SPEND BY REGION ACROSS THE CHANNEL 4 TV PORTFOLIO

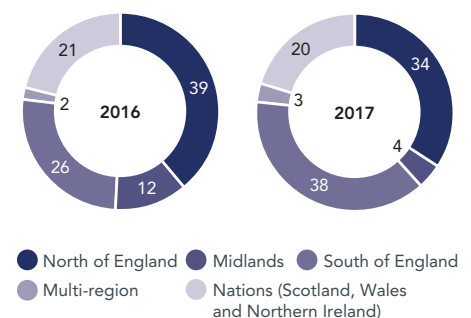
Across its TV portfolio, Channel 4 spent a record £189 million in 2017 on content that was commissioned from production companies based in the Nations and the English Regions. This investment outside London has risen by £20 million in each of the last two years, with this year's increase translating to a 12% rise (2016: £169 million).

Expenditure on content from production companies in the Nations rose by 9% in 2017, to £39 million (2016: £36 million). New programmes this year included *Best Laid Plans* (from Scotland), *Confessions Of A Junior Doctor* (Wales) and *Britain's Ancient Tracks with Tony Robinson* (Northern Ireland). The largest component of expenditure in the Nations, £27.6 million, was spent in Scotland, 26% up year-on-year (2016: £21.9 million). A further £9.0 million was spent in Wales – while this was 20% down on last year (2016: £11.3 million), it was still higher than in any year prior to 2016. The remaining £2.1 million was spent in Northern Ireland, 13% down on last year (2016: £2.4 million).

Turning to the English Regions, Channel 4's TV portfolio spend was £145 million in 2017, 12% up on last year (2016: £130 million). This increase was primarily due to *The Great British Bake Off*. Major commissions from the English Regions this year included the likes of *A Place in the Sun* (South of England), *My Kitchen Rules* (Midlands), and *Hollyoaks* (North of England). A further £6 million was spent on multi-region content in 2017, up from £4 million in 2016.

Note that these investment figures for the Nations, which cover spend across the Channel 4 TV portfolio, differ slightly from those in the previous metric (see above), which relates specifically to the main channel.

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



● North of England ● Midlands ● South of England
● Multi-region ● Nations (Scotland, Wales and Northern Ireland)
Source: Channel 4

£39m

SPENT ON PRODUCTION COMPANIES IN THE NATIONS

+9% ON LAST YEAR

● NURTURE TALENT

METRICS CONTINUED

DIFFERENT VOICES

69hrs
OF FIRST-RUN PROGRAMMES COVERING INTERNATIONAL TOPICS ON CHANNEL 4 (EXCLUDING NEWS) AND TRUE STORIES ACROSS THE PORTFOLIO

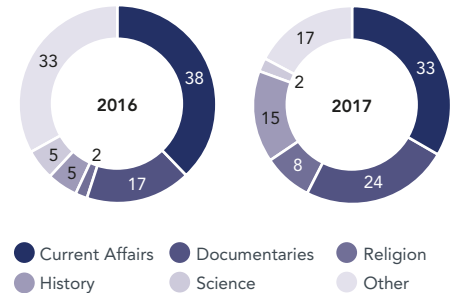
-10% ON LAST YEAR
● ALTERNATIVE VIEWS

RANGE OF INTERNATIONAL PROGRAMMING
With stories from around the world of ever-greater relevance to UK citizens, Channel 4's coverage of international themes extends across all parts of the schedule. Excluding *Channel 4 News*, there were 69 hours of first-run programmes in 2017 with an international theme on the main channel and in the dedicated international documentary strand, *True Stories*, which runs across the main channel and Film4. After a big jump in 2016, when international programming included extensive coverage of the US presidential election race, this fell back by 10% year-on-year, although the amount of international coverage remained above the levels in 2014 and 2015.

The biggest single genre in 2017 was Current Affairs, which accounted for 33% of total first-run hours of non-news international programming (down from 38% in 2016, but level with the 2015 figure). Alongside the long-running *Unreported World* strand, *Dispatches* covered a range of international topics, exploring the new Trump presidency with films such as *Russia: Sex, Spies and Scandal* and *President Trump: How Scared Should We Be?*, and shining a light on major conflicts in *Syria's Disappeared: The Case Against Assad* and *Isis and the Battle for Iraq*. The next biggest genre was Documentaries (24% of the total, up from 17% in 2016). *From Russia to Iran: Crossing Wild Frontiers* was a four-part series following a 2,600-mile trek across the mighty Caucasus mountains, while *Women Who Kill* explored the motivations of female murderers, and *Delhi Cops* went behind the scenes with the overworked police in India's most dangerous city. The other biggest single genre was History (15% of the total, up from 5% last year), with films such as *Isis: The Origins of Violence* and *Angry, White and American*. Programmes in other genres included *Three Wives*, *One Husband* (Religion, 8% of the total, up from 2% in 2016), *Man Made Planet: Earth from Space* (Science, 2% of the total, down from 5% in 2016) and *Escape to Costa Rica* (included within the Other category, 17% of the total, down from 33% in 2016).

Channel 4 continues to offer UK audiences a diverse range of content from around the world through its acquired TV programmes and films. Following the 2016 launch of *Walter Presents* – the innovative on-demand service curating the best foreign language TV shows – the launch episodes of 14 series were premiered on Channel 4's main channel in 2017, with viewers being pointed to *Walter Presents* on All 4 to watch the rest of the series. The most popular title, Dutch drama *The Swingers*, attracted 778,000 viewers. A further four series were shown in their entirety on More4, with pan-European co-production *The Team* averaging 355,000 across eight episodes. Both these figures are impressive for foreign language titles. Taken together, the *Walter Presents*-branded foreign language dramas shown on the main channel and More4 reached 9.4 million people, equivalent to 15.9% of the population, in 2017. Overall, there were 204 hours of first-run foreign language TV shows and films across the TV portfolio, 26% more than in 2016 (161 hours). This figure has now increased for the last three years. On the Film4 channel, a total of 701 hours of films from outside the UK and US were shown in 2017, 6% up year-on-year (this figure includes first-runs and repeats, and films shown both in the English language and in foreign languages).

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



Source: Channel 4

204hrs
OF FIRST-RUN FOREIGN LANGUAGE CONTENT ACROSS THE PORTFOLIO

+ 26% ON LAST YEAR
● ALTERNATIVE VIEWS

DIFFERENT VOICES

129hrs

OF FIRST-RUN ORIGINATIONS
COVERING DIVERSITY ISSUES
ON THE MAIN CHANNEL

-48% ON LAST YEAR

● CULTURAL DIVERSITY

DIVERSITY OUTPUT ON THE MAIN CHANNEL

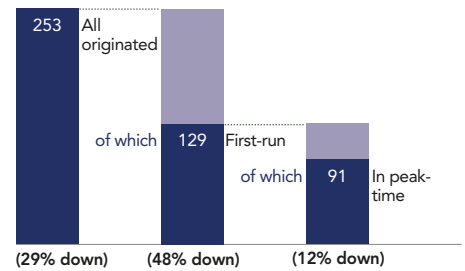
Channel 4 aims to reflect the diversity of the UK across all its output. As part of that, it shows programmes whose subject matter specifically covers diversity issues. In 2017, Channel 4 showed 253 hours of originated programmes on the main channel whose subject matter covered diversity issues (relating to religion, multiculturalism, disability and sexuality). 129 of these originated hours were first-run programmes (the others being repeats), and 91 of the first-run hours related to programmes shown in peak-time (6-10.30pm, as defined by Ofcom). These included *Three Wives*, *One Husband* (Religion), *Extremely British Muslims* and *Is Love Racist?*, *The Dating Game* (multiculturalism), and the return of popular series *The Last Leg* and *The Undateables* (disability). A highlight this year was Channel 4's season to mark the 50th anniversary of the partial decriminalisation of male homosexuality: programmes on the main channel included *Extraordinary Teens: My Gay Life*, *Epidemic: When Britain Fought AIDS* and *50 Shades of Gay*, and there were additional shows on More4 and All 4.

After a significant increase in the amount of diversity programming last year, due to Channel 4's coverage of the Rio 2016 Paralympics, overall levels fell back in 2017. There was a 29% fall in total originations, a 48% decline in the volume of first-run originations and a 12% drop in first-run originations in peak-time. Despite these declines, all three metrics were higher than in 2013, 2014 or 2015, i.e. the years between the last two Paralympic Games (in 2012 and 2016) when this metric always peaks.

Channel 4's impact on diversity includes far more than the programme commissions covered by these figures. The broadcaster continues to support a range of initiatives that promote diversity on screen, off screen and as an employer. In 2017, it updated its 360° Diversity Charter with Four New Frontiers, which enabled it to have an impact in four new areas: BAME progression, diverse directors, diversity in advertising and social mobility. Channel 4 also continues to improve access to opportunity for those from different backgrounds, via its C4 Pop Ups, Production Training Scheme and work experience and apprenticeship programmes.

In addition, Channel 4 was one of the launch partners on Diamond, the new cross-industry diversity monitoring system developed through the Creative Diversity Network, which went live in 2016 and published its first report in August 2017. Read more about our work on diversity on pages 50-55.

Total hours of programming covering diversity issues shown on the main channel (2017 with trends relative to 2016)



Source: Channel 4

METRICS CONTINUED

FILM

32%

FROM OUTSIDE THE US

= WITH LAST YEAR

● CULTURAL DIVERSITY

DIVERSITY OF FILM4 CHANNEL SCHEDULE

The Film4 channel – which grew its share of individuals in 2017 in an increasingly competitive market for feature film – showcases a diverse and alternative range of films from the UK and around the world. Whereas mainstream film channels rely mostly on Hollywood studio titles, non-US films accounted for almost one-third of the Film4 channel's schedule this year.

Breaking this down, 17% of the Film4 channel's output (in terms of hours of programming in the schedule) was made up of British films, including those co-funded by Film4 Productions (one percentage point down on the 2016 figure). A further 15% of the schedule comprised films from continental Europe and other parts of the world outside the United States. So overall, films from countries other than the US together accounted for 32% of hours of output on the channel, level with the corresponding figure for 2016. (Note that this figure includes films that were co-productions between the US and other countries; in 2017, 5% of output on the channel comprised US/non-US co-productions, level with the 2016 figure.)

The world cinema slate continued to be the strongest and most diverse available on free television; films representing 37 different countries appeared on the channel, with Argentinian favourite *Wild Tales* making its network premiere in the 9pm slot. Film4 also brought the entire feature film output of Andrei Tarkovsky back to television as well as to All 4, with the first film of the season playing on what would have been the director's 85th birthday. The strength of Film4 Productions was shown by titles which played on the channel for the first time, including the award-winning *Carol*, the Oscar-winning *Ex Machina*, and a season of Ben Wheatley films scheduled around the network premiere of his radical black comedy *High-Rise*. The channel was also home to the feature debuts of a number of first-time British directors in 2017, amongst them Alice Lowe's *Prevenge*, Gareth Tunley's *The Ghoul*, Joe Stephenson's *Chicken* and Steve Oram's unclassifiable *Aaaaaaah!*

17%

FROM THE UK

-1PT ON LAST YEAR

● CULTURAL DIVERSITY

NEWS AND CURRENT AFFAIRS

364

LONG-FORM NEWS AND
CURRENT AFFAIRS
PROGRAMMES IN PEAK-TIME

-2% ON LAST YEAR

● STIMULATE DEBATE

COMMITMENT TO LONG-FORM JOURNALISM

The transmission of News and Current Affairs programmes with extended running times allows topics to be covered in greater depth, and enables these programmes to offer higher levels of rigour and analysis. Channel 4 believes this to be especially valuable at a time of growing concerns about the accuracy of news – both in traditional media and, particularly, in digital and social media – and the corresponding impact on trust in news sources.

For the purpose of this metric, which focuses on the News and Current Affairs output on the main PSB channels, 'long-form' programmes are defined as those running for at least 45 minutes for News and 15 minutes for Current Affairs. In 2017, Channel 4's main channel showed 364 'long-form' News and Current Affairs programmes in peak-time (between 6pm and 10.30pm, as defined by Ofcom). While this fell slightly year-on-year, by 2%, it remains the second-largest figure since 2012 (the oldest year using the current methodology). Channel 4 showed substantially more long-form News and Current Affairs programmes in peak-time than the other main PSB channels combined (between them, they showed 272 programmes in 2017).

Given that some News and Current Affairs programmes are broadcast later in the evening (most notably *Newsnight* on BBC Two, which usually begins at 10.30pm), this metric also considers output over a longer period running up to midnight so that these programmes can be captured. Between 6.30pm and midnight, Channel 4 showed 431 'long-form' News and Current Affairs programmes on its main channel in 2017. Again, this was 2% down on the 2016 figure, but remained the second-largest figure since 2012 (there was one fewer post-peak-time title on the main channel this year).

Channel 4's total in the period between 6pm and midnight was greater than the corresponding figure for any of the other main PSB channels. The channel with the next highest number of titles was BBC Two: it showed 317 'long-form' News and Current Affairs programmes, 114 fewer than Channel 4. The bulk of BBC Two's total was accounted for by *Newsnight*, with only 52 of its programmes in peak-time.

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

	Total		
2017	128	106	234
2016	107	93	200
BBC One (BARB)			
2017	52	265	317
2016	92	266	358
BBC Two (BARB)			
2017	92	32	124
2016	81	24	105
ITV (BARB)			
2017	364	67	431
2016	370	68	438
Channel 4 (Internal)			
2017	0	0	0
2016	1	0	1
Channel 5 (BARB)			

● Peak-time (6-10.30pm)
● Post-peak-time (10.30pm-midnight)

Source: Channel 4, BARB (other channels)

MAKING AN IMPACT

Channel 4 occupies a unique position in the broadcasting ecosystem. It is a mass-market channel that reaches large audiences every day, including under-served groups that other public service broadcasters ('PSBs') struggle to connect with. It measures its impact by considering both the numbers of people who view its programmes across different audience groups and the public value it achieves by delivering its remit to be alternative and diverse, take risks, challenge preconceptions and inspire change.

Reputational impact

Channel 4 assesses its public value impact by looking at audience perceptions of 12 reputational statements linked to its public service remit and comparing its main channel's performance to that of the other main PSB channels (BBC One, BBC Two, ITV and Channel 5). As Channel 4 typically leads the other channels on these metrics by a significant margin, we look at annual variations in performance by highlighting the main channel's leads over the average for the other main PSB channels.

Averaged across the 12 statements, Channel 4's lead over the average for the other main PSB channels was 27.0 percentage points in 2017 – slightly below the all-time record of 27.3 points achieved in 2016, but still the second-highest lead since Channel 4 began reporting the reputational trackers in 2008. This year, Channel 4's most emphatic leads over the average for the other main PSB channels were for "taking risks that others wouldn't" (a lead of 38 percentage points), "tackling issues other channels wouldn't" (35 points) and being the "home for alternative voices" (30 points). There was very little year-on-year variation across the reputational trackers: Channel 4's lead was the same as in 2016 for six of the 12 statements, and for the other six statements its lead changed by no more than one percentage point.

Television

While audience fragmentation continued in the UK television market, viewing to Channel 4's TV portfolio was stable in 2017, with the main channel actually growing its share slightly, to 5.9% – level with 2016 when reported to one decimal place, and 1% up year-on-year based on the unrounded figures.

This is only the second time in the last decade that the main channel's share has increased. The digital channels had a combined viewing share of 4.6% (2016: 4.6%), giving a total TV portfolio viewing share of 10.5% (also level with 2016). Share was stable amongst the individual digital channels, with variations of no more than 0.1 percentage point.

Channel 4's portfolio was watched by 81.4% of all television viewers every month on average in 2017, behind only the BBC and ITV. Reach fell by 2.1 percentage points this year, in line with the declines experienced by the other PSBs (whose portfolios all saw declines of between 1.7 and 2.2 percentage points).

A key Channel 4 strength is its ability to engage with hard-to-reach audiences, including young adults and black and minority ethnic ('BAME') groups. We are the only PSB to attract a disproportionately high share of viewing amongst 16-34-year-olds: in 2017, TV portfolio viewing share amongst this age group was 16.4%, an increase of 1% relative to the 2016 share. Amongst BAME audiences, Channel 4's portfolio share was 10.0%. While this was 2% down on the 2016 figure, BAME audiences continued to account for a larger proportion of Channel 4's audience than for the audiences of the other PSBs.



▲ Old People's Home for 4 Year Olds



◀ Dispatches

News and Current Affairs lie at the heart of Channel 4's remit. In 2017, *Channel 4 News* was watched by an average of 8.2 million people each month. This figure was 2% down year-on-year; this may be attributed to declines in the overall UK TV audience, with *Channel 4 News*' TV viewing share rising by 2% this year (its fourth successive annual increase).

Channel 4 News also has a particular appeal to young adults and BAME viewers: 16-34-year-olds accounted for 13% of *Channel 4 News* viewing in 2017, above their 7%-9% shares of viewing to the national news programmes on the other main PSB channels. And viewers from BAME groups represented 15% of *Channel 4 News* viewing, the second-highest figure since 2009, and well ahead of the corresponding 6%-9% shares for the other PSB channels' news programmes. The proportion of viewing to *Channel 4 News* accounted for by 16-34-year-olds fell by two percentage points in 2017, while the proportion of BAME viewers was down by one percentage point. These declines are due in part to falling TV viewing amongst young people in general (this also affects BAME viewing, which skews young).

Channel 4 seeks to differentiate its News and Current Affairs output from that of other broadcasters through its independent and distinctive approach. On its independence, *Channel 4 News* performed particularly strongly in 2017: the proportion of its viewers who agree it is independent from the Government was at its joint-highest ever level, while its perceived independence from the influence of big business was higher than at any time since these metrics were first reported in 2009. On both measures, *Channel 4 News*' perceived independence amongst its viewers was higher than that for the other main broadcasters' news programmes amongst their viewers.

In Current Affairs, Channel 4 tracks five reputational statements covering the approach and subject matter of the main PSB channels' programmes and strands in this genre. Across these statements, *Unreported World* and *Dispatches* had the highest average scores amongst the PSB channels. The leader, *Unreported World*, ranked first for "showing stories about parts of the world you would rarely see on British TV", "giving a voice to groups that aren't always heard in mainstream media" and "making me see something in a different light". While both strands' average scores fell slightly in 2017, by one to two percentage points, *Dispatches* extended its lead over the next highest-scoring programme or strand (BBC One's *Panorama*).



Online

Channel 4's dedicated All 4 app, which launched in 2015, offers long-form programmes, live streaming and digital-first Originals and Exclusives on a wide range of PCs, smartphones, tablets, games consoles and connected TVs. Channel 4's strategy is to encourage All 4 usage where possible to ensure viewers have the best possible experience viewing video content on screens of all sizes. It achieves this in part by pointing website visitors towards the All 4 app when they try to watch video content on mobile platforms, hastening a migration from website usage to the All 4 app.

In 2017, a record 719 million programme views were initiated across the full range of All 4-branded platforms, a significant year-on-year increase of 16%. The strongest growth this year was on 'Big Screens' (connected TVs and streaming devices that plug into TVs).

Channel 4's websites and apps attracted a total of 588 million visits in 2017. This was 13% more than in 2016, the biggest annual increase since 2012. Visits to Channel 4's apps rose by an impressive 27% year-on-year, to 411 million. Conversely, visits to Channel 4's websites fell by 11%, to 177 million, reflecting the strategy to direct mobile viewers to All 4 apps for video viewing. Overall, app visits increased their share of total visits to all Channel 4's websites and apps from 62% of the total in 2016 to 70% in 2017.

Channel 4 increasingly uses digital and social networks to deliver news content to audiences, especially younger ones, and *Channel 4 News* is one of the UK's biggest news brands for video on social media. In 2017, its videos received 1.98 billion views across Facebook and YouTube.

Audience feedback

Channel 4 draws on feedback from a variety of sources: its Viewer Enquiries Centre, monitoring of social media traffic, bespoke audience research, and information provided by registered online users, including the Core4 community. Alongside these, the 'Buzz' metric indicates which programmes people have talked about the most, face-to-face or on social media (a new supplier in 2017 tripled the sample to 3,000 people daily). The average 'Buzz' score for the 10 most talked-about programmes this year was 60%. The top ten was dominated by a diverse range of Factual shows, including the uplifting *Old People's Home for 4 Year Olds* and a fascinating hidden history of women's football in the UK, *When Football Banned Women*.

METRICS CONTINUED

DIFFERENT VOICES

24pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR SHOWING DIFFERENT CULTURES AND OPINIONS

= WITH LAST YEAR

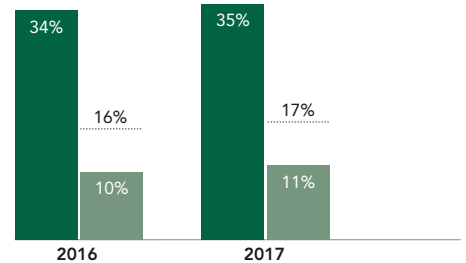
● CULTURAL DIVERSITY

CHANNEL REPUTATIONS – SHOWS DIFFERENT KINDS OF CULTURES AND OPINIONS

Channel 4's reputation as being best for showing different kinds of cultures and opinions was stronger than ever in 2017. The main channel was selected by 35% of all respondents, the highest score it has achieved since Channel 4 began reporting this metric in 2008. This equated to a substantial 24 percentage point lead over the average for the other main PSB channels, and an 18 percentage point lead over the next highest-scoring channel, BBC One.

The proportion of respondents selecting Channel 4 rose by one percentage point year-on-year, while its leads over the average for the other main PSB channels and the next highest-scoring channel were both the same as in 2016. Channel 4's creative renewal, which began to impact on the schedules in 2012, has helped this metric to stabilise at a higher level: between 2013 and 2017, the proportion of people choosing the main channel was between 33% and 35%, compared to 27%-32% in the previous five years (2008-2012).

Shows different kinds of cultures and opinions



● Channel 4 ● Average for other main PSB channels (BBC One, BBC Two, ITV and Channel 5)
 Next highest PSB channel

Source: Ipsos MORI, commissioned by Channel 4

26pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR CHALLENGING PREJUDICE

-1PT ON LAST YEAR

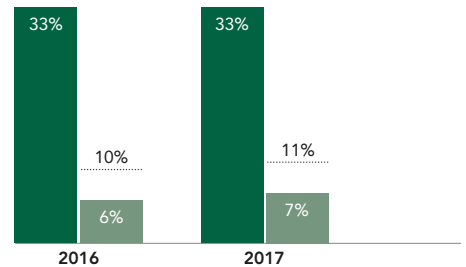
● CULTURAL DIVERSITY

CHANNEL REPUTATIONS – CHALLENGES PREJUDICE

When asked which of the main TV channels they most associate with challenging prejudice, 33% of respondents chose Channel 4's main channel in 2017 – a joint-record figure since this metric was first reported in 2008. Between 2013 and 2017, the proportion of people selecting Channel 4 has been in the range of 29%-33%, compared to 25%-29% over the previous five years (2008-2012).

In 2017, Channel 4 had a significant lead of 26 percentage points over the average score for the other main PSB channels, and of 22 points over the next highest channel, BBC One. Both of these leads were marginally down, by one percentage point each, relative to their 2016 figures.

Challenges prejudice



● Channel 4 ● Average for other main PSB channels (BBC One, BBC Two, ITV and Channel 5)
 Next highest PSB channel

Source: Ipsos MORI, commissioned by Channel 4

26pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR SHOWING THE VIEWPOINTS OF DIFFERENT MINORITY GROUPS

-1PT ON LAST YEAR

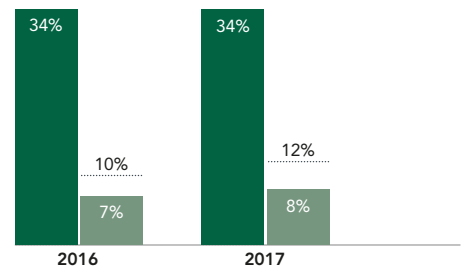
● CULTURAL DIVERSITY

CHANNEL REPUTATIONS – SHOWS THE VIEWPOINTS OF MINORITY GROUPS IN SOCIETY

Channel 4 seeks to give a voice to a diverse range of groups, including those that are often under-represented on TV. In 2017, 34% of viewers selected Channel 4's main channel over the other main PSB channels when asked which channel is best for showing the viewpoints of minority groups in society. This was level with the corresponding figure over the previous two years, and is Channel 4's joint-highest score since this metric was first reported in 2012. Channel 4 had a substantial 26 percentage point lead over the average for the other channels (one percentage point down on 2016), and a 22 percentage point lead over the next highest channel, BBC One (two points down year-on-year).

Channel 4's main channel also significantly outperforms the other PSBs for showing the viewpoints of individual minority groups. It was selected by 32% of viewers as being best for showing the viewpoints of different ethnic groups in the UK (one percentage point lead year-on-year), giving it a lead of 24 percentage points over the average for the other main PSB channels. 35% of viewers thought Channel 4 was best for showing the viewpoints of lesbian, gay, bisexual and transgender people (again up by one percentage point), 30 percentage points above the average of the other PSB channels. And 31% of viewers thought Channel 4 was best for showing the viewpoints of disabled people, giving it a 24 percentage point lead over the average of the other PSB channels. While the proportion of respondents selecting Channel 4 was marginally down year-on-year, by one percentage point, it remained higher than the corresponding figures in the previous three years (of 26%-28%).

Shows the viewpoints of minority groups in society



● Channel 4 ● Average for other main PSB channels (BBC One, BBC Two, ITV and Channel 5)
 Next highest PSB channel

Source: Ipsos MORI, commissioned by Channel 4

DIFFERENT VOICES

30pt

LEAD OVER AVERAGE FOR OTHER CHANNELS AS THE HOME FOR ALTERNATIVE VOICES

-1PT ON LAST YEAR

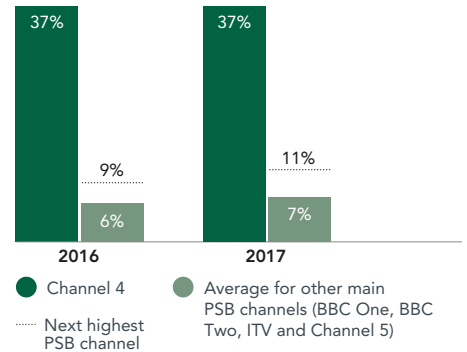
● ALTERNATIVE VIEWS

CHANNEL REPUTATIONS – HOME FOR ALTERNATIVE VOICES

At a time when ‘filter bubbles’ in digital and social media risk constraining the range of viewpoints and perspectives that people encounter, Channel 4 makes a vital contribution to plurality by providing a mainstream platform for alternative voices. 37% of respondents selected Channel 4’s main channel as being the home for alternative voices in 2017, level with 2016 and the joint-highest figure since this metric was first reported in 2013. This figure is more than three times larger than the proportion selecting the next highest channel, Channel 5 (11% of people), and a huge 30 percentage points higher than the average for the other main PSB channels.

Channel 4’s main channel’s lead over the average for the other main PSB channels fell marginally year-on-year, by one percentage point, while its lead over the next highest PSB channel fell by two percentage points.

Home for alternative voices



Source: Ipsos MORI, commissioned by Channel 4

DISTINCTIVE APPROACHES

16pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR MAKING VIEWERS THINK IN NEW AND DIFFERENT WAYS

+1PT ON LAST YEAR

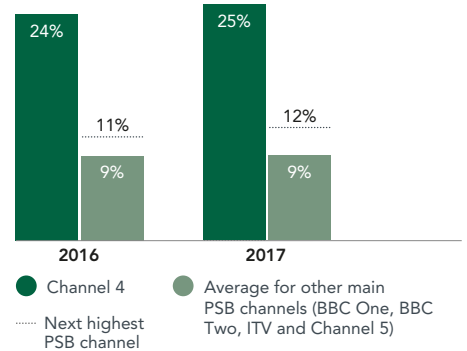
● INSPIRE CHANGE

CHANNEL REPUTATIONS – MAKES ME THINK ABOUT THINGS IN NEW AND DIFFERENT WAYS

Channel 4 achieved its highest ever scores for making people think about things in new and different ways in 2017. 25% of respondents selected its main channel as being the best of the main PSB channels on this metric, the highest figure since Channel 4 began reporting it in 2008. This corresponded to a lead over the average for the other main PSB channels of 16 percentage points, also a higher lead than in any earlier year. Its 13 percentage point lead over the next highest channel, BBC One, was the joint-highest level since 2008.

Compared to 2016, the proportion choosing Channel 4’s main channel in 2017, and its lead over the average for the other main PSB channels, both rose by one percentage point. Its lead over the next highest channel was level year-on-year.

Makes me think about things in new and different ways



Source: Ipsos MORI, commissioned by Channel 4

35pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR TACKLING ISSUES OTHER CHANNELS WOULDN'T

-1PT ON LAST YEAR

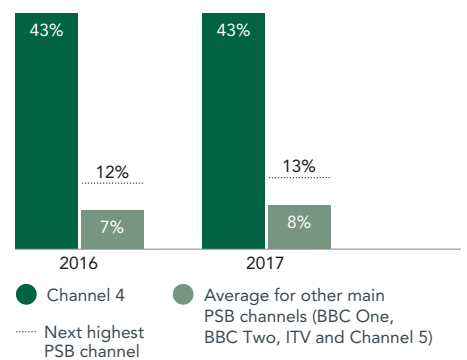
● DISTINCTIVE

CHANNEL REPUTATIONS – TACKLES ISSUES OTHER CHANNELS WOULDN'T

In 2017, Channel 4’s main channel was selected by 43% of respondents as being best for tackling issues that other channels wouldn’t, amongst the highest scores achieved in any of the reputational statements. This was more than three times the score achieved by the next highest channel, Channel 5: it was chosen by 13% of respondents, giving Channel 4’s main channel a 30 percentage point lead over it. The other main PSB channels were chosen by 8% of people on average, resulting in a massive 35 percentage point lead for Channel 4 over them.

Channel 4’s performance against this metric remains stable. The proportion of people selecting Channel 4’s main channel was level year-on-year, while its leads over the average for the other main PSB channels and the next highest channel each fell by one percentage point. Channel 4’s own scores have remained within the narrow range of 43%-44% since 2013.

Tackles issues other channels wouldn't



Source: Ipsos MORI, commissioned by Channel 4

METRICS CONTINUED

DISTINCTIVE APPROACHES

29pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR TAKING A DIFFERENT APPROACH TO SUBJECTS COMPARED TO OTHER CHANNELS

= WITH LAST YEAR

● **DISTINCTIVE**

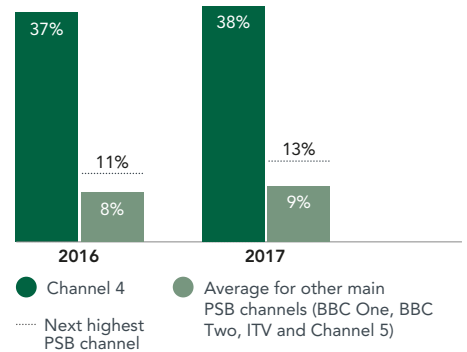
CHANNEL REPUTATIONS – TAKES A DIFFERENT APPROACH TO SUBJECTS COMPARED WITH OTHER CHANNELS

In 2017, 38% of people associated Channel 4's main channel with taking a different approach to subjects compared with other channels, its joint-highest score since Channel 4 began reporting this metric in 2008. This gave Channel 4 a substantial lead, of 29 percentage points, over the average for the other main PSB channels, also a joint-highest figure since 2008. Its lead over the next highest channel, Channel 5, was 25 percentage points.

Since 2014, annual variations in Channel 4's own score and its leads over the other main PSB channels have been within the range of ±1 percentage point. In 2017, the main channel's score was one percentage point up on the 2016 figure, its lead over the average for the other main PSB channels was level with the 2016 figure, and its lead over the next highest channel was one percentage point down year-on-year.

Following an earlier period of greater fluctuations, this metric has stabilised at higher levels over the last five years (2013-2017) since Channel 4's creative renewal began to impact the schedules. The main channel's scores have been in the range 36%-38% over this period, compared to scores of 29%-33% between 2008 and 2012. Its lead over the average for the other main PSB channels has stabilised within an even narrower range of 28%-29%, markedly higher than its leads of 19%-23% in the previous five years. While Channel 4's lead over the next highest channel has fallen slightly from 27% in 2013 to 25% in 2017, it remains significantly higher than the 19%-22% range in the previous five years.

Takes a different approach to subjects compared with other channels



Source: Ipsos MORI, commissioned by Channel 4

190

NEW OR ONE-OFF PROGRAMMES SHOWN ON CHANNEL 4 BETWEEN 6PM AND MIDNIGHT

+9% ON LAST YEAR

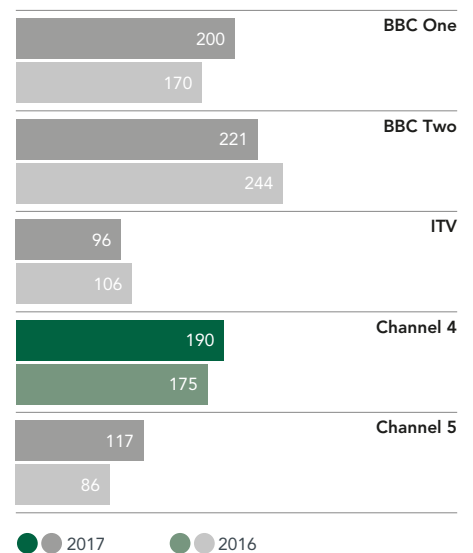
● **INNOVATION**

NEW AND ONE-OFF PROGRAMMING

As part of its commitment to experimentation, Channel 4 shows a large number of new and one-off programmes. This metric focuses on the number of such programmes in the evening schedules, when audiences are at their highest levels. In 2017, 190 new and one-off programmes were shown on the main channel between 6pm and midnight, 9% more than in 2016.

Looking at the other main PSB channels, BBC One and BBC Two each showed more new and one-off programmes in the evening schedule than Channel 4 this year (with 200 and 221 titles, respectively). However, Channel 4 remained well ahead of the other commercially-funded PSB channels, with almost double the 96 new and one-off titles on ITV and 73 more titles than Channel 5.

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



Source: Attentional, commissioned by Channel 4

DISTINCTIVE APPROACHES

38pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR TAKING RISKS THAT OTHERS WOULDN'T

= WITH LAST YEAR

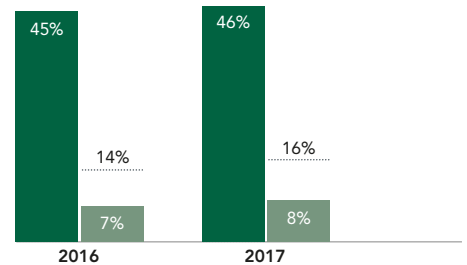
● DISTINCTIVE

CHANNEL REPUTATIONS – TAKES RISKS WITH PROGRAMMES THAT OTHERS WOULDN'T

Risk-taking is a central element of Channel 4's public remit, and its scores are particularly strong when respondents are asked which channel is best for taking risks with programmes that others wouldn't. In 2017, Channel 4's main channel was selected by 46% of respondents on this metric, and its lead over the average of the other main PSB channels was 38 percentage points – both figures were the highest achieved on any of the reputational statements. Channel 4 was 30 percentage points ahead of the next highest channel, Channel 5, the largest lead across the reputational statements this year.

Channel 4's performance against this metric remains stable, and annual variations continue to be within the range of ±1 percentage point. The proportion of people choosing Channel 4 rose by one percentage point year-on-year, its lead over the average for the other main PSB channels held level compared to the 2016 figure, while its lead over the next highest channel fell by one percentage point.

Takes risks with programmes that others wouldn't



● Channel 4 ● Average for other main PSB channels (BBC One, BBC Two, ITV and Channel 5)
 Next highest PSB channel

Source: Ipsos MORI, commissioned by Channel 4

29pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR BEING EXPERIMENTAL

= WITH LAST YEAR

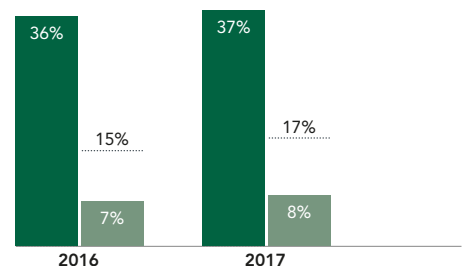
● INNOVATION

CHANNEL REPUTATIONS – IS EXPERIMENTAL

Channel 4's commitment to trying new things drives its role as Britain's creative greenhouse, and this is recognised by audiences. In 2017, 37% of respondents associated its main channel, more than any other channel, with being experimental. The proportion of people choosing Channel 4 was 29 percentage points higher than the average for the other main PSB channels, and 20 percentage points higher than the next highest channel, Channel 5.

Channel 4's performance against this metric remains stable. The proportion of people selecting the main channel in 2017 was one percentage point up year-on-year, and its lead over the average for the other main PSB channels was level with the 2016 figure. While its lead over the next highest channel fell slightly, by one percentage point, it remains just one point short of its highest figure (of 21%) since this metric was first reported in 2008. Annual variations in Channel 4's scores and leads over other channels have remained within the range of ±1 percentage point for the last four years.

Is experimental



● Channel 4 ● Average for other main PSB channels (BBC One, BBC Two, ITV and Channel 5)
 Next highest PSB channel

Source: Ipsos MORI, commissioned by Channel 4

METRICS CONTINUED

FILM

26pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR BEING THE BEST FOR MODERN INDEPENDENT FILM

= WITH LAST YEAR

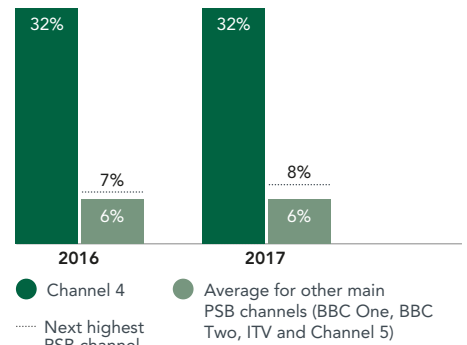
● DISTINCTIVE

CHANNEL REPUTATIONS – IS BEST FOR MODERN INDEPENDENT FILM

32% of respondents picked Channel 4’s main channel as being best for modern independent film in 2017. This gave it a lead of 26 percentage points over the average for the other main PSB channels, the joint-highest lead since Channel 4 began reporting this metric in 2008. Its lead over the next highest channel, Channel 5, was 24 percentage points (no other PSB channel was selected by more than 8% of respondents). The top-rated films on Channel 4 this year included the premiere of Film4 title *Room*, which drew an audience of 1.9 million viewers, with impressive audience shares of more than 10% of all individuals and 15% of 16-34-year-olds.

Channel 4’s performance against this metric continued to be stable. The proportion of people selecting the main channel in 2017, and its lead over the average for the other main PSB channels, both held steady year-on-year. Its lead over the next highest channel dropped by one percentage point, but remained just one point short of its highest figure (of 25%) since this metric was first reported in 2008. Annual variations in Channel 4’s scores and leads over other channels have remained within the range of ±1 percentage point for the last three years.

Is best for modern independent film



Source: Ipsos MORI, commissioned by Channel 4

FACTUAL

24pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR BEING THE BEST FOR DOCUMENTARIES THAT PRESENT ALTERNATIVE VIEWS

= WITH LAST YEAR

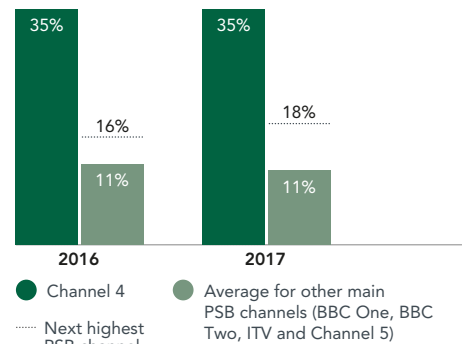
● ALTERNATIVE VIEWS

CHANNEL REPUTATIONS – IS BEST FOR DOCUMENTARIES THAT PRESENT ALTERNATIVE VIEWS

Channel 4 seeks to differentiate its documentary programming from that of other broadcasters through its subject matter and approach, with a particular focus on offering alternative viewpoints less frequently seen on television. 35% of respondents selected Channel 4’s main channel as being best for documentaries that present alternative views in 2017, giving it a substantial lead, of 24 percentage points, over the average for the other main PSB channels. These figures were level with the corresponding ones in both 2015 and 2016, and represented the joint-highest levels since this metric was first reported in 2010. Channel 4’s lead over the next highest channel, BBC One, was 17 percentage points, two points down on its lead in 2016.

While this metric experienced a degree of volatility between 2010 and 2013, it has stabilised over the last four years. Since 2014, annual variations in Channel 4’s scores and leads over other channels have remained within the range of ±2 percentage points.

Is best for documentaries that present alternative views



Source: Ipsos MORI, commissioned by Channel 4

FACTUAL

65%

OF VIEWERS SAID THAT CHANNEL 4'S FACTUAL PROGRAMMES INSPIRED CHANGE IN THEIR LIVES

= WITH LAST YEAR

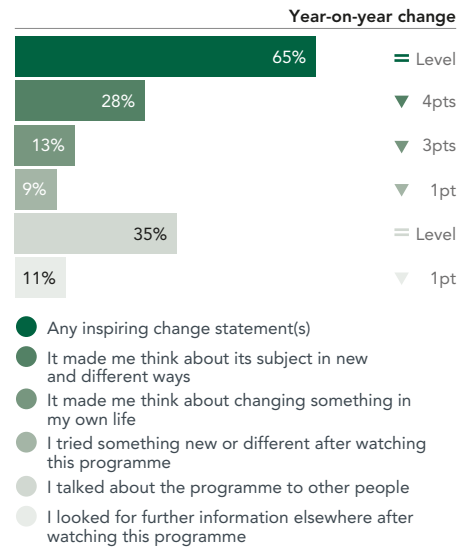
● INSPIRE CHANGE

INSPIRING CHANGE THROUGH FACTUAL PROGRAMMING

Reflecting its public remit, Channel 4 seeks to inspire people to make changes in their lives through its Factual programming. Programmes may encourage people to think about things in new and different ways, or think about making changes in their own lives. They may also inspire more active engagement: encouraging people to talk about the subjects of the programmes to other people, or to seek out further information. At their most engaging, programmes can lead to people actually trying something new or different. In 2017, 65% of viewers said that Channel 4's Factual programmes inspired them in one or more of these ways. With a score of 83%, *The Trouble With Dad* – which explored the relationship between comedian David Baddiel and his father, who has Pick's disease – was the best-performing programme of the year on this metric. Top-scoring programmes on individual statements included *Old People's Home for 4 Year Olds* (the most talked-about programme) and *How to Stay Well* (which inspired the most people to think about changing something in their lives).

The proportion of respondents who said that Channel 4's factual programmes inspired them in some way held steady in 2017, although there were year-on-year declines of up to four percentage points in the individual "inspiring change" statements.

Percentage of viewers who said that Channel 4's Factual programmes inspired change in their lives



Source: Ipsos MORI, commissioned by Channel 4

NEWS AND CURRENT AFFAIRS

84%

OF CHANNEL 4 NEWS VIEWERS REGARD IT TO BE INDEPENDENT FROM GOVERNMENT

+7PTS ON LAST YEAR

● DISTINCTIVE

INDEPENDENCE OF TV NEWS

Audience recognition of the independence of the main UK broadcasters' news services was higher than ever in 2017, and of those, *Channel 4 News* continued to be the news programme that viewers most associated with being independent from the Government and from the influence of big businesses.

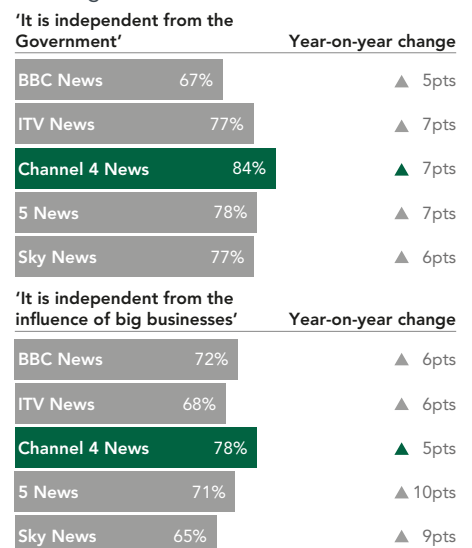
84% of regular viewers to *Channel 4 News* regarded it as being independent from the Government, its joint-highest score since this metric was first reported in 2009. This was nine percentage points more than the average for the other main public service broadcasters' news programmes and Sky News, and six percentage points more than the corresponding figure for the next highest-scoring news programme.

78% of regular viewers to *Channel 4 News* agreed that it is independent from the influence of big businesses, its highest score since 2009. This was also nine percentage points more than the average for the news programmes on the other main broadcasters' channels and six percentage points more than the corresponding figure for the next highest-scoring news programme.

Perhaps reflecting greater recognition of the value of TV news relative to other news sources, all the main broadcasters' news programmes achieved year-on-year increases in both metrics of at least five percentage points in 2017. For independence from the Government, *Channel 4 News*' score rose by seven percentage points, while its leads over the average for the other broadcasters' news programmes and over the next highest-scoring news programme (*5 News* in 2017, *Sky News* in 2016) both held steady year-on-year. For independence from the influence of big businesses, *Channel 4 News*' score rose by five percentage points, while its leads over the average for the other broadcasters' news programmes and over the next highest-scoring news programme (*BBC News* in both years) fell by three percentage points and one point respectively.

In 2017, *Channel 4 News*' viewing share increased by 2%, its fourth consecutive year of growth.

Percentage of regular viewers to TV news programmes in 2017 who agree with the following statements:



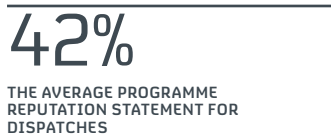
Source: Ipsos MORI, commissioned by Channel 4

METRICS CONTINUED

NEWS AND CURRENT AFFAIRS



-2PTS ON LAST YEAR



-1PT ON LAST YEAR

● STIMULATE DEBATE

PROGRAMME REPUTATION STATEMENTS – CURRENT AFFAIRS

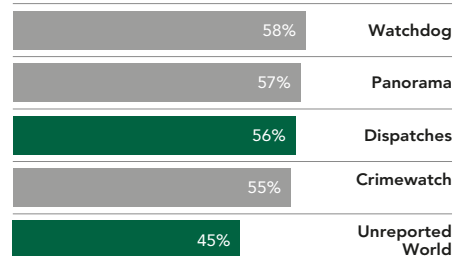
The public service broadcasters’ Current Affairs programmes are differentiated from each other in terms of their approach and subject matter. Channel 4’s longstanding Current Affairs strands, *Dispatches* and *Unreported World*, place a particular emphasis on investigative journalism, on challenging viewers to see things differently, on giving a voice to those who might not otherwise be heard and – especially in *Unreported World* – on providing a window on the wider world. In addition, one-hour Current Affairs specials allow Channel 4 to deliver in-depth coverage of important stories.

Channel 4’s strengths in these areas are reflected in five audience reputational statements that assess perceptions of the Current Affairs programmes on the main PSB channels, covering both regular strands and one-offs. In 2017, *Unreported World* and *Dispatches* continued to score higher on average than any of the other PSBs’ Current Affairs programmes and strands (with BBC One’s *Panorama* in third place).

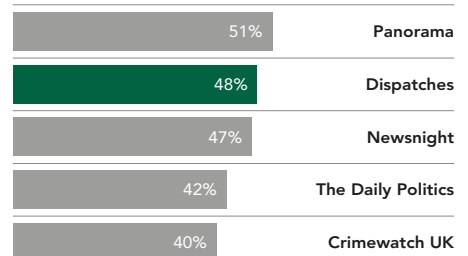
With an average score across the five reputational statements of 45%, *Unreported World* was the highest-scoring Current Affairs programme or strand on any of the main PSB channels in 2017. It scored higher than any other Current Affairs programme or strand on three of the five statements, for: “showing stories about parts of the world you would rarely see on British TV” (selected by 57% of respondents), “giving a voice to groups that aren’t always heard in mainstream media” (43% of respondents), and “making me see something in a different light” (42% of respondents). Its average score across the five reputational statements was two percentage points lower than in 2016.

Dispatches had an average score across the five statements of 42% in 2017, the second highest average score of all the Current Affairs programmes and strands, behind *Unreported World*. While its average score across the five reputational statements fell slightly year-on-year, by one percentage point, it extended its lead over the next highest-scoring programme or strand (*Panorama*) to three percentage points, up from one point in 2016.

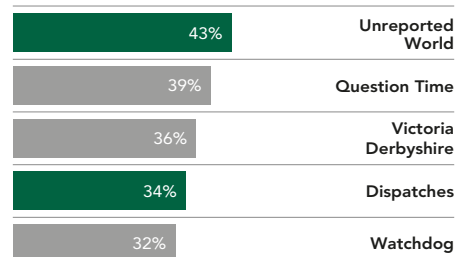
Uncovers the truth



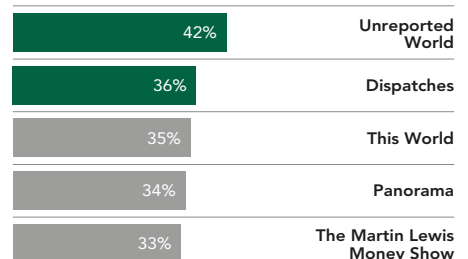
Covers things in great depth



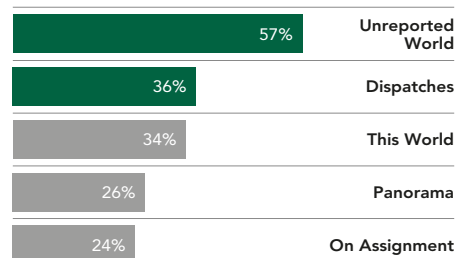
Gives a voice to groups that aren’t always heard in mainstream media



Made me see something in a different light



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



● Channel 4 shows ● Other broadcasters’ shows

Source: Ipsos MORI, commissioned by Channel 4

ENGAGING THE AUDIENCE

81.4%

OF ALL TV VIEWERS REACHED EVERY MONTH ACROSS CHANNEL 4'S TV CHANNELS

-2.1PTS ON LAST YEAR

AUDIENCE IMPACT

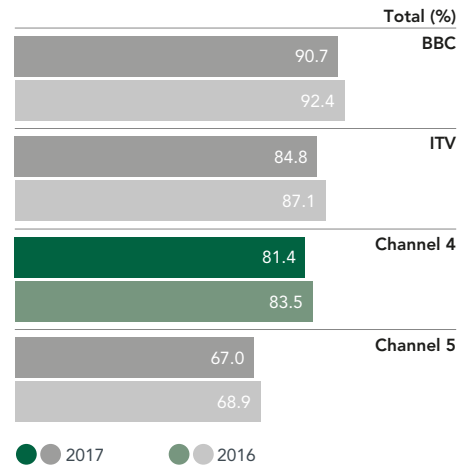
AUDIENCE REACH

Channel 4 remains the third-biggest UK broadcaster in terms of the audience reach of its TV channel portfolio, behind only the BBC and ITV. 81.4% of all TV viewers watched Channel 4's TV channels for at least 15 consecutive minutes each month on average in 2017. The BBC, ITV and Channel 4 were the only broadcasters that reached more than three-quarters of all UK viewers every month this year (fourth-placed Channel 5's portfolio reach trailed Channel 4's by almost 15 percentage points).

In a highly competitive digital TV landscape, the public service broadcasters have all experienced declines in the reach of their TV portfolios over the last five years, and their reach continued to decline in 2017 by between 1.7 and 2.2 percentage points (BBC and ITV respectively). Channel 4's portfolio reach fell by 2.1 percentage points.

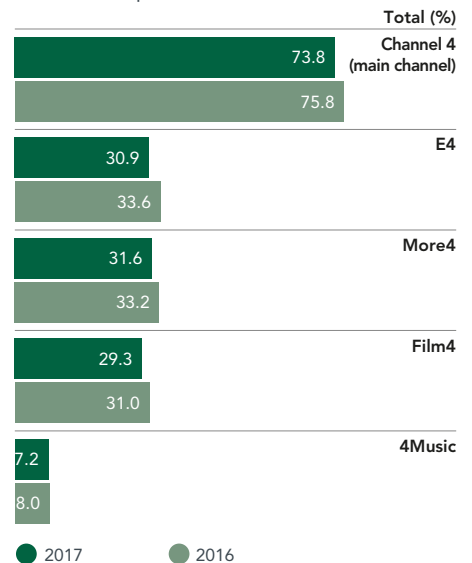
Looking at the individual channels in the Channel 4 TV portfolio, reach for Channel 4's main channel was 73.8%, while Channel 4's digital TV channels together reached 58.7% of viewers. The main channel experienced a year-on-year fall in reach of two percentage points. The digital channels all saw declines in their audience reach ranging from 0.8 percentage points (4Music) to 2.7 percentage points (E4). There was a marginal (0.1 percentage point) decrease in the digital channels' collective contribution to Channel 4's overall portfolio reach in 2017.

Average monthly reach of PSBs' TV portfolios



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

Percentage reach of individual TV channels in Channel 4 portfolio



Source: BARB, 15-minute consecutive, average monthly reach, all people. See online methodology for further details

METRICS CONTINUED

ENGAGING THE AUDIENCE

10.5%

VIEWING SHARE ACROSS THE TV CHANNEL PORTFOLIO

= LAST YEAR

● AUDIENCE IMPACT

TV VIEWING SHARE

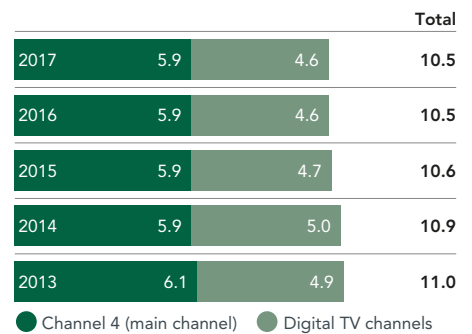
Channel 4's TV channel portfolio achieved a total viewing share of 10.5% in 2017, level with the 2016 figure. This was the first time since 2011 that the TV portfolio share has not declined year-on-year – a notable achievement given the fragmentation of viewing in the digital TV space.

The main channel's share was 5.9%, while the digital channels had a combined share of 4.6%. When reported to one decimal place, both of these figures held steady relative to 2016. The unrounded figures show a 1% year-on-year increase in the main channel's viewing share (from 5.87% to 5.92% of viewers) – only the second time in the last decade that its share has increased – and a 1% decrease in the digital channels' combined share.

There was very little variation in the individual digital channels' viewing share, with year-on-year changes in the range of ±0.1 percentage points. E4 was the biggest digital channel, with a 1.8% viewing share, 0.1 percentage points down on 2016. The other channels with viewing shares above 1%, Film4 (1.4% share) and More4 (1.1% share), both held steady year-on-year when reported to one decimal place, though the unrounded figures show that both channels registered increases in viewing in 2017, of 2% and 1% respectively. 4Music's share in 2017 was 0.3% (2016: 0.2%).

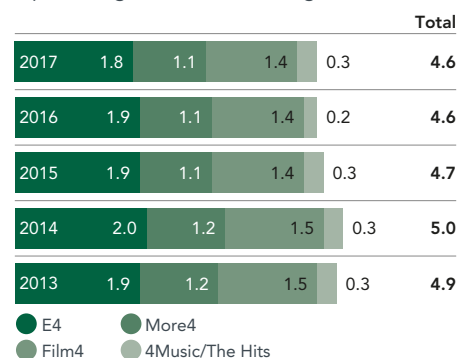
The main channel continued to account for 56% of total viewing to the Channel 4 TV portfolio in 2017 (level with the 2016 figure).

Channel 4 portfolio share as a percentage of total TV viewing



● Channel 4 (main channel) ● Digital TV channels
Source: BARB
See online methodology for further details

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



● E4 ● More4
● Film4 ● 4Music/The Hits
Source: BARB
See online methodology for further details

719m

PROGRAMME VIEWS INITIATED ON-DEMAND

+16% ON LAST YEAR

● DIGITAL

ON-DEMAND VIEWING

In 2017, viewing of Channel 4 content continued to rise through All 4, the on-demand service that replaced 4oD in 2015. 719 million programme views were initiated across all All 4-branded platforms, which include PCs, smartphones, tablets, games consoles and connected TVs. This represents a significant year-on-year increase, of 16%, to a new record level.

The strongest growth this year was on 'Big Screen' devices, i.e. connected TVs (such as Samsung TV) and streaming devices that plug into TVs. The latter includes Amazon Fire TV, which was the standout platform in 2017, with All 4 viewing more than trebling year-on-year.

Programme views initiated on All 4 (m)



Source: Channel 4

ENGAGING THE AUDIENCE

10%

PORTFOLIO VIEWING SHARE AMONGST BAME AUDIENCES

-2% ON LAST YEAR

● CULTURAL DIVERSITY

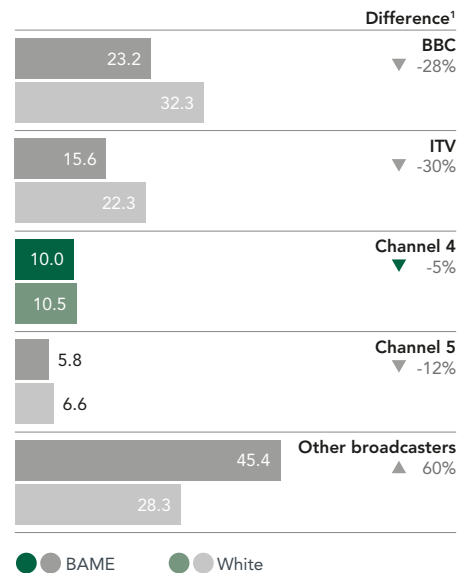
SHARE AMONG HARD-TO-REACH AUDIENCES – BAME

Channel 4's remit requires it to make programmes that appeal to people from different cultural backgrounds, and it is especially important for the broadcaster to attract ethnic minority audiences. While all the PSBs have lower viewing shares amongst BAME audiences than white audiences, Channel 4's ambition is to make this differential as small as possible.

In 2017, Channel 4's TV portfolio viewing share amongst BAME audiences was 10%, a small decline of 2% (equivalent to 0.2 percentage points) on the 2016 figure. Relative to the viewing share amongst white audiences, which was 10.5% this year, the differential in viewing share between BAME and white audiences was 5%. While this differential is slightly bigger than in 2016 (when it was 4%), it remains equal to or lower than the corresponding differential in every previous year going back to 2009.

Channel 4 had a substantially smaller differential between its TV portfolio viewing shares amongst BAME and white viewers than any of the other PSBs this year. Its 5% viewing share differential compares to a corresponding figure of 12% for Channel 5 and much larger differentials of 28% and 30% for the BBC and ITV. As a result, BAME audiences represented a higher proportion of Channel 4's total audience than they did of the total audience of the other PSBs.

Public service broadcasters' portfolio viewing shares amongst white and BAME audiences as a percentage of total TV viewing by those audiences (2017)



Source: BARB

1 Viewing by BAME audiences compared to viewing by white audiences

16.4%

PORTFOLIO VIEWING SHARE AMONGST 16-34-YEAR-OLDS

+1% ON LAST YEAR

● CULTURAL DIVERSITY

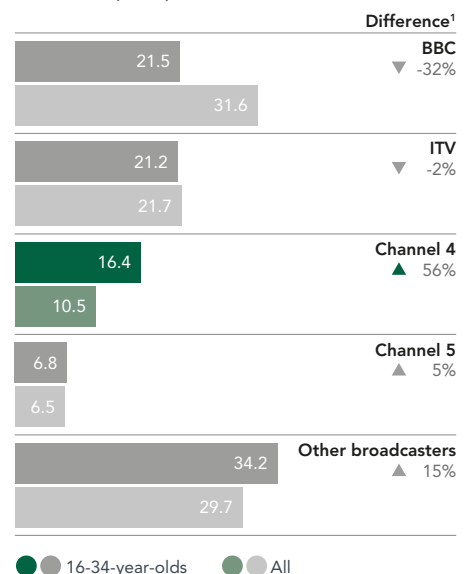
SHARE AMONG HARD-TO-REACH AUDIENCES – 16-34-YEAR-OLDS

A key distinguishing feature of Channel 4's TV channels is that they consistently attract a disproportionately large share of viewing amongst hard-to-reach 16-34-year-olds. In 2017, Channel 4's viewing share amongst this age group was 16.4% across its TV channel portfolio. This represented a 1% increase relative to the 2016 share (equivalent to a 0.2 percentage points rise year-on-year).

Channel 4's viewing share amongst 16-34-year-olds was 56% higher than its corresponding all-audience share in 2017, making it the only PSB to attract significantly greater viewing amongst this age group than across the general population. By contrast, ITV's 16-34-year-olds share was 2% less than its all-audience portfolio share, and the BBC's was a substantial 32% less. The only other PSB that appealed more to 16-34-year-olds than to the overall population was Channel 5, albeit with a differential of just 5%.

Channel 4's relative appeal to young audiences increased in 2017: the 56% differential between 16-34-year-olds and all audiences was two percentage points up on the 2016 figure, and was the joint-highest differential achieved since 2012, when this metric was first reported in the current format.

Public service broadcasters' portfolio viewing shares among 16-34-year-olds and all audiences as a percentage of total TV viewing by those audiences (2017)



Source: BARB

1 Viewing by 16-34-year-olds compared with all audiences

METRICS CONTINUED

ENGAGING THE AUDIENCE

5.2%
VIEWING SHARE FOR E4
AMONGST 16-34-YEAR-OLDS

+5% ON LAST YEAR

AUDIENCE IMPACT

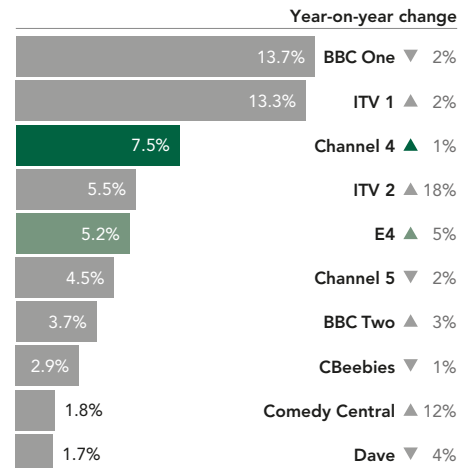
MOST POPULAR CHANNEL FOR YOUNG VIEWERS

In 2017, E4 grew its viewing share amongst 16-34-year-olds to 5.2%, its second-highest figure ever. Its share rose by 5% year-on-year, overturning two previous years of small declines, thanks to growth in viewing to *Hollyoaks* first-runs and successful new originations such as *Don't Tell the Bride*.

As in earlier years, this put E4 ahead of two of the main PSB channels, BBC Two and Channel 5, in terms of popularity amongst 16-34-year-olds. However, a surge in viewing to ITV2 put it ahead of E4 for the first time this year: ITV2's share rose 18% year-on-year, to 5.5%, driven by *Love Island* and repeats of US acquisitions such as *Family Guy*. As a result, E4 was the second most-watched digital TV channel in the UK, and the fifth most popular TV channel overall (slipping one place in the rankings on both measures).

Channel 4's main channel continued to perform disproportionately well in 2017 amongst 16-34-year-olds, for whom it was the third most popular TV channel. It increased its viewing share amongst this age group by 1%, giving it a 7.5% share.

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



Source: BARB

13%
OF VIEWING TO CHANNEL 4
NEWS PROGRAMMES ON THE
MAIN CHANNEL IN 2017
ACCOUNTED FOR BY VIEWERS
AGED 16-34

-2PTS ON LAST YEAR

15%
OF VIEWING TO CHANNEL 4
NEWS PROGRAMMES ON THE
MAIN CHANNEL IN 2017
ACCOUNTED FOR BY BAME
VIEWERS

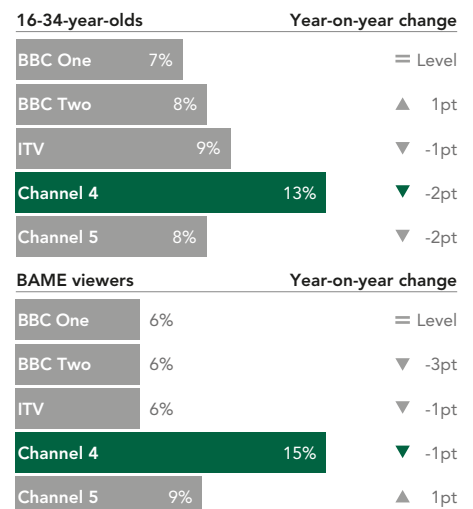
-1PT ON LAST YEAR

DISTINCTIVE

VIEWING TO NATIONAL NEWS

Channel 4 News continues to have particular appeal to young and BAME audiences. 13% of its viewing in 2017 was accounted for by people aged 16-34, while BAME audiences represented 15% of viewing. Both these figures continue to be markedly higher than the corresponding ones for news programmes on the other main PSB channels. Year-on-year trends: compared to 2016, the proportion of viewing to *Channel 4 News* accounted for by viewers aged 16-34 was down two percentage points (2016: 15%, 2017: 13%) and the proportion of BAME viewers was down one percentage point (2016: 16%).

Percentage of viewing to national news programmes on the main PSB channels in 2017 accounted for by 16-34-year-olds and BAME viewers



Source: BARB

ENGAGING THE AUDIENCE

8.2m

PEOPLE WATCHED CHANNEL 4 NEWS EACH MONTH

-2% ON LAST YEAR

● DISTINCTIVE

REACH OF CHANNEL 4 NEWS

In 2017, *Channel 4 News* was watched (for at least 15 consecutive minutes) by an average of 8.2 million people each month. After two years of growth, this figure was down slightly year-on-year, by 2% (0.1 million viewers in absolute terms).

This small fall may be attributed to declines in the overall UK TV audience: in terms of share of TV viewing, *Channel 4 News*' performance was up in 2017. Its viewing share rose by 2% year-on-year, the fourth successive year in which its share has increased.

21pt

LEAD OVER AVERAGE FOR OTHER CHANNELS FOR CATERING FOR AUDIENCES THAT OTHER CHANNELS DON'T CATER FOR

-1PT ON LAST YEAR

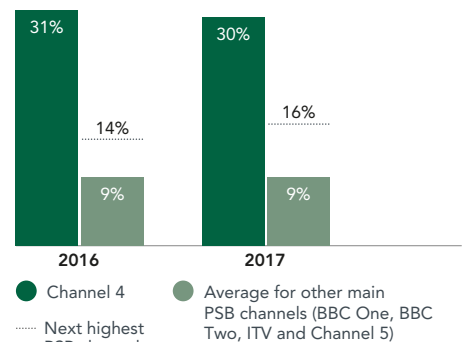
● CULTURAL DIVERSITY

CHANNEL REPUTATIONS – CATERING FOR AUDIENCES OTHER CHANNELS DON'T CATER FOR

After achieving its best ever scores in 2016 when audiences were asked which channel is best for catering for audiences other channels don't cater for, Channel 4's performance on this metric fell back a little this year. Nonetheless, 2017 was still one of the strongest years in the decade since this metric was first reported in 2008.

30% of respondents selected Channel 4's main channel over the other main PSB channels in 2017, just one percentage point behind the record set in 2016, and a higher proportion than in any other year going back to 2008. Channel 4's lead over the average of the other main PSB channels was 21 percentage points – again, just one point behind the 2016 record and a higher proportion than in any other year since 2008. Channel 4's lead over the next highest channel (Channel 5) was 14 percentage points; while this was two points down on the 2016 record, it was still the third-highest figure since 2008.

Caters for audiences other channels don't cater for



Source: Ipsos MORI, commissioned by Channel 4

588m

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

+13% ON LAST YEAR

● DIGITAL

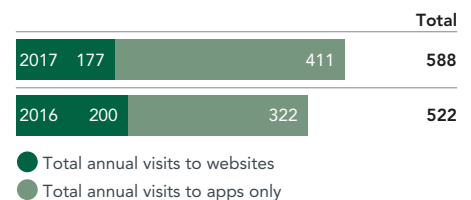
TOTAL VISITS TO CHANNEL 4'S WEBSITES AND APPS

Channel 4's websites and apps attracted a total of 588 million visits in 2017. This was 13% more than in 2016, the biggest annual increase in visits since 2012.

Channel 4's strategy centres on the dedicated All 4 app, which launched in 2015, and is available on a wide range of smartphones, tablets and connected TVs. Channel 4 seeks to encourage app usage where possible to ensure viewers have the best possible experience when viewing content – achieving this goal by making the All 4 app ever more attractive (e.g. with regular feature updates) and by pointing visitors to its websites towards the All 4 app when they try to watch video content on mobile platforms.

This strategy is reflected in trends in visitor levels to Channel 4's apps and website. Visits to Channel 4's apps continued to enjoy double-digit growth in 2017, rising by an impressive 27% year-on-year, from 322 million in 2016 to 411 million. Conversely, visits to Channel 4's websites fell by 11%, from 200 million in 2016 to 177 million in 2017, with viewers being directed to All 4 apps for video viewing. As a result, app visits increased their share of total visits to all Channel 4's websites and apps from 62% of the total in 2016 to 70% in 2017.

Total visits to Channel 4's websites and apps (m)



Source: Channel 4

METRICS CONTINUED

ENGAGING THE AUDIENCE

60%

AVERAGE 'BUZZ' SCORE FOR
CHANNEL 4'S TEN MOST
TALKED-ABOUT PROGRAMMES

● STIMULATE DEBATE

PRODUCING TALKED-ABOUT TV

Channel 4 aims to make an impact with its programming in part by engaging viewers, inspiring conversations and stimulating debate – both in social media and the 'real' world. 'Buzz' scores help Channel 4 to assess audience reactions to its programmes through a daily survey that tracks the proportion of Channel 4 viewers who said they talked about programmes that they watched, or commented on them on social media such as Facebook and Twitter. At the end of 2016, Channel 4 switched to a new supplier (YouGov) and boosted the daily sample from 1,000 people to 3,000 people.

In 2017, the average 'Buzz' score for the ten most talked-about programmes across Channel 4's TV portfolio was 60%.

Current Affairs programmes accounted for two of the three most talked-about programmes of the year. *May vs Corbyn Live: The Battle for Number 10* saw Jeremy Paxman interrogate the main party leaders ahead of the General Election, attracting a 'Buzz' score of 74%. *Brexit: How to Get a British Passport* was a *Dispatches* investigation that revealed that hundreds of thousands of passport-less children are being thrown into a legal limbo in the wake of Brexit (66% 'Buzz' score).

There were also two Documentaries in the top ten. *When Football Banned Women* (68% 'Buzz' score) saw Clare Balding reveal the fascinating hidden history of women's football in the UK – from its success in the 1920s to it being outlawed by the FA. *Battling the Bailiffs* (55% 'Buzz' score) was a *Cutting Edge* film following a group of campaigners as they seek to defend people who stand to be evicted from their homes.

In Factual Entertainment, *First Dates USA*, the US version of the hit UK Channel 4 series, had a 'Buzz' score of 59%, while *Finding Me a Family* (55% 'Buzz' score) was a two-part series following children hoping to be adopted who meet prospective parents at potentially life-changing activity days.

Programmes in four other genres completed the top ten. In Entertainment, a Stand Up To Cancer celebrity special edition of *Gogglebox* generated a 'Buzz' score of 58%. In Education, *Old People's Home for 4 Year Olds* (also with a 58% 'Buzz' score) was an uplifting intergenerational experiment, in partnership with Age UK, in which pre-schoolers shared their classroom with pensioners for six weeks, bringing beneficial impacts to all involved. Channel 4's coverage of *Crufts*, the largest dog event in the world, was the most talked-about Sporting event (55% 'Buzz' score), giving host Clare Balding her second appearance in the top ten. Finally, *Grayson Perry: Divided Britain* was an Arts programme (also with a 55% 'Buzz' score) in which Grayson spoke to a range of people on both sides of the Brexit divide about their beliefs and desires, using the results to inspire his pots for Leave and Remain.

Note: the new methodology means that it is not appropriate to report year-on-year changes as the 2016 and 2017 data were collected under different surveys. Please refer to the methodology document for further details.

Programme	2017 Buzz (%)
May vs Corbyn Live: The Battle for Number 10	74
When Football Banned Women	68
Brexit – How to Get a British Passport: Channel 4 Dispatches	66
First Dates USA	59
Gogglebox: Celebrity Special for SU2C	58
Old People's Home for 4 Year Olds	58
Crufts 2017	55
Finding Me a Family	55
Battling the Bailiffs	55
Grayson Perry: Divided Britain	55
Average Buzz score for 2017 top ten programmes	60

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

ENGAGING THE AUDIENCE

71%

OF TOTAL VIEWING ACROSS
THE MAIN CHANNEL, E4 AND
MORE4 ACCOUNTED FOR BY
NETWORK ORIGINATIONS

**+1PT UP ON LAST
YEAR**

VIEWING TO NETWORK ORIGINATIONS

Channel 4's output can be divided between 'network originations' – i.e. programmes commissioned by Channel 4 and transmitted on any of the channels in its TV portfolio – and programmes that were acquired by Channel 4 (primarily US content). The former category is important as Channel 4 delivers its public remit primarily through its investment in original content.

In 2017, network originations accounted for 71% of total viewing to the main channel, E4 and More4, an increase of one percentage point year-on-year. This is the fourth consecutive year that this figure has grown (from 63% in 2013), and represents a new record level: network originations account for a higher proportion of Channel 4's viewing than at any time since 2008, when this metric was first reported.

In volume terms, network originations represented 64% of all hours across the schedules of the main channel, E4 and More4 in 2017, one percentage point down on the record level set in 2016. A comparison of the viewing and output figures indicates that network originations were responsible for a disproportionately high share of Channel 4's overall viewing – outperforming acquired programmes – as they generated a higher share of viewing (71%) than their corresponding share of the volume of programming (64%).

Overall, Channel 4's network originations accounted for 6.3% of total TV viewing in the UK in 2017, level with the corresponding 2016 figure and the joint-highest viewing share since 2012.

Note that the Film4 channel is excluded from this metric as, by its nature, its output is primarily made up of acquired feature films. Note also that network originations differ from the narrower Ofcom definition of 'originations', which only count programmes on the individual channel that commissioned them. Network originations better reflect the multichannel world by taking into account the multiple opportunities broadcasters can provide viewers to catch up on programmes across their digital TV portfolios.

THANK YOU

This list includes all of our suppliers of originated television programmes that transmitted across the portfolio in 2017, plus film and digital companies that received project funding from us in 2017. We also provided development funding to a range of other companies. While every effort has been made to identify and name all of the relevant companies for this list, we apologise if there are any accidental omissions.

We would also like to thank all of our advertising and commercial partners.

12 Yard Productions
 13 Strides
 2LE Media
 72 Films
 7 Wonder Productions
 AbbottVision
 Acme Films
 Afro-Mic Productions
 Afshar Films
 Agile Films
 Alaska TV Productions
 Alleycats Films
 Amazing Productions
 AMOS Pictures
 Apocalypso Pictures
 Appeal Films
 Arrow International Media
 Assassin Films
 Aurora Media Worldwide UK
 Avalon Television
 Avanti Media
 Baby Cow Productions
 Barcroft Productions
 Betty
 Bigger Bang Communications
 Big Mountain Productions
 Big Talk Productions
 Blakeway Productions
 Blast! Films
 Blink Entertainment trading as Blink Films
 Blink Productions/Industries
 Blue Ant International
 Bluebird Productions
 Blueprint Pictures
 Blumhouse Productions
 Bonafide Films
 Boom Cymru TV
 Boomerang Plus
 Boundless (part of FremantleMedia UK)
 Brave New Media

Braven Films
 Brinkworth Films
 BriteSpark Films
 Brook Lapping
 Bullion Productions
 Burning Bright Productions
 Bwark Productions
 Calamity Films
 CC-LAB
 Century Films
 Chalkboard TV
 Chocolate Media
 Citrus Television
 Clerkenwell Films
 Cloud Eight Films
 Cloud Nine Films
 Cowboy Films
 CPL Productions
 Cross Street Films
 Curve Media
 Daisybeck Studios
 Darlow Smithson Productions
 Daybreak Pictures
 Deltatre Media
 DMC Film
 DNA Films and TV
 Doc Hearts
 Double Act Productions
 DoubleBand Films
 Dragonfly Film and Television Productions
 Dream Team Television
 Drummer TV
 Duck Soup Films
 Dura Mater Films
 Electric Ray
 Element Pictures
 Eleven Film
 EMU Films
 Endemol Shine North
 Erica Starling Productions
 Erny Productions

Escape Plan Productions
 Fable Pictures
 Fantastic Films
 Films of Record
 FilmWave
 Finestripe Productions
 Firecracker Films
 Firecrest Films
 Fixedupdated
 Flashing Lights Media
 Flicker Productions
 Fly Film Company
 Freeform Productions
 Free Range Films
 Fruit Tree Media
 Fudge Park Productions
 Full Fat Television
 Full Tilt Productions
 Glashead
 Grain Media
 Gramafilm
 Greenacre Films
 Hardcash Productions
 Hat Trick
 Hay Fisher Productions
 H.C.A Entertainment
 Heyday Films
 Hillbilly Television
 Hoi Polloi TV
 Honey Productions
 Hot Sauce Television/BFG
 House Productions
 Hungry Gap Productions
 Hyphen Films
 Icon Films
 Ignite Creative
 Illuminations
 IMG
 Indus Films
 Inflammable Films
 ITN
 ITV
 IWC Media
 Jamie Oliver Productions
 Joi Polloi
 JolyGood TV
 Jungle Television
 Juniper Communications
 Kaboom Film and TV
 Kalel Productions
 KEO Films
 Keshet
 King Bert Productions
 Knickerbockerglory
 Kudos
 Lambent Productions
 Left Bank Pictures
 Lemonade Money
 Liberty842

Thank you continued

Liberty Bell Productions	Puny Astronaut	Ten66
Libra Television	Quicksilver Media	Tern Television Productions
Lightbox Media	Quiddity Films	Testimony Films
Lime Pictures	Raise The Roof Productions	Thames (part of FremantleMedia UK)
Lion Television	Raw TV	That Mitchell & Webb Company
Little Dot Studios	RDF	The Bureau Film Company
Little Gem Media	Recorded Picture Company	The Connected Set
Locomotive Film	Red House Television	The Forge Entertainment
Lonesome Pine Productions	Red Production Company	The Garden Productions
Love Productions	Reef Television	The Ink Factory
Lucid Games	Remarkable Television	The Moment Productions (Was One Two Four Media)
Lupus Films	Remedy Productions	The Wagon
Marc Platt Productions	Renegade Pictures (UK)	Thin Man Films
Marlborough Film Productions	Renowned Films	Thoroughly Modern Media
Maverick Television	Retort (part of FremantleMedia UK)	TiFiNi
Mayfly Television	Ricochet Films	Tiger Aspect
Megalomedia	Rize Television	Till Entertainment
Mensch Films	Roast Beef Productions	Tinderbox Films
Mentorn Media	Ronachan Films	Title Role Productions
Merman Television	Rondo Media	Toledo Productions
MGM	Rook Films	Transparent Television
Mighty Productions	Rumpus Media	TriStar Productions
Minnow Films	Salt Street Productions	True North Productions
Mirrorball Films	SB.TV Global	True Vision
Misher Films	Scott Free	Tuesday's Child Television
Momac Films	Screenchannel Television	TV Cartoons
Mongoose Pictures	Seadog TV & Film Productions	Twenty Twenty
Monkey Kingdom	See-Saw Productions	Twofour Productions
Monumental Pictures	Sexy RPC	Vaudeville Productions
Mother's Best Child	SGO Productions	Vera Productions
Naked Entertainment	Shine	Victory Television
NDF Productions	Shoobox Films	Videotext
Neon Films	Siren Productions	Waddell Media
Nerd TV	Sky	Wall To Wall
New Pictures	Snowdog Enterprises	Warp Films
Nine Lives Media	Snowman Enterprises	WE ARE Pi
Noho Film and Television	Somethin' Else Sound Directions	Westend Blackbird
Noor Pictures	Sony Music Entertainment	What Larks! Productions
North One Television	Sony Pictures	Whisper Films
Nova International (trading as Filmnova Production)	So Television	Wigwam Films
NPE Media	Spark Media Partners	Wild Dream Films
Number 9 Films	Spelthorne Community Television	Wildgaze Films
Numiko	Spirit Digital Media	Wild Pictures
Objective Productions	Spirit Gold TV	Windfall Films
October Films	Stardotstar	World Productions
Open Mike Productions	Starstruck Media	WTFN Entertainment
Optomen Television	Stonehenge Films	Yeti Media
Origin Pictures	Story Films	Young Bwark Productions
Outline Productions	Strawdog Studios	youngest Media
Oxford Films	Stray Bear Productions	Youngfilms
Oxford Scientific Films	Studio Lambert	Zeppotron
PaperSeven	STV Productions	ZigZag Productions
Pioneer Productions	Sugar Films	ZKK
Plimsoll Productions	SUMS Film and Media	
Plum Pictures	Sundog Pictures	
Potboiler Productions	Sunset+Vine	
Princess Productions	Swan Films	
Pulse Films	Talkback (part of FremantleMedia UK)	

AWARDS

TELEVISION UK

AIB Awards

Syria's Disappeared: The Case Against Assad (Channel 4)
Investigative Video

Bafta Cymru

Ellen (Channel 4/Touchpaper Television)
Feature/Television Film

BAFTA Television Awards

National Treasure (Channel 4)
Mini-Series

British Soap Awards

Richard Linnell & Kassius Nelson (*Hollyoaks*)
Best Onscreen Partnership

Nick Pickard (*Hollyoaks*)
Outstanding Achievement

Jade Says Goodbye To Alfie (*Hollyoaks*)
Scene of the Year

Broadcast Awards

Channel 4
Channel of the Year

Rio 2016 Paralympics (Channel 4)
Sports Programme Award

Interview With A Murderer (Channel 4)
Documentary Programme

Ellen (Channel 4)
Single Drama Award

This is England '90 (Channel 4)
Drama Series Award

The Last Leg (Channel 4)
Entertainment Programme Award

The Question Jury (Channel 4)
Daytime Award

Broadcast Digital Awards

E4
Best Entertainment Channel

Rio 2016 Paralympics (Channel 4)
Best App or Website for Channel, Strand or Genre

Humans (4Creative and OMD for Channel 4)
Best Social Media and Digital Marketing Campaign

Channel 4 News: Inside Aleppo (ITN for Channel 4 News)
Best Non-Scripted Online Short

Edinburgh TV Awards

National Treasure (The Forge) (Channel 4)
New Programme of the Year

Grierson Awards

Grayson Perry: All Man (Grayson Perry)
(Channel 4)
Best Documentary Presenter

999: What's Your Emergency? – Nobody ever said, 'When I grow up I want to answer 999 calls' (Channel 4)
Best Entertaining Documentary

Mind Media Awards

Hollyoaks (Lime Pictures) (Channel 4)
Soaps or Continual Series

National Television Awards

Gogglebox (Channel 4)
Factual Entertainment

One World Media Awards

The Battle for Mosul (ITN for Channel 4 News)
Short Film Award

Barrel Bomb Baby (ITN for Channel 4 News)
News Award Category

Rory Peck Award

Inside Aleppo: The Last Hospital (Waad Al Kateab) (Channel 4)
News

Battle for Mosul (Olivier Sarbil) (Channel 4)
News Features

RTS Programme Awards

Robbie Coltrane (*National Treasure*)
(Channel 4)
Actor – Male

National Treasure (Channel 4)
Mini-Series

Grayson Perry All Man (Channel 4)
Arts

Grayson Perry All Man (Channel 4)
Presenter

Rio 2016 Paralympics (Channel 4)
Sports Programme

Find it, Fix it, Flog it (Channel 4)
Daytime Programme

The Last Leg (Adam Hills, Alex Brooker and Josh Widdicombe) (Channel 4)
Entertainment Performance

First Contact: Lost Tribe of the Amazon
(Channel 4)
Science and Natural History

Stand Up to Cancer (Channel 4)
Live Event

RTS Television Journalism Awards

Channel 4 News (Waad al-Kateab) (Channel 4)
Camera Operator of the Year

Home: Interview with a Murderer (Channel 4/ITN/Monster films)
Current Affairs

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

Inside Aleppo (Channel 4/ITN)
News Coverage – International

Matt Frei (Channel 4/ITN)
Television Journalist of the Year

The Last Flower Seller of Aleppo (Hoodwink Productions/Channel4)
The Independent Award

Channel 4 News (Waad al-Kateab) (Channel 4/ITN)
Young Talent of the Year

Writer's Guild Awards

Ellen
Writer, Best Short Form (Television Drama)

TELEVISION INTERNATIONAL

International Emmy

Inside Aleppo – Battle for Aleppo (Channel 4)
News and Current Affairs

Real Screen Awards

Interview with a Murderer (Channel 4)
Crime & Investigation

Prix Italia

Ellen (Channel 4)
TV Fiction

FILM UK

BAFTA Scotland

T2 Trainspotting (Ewen Bremner) (DNA Films, Decibel Films, Cloud Eight Films)
Best Actor

T2 Trainspotting (Danny Boyle) (DNA Films, Decibel Films, Cloud Eight Films)
Best Director, Fiction

T2 Trainspotting (Danny Boyle, John Hodge, Andrew Macdonald, Christian Colson) (DNA Films, Decibel Films, Cloud Eight Films)
Best Feature Film

BIFAs

Three Billboards Outside Ebbing, Missouri
(Jon Gregory) (Blueprint Pictures)
Best Editing

Awards continued

Three Billboards Outside Ebbing, Missouri (Cater Burwell) (Blueprint Pictures)
Best Music

I Am Not A Witch (Rungano Nyoni) (Soda Pictures, Clandestine Films, Unafilm, iCreate Films)
Best Director

I Am Not A Witch (Emily Morgan) (Soda Pictures, Clandestine Films, Unafilm, iCreate Films)
Breakthrough Producer

I Am Not A Witch (Rungano Nyoni) (Soda Pictures, Clandestine Films, Unafilm, iCreate Films)
The Douglas Hickox Award (Debut Director)

National Film Awards UK

American Honey (Andrea Arnold) (Parts & Labor, Pulse Films)
Best International Film

American Honey (Andrea Arnold) (Parts & Labor, Pulse Films)
Best Screenplay

The British Film Designers Guild Awards

High-Rise (Mark Tildesley – production designer, Frank Walsh – supervising art director, Paki Smith – set decorator) (Recorded Picture Company)
Best production design – Independent Feature Film

FILM INTERNATIONAL**Advanced Imaging Society/VR Society Lumiere Awards**

Billy Lynn's Long Half Time Walk (The Ink Factory, Marc Platt Productions)
Best live action 3D feature

Africa International Film Festival

I Am Not A Witch (Soda Pictures, Clandestine Films, Unafilm, iCreate Films)
Best Film

African American Film Critics Association

Three Billboards Outside Ebbing, Missouri (Frances McDormand) (Blueprint Pictures)
Best Actress

Atlanta Film Critics Awards Circle

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Best Ensemble Performance

Black Film Critics Awards Circle

Three Billboards Outside Ebbing, Missouri (Frances McDormand) (Blueprint Pictures)
Best Actress

Black Reel Awards

American Honey (Parts & Labor, Pulse Films)
Outstanding Independent Feature

Boston Online Film Critics' Awards

Three Billboards Outside Ebbing, Missouri (Frances McDormand) (Blueprint Pictures)
Best Actress

Camerimage Film Festival

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Camerimage Audience Award

Cannes Film Festival

You Were Never Really Here (Joaquin Phoenix) (Why Not Productions)
Best Actor

The Killing of a Sacred Deer (Element Pictures) (Yorgos Lanthimos and Efthimis Filippou)
Best Screenplay (joint win with *You Were Never Really Here*)

You Were Never Really Here (Why Not Productions) (Lynne Ramsay)
Best Screenplay (joint win with *The Killing of a Sacred Deer*)

Chicago Independent Film Critics Circle Awards

Three Billboards Outside Ebbing, Missouri (Frances McDormand, Woody Harrelson, Sam Rockwell, Abbie Cornish, Lucas Hedges, Željko Ivanek, Caleb Landry Jones, Clarke Peters, Samara Weaving, John Hawkes, Peter Dinklage) (Blueprint Pictures)
Best Ensemble Cast

Dallas Fort Worth Film Critics Association Awards

Three Billboards Outside Ebbing, Missouri (Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

Denver Film Festival

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
People's Choice Award for Best Narrative Feature

Detroit Film Critics Society Awards

Three Billboards Outside Ebbing, Missouri (Frances McDormand) (Blueprint Pictures)
Best Actress

Three Billboards Outside Ebbing, Missouri (Martin McDonagh) (Blueprint Pictures)
Best Screenplay

Florida Film Critics Circle Awards

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Best Ensemble

Three Billboards Outside Ebbing, Missouri (Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

Hollywood Film Awards

Three Billboards Outside Ebbing, Missouri (Sam Rockwell) (Blueprint Pictures)
Hollywood Supporting Actor Award

Las Vegas Film Critics Society Awards

Three Billboards Outside Ebbing, Missouri (Frances McDormand) (Blueprint Pictures)
Best Actress

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Best Ensemble

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Best Picture

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Best Screenplay (Original)

Three Billboards Outside Ebbing, Missouri (Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

Macao Film Festival

Beast (Jessie Buckley) (Stray Bear Productions, Agile Films)
Best Actress

Nevada Film Critics Society Awards

Three Billboards Outside Ebbing, Missouri (Sam Rockwell) (Blueprint Pictures)
Best Actor in a Supporting Role

Three Billboards Outside Ebbing, Missouri (Martin McDonagh) (Blueprint Pictures)
Best Original Screenplay

Three Billboards Outside Ebbing, Missouri (Blueprint Pictures)
Best Picture

North Texas Film Critics Association Awards

Three Billboards Outside Ebbing, Missouri (Frances McDormand) (Blueprint Pictures)
Best Actress

Three Billboards Outside Ebbing, Missouri (Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

Awards continued

Philadelphia Film Critics Circle Award

Three Billboards Outside Ebbing, Missouri
(Woody Harrelson) (Blueprint Pictures)
Best Supporting Actor

Phoenix Critics Circle

Three Billboards Outside Ebbing, Missouri
(Sam Rockwell) (Blueprint Pictures)
Best Actor in a Supporting Role

Three Billboards Outside Ebbing, Missouri
(Frances McDormand, tied winner with Sally Hawkins for *The Shape of Water*) (Blueprint Pictures)
Best Actress in a Leading Role (Joint Winner)

Three Billboards Outside Ebbing, Missouri
(Martin McDonagh, tied winner with Greta Gerwig for *Lady Bird* and Jordan Peele for *Get Out*) (Blueprint Pictures)
Best Original Screenplay (Joint Winner)

Three Billboards Outside Ebbing, Missouri
(tied winner with *The Shape of Water*) (Blueprint Pictures)
Best Picture

Phoenix Film Critics Society Awards

Three Billboards Outside Ebbing, Missouri
(Frances McDormand) (Blueprint Pictures)
Best Actress

Three Billboards Outside Ebbing, Missouri
(Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

Three Billboards Outside Ebbing, Missouri
(Martin McDonagh) (Blueprint Pictures)
Best Original Screenplay

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
Best Acting Ensemble

San Diego Film Critics Society Awards

Three Billboards Outside Ebbing, Missouri
(Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

San Diego International Film Festival

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
Audience Choice Award for Best Studio Film

San Sebastian

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
The Audience Award

Sitges' 50th International Fantastic Film Festival of Catalonia

The Killing of a Sacred Deer (Element Pictures)
Jose Luis Guarnier Critics' Award

Southeastern Film Critics Association Award

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
Best Ensemble

Three Billboards Outside Ebbing, Missouri
(Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

St. Louis Film Critics Association Awards

Three Billboards Outside Ebbing, Missouri
(Frances McDormand) (Blueprint Pictures)
Best Actress

Stockholm International Film Festival

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
Audience Award

I Am Not A Witch (Rungano Nyoni) (Soda Pictures, Clandestine Films, Unafilm, iCreate Films)
Best First Film

Toronto International Film Festival

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
People's Choice Award

Toronto Film Critics Association

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures) (Frances McDormand)
Best Actress

Twin Cities Film Fest

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
Best Feature Film

Venice Film Festival

Three Billboards Outside Ebbing, Missouri
(Martin McDonagh) (Blueprint Pictures)
Best Screenplay

Lean On Pete (Charlie Plummer) (The Bureau Film Company)
Marcello Mastroianni Award for Best New Young Actor or Actress

Washington DC Area Film Critics Association Awards

Three Billboards Outside Ebbing, Missouri
(Blueprint Pictures)
Best Acting Ensemble

Three Billboards Outside Ebbing, Missouri
(Frances McDormand) (Blueprint Pictures)
Best Actress

Three Billboards Outside Ebbing, Missouri
(Sam Rockwell) (Blueprint Pictures)
Best Supporting Actor

Women Film Critics Circle Awards

Three Billboards Outside Ebbing, Missouri
(Frances McDormand) (Blueprint Pictures)
Best Actress

Three Billboards Outside Ebbing, Missouri
(Frances McDormand) (Blueprint Pictures)
Courage in Acting

CRAFT**Bafta Craft Awards**

National Treasure (Marc Munden) (Channel 4)
Director – Fiction

National Treasure (Cristobal Tapia De Veer)
(Channel 4)
Original Music

Ellen (Mahalia Belo) (Channel 4)
Breakthrough Talent

Rio 2016 Paralympics (Richard Norley, Lee Jacobs, Callum O'Reilly) (Channel 4)
Titles And Graphic Identity

RTS Craft and Design Awards

Bring Me Back to Life (Channel 4)
Editing – Documentary/Factual

MARKETING**BCN Sports Film Festival 2017****Winner – Gold**

Paralympics 'We are The Superhumans'
(Channel 4)
Jury's Special Award

British Arrows**Winner – Gold**

Channel 4 (Channel 4)
Advertiser of Excellence

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Jury's Special Award

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Commercial of the Year

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best Sports ad

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best Entertainment Promotions

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best over 90 second commercial

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best Integrated Campaign

Awards continued

Broadcast Digital Awards**Winner**

Humans S2 (Channel 4/OMD)
Best Social Media and Digital Marketing

BT Sports Industry Awards**Winner – Gold**

Paralympics 'We are The Superhumans'
(Channel 4)
Campaign of the Year

Campaign Big**Winner – Gold**

The Great British Bake Off (Channel 4)
Media and Entertainment

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Sports Travel and Leisure

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best of the Best – Film

Cannes Lions**Film Lions****Grand Prix**

Paralympics 'We are The Superhumans'
(Channel 4)
Film Lions – Media & Publications

Media Lions**Silver Lion**

Paralympics 'We are The Superhumans'
(Channel 4)

Media & Publications**Silver Lion**

Paralympics (Channel 4)
Use of Integrated Media

Entertainment Lions**Gold Lion**

Paralympics 'We are The Superhumans'
(Channel 4)
Sports: Film, Series & Audio

Silver Lion

Paralympics 'We are The Superhumans'
(Channel 4)
Excellence in Sponsorship or Partnerships in
Sports Entertainment

Film Craft Lions**Gold Lion**

Paralympics 'We are The Superhumans'
(Channel 4)
Casting

Gold Lion

Paralympics 'We are The Superhumans'
(Channel 4)

Direction**Silver Lion**

Paralympics 'We are The Superhumans'
(Channel 4)

Achievement in Production**Silver Lion**

Paralympics 'We are The Superhumans'
(Channel 4)
Editing

Integrated Lions**Gold Lion**

Paralympics (Channel 4)
Integrated

Creative Circle**Talent****Winner – Gold**

4Creative (4Creative)
President's Award

Winner – Gold

4Creative (4Creative)
Champions of Creativity

Film Craft**Winner – Gold**

Paralympics 'We are The Superhumans'
(Channel 4)
Best Casting

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)

Best Direction**Winner – Gold**

Paralympics 'We are The Superhumans'
(Channel 4)

Best Use of Music**Winner – Bronze**

Paralympics 'We are The Superhumans'
(Channel 4)

Best Editing – Film**Winner – Gold**

Paralympics 'We are The Superhumans'
(Channel 4)
Best TV 60 secs and over

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best Cinema

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best Online Advertising Film: 1 Minute or
Over

Winner – Gold

Paralympics 'We are The Superhumans'
(Channel 4)
Best Charity/Public Service Film

General**Winner – Gold**

Paralympics 'We are The Superhumans'
(Channel 4)
Integrated Campaign

Experimental**Winner – Silver**

Humans BOT (Channel 4)
Best Use of Ambient/Guerrilla

Creative Review Annual**Best In Book**

Paralympics 'We are The Superhumans'
(Channel 4)
Commercials

In Book

Humans (Channel 4)
Integrated Campaigns

In Book

Grayson Perry: Born Risky (Channel 4)
Branded Content

D&AD**Film Advertising****Black Pencil**

Paralympics 'We are The Superhumans'
(Channel 4)
TV Commercials 121-240 seconds

Yellow Pencil

Paralympics 'We are The Superhumans'
(Channel 4)
Cinema Commercials 121-240 seconds

Yellow Pencil

Paralympics 'We are The Superhumans'
(Channel 4)
TV Programme Promotions

Film Advertising Crafts**Graphite Pencil**

Paralympics 'We are The Superhumans'
(Channel 4)
Casting for Film Advertising

Graphite Pencil

Paralympics 'We are The Superhumans'
(Channel 4)
Editing for Film Advertising

Black Pencil

Paralympics 'We are The Superhumans'
(Channel 4)
Direction for Film Advertising

Digital Marketing**Wood Pencil**

Paralympics 'We are The Superhumans'
(Channel 4)
Use of Social Media

Awards continued

Marketing New Thinking Awards**Winner**

Paralympics (Channel 4)
Grand Prix

Winner

Paralympics (Channel 4)
Creative Excellence

Winner

Paralympics (Channel 4)
Cultural Shift

Highly Commended

Humans 2.0 (Channel 4)
Best Use of Tech

Marketing Society Awards**Winner**

Paralympics 'We are The Superhumans'
(Channel 4)
Purpose driven brands

Master of Marketing Awards**Winner**

Rio 2016 Paralympics (Channel 4/4Creative)
Media, Gaming and Entertainment

Outdoor Media Awards**Winner**

Paralympics (OMD/Channel 4/Talon)
The Multiple Format Award

Promax**Winner – Gold**

Electric Dreams (Channel 4/4Creative)
Best Use of Sound Design

Winner – Gold

The Great British Bake Off
(Channel 4/4Creative)
Best Use of Animation

Winner – Gold

Humans (Channel 4/4Creative)
Best Use of Direction

Winner – Gold

We're Going on a Bear Hunt (More4/4creative)
Best Channel Idents (Out-Of-House)

Winner – Gold

The Great British Bake Off
(Channel 4/4Creative)
Best Entertainment (Originated)

Winner – Gold

Grand Designs (More4/4creative)
Best Lifestyle or Magazine (Originated)

Winner – Gold

Tattoo Fixers (Channel 4/4Creative)
Best Lifestyle or Magazine (Clip Based)

Winner – Gold

Spies (Channel 4/4Creative)
Best Key Art

Winner – Gold

Humans (Channel 4/4Creative)
Best Digital Out-of-Home

Winner – Gold

Humans BOT (Channel 4/4Creative)
Best Use of VR, Interactive or Mobile

Winner – Gold

Ackley Bridge (Channel 4/4Creative)
Best Social or Digital Campaign

Winner – Silver

FilmFear (Film4)
Best Use of Graphic Design

Winner – Silver

Voices of 4 (Channel 4/4Creative)
Best Channel Idents (In-House)

Winner – Silver

Women's Euros (Channel 4/4Creative)
Best Sport – Originated

Winner – Silver

E4 Election (E4/4Creative)
Best Direct Response Promo

Winner – Silver

Humans (Channel 4/4Creative)
Best 360 (Integrated) Campaign

Winner – Bronze

Pride Season (Channel 4/4Creative)
Best Channel Idents (Out-of House)

Winner – Bronze

Fake News Week (Channel 4/4Creative)
Best Factual Originated

Winner – Bronze

Humans (Channel 4/4Creative)
Best Drama – Originated

Winner – Bronze

FilmFear (Film4)
Best Film Production

RTS Craft and Design**Winner – Gold**

FilmFear (Film4)
Trails & Packaging

The Digital Cinema Media**Winner**

Paralympics (Channel 4)
Grand Prix

Winner

Paralympics (Channel 4)
Best Long Copy

The Excellence in Diversity Awards**Winner**

We're the Superhumans (Channel 4/4Creative)
Diversity Marketing Campaign of the Year
Award

The Lovie Awards**Winner – Gold**

We're the Superhumans – Rio 2016
Paralympics
Online Advertising, Social Media Campaign

Winner – Silver

Humans 2.0 (Channel 4/4Creative)
Online Advertising, Integrated Campaigns

Winner – Silver

We're the Superhumans – Rio 2016
Paralympics (Channel 4/4Creative)
Online Advertising, Integrated Campaigns

Winner – Bronze

Humans 2.0 Facebook Bot (Channel 4/
4Creative)
Mobile Sites, Apps & Podcasts, Best Use of
Messaging

SALES**Cannes International Advertising Awards****Winner – Bronze**

Pinterest Contextual Campaign (Mediacom)
Excellence in Media Execution

Winner – Bronze

Lego Batman Campaign (PHD)
Excellence in Partnerships for Branded
Content

Media Week Awards**Winner – Gold**

Lego Batman Campaign (4 Sales)
Media Idea Medium

Winner – Gold

Superhumans Wanted (4 Sales)
Media Idea Large

Winner – Gold

Cancer Research Live Ad (Mediacom)
Small Collaboration

Winner – Gold

Lego Batman Campaign (PHD)
Best Use of Content

Agency Entered: Winner – Gold

Lego Batman Campaign (PHD)
Media Idea Large (Agency)

Winner – Silver

Lego Batman Campaign (4 Sales)
Media Creativity

Awards continued

Winner – Silver

Signed Ad Break (4Sales)
Small Collaboration

Winner – Silver

Ad4You Personalised Audio Ad (4 Sales)
Media Innovation

Winner – Silver

Superhumans Wanted (4 Sales)
Media Idea Launch

Agency Entered: Winner – Silver

Cancer Research Live Ad (Mediacom)
Media Idea Small

Agency Entered: Winner – Silver

C4 Paralympic Campaign (OMD)
Media Idea Large

Winner – Bronze

Sainsburys Christmas Campaign With
Gogglebox (4 Sales)
Media Idea Medium

Winner – Bronze

Ad4You Personalised Audio Ad (4 Sales)
Best Use of Audio

Winner – Bronze

Hotels.com Skippable Ad (m/Six)
Media Innovation

Agency Entered: Winner – Bronze

Lego Batman Campaign (PHD)
Media Idea Small

MPA Inspiration Awards**Winner**

Ronseal Campaign (4 Sales Nations &
Regions)
Best Sales Team Campaign

Winner

Chloe O'Toole (4 Sales Nations & Regions)
Apprentice Award

Winner

Ronseal Campaign (4 Sales Nations &
Regions)
Best Collaboration

Prolific North Awards**Winner**

4 Sales (4 Sales Nations & Regions)
Best Media Sales House

Thinkbox TV Planning Awards**Winner**

Sainsburys Christmas Campaign With
Gogglebox (PHD)
Best Use of Content

OTHER**The Lawyer Awards****Winner**

Prash Naik (General Counsel Legal,
Compliance & Governance, Channel 4)
In-house Lawyer of the Year

Women in Film and Television UK**Winner**

Inside Aleppo (Waad Al Kateab)
ITV Studios Achievement of the Year Award

The Drum Creative Awards**Winner**

Alice Tonge (4 Creative)
Creative Woman of the Year

INDEPENDENT ASSURANCE REPORT TO THE CHANNEL FOUR TELEVISION CORPORATION ON THE STATEMENT OF MEDIA CONTENT POLICY

We have been engaged by the Directors of the Channel Four Television Corporation ('Channel 4') to conduct a limited assurance engagement relating to the Assured Disclosures concerning the Statement of Media Content Policy ('SMCP') performance information for the year ended 31 December 2017.

Our unqualified conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Assured Disclosures, which have been prepared in accordance with Channel 4's internal guidelines, materially misstate Channel 4's SMCP performance for the year ended 31 December 2017. The data has been prepared on the basis of the methodology set out in Channel 4's respective internal guidelines which can be seen on the Channel 4 website.

Respective responsibilities of the Directors and assurance provider

The Directors are responsible for preparing the SMCP Report, including the following Assured Disclosures as stated within the Appendix of this Assurance Report. Channel 4 is responsible for presenting the SMCP, including associated information and key measures, in accordance with their methodology. Channel 4 has developed the methodology and summaries for this accordingly, to cover the specific definitions, how data for measures were selected and the calculation methodology. It is Channel 4's responsibility to implement and maintain the appropriate systems, processes and controls for preparing the SMCP and ensuring information is free from material misstatement.

Our responsibility is to express a conclusion on the Assured Disclosures based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000 revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board, in order to state whether anything had come to our attention that causes us to believe that the Assured Data have not been prepared, in all material respects, in accordance with

the applicable criteria. Our engagement provides limited assurance as defined in ISAE 3000 (Revised). The evidence gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Our procedures consisted primarily of:

- interviewing managers at Channel 4's head office, including those with operational responsibility for the preparation of the Assured Disclosures;
- evaluating the processes and controls for managing, measuring, collating and reporting the Assured Disclosures, including the application of the methodology within the internal guidelines to underlying assumptions; and
- testing the compilation of a representative sample of Channel 4's SMCP data, selected on the basis of their inherent risk and materiality to Channel 4, from receipt from third party through to the presentation shown in the SMCP data.

For measures which are dependent on sources outside of Channel 4's operational boundary (source: BARB and TRP, Attentional, YouGov and Ipsos MORI), procedures are limited to corroboration with Channel 4 on how data is received and used within Channel 4 as part of the SMCP disclosure.

Limitations

Inherent limitations exist in all assurance engagements due to the selective enquiry of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally non-financial information is subject to more inherent limitations than financial information, given the nature and methods used for determining, calculating and sampling or estimating such information.

Our work did not include:

- procedures to test the robustness of source data provided by those third parties (BARB and TRP, Attentional, YouGov and Ipsos MORI), their management of data including assumptions, consolidation, normalisation and reporting; or
- procedures to challenge the appropriateness of classification of presentation within the Assured Disclosures; or
- review of how the data parameters used to classify broadcasts are produced (originations or acquisitions; first-run or repeat; genre; broadcast time, duration or channel; regional or national production; and language).

Our report is made solely to Channel 4, in accordance with ISAE 3000 (revised). Our engagement provides limited assurance as defined in ISAE 3000. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Independence

We performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants' Code of Ethics and in some areas are more restrictive. The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DELOITTE LLP
London

28 March 2018

APPENDIX

Deloitte have reviewed the following metrics on pages 64 to 89 of the 2017 Annual Report which form part of Channel 4's SMCP and are covered by our limited ISAE 3000 (Revised) assurance statement:

- Audience reach
- TV viewing share
- Share amongst hard-to-reach audiences – BAME
- Share amongst hard-to-reach audiences – 16-34-year-olds
- Most popular channels for young viewers
- Viewing to national news
- Reach of *Channel 4 News*
- Channel reputations: shows different kinds of cultures and opinions
- Channel reputations: challenges prejudice
- Channel reputations: shows the viewpoints of minority groups in society
- Channel reputations: home for alternative voices
- Channel reputations: makes me think about things in new and different ways
- Channel reputations: tackles issues other channels wouldn't
- Channel reputations: takes a different approach to subjects compared to other channels
- Channel reputations: takes risks with programmes that others wouldn't
- Channel reputations: is experimental
- Channel reputations: best for modern independent film
- Channel reputations: documentaries that present alternative views
- Inspiring change through factual programming
- Independence of TV news
- Programme reputations: current affairs
- Channel reputations – catering for audiences other channels don't cater for
- Producing talked-about TV
- Investment in all content
- Investment in programming by genre
- Output mix on Channel 4
- Investment in Originated Content
- Originated output across Channel 4 TV portfolio
- Volume of first-run originations by genre
- Broadcasters' investment in the production sector – Channel 4 (main channel)
- Broadcasters' investment in the production sector – Digital channels
- Diversity of supply base
- Investment in the Nations and Regions (main channel)
- Investment in the Nations (main channel)
- Spend by Region across the Channel 4 TV portfolio
- Range of international programming
- Diversity output on the main channel
- Diversity of Film4 channel schedule
- Commitment to long-form journalism
- On-demand viewing
- Total visits to Channel 4's websites and apps
- Viewing to network originations
- New and one-off programmes

FINANCIAL REPORT AND STATEMENTS

For the year ended 31 December 2017

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FINANCIAL REPORT AND STATEMENTS

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FINANCIAL REVIEW AND HIGHLIGHTS

Positive financial response to mitigate ad market pressures

- Revenue decreased by £35 million to £960 million, largely due to a softer TV ad market but offset by strong digital revenue growth
- Content investment of £675 million was the second highest in the Corporation's history, down £20 million against the record level in 2016
- Administrative costs held flat, containing inflationary pressures
- Our pre-tax deficit of £17 million was better than budgeted due to strong cost management and successful Growth Fund exits

Balance sheet reflects sustainability

- Strong balance sheet which includes property, Growth Fund investments and total cash and funds on deposit of £190 million
- Sound financial platform maintained for future growth and commercial self-sufficiency

Another year of creative success and achievement

- Originated content spend reached a record level for the third consecutive year at £510 million
- Linear broadcast portfolio share and the ABC1 demographic were flat while viewing share in the 16-34 demographic increased
- Multiple awards with key wins, including Broadcast Awards Channel of the Year for the second consecutive year
- Film4 investment *Three Billboards Outside Ebbing, Missouri* wins several high profile awards, including two Oscars and five BAFTAs

Strong digital growth

- Digital revenues increased by 22% to £124 million and now comprise almost 13% of total Corporation revenue
- VoD views increased by 16% to 719 million
- Net All 4 registrations recorded by December 2017 were 16.6 million

The Great British Bake Off on Channel 4

- Launched to critical acclaim and some of the largest audiences in Channel 4 history, peaking at 10 million

Evolution of the Growth Funds

- Two further investments in the Indie Growth Fund in 2017 and the fund made its first two disposals, generating capital returns above expectations
- Four further Commercial Growth Fund investments, taking the total portfolio to £21 million in 2017
- Successful sale of MyBuilder for £5 million
- Overall, Growth Fund investments help to underpin long-term sustainability with total gains of £8 million recognised on investment disposals in 2017

FINANCIAL HIGHLIGHTS

£960M

CORPORATION REVENUE (2016: £995M)

£124M

RECORD DIGITAL REVENUES (2016: £102M)

£190M

CASH AND CASH EQUIVALENTS PLUS OTHER FINANCIAL ASSETS (2016: £215M)

£17M

PRE-TAX DEFICIT FUNDED FROM THE CONTENT RESERVE (2016: £15M DEFICIT)

Revenue and cost highlights

£m	2017	2016
Sales house ¹	1,166	1,203
Corporation revenues	960	995
Advertising and sponsorship revenues ²	897	938
Digital revenues ³	124	102
Content spend	675	695
Originated content spend	510	501

1 Sales house includes the gross revenues of our partners UKTV, Box and BT Sport. The difference between Sales house revenue and Corporation revenue relates to the revenue we collect on behalf of our partners. As Channel 4 is an agent in these relationships we only recognise our commission on these sales within Corporation revenue.

2 Advertising and sponsorship revenues include digital advertising revenues.

3 Digital revenues include digital advertising revenues and platform carriage fee income.

Overall, the television advertising market was challenging in 2017, particularly in the first half of the year. The trading environment was a cue to maintain focus on a number of cost management activities, including the exit of our secondary property (see note 16) and the renegotiation of a number of transmission deals to drive operational efficiency, whilst preserving investment as far as possible into content, VoD and our advertising sales system. The market returned to growth in the final quarter of the year for the first time since Q2 2016, driving an overall -3% decline for 2017 as a whole.

The softening of the television market was offset to a large degree by continued growth in digital revenues, driven by All 4 viewing on third party platforms. The Commercial Growth Fund also continued to create new revenue growth opportunities and our film strategy delivered further growth in theatrical income. Viewing performance was also very strong in the second half of 2017, with *The Great British Bake-Off* delivering a positive position in the market for 2018 trading.

Overall, our pre-tax deficit of £17 million was a better financial result than planned for, as we took action to mitigate the impact of the softer market through cost management activities and realised gains on three sales from our Growth Funds.

Balance sheet highlights

	2017	2016
Net assets	446	477
Freehold land and buildings	97	97
Growth Fund investments	30	21
Programme stock and film rights	255	279
Cash and cash equivalents plus other financial assets	190	215
Pension deficit	(67)	(52)

As shown on page 141, the net assets of the Group decreased by £31 million in the year. This mainly reflects our deficit after tax of £15 million and an increase in the actuarial deficit on the pension scheme, offset by an increase in fair value of our Commercial Growth Fund investments.

With a strong balance sheet we were well prepared to meet the challenges of the advertising recession and maintained positive net cash throughout the year. Our assets will support '4 All the UK', our regional growth plan, as well as provide contingency against future advertising market volatility.

The pension deficit has increased to £67 million (2016: £52 million) due to a change in actuarial assumptions and a fall in corporate bond yields which drive the discount rate, offset by positive returns on plan investment funds and contributions of £11 million made by the Corporation during the year.

Cashflow

Total cash and equivalents plus other financial assets decreased by £25 million in the year to £190 million. As shown on page 142, the decrease was driven predominantly by the 2017 deficit and contributions to the defined benefit pension scheme.

Working capital requirements and cash balances fluctuate during the year due to the seasonality of ad revenues and programme cash spend. To provide additional flexibility to respond to unexpected market movements during certain points in the year, we have entered into a revolving credit facility which makes an additional £75 million of liquidity available at any point (note 14).

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 on pages 12 and 13 and throughout 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.

As a not-for-profit public service broadcaster, our aim is to maintain an overall financial break-even position in the long term. A key element of our long-term break-even target is the way we cross-fund commercially challenging genres with profitable programming. We believe surpluses should be invested 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 challenging funding model which requires an agile, pioneering and well-executed commercial strategy. The Members' view is that this is one of the organisation's strengths, forcing Channel 4 to remain at the sharp end of innovation.

The Executive team has focused on creating long-term sustainability through commercial innovation and creative success, by ensuring output is as distinctive and diverse as it can be. Recent corporate and financial priorities have included:

- Sustaining creative excellence, maintaining and increasing current levels of public service impact, protecting content spend and stabilising share decline
- Stabilising our share of commercial viewing, maximising our share of the core TV market and identifying and driving revenue innovation and incremental growth
- Developing our ad sales partnerships. The combination of Channel 4 alongside UKTV, BT Sport and Box means we continue to maintain scale and manage a demographically efficient base
- Bolstering and differentiating our VoD proposition to drive digital revenue and the ability to deliver targeted VoD advertising through our award-winning data strategy
- Diversifying our investment portfolio and generating capital returns with the Indie Growth Fund and Commercial Growth Fund
- Reviewing our resource allocation to ensure incremental spend is investment and remit-focused. We will continue to target operational efficiencies to offset inflationary pressures
- Increasing the proportion of programmes commissioned from outside London

In March 2018, Channel 4 announced the '4 All the UK' plan, to deepen Channel 4's roots in the Nations and Regions, proposing a strategy that ensures we serve the whole of the UK even better.

KEY PERFORMANCE INDICATORS

The Board uses a range of quantitative financial and non-financial indicators to monitor the Group's performance against its key objectives, including the Statement of Media Content Policy ('SMCP') metrics set out on pages 62 to 89 of this report and the performance metrics set out on pages 173 to 175.

Four key indicators are described here.

Advertising and sponsorship revenue

Definition

Advertising and sponsorship includes all broadcast airtime, digital advertising and sponsorship revenues recognised in the Group consolidated income statement.

Importance

Channel 4 is funded solely from commercial activities, without direct public subsidy. Our commercial performance is therefore dependent on delivering valuable airtime to advertisers, which in turn enables the delivery of our remit.

2017 performance

In 2017, advertising and sponsorship revenue accounted for 93% (2016: 94%) of total revenue. Total advertising and sponsorship revenue decreased in the year to £897 million (2016: £938 million) mainly due to TV ad market decline of 3%.



Total advertising and sponsorship revenue (£m)

2013	846
2014	869
2015	925
2016	938
2017	897

Originated content spend

Definition

Originated content spend primarily reflects our investment across the portfolio of channels in original, UK-developed content.

Importance

It is a key metric showing how we are delivering the remit.

2017 performance

In 2017, Channel 4 continued to invest in commissions from UK independent production companies and originated content spend was at a record level of £510 million (page 65) demonstrating Channel 4's continuing commitment to the UK independent production sector.



Investment in originated content (£m)

2013	429
2014	430
2015	455
2016	501
2017	510

Ofcom requirements

Definition

As a public service broadcaster, the Channel 4 main service is set various licence obligations by Ofcom. Targets are set for a range of production and transmission measures.

Importance

Channel 4 must demonstrate compliance with its licence obligations. Our delivery against these targets is set out on pages 65 and 67 to 69.

2017 performance

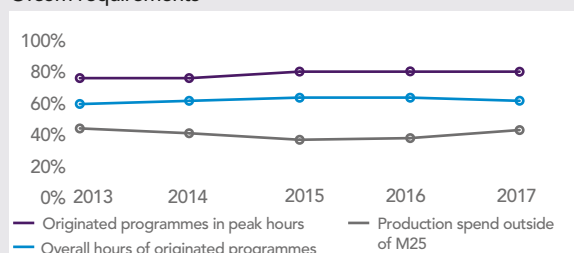
In 2017 and 2016, we met or exceeded all of our licence requirements.

Key quotas achieved are shown below. During 2017, the main channel achieved 63% of overall hours of originated programmes (target: 56%) and 81% in peak hours (target: 70%).

As shown on page 68, we also exceeded our target of 35% of programme production spend outside London, with 45% (2016: 40%) of the main channel's originated programming, excluding *Channel 4 News*, being supplied by production companies located outside the M25, and our target of 3% of programme production spend outside England with 9% achieved (2016: 8%).



Ofcom requirements



Portfolio audience share

Definition

Portfolio audience share data is the average proportion of the total UK television audience that has viewed our portfolio of channels in the year, and is obtained from BARB (see pages 84, 85 and 173).

Importance

Portfolio audience share is a broad measure and an easily understood indicator of performance. It shows our viewer impact and also helps explain our success in attracting advertising to our portfolio of channels.

Financial sustainability is underpinned by our relative success in attracting key demographics, 16-34-year-olds and ABC1s, which are valuable to advertisers, and these are important sub-measures within the top level portfolio share.

2017 performance

In 2017, portfolio audience share was 10.5% (2016: 10.5%). The main channel and digital channels held share at 5.9% and 4.6% respectively (2016: 5.9% and 4.6%).

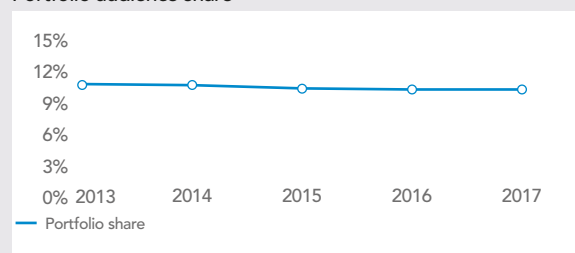
There was also success in key demographics, with 16-34-year-olds portfolio viewing increasing to 16.4% (2016: 16.2%) and ABC1 portfolio share holding at 10.8% (2016: 10.8%) in 2017. Further information on audience share is provided on pages 84, 86 and 173.

Overall, TV viewing share performance was stable despite continued viewer migration to digital platforms, particularly amongst younger viewers.

Against the backdrop of TV viewing share, our VoD platform, All 4, expanded our digital reach with VoD views increasing by 16% to 719 million views in 2017 (2016: 620 million views).



Portfolio audience share



BUSINESS SEGMENTS

Our business comprises three operating segments.

4Broadcast

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



CHANNEL 4

Core focus on the values of innovation, creativity and diversity through original UK commissioned programming. Channel 4 is available in standard and high definition on the main broadcast platforms and also encompasses our delayed transmission service Channel 4+1 and 4seven. 4seven provides another opportunity to watch Channel 4 programmes from the past week that have generated public, media and social media attention.



E4

Focuses on Comedy, Drama and Entertainment, including original commissions and US acquisitions. E4 is the second most popular digital channel for 16-34-year-olds and the third most popular digital channel in the UK.



MORE4

Offers lifestyle-based content to help viewers to get the most out of their everyday lives. More4 focuses on popular factual and features programming including homes, property, food, health and fashion.



FILM4

The UK's leading dedicated film channel and the fourth most popular digital channel, Film4 offers a mix of the best British, European, US and international cinema.



4MUSIC

A Channel 4-branded music and entertainment channel operated by The Box Plus Network Limited, a joint venture of Channel 4.



ALL 4

All 4, our VoD proposition, and other interactive platforms have helped to extend the depth and impact of programming output. All 4 enables us to package together a much wider variety of content: live TV, catch-up, box sets and an increasing volume of online original content. All 4 moves perceptions beyond that of a catch-up TV service, to a standalone video destination with a clear editorial tone of voice. We are maintaining investment in technology to ensure a reliable user experience which keeps pace with heightened competition and consumer expectations.

GROWTH FUNDS

The 4Broadcast segment also includes our Indie and Commercial Growth Funds.

The Indie Growth Fund helps to nurture the independent production sector by providing access to finance for a broad portfolio of small and medium-sized companies based in the UK to help them grow and develop their business.

The Commercial Growth Fund attracts new advertisers to TV and helps stimulate existing advertising sectors. The fund exchanges advertising airtime for minority stakeholdings in fast-growing companies.

4Rights

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

Third-party VoD platforms making Channel 4 content available to viewers during 2017 include Virgin Media, Sky, BT Vision, Amazon Prime, PlayStation, Xbox, iOS, Android, Samsung, Windows, Freesat, NowTV, YouView, Freeview and Chromecast.

Other

Other includes the provision of services outside of the primary functions of the Corporation as set out in Schedule 9 of the Communications Act 2003.

Income statement highlights by segment:

2017 £m	Advertising and sponsorship revenue	Other revenue	Total revenue	Operating surplus/(deficit)
4Broadcast	832	23	855	(91)
4Rights	65	40	105	67
Other	–	–	–	(1)
Total	897	63	960	(25)

2016 £m	Advertising and sponsorship revenue	Other revenue	Total revenue	Operating surplus/(deficit)
4Broadcast	890	22	912	(60)
4Rights	48	34	82	42
Other	–	1	1	–
Total	938	57	995	(18)

Segment financial review

4Broadcast revenue

£855m

Revenue decreased by £57 million in 2017, mainly due to TV ad market decline and challenging trading conditions.

2016 revenue	£912m
Sponsorship	£3m
TV ad sales	(£58m)
Digital revenues	(£2m)
2017 revenue	£855m

4Broadcast operating deficit

(£91m)

The operating deficit increased by £31 million in 2017 to sustain remit delivery and content investment while revenue declined in a softer market.

2016 deficit	(£60m)
Programme and other content	£19m
Marketing	£8m
Revenue	(£57m)
Other	(£1m)
2017 deficit	(£91m)

4Rights revenue

£105m

Revenue increased by £23 million in 2017, reflecting strong growth in digital revenues on third-party platforms.

2016 revenue	£82m
Digital revenues	£24m
Other rights	(£1m)
2017 revenue	£105m

4Rights operating surplus

£67m

The £25 million increase in the operating surplus in the year mainly reflects digital growth.

2016 surplus	£42m
Digital	£23m
Rights and other	£2m
2017 surplus	£67m

STRATEGIC REPORT CONTINUED

PEOPLE AND CORPORATE SOCIAL RESPONSIBILITY

People

Following our Year of Disability in 2016, in 2017 we focused on providing information to support line managers and all employees by creating a digital Disability Hub and launching our disabled network 4Purple.

In August 2017, Channel 4 gained Disability Confident Leader status. Channel 4 were also finalists in two awards during the year:

- CIPD – Diversity Initiatives (for our 'Year of Disability')
- National Diversity Awards – Diverse Company

We completed the pilot of our Women's Commissioning Development programme, a series of workshops held across the year for a group of 13 female commissioners. The workshops focused on strengths, confidence and career decisions to prepare female commissioners for more senior leadership roles. The programme received positive feedback from participants, and is being rolled out to the rest of Channel 4 during 2018.

4Women ran a number of events celebrating and highlighting International Women's Day, concentrating on sessions about inspiring women, to working with our Learning team to identify and highlight training and development opportunities.

During 2017 Channel 4 commissioned research on the experiences of BAME employees at Channel 4 and used an independent consultancy specialising in diversity and inclusion – Caerus Executive – to conduct in-depth confidential research with staff across different levels and departments. Over a third of all BAME employees took part in the research and the findings were notable by their consistency across BAME groups. We have launched an action plan and an employee BAME network ('The Collective') has formed to support our actions.

4Minds continued to support and discuss mental health activities for all employees and raising awareness during World Mental Health Day, and Mental Health First Aid training has continued. In 2018 we will reaffirm our commitment and support to mental health issues by re-signing the 'Time to change' pledge.

During 2017 4Pride worked with Pride in London and Channel 4 to air their first ever TV adverts which marked 50 years since Parliament first voted to start legalising homosexuality. 4Pride were also instrumental in working with our Workspace team to provide gender-neutral toilets.

We reviewed and launched our new family-friendly policy which included enhancing our shared parental leave entitlements to align them to our maternity and adoption leave and pay entitlements.

DIVERSITY PROFILE

At the end of 2017 our employees identified with the following key diversity groups:

	December 2017	December 2016	2020 target (staff)
Disabled	11%	11%	6%
BAME	18%	18%	20%
LGBT	6%	6%	6%
Female	57%	58%	50% equal split

In 2015, when Channel 4 launched its 360° Diversity Charter, our ambition was for employee diversity to reach the national average. In some categories of diversity there are different estimates, sometimes significant, of the national average (particularly around disability and LGBT); in these areas we have made our own assessment of the national average to aim for, allowing for how this might develop over time.

EMPLOYEE BREAKDOWN AND GENDER BALANCE

The average number of employees for the year, on a Full Time Equivalent basis, was 858 in 2017 (2016: 842). The average number of people employed by the Corporation for each group of employees was as follows:

2017	Male No.	Female No.
Executive team	7	2
Senior managers	19	15
Employees	356	459
Total employees	382	476
Non-Executive Members	7	2
Total including Non-Executive Members	389	478

ATTRACTING DIVERSE TALENT

A fundamental aspiration of our 360° Diversity Charter is that Channel 4 attracts a workforce which reflects the diversity of the UK population. All vacancies on our Channel 4 jobs portal now display our diversity statement.

Improving the information on disability that we provide job applicants and new joiners encouraged more people to share that they have a disability when applying for jobs.

As a result, 40% of apprenticeship places and 22% of work experience places went to disabled applicants in 2017.

As a result of our targeted approach to encouraging diverse applications to opportunities within Channel 4, during 2017 we received the following applications for employment, with significant conversion of diverse applicants to successful joiners.

In 2017, Channel 4 received 10,645 applications and employed 174 people as follows:

	Applications	Employed
Disabled	5%	7%
BAME	29%	21%
LGBT	11%	9%
Female	60%	59%

In 2017, Channel 4 and MyKindaFuture, a company that specialises in helping students explore their career options post-education, were back on the road for the third consecutive year looking for talent, this time to promote the Production Training Scheme and the Channel 4 Apprenticeship Scheme.

We hosted six Pop Up events – three of which focused on Production in Birmingham, Bristol and Belfast, and three which focused around the media apprenticeships held in and available at Channel 4 in London, Manchester and Glasgow. 618 individuals attended these events.

4Talent facilitated three cohorts of week-long work experience, hosting 53 people in total across all areas of the Corporation.

We aim to encourage diversity across all our outreach programmes and the diversity profile was as follows:

Diversity	Pop Ups (618)	Work experience (53)
Disabled	8%	22%
BAME	31%	60%
LGBT	16%	11%

People and corporate social responsibility continued

In 2017 we increased the number of apprenticeship placements from 12 to 17. From 1 January 2018 our apprentices based in London receive the London Living Wage and those based outside of London are all paid above the National Living Wage (2018) rates.

INVESTING IN PEOPLE

Training and development opportunities are available to all Channel 4 employees via our in-house Learning & Development offering. We focus on helping employees to manage themselves (build self-awareness and play to their strengths), manage their teams (build people and team management skills), and manage their business areas (build strategic thinking and general management capabilities). Activities relating to helping employees manage themselves, such as the strength-based personality profiles we use or the on-demand coaching we make available, are particularly powerful for diverse employees.

We continue to place an emphasis on a full range of development activities, with over 54% of our employees attending one or more training activities in the year as well as internal events and exposure to additional projects. Our mentoring programme continues to be extremely popular, with two cohorts (20 pairs of mentors and mentees in each cohort) in 2017. The mentoring programme helps employees build relationships and gain access to experiences and relationships that they would not otherwise be able to. This is a particularly powerful way to drive development of diverse employees, since visibility and network have often been cited by diverse employees as barriers to their career development.

Accountability for corporate conduct

Our Board and Executive team have committed to promoting the highest standards of responsible corporate behaviour and are ultimately accountable for this. Channel 4 has a Corporate Code of Conduct and procedures providing a framework for accountability.

Corporate and social responsibility

We are committed to playing a responsible role in our communities. The aim of our corporate responsibility strategy is to fulfil our public service remit in a responsible manner through inspiring and challenging the behaviour of our people and audience to promote social, environmental and personal change.

Environmental sustainability

We want to ensure that the way we conduct our day-to-day activities reflects our commitment to reducing any negative impact we may have on the environment. To support this, we have developed an environmental policy.

Environmental and charitable campaigns continued to run internally through 2017 with the aim of raising awareness and promoting good practice.

Following on from the upgrades at Horseferry Road focused on energy-reducing projects, we realised a large reduction in electrical and gas consumption across the portfolio in 2017.

As part of our 5+ year strategy we upgraded and replaced existing plant and equipment with more energy-efficient equipment. Drinking water and cold water booster sets were also replaced in 2017. These new duplex pumps are more efficient, consuming less electrical energy to provide the same amount of water pressure than before.

Overall, we have managed to reduce our energy consumption by a further 5% over the course of the year, compared to 2016.

CARBON FOOTPRINT

We continue to report on our Carbon Reduction Commitment ('CRC') and registered for the Environmental Savings Opportunity Scheme in 2015 to ensure statutory compliance.

Our greenhouse gas emissions for 2017 are set out in the table below.

	2017	2016
Total carbon footprint (tonnes of CO ₂)	4,691	4,988
Total carbon footprint per £m revenue	4.9	5.0

WASTE

We produced a total of 108 tonnes of waste in 2017, which is a decrease from 158 tonnes in 2016. Of the 33 tonnes of waste that could not be recycled, 99.9% was sent to produce energy from waste. The total amount of waste sent to produce energy in 2017 was 40.88% with 0.03% of total waste going to landfill.

	2017	2016
Total waste (tonnes)	108	158
– Used to produce energy	41%	21%
– Waste to landfill (tonnes)	0.025	–

WATER

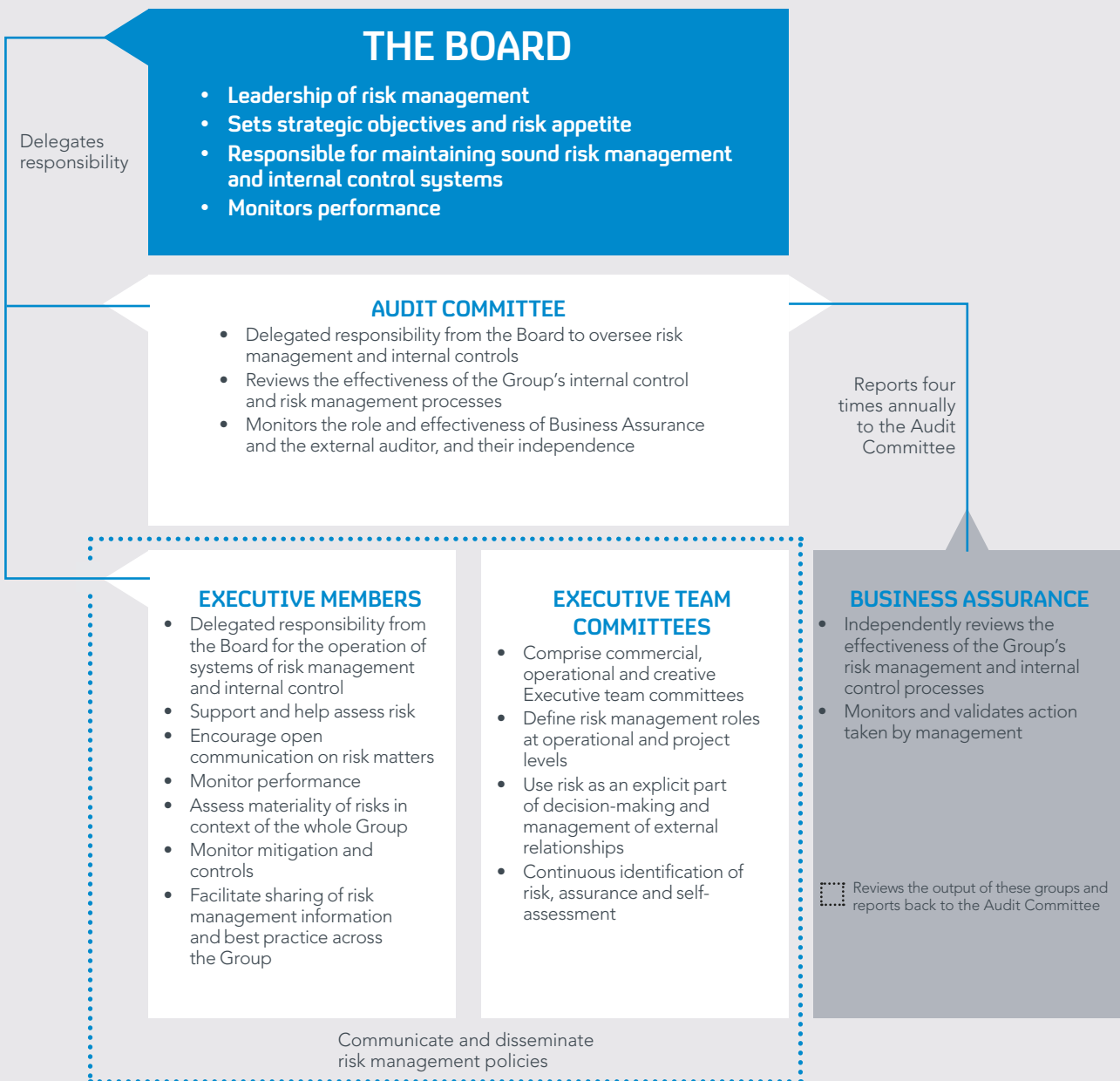
Although we continue to monitor our water consumption, we have seen an increase of 13% in water usage in 2017 compared to 2016. This is in part due to an improved water hygiene regime at Channel 4 which includes increased water outlet flushing, keeping ambient temperatures down and thereby minimising the risks associated with elevated water temperatures. 2018 will see a further commitment to ensure water usage is kept to a minimum and we will be looking to invest in more technology and upgrading our plant to be as efficient as possible.

RISK MANAGEMENT

How we manage risk

The Board has a clear responsibility for the identification of risks facing the Corporation and for putting procedures in place to monitor and mitigate these risks. In order to deliver on our remit, Channel 4 has a high appetite for creative risk taking, giving rise to potentially litigious content. However, Channel 4 has a low appetite for operational risks. The Board and Executive team operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. This framework has been developed in accordance with good practice on internal controls and risk management.

A summary of the key risks that the Group faces, together with the key steps in how those risks are mitigated, is presented on the following pages.



Risk management continued

Risks and uncertainties

RISK	POTENTIAL IMPACT	MITIGATING ACTIONS	RISK MOVEMENT
<p>Failure to respond to changes in the advertising industry given the Corporation's dependence on advertising revenue</p> <p>A significant reduction in share commitment from a major advertising agency</p>	<p>In 2017, 93% of Channel 4's revenue (2016: 94%) derived from advertising and sponsorship.</p> <p>Channel 4 is subject to cyclical fluctuations and increasing structural changes in the advertising market, including those arising from changes in regulation, and in the competitive landscape.</p> <p>Advertising and sponsorship income are variable and can change significantly during the course of the year as a result of variations in audience share or broader market or economic conditions.</p>	<p>Channel 4 actively seeks to sustain advertising revenue, and monitors the advertising market and its share of the market closely to identify trends.</p> <p>As far as possible, Channel 4 phases commitments and maintains a flexible cost base.</p> <p>Channel 4 ensures adequate financial liability and balance sheet reserves to protect against short and medium-term fluctuations in the television ad market.</p> <p>Channel 4 has invested strongly in digital, which is reflected by the continuing success and growth of All 4.</p>	▶
<p>Failure to identify and develop sufficiently compelling content</p>	<p>Channel 4 is tasked with selecting, retaining and scheduling compelling, innovative and risk-taking content from a diverse supply base using multiplatform delivery systems, while maintaining effective relationships with independent production companies.</p> <p>The impacts arising from failing to successfully meet this challenge include a material decline in audience share and reputational damage.</p>	<p>Channel 4 has pursued a strategy of investment in creative diversification in recent years.</p> <p>Channel 4's business terms with independent producers and the scale of commissioning opportunity remain highly competitive.</p> <p>Channel 4 maintains quarterly meetings with the TV production industry body, PACT.</p> <p>Channel 4 remains highly committed to the Nations and Regions.</p>	▶
<p>Physical and cyber security</p>	<p>As a high profile broadcaster, Channel 4 is a target for external security threats.</p> <p>Cyber threats include a sustained distributed denial of service attack or data breaches. Physical threats include the loss of access to our building leading to staff being unable to fulfil their responsibilities. Such security events could lead to unavailability of key services, reputational damage, loss of viewer trust and a loss of confidence in the integrity of data-driven commercial metrics.</p>	<p>Channel 4 has an established physical and information security function, supported by specialist resources.</p> <p>Data is stored by specialist third parties.</p> <p>Channel 4 has published a Viewer Promise regarding our principles concerning viewers' data.</p>	▶
<p>Challenge in recognising and investing in new, relevant technologies to deliver content and engage with audiences</p>	<p>A challenge for all broadcasters is maintaining legacy linear distribution systems and investing in new platforms.</p> <p>The market is increasingly competitive with emerging global content providers.</p>	<p>Channel 4 has invested in a viewer data platform to build direct consumer relations and improve decision-making.</p> <p>Channel 4 maintains a strategic plan to ensure that it stays responsive to innovation in the technology sector.</p>	▶
<p>Response to Government consultation and future outcomes</p>	<p>Potential destabilising impact on Channel 4's third-party relationships, and on our employees.</p>	<p>Channel 4 has announced plans to substantially increase our commitment to the Nations and Regions, including a proposal to establish a National HQ in the Regions.</p> <p>The risk of uncertainty has now substantially decreased.</p>	▼
<p>'4 All the UK' strategy</p>	<p>The '4 All the UK' strategy has risks inherent with an organisational change of this scale and nature.</p>	<p>Channel 4 has established a dedicated and multi-disciplinary team of internal and external experts to manage this project.</p> <p>The Channel is actively consulting with various stakeholders.</p>	▲
<p>Failure to attract and retain high quality people and talent</p>	<p>Potential adverse impact on Channel 4's ability to deliver the remit.</p>	<p>Channel 4 has a culture which encourages our people to fulfil their potential. Channel 4 offers competitive pay, and has a talent development plan in place. This risk is higher whilst we transition to increased regional talent as part of the '4 All the UK' strategy.</p>	▲
<p>Breach of Ofcom licence and regulatory obligations, and legal compliance</p>	<p>Our licence quotas are published on pages 65 to 69 of this report.</p> <p>Failure to fulfil the statutory responsibilities governing delivery of our remit presents a significant risk to Channel 4.</p> <p>Transmission of content presents legal, regulatory and reputational risks to Channel 4.</p>	<p>The Board is responsible for ensuring that Channel 4 meets all of its public service obligations.</p> <p>The Board reviews current programming output and Channel 4's performance against Ofcom quotas on a regular basis.</p> <p>Channel 4 has a number of detailed legal and compliance procedures and protocols to ensure that the risks of legal and regulatory breach are identified and appropriately managed.</p>	▶
<p>Failure to address the defined benefit pension deficit</p>	<p>The defined benefit pension scheme, while closed to new entrants, is a material liability on the balance sheet (2017: £67 million). The overall liability may worsen over time, due to broader economic and demographic conditions, and the risk exists that Channel 4 may need to divert funding activity away from spend on-screen in order to fund an increased liability.</p>	<p>The Corporation and Trustees of the scheme meet regularly to review the pension liability. The scheme was closed to future accrual with effect from 31 December 2015.</p> <p>The Corporation made deficit funding payments of £11 million in 2017 and the latest recovery plan is set out on page 165.</p>	▶
<p>Exiting the European Union</p>	<p>Channel 4 is subject to the consequences of the UK's ongoing process of exiting the EU. General areas in which Channel 4 could be affected include general economic uncertainty, changes to consumer confidence and the advertising market, and changes to regulation.</p>	<p>Channel 4's operations and stakeholders are predominantly UK based.</p> <p>Channel 4 are closely monitoring the developing situation.</p>	▶

STRATEGIC AND FINANCIAL OUTLOOK AND VIABILITY STATEMENT

Strategic and financial outlook for 2018

Our financial strategy is focused on balancing the requirements of Channel 4's unique public service remit against the need to remain commercially sustainable into the foreseeable future, and the need for financial resilience to withstand a significant economic downturn or a combination of significant risks materialising. Our balance sheet supports our long-term viability and ability to manage against future shocks as well as our ability to invest further and strengthen our remit delivery and underlying sustainability.

The economic outlook for 2018 and beyond remains uncertain following the Referendum vote to leave the EU in 2016, with third parties' forecasts for the ad market ranging between -1% and +1%. We have set a challenging budget in order to prioritise our remit investment. Market trends to date in 2018 indicate that the outlook is improving, but we retain flexible contingency plans to respond to positive or negative market movements.

Technology and content consumption are changing fast and the digital 'giants' now compete with established broadcasters for content, talent, viewers and revenues. Channel 4 is responding to these changes with continued innovation and differentiation through our delivery of the remit. In 2018 we have announced our plan to deepen our roots in the Nations and Regions so that our content reflects the diversity of every part of the UK.

To achieve this, our plans are to optimise advertising revenues from our core business and drive digital and incremental revenue growth. Overhead and administrative costs will be reduced as a proportion of total spend to improve our operational efficiency.

We hold strong reserves, including a designated content reserve of £20 million which can be deployed to strengthen our remit delivery in 2018 and beyond or in the event of an unforeseen downturn. We also continue to hold strong cash balances in relation to overall net assets and plan to increase our overall financial flexibility in 2018 by arranging a revolving credit facility to increase the total available liquidity at any point during the year.

Looking forward, the Members remain confident that Channel 4 can continue to deliver against current levels of public service impact on a self-sustaining basis.

Our corporate ambitions and 2018 content strategy are detailed further on pages 18 and 19.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code (the 'Code'), the Members have assessed the prospects of the Group over the three-year period to December 2020. This period was selected as this is the normal planning horizon in our strategic planning process.

The Members review the three-year strategy and financial plan annually, taking account of the Board's agreed risk appetite, the Corporation strategy, and the remit as mandated by legislation and the Ofcom broadcast licence awarded in January 2015. The plan makes certain assumptions, including TV advertising market growth and our share of that market, and is stress-tested annually for adverse market impacts and other principal risks to assess their impact on long-term revenues, profitability and cashflows. These principal risks include the possibility of a downturn in the advertising market, the failure to develop sufficiently compelling content or to develop and maintain suitable technology platforms, a significant reduction in share commitment from a major advertising agency, security threats and the failure to attract and retain high quality people and talent.

In its overall assessment of the viability of the Group, the Members have:

- reviewed the Group's strategic objectives and other key performance metrics; considered revenue, cost and cashflow forecasts and liquidity and financing requirements for the next three years, as well as its current financial position and cash resources;
- considered each of the principal risks and uncertainties set out on page 111 and how they are managed;
- through the Audit Committee, assessed the Group's risk management framework and considered reports summarising Business Assurance work during the year;
- discussed the sensitivity of the Group's three-year plan to a combination of severe but plausible risks materialising; and
- reviewed performance updates in the normal course of business that underpin the long-term strategy.

Although this assessment does not consider all of the risks the Group may face, the Members confirm that their assessment of the principal risks facing the Group was robust. Based on the results of their activities around principal risks and viability, the Members have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities, as they fall due, over the three-year period of their assessment.

By Order of the Board

CHARLES GURASSA
Chair
28 March 2018

GOVERNANCE

THE CHANNEL 4 BOARD

Chairman



Charles Gurassa
Chairman

Responsibilities and skills:

Charles has over 35 years' experience in management and senior Board roles in industries that have seen radical transformation, including travel, tourism, telecommunications and media.

He has also been Chairman and Non-Executive Director of significant commercial and social enterprises in many different sectors, from heritage and housing to education and culture.

Appointment to the Board:

28 January 2016

Term completion:

7 January 2019

Committee membership:

Nominations (Chair), Ethics

No formal membership but attends Audit and Remuneration Committee meetings

Current external appointments:

Deputy Chairman, **EasyJet plc**

Senior Independent Director, **Merlin Entertainments plc**

Trustee, **English Heritage**

Trustee, **Migration Museum**

Previous roles:**Executive**

Executive Chairman, **TUI Northern Europe**

Director, **TUI AG**

Chief Executive, **Thomson Travel Group plc**

Director, **Passenger & Cargo business, British Airways**

Non-executive

Chairman, **Genesis Housing Association, Virgin Mobile, LOVEFiLM, Phones4U, MACH, Tragus, Parthenon Entertainments, NetNames, Alamo/National Rent a Car**

Deputy Chairman, **The National Trust**

Non-Executive Director, **Whitbread plc**

Trustee, **Whizz-Kidz**

Member, **Development Board of the University of York**

Executive



Alex Mahon
Chief Executive (current)

Responsibilities and skills:

Alex became the first female CEO of a major UK broadcaster when she joined Channel 4 in October 2017.

Alex was CEO of global producers Shine Group, where she oversaw the build-and-buy strategy of building up 27 production labels over 12 international territories and was responsible for all content strategy, including the launch of global scripted divisions and the roll-out of formats internationally.

Appointment to the Board:

30 October 2017

Term completion:

N/A

Committee membership:

Attends Remuneration and Audit Committee meetings but is not a member

Current external appointments:

Deputy Chairman, **Foundry**

Previous roles:**Executive**

CEO, **Foundry**

CEO, **Shine Group**

Director, **FremantleMedia**

Non-executive

Senior Independent Director, **Ocado Plc**

Chairman, **RTS Programme Awards Appeal**

Chairman, **Scar Free Foundation**

Chairman, **Bandstand Productions**

Non-Executive Director, **Edinburgh International Television Festival**



David Abraham
Chief Executive (previous)

Responsibilities and skills:

David was Channel 4's sixth Chief Executive between 2010 and 2017. His focus was on innovation, independence, creative renewal and preparing Channel 4 for the growth of connected television through a new data strategy.

By the end of his tenure, over 16 million viewers were registered to access online content and, in partnership with UKTV and BT Sport, Channel 4 Sales House has sustained £1 billion in annual sales since 2011.

Appointment to the Board:

4 May 2010

Term completion:

30 October 2017

Committee membership:

Attended Remuneration and Audit Committee meetings but was not a member

Previous roles:**Executive**

Chief Executive, **UKTV**

General Manager, **Discovery Networks UK**

Non-executive

Board Member, **Creative Skillset**



Jonathan Allan
Chief Commercial Officer

Responsibilities and skills:

Prior to joining Channel 4, Jonathan worked at major London media agency OMD UK, joining in 1995 and progressing to Managing Director in January 2007. In this role, he defined the agency's future direction and broadened its offer, expanding digital capability as well as launching marketing services, data planning and creative functions.

At Channel 4 Jonathan has transformed Channel 4 Sales into an industry leader in delivering commercial innovation by working with brands and agencies to adapt and to evolve in the face of unprecedented technological advances.

Appointment to the Board:

13 September 2011

Term completion:

N/A

Committee membership:

None

Current external appointments:

Board Member, **Thinkbox**

Director, **The Box Plus Network Ltd**

Previous roles:**Executive**

Managing Director, **OMD UK**

Deputy Managing Director, **OMD UK**

TV Director, **OMD UK**

GOVERNANCE CONTINUED

The Channel 4 Board continued

Executive



Dan Brooke
Chief Marketing &
Communications Officer

Responsibilities and skills:

Dan heads up Marketing, Press and Publicity, 4Creative and Corporate Relations. He is also the Board champion for diversity. He was responsible for the development and award-winning launches of E4, Film4 and More4. In 2001, he was elected Young Marketer of the Year by the Marketing Society for his role in the launch of E4 and in 2017 was awarded a Royal Television Society Fellowship.

Under Dan's leadership, Channel 4 was awarded the Marketing Society's Brand of the Year and Best Diverse Company at the National Diversity Awards in 2016, Campaign's Advertiser of the Year in 2015 and Creative Review's Agency of the Year in 2012.

Appointment to the Board:

1 February 2012

Term completion:

N/A

Committee membership:

None

Current external appointments:

Director, **Creative Diversity Network Ltd**

Government Media Sector Champion for Disability Employment

Government Media Sector Champion for Accessibility

Previous roles:**Executive**

Managing Director, **Rare Day**

Managing Director, **Discovery Networks UK**

Managing Director of Digital Channels, **Channel 4**

Non-executive

Trustee, **Mass Extinction Memorial Observatory**

Trustee, **Camden Arts Centre**

Trustee, **Britdoc**

Trustee, **Headlong Theatre**



Ian Katz
Director of Programmes

Responsibilities and skills:

Ian has overall responsibility for the creative output of Channel 4's portfolio of channels and our on-demand viewing service, All 4. He is an experienced creative leader with an award-winning track record in both broadcast and newspaper journalism. He was editor of *BBC Newsnight* from 2013 to 2017, a period which saw the show collect awards for exposing the Kids Company scandal, covering the Grenfell fire and investigating the massacre of Rohingyas in Myanmar. Previously Ian worked in a wide range of roles at the Guardian, including features, foreign reporting and launching the paper on the internet. Between 2010 and 2014 he was Deputy Editor of the Guardian, overseeing the paper's coverage of the WikiLeaks data dumps and phone-hacking.

Appointment to the Board:

8 January 2018

Term completion:

N/A

Committee membership:

None

Previous roles:**Executive**

Editor, **BBC Newsnight**

Deputy Editor and Head of News, the **Guardian**



Jay Hunt
Chief Creative Officer (previous)

Responsibilities and skills:

Under Jay's creative leadership, Channel 4 was named the Broadcast Awards Channel of the Year in 2016 and 2017, the Guardian Edinburgh International Television Festival Channel of the Year in 2014, and won more awards than at any other time in the Corporation's history. Her award-winning commissions include *Humans*, *Indian Summers*, *Catastrophe*, *Gogglebox*, *The Island*, *The Undateables*, *Hunted*, *Benefits Street* and *First Dates*.

Appointment to the Board:

10 January 2011

Term completion:

30 September 2017

Previous roles:**Executive**

Controller, **BBC One**

Director of Programmes, **Channel 5**

Non-executive

Board Member, **Global Series Network**

The Channel 4 Board continued

Non-executive



Stewart Purvis CBE
Non-Executive

Responsibilities and skills:

Stewart has specialisms in TV journalism (as former CEO of ITN), regulation of broadcast content (as a former Ofcom Partner), and government relations (as a former adviser to DCMS).

Appointment to the Board:

1 September 2013

Term completion:

31 August 2019

Committee membership:

Remuneration Committee (Chair from 1 October 2016)

Nominations

Current external appointments:

Vice-President, **Royal Television Society**

Board Member, **Brentford Supporters Trust (Bees United)**

Previous roles:**Executive**

Chief Executive and Editor-in-Chief, **ITN**

President, **EuroNews**, Lyon

Editor of Channel 4 News, **ITN**

Partner, Content and Standards, **Ofcom**

Professor of Television Journalism, **City University London**

Non-executive

Chair, **UK Government media literacy group**

Advisor to **House of Lords Select Committee on Communications on the governance of the BBC**

Independent Chair of multi-party negotiations to progress digital radio in the UK (**DCMS**)

Member, **DCMS Advisory Committee on BBC Charter**

Visiting Professor of Broadcast Media, **Oxford University**

Trustee, **SSVC** (Registered Charity)



Simon Bax
Non-Executive

Responsibilities and skills:

Simon brings considerable experience in the Media, Technology and Entertainment industries, first in a financial capacity, as a qualified chartered accountant and former CFO, and then as a CEO and latterly as a Chair and non-executive director. Simon has worked in the UK and US, both in large corporations as well as two start-ups. This has included roles as CFO at Twentieth Century Fox and Pixar Animation, and as founder and CEO of Encompass Digital Media, a technology service provider to the broadcast industry.

Appointment to the Board:

5 December 2016

Term completion:

4 December 2019

Committee membership:

Audit Committee (Chair from 7 December 2016)

Nominations

Current external appointments:

Chair, **Archant**

Non-Executive Director, **Inmarsat plc**

Non-Executive Director, **British Bobsleigh & Skeleton Association**

Non-Executive Director, **Staithe Holdings Limited**

Previous roles:**Executive**

Founder and CEO, **Encompass Digital Media, Inc**

EVP and CFO, **Pixar Animation**

CFO, **Fox Filmed Entertainment**

CFO, **Chiat/Day, Inc**

Partner, **Stoy Hayward & Company**

Non-executive

Non-Executive Director of:

SVG Capital plc

Fresh Ventures (Holdings) Ltd

Jamie Oliver Licensing Ltd

Pulsant Ltd

CMI Holdings BV

Chair, **WiSpire**



Lord Chris Holmes MBE
Non-Executive

Responsibilities and skills:

Lord Holmes is Britain's most successful Paralympic swimmer, winning nine gold medals, including an unrivalled six at a single Games. He has a keen interest in Technology and Innovation and is a Member of the Select Committee on AI, author of a report on DLT for public good and Co-Chair of various Tech All Party Groups. He is a prominent campaigner on diversity and inclusion, on which he has acted as an adviser to the Civil Service.

Appointment to the Board:

5 December 2016

Term completion:

4 December 2019

Committee membership:

Remuneration (from 7 December 2016)

Current external appointments:

Director and sole shareholder, **CHconserve Ltd**

Director and sole shareholder, **CHedserve Ltd**

Deputy Chair Fintech, **House of Lords**

Member of group focusing on 4th Industrial Revolution, **House of Lords**

Member of **Lords Select Committee on AI**

Co-Chair, **APPGs on Assistive Technology, FinTech, AI and Blockchain**

Chancellor, **BPP University**

Consultant, **Ignite Consulting Ltd**

Diversity Adviser, **Civil Service**

Previous roles:**Executive**

Lawyer, **Ashurst**

Non-executive

Non-Executive Director at the **Equality and Human Rights Commission**

Non-Executive Director, **UK Sport**

Member, **Select Committees on Digital Skills and Social Mobility, House of Lords**

Director, **Paralympic Integration at LOCOG**



Paul Geddes
Non-Executive

Responsibilities and skills:

Paul is the CEO of Direct Line Group, the FTSE 100 insurance group, and home of the Direct Line, Churchill, Privilege and Green Flag brands. Paul has built brands using the power of TV advertising throughout his 26-year career.

His marketing career began at Procter & Gamble and then retailing, before joining NatWest and RBS retail banking and then entering general management. From 2009 he took over RBS' insurance business and floated it as Direct Line Group in 2012.

Paul's experience of running mass-market, multi-site and increasingly digital consumer business in competitive and fast changing markets is a valuable addition to the Channel 4 Board.

Appointment to the Board:

5 December 2016

Term completion:

4 December 2019

Committee membership:

Audit (from 7 December 2016)

Current external appointments:

CEO of **Direct Line Insurance Group plc**

Director, **Churchill Insurance Company Ltd**

Director, **DL Insurance Services Ltd**

Director, **UK Insurance Ltd**

Deputy Chairman, **Association of British Insurers**

Previous roles:**Executive**

CEO, **RBS Group mainland UK retail banking**

Other senior roles in multi-channel retailing and marketing at companies including **Kingfisher, GUS** and **Procter & Gamble**

Non-executive

Director, **Direct Line Group Ltd**

Director, **Direct Line Insurance Ltd**

Director, **Indemnity Insurance Ltd**

Director, **The National Insurance & Guarantee Corporate Ltd**

Director, **Protection Life Company Ltd**

GOVERNANCE CONTINUED

The Channel 4 Board continued

Non-executive



Roly Keating
Non-Executive

Responsibilities and skills:

Roly brings extensive experience of public service broadcasting from his work in programme-making, editorial and senior executive roles at the BBC.

His current role at the British Library provides additional perspective from another cultural organisation within the DCMS group.

Appointment to the Board:

5 December 2016

Term completion:

4 December 2019

Committee membership:

Ethics (from 7 December 2016)

Current external appointments:

Chief Executive, **The British Library**
Chair, **Knowledge Quarter London Ltd**

Chair, **Conference of European National Librarians**

Trustee, **The British Library Trust**

Trustee, **American Trust for the British Library**

Trustee, **The Gilson Trust**

Trustee, **Friends of the National Libraries**

Board Member, **Clare Leadership Programme**

Trustee, **The Busby Trust**

Previous roles:**Executive**

Director of Archive Content, **BBC**

Controller, **BBC Two and BBC Four**

Controller, **Arts Commissioning, BBC**

Head of Programming, **UKTV**

Non-executive

Trustee, **Turner Contemporary**

Board Member, **Barbican Centre**



Althea Efunshile CBE
Non-Executive

Responsibilities and skills:

Althea is committed to the delivery of Channel 4's public service remit. She has a passion for equality and diversity, and for contributing to Channel 4's efforts to strengthen the diversity of its audiences, programming and internal organisation. She has a particular interest in the challenge of maintaining and increasing a young audience share for Channel 4, in an increasingly digital age, and across a breadth of platforms.

Althea brings expertise in the strategic leadership of large, complex organisations; senior public sector management; arts administration; working with and for children & young people; and government relations.

Appointment to the Board:

January 2018

Term completion:

December 2021

Committee membership:

Audit Committee

Current external appointments:
Chair, **National College Creative Industries**

Board Member and Trustee, **Ballet Black**

Non-Executive Director, **Goldsmiths College (University of London)**

Non-Executive Director, **University College London NHS Foundation Trust**

Previous roles:**Executive**

Deputy Chief Executive, **Arts Council**

Director level Senior Civil Servant, **Department for Education**

Executive Director for Education and Culture, **London Borough of Lewisham**



Uzma Hasan
Non-Executive

Responsibilities and skills:

Uzma is a multi-award-winning film producer and industry consultant with a global track record in the development, production and exploitation of feature films. She has pivoted from international executive to start-up owner and has worked across four continents with studios and independents.

She joins the Channel 4 Board with a particular focus on embracing the challenges and opportunities brought by FAANG disruptors. She brings a deep commitment to the creative industries and the ways in which cultural output can positively shape our society. She credits Channel 4-backed *My Beautiful Laundrette* as instrumental in her decision to become a filmmaker.

Appointment to the Board:

January 2018

Term completion:

December 2020

Current external appointments:

Producer and Co-Founder, **Little House Productions**

Her latest feature film, *FirstBorn*, sold worldwide to Netflix; she is currently developing BAFTA-nominee Ritesh Batra's next film for Amazon Studios and the adaptation of Gautam Malkani's cult novel *Londonstani* for the **BFI**.

Selection Committee, **British Independent Film Awards**

Industry Consultant, **Rotterdam International Film Festival**

London Chapter Head, **Harvardwood**

Non-Executive Director, **Babber Films & Chisel Films**

Previous roles:**Executive**

Executive Producer, **Dharam Sankat Mein & Flying Paper**

Non-executive

Producer, **The Infidel**

Associate Producer, **Tormented**

Film Financing Consultant, **Doha Film Institute**

Head of Development, **Slingshot Studios**

Selection Committee, **Film London & Eurimages**



Fru Hazlitt
Non-Executive

Responsibilities and skills:

Fru has spent over 25 years in the Media, Entertainment and Technology sectors with a commercial background and extensive general management experience.

She has served as a director of boards – both as an Executive and as a Non-Executive Director – across a wide variety of high-profile consumer businesses.

Appointment to the Board:

January 2018

Term completion:

December 2020

Committee membership:

Remuneration Committee

Current external appointments:

Director, **Merlin Entertainments**
Deputy Chair of the Board, **Downe House School**

Previous roles:**Executive**

Managing Director of Commercial, Online and Interactive, **ITV**

Managing Director, **GCap Media**

Chief Executive, **Virgin Radio**

Managing Director, **Yahoo UK**

Non-executive

Director, **Betfair**

The Channel 4 Board continued



Tom Hooper
Non-Executive

Responsibilities and skills:

Tom brings to the Channel 4 Board three areas of relevant responsibilities and skills. First, as an Oscar-winning film and television drama director he can help Channel 4 keep creativity and innovation central to its mission as a public service broadcaster. Second, his wide experience of working in the Nations and Regions of the UK has relevance for Channel 4's plans to move parts of its operation out of London. He directed *Byker Grove* in Newcastle, *Cold Feet* in Manchester, and is currently directing and executive producing Philip Pullman's *His Dark Materials* for the BBC and indie production company Bad Wolf in Cardiff. Third, as a member of the Directors' Guild of America in Los Angeles and the BFI Board in London, he has developed a strong and responsible understanding of the existential issues facing the future of the cinema and public service broadcasting today – in the age of internet streaming.

Appointment to the Board:

January 2018

Term completion:

December 2021

Current external appointments:

Governor, **British Film Institute** (since 2011)

Previous roles:

Executive

Director of *The King's Speech*, *The Danish Girl* and *Les Misérables*. Tom won the best director Oscar for *The King's Speech*. His last three films have won a total of eight Oscars. His television work has received a number of industry awards and nominations – including Emmys and Golden Globes for *Elizabeth I* and *Longford*, both of which he directed for Channel 4.



MT Rainey OBE
Deputy Chair

Responsibilities and skills:

MT Rainey brings a wealth of experience in advertising and digital strategy and in 2015 was honoured with an OBE for services to advertising. She has been particularly active in supporting creative industry skills and mentoring, holding non-executive and other senior positions in a number of organisations focused in this field, including Vice Chair of Creative Skillset.

Appointment to the Board:

1 January 2012

Appointed Deputy Chair 15 April 2016

Term completion:

31 December 2017

Committee membership:

Remuneration Committee
Audit Committee (Acting Chair, October – December 2017)
Nominations
Ethics (Chair)

Current external appointments:

Non-Executive Director, **Hays plc**
Vice Chair, **Creative Skillset**
Director, **Charlotte St Partners**
Co-Chair, **Development Board**

Previous roles:

Executive

Founder and CEO of top UK advertising agency **Rainey Kelly Campbell Roalfe/Y&R**

Founder, **horsemouth.co.uk**

Non-executive

Non-Executive Director of **Pinewood Studios Group**

Non-Executive Chairman, **Th_nk**

Advisory Board, **NCVO**

National Skills Commission



Paul Potts CBE
Non-Executive

Responsibilities and skills:

Paul has worked in the media industry for 50 years, with particular focus on journalism and the public's right to know. A large part of his career has been spent in political coverage and this experience enables him to help the Board navigate the maze that is government.

Appointment to the Board:

1 January 2012

Term completion:

31 December 2017

Committee membership:

Audit Committee

Current external appointments:

Visiting Professor of Journalism, **University of Sheffield**
Trustee, **Imperial War Museum**
Advisory Board Member, **WW1 Centenary Commemoration**
Chair, **Advisory Board, SWNS Media Group**

Previous roles:

Executive

Editor-in-Chief, Group Chief Executive and Executive Chairman, **Press Association**

Deputy Editor, **Daily Express**

Non-executive

Media Adviser to the **Joint Parliamentary Committee on Privacy and Injunctions**



Josie Rourke
Non-Executive

Responsibilities and skills:

Josie is an award-winning director and the first woman director to run a major London theatre.

Her productions have transferred to Broadway and the West End and her first feature film, *Mary Queen of Scots*, is released this year.

She has brought her experience in running creative organisations, commissioning new work and working with writers, directors and actors to her role on the Board.

Appointment to the Board:

1 January 2012

Term completion:

December 2017

Current external appointments:

Artistic Director, **Donmar Warehouse**
Trustee, **Donmar Warehouse**

Productions include *Saint Joan*, *Coriolanus* and *Les Liaisons Dangereuses*; Nick Payne's *Elegy*; *The Vote*; *Privacy*; *The Weir*; and *City Of Angels*

Fellow, **Royal Society of Arts**

Previous roles:

Executive

Artistic Director, **Bush Theatre**

Associate Director, **Sheffield Theatres**

Trainee Associate Director, **Royal Court Theatre**

REPORT OF THE MEMBERS

Introduction

In accordance with the Companies Act 2006, the Corporate Governance Report on pages 120 to 124 and the information contained in the Strategic Report on pages 102 to 112 form part of this Report of the Members and are incorporated by reference.

The Members present their report and the audited financial statements for the year ended 31 December 2017. Details of the Executive and Non-Executive Members are disclosed on pages 113 to 117.

The Chair and Chief Executive present their statements on pages 4 to 5 and 6 to 7 respectively. A review of the Group, outlining its business model, development and performance during the financial year, together with its position at 31 December 2017 and financial outlook is provided in the Strategic Report on pages 102 to 112. The Strategic Report also outlines the principal risks and uncertainties facing Channel 4.

The Group's financial statements are set out on pages 139 to 165 and Channel 4's financial statements are set out on pages 166 to 170.

Legal status

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

Regulatory environment

Under the regulatory model, Channel 4 receives access to the digital spectrum and prominence on the digital terrestrial television platform. In return, Channel 4 must fulfil its public service remit obligations as set out in the 1990 and 1996 Broadcasting Acts and as amended by the Communications Act 2003, the Digital Economy Act 2010 and the ten-year licence issued by Ofcom, which came into effect in January 2015. We are prohibited by legislation from owning our own production capability and there is a statutory limit of £200 million on the amount of debt we can raise.

Disclosure of information to the auditor

Each of the persons who is a Member at the date of approval of this Annual Report confirms that:

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

Auditor

As disclosed in the 2016 Annual Report, the Audit Committee planned to carry out an audit tender process in 2017. During 2017, KPMG resigned as external auditor and Deloitte LLP was appointed as external auditor on 10 August 2017 for the audit of the financial statements for the year ending 31 December 2017.

Deloitte LLP has been appointed as auditor to Channel 4 with the approval of the Secretary of State for Digital, Culture, Media and Sport.

Going concern

The Group's business activities, the factors likely to affect its future development and performance, the financial position of the Group, its cashflows and Viability Statement are set out in the Strategic Report. In addition, note 14 to the financial statements includes the Group's approach to financial risk management, including its financial instruments and hedging activities and its exposures to liquidity and credit risks.

The Group has sufficient financial resources and, based on normal business planning and control procedures, the Members believe that the Group is well placed to manage its business risks. The Members have a reasonable expectation that the Group will continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all Members' interests. During 2017, Members, in addition to their salaries, benefits and/or fees as disclosed on page 129, were interested in the following transactions negotiated at arm's length on normal commercial terms with the Group:

David Abraham was a Non-Executive Director (resigned August 2017) and MT Rainey is Vice Chair of Creative Skillset. Channel 4 paid £376,500 to Creative Skillset, the sector skills council for the creative industries, to fund industry-wide training during 2017.

Dan Brooke is a Director of Creative Diversity Network Limited. Channel 4 paid £117,401 to Creative Diversity Network Limited in 2017.

MT Rainey is a Non-Executive Director of Hays plc. Channel 4 paid £4,860 to Hays plc in 2017.

Stewart Purvis is Vice President of the Royal Television Society. During 2017, Channel 4 paid £34,246 to the Royal Television Society.

Where the Members have an interest in an advertising or sponsorship client of the Group, the amounts paid or payable are not disclosed as they are negotiated and transacted via media buying agencies. All such transactions are negotiated and transacted on an arm's length basis.

Employment policy for people with disabilities

Channel 4 is committed to recruiting, developing and retaining employees with disabilities. 2016 was Channel 4's Year of Disability and we built on this in 2017 by providing information and support to line managers and employees by creating a digital disability hub. Our initiatives in these areas are detailed further on page 108.

Providing information to employees

Employees are provided with information on matters of concern to them via presentations by the Executive team in regular all-staff meetings and by email communication when appropriate.

There is also an employee representative committee of individuals across the Corporation who represent all staff and consult with senior management on matters that affect staff.

Report of the Members continued

Responsibility statement of the Members in respect of the annual financial statements

The Members are responsible for preparing the Annual Report and the Group's and the Corporation's financial statements in accordance with applicable law and regulations. The Corporation is required by its governing legislation (the Broadcasting Act 1990) to keep proper accounts and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year. Under that law, the Members have elected to prepare the financial statements of the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and the requirements of Chapter 4 of Part 15 of the Companies Act 2006, and elected to prepare the financial statements of the Corporation in accordance with the Financial Reporting Standard 101 *Reduced Disclosure Framework*.

The Members accept responsibility for approving the financial statements only after they are satisfied that, when taken as a whole, they are fair, balanced and understandable, and provide the information necessary to assess the Corporation's performance, business model and strategy. In preparing the parent company financial statements, the Members:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Members:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Members have accepted responsibility for keeping proper accounting records that are sufficient to show and explain the Group's and the Corporation's transactions and to disclose with reasonable accuracy at any time the financial position of the Group and the Corporation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Members have voluntarily decided to prepare a Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, made under the Companies Act 2006, as if those requirements were to apply to the Group and the Corporation.

The Members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003, as set out on page 123. Following the Digital Economy Act 2010, revised arrangements, approved by Ofcom, were implemented from 15 September 2016.

The Members are responsible for the maintenance and integrity of the corporate and financial information included on the Corporation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in her jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the Group and the Corporation and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, and the Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Corporation's performance, business model and strategy in accordance with the UK Corporate Governance Code.

By Order of the Board

CHARLES GURASSA

Chair
28 March 2018

GOVERNANCE CONTINUED

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance. The Members voluntarily prepare a Corporate Governance Statement to demonstrate compliance with the main principles, where relevant, of the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in 2016, and the disclosure and transparency provisions of the Listing Rules of the Financial Conduct Authority.

Channel 4's status as a statutory corporation without shareholders means those provisions concerning shareholders' interests are not directly applicable.

The Board considers that, throughout the year, it was compliant with the relevant provisions of the UK Corporate Governance Code. The code can be accessed at www.frc.org.uk.

The Board

Channel Four Television Corporation is controlled through its Board of Members. The Board's main role is to discharge Channel 4's statutory functions and ensure the fulfilment of the public service remit in accordance with all applicable laws and regulations.

The Board meets at least nine times a year and has a schedule of matters reserved for its approval as noted in the table below. In addition, as part of its overall responsibility to ensure the fulfilment of Channel 4's statutory duties and functions, the Board continues to focus on ensuring the successful delivery of Channel 4's remit and other public service responsibilities. Content output and plans for future investment of the content budget are regularly discussed as part of the overall Board agenda, as are regular updates on audience reactions to Channel 4's content. The Board also approves Channel 4's proposed Statement of Media Content Policy (incorporating the Statement of Programme Policy and Review) prior to publication.

Board sub-committees

The Board has an established Audit Committee, Remuneration Committee and Ethics Committee to assist with the discharge of its functions and has delegated each certain responsibilities, as set out below.

Board nominations

Given its constitution and specific statutory provisions regarding the appointment of Members, Channel 4 does not have a formal Nominations Committee. Instead, there are formal nominations procedures which are described below. However, in 2017, the Chairman set up a temporary Nominations sub-committee of the Board to oversee the process of appointing a new Chief Executive following David Abraham's decision to step down. The members of the Nominations Committee are detailed on pages 113 to 117.

The following formal nomination procedures are in place:

- Non-Executive Members are appointed for fixed terms by Ofcom following consultation with Channel 4's Chair and the approval of the Secretary of State for Digital, Culture, Media and Sport
- The Chair is appointed by Ofcom for a fixed term with the approval of the Secretary of State for Digital, Culture, Media and Sport
- The Deputy Chair is appointed by Ofcom
- The Chief Executive is appointed by the Board
- Other Executive Members are appointed to the Board after nomination by the Chief Executive and the Chair acting jointly

The division of responsibilities between the Chair of the Board and the Chief Executive is clearly defined as described on the following page.

THE BOARD

The following matters must be referred to the full Board:

- Channel 4's annual budget (content and non-content)
- The appointment of the Chief Executive
- Confirmation of the appointment of the other Executive Members nominated by the Chief Executive and the Chair acting jointly
- Banking arrangements and loan facilities
- Any significant proposal outside the ordinary course of Channel 4's business
- The appointment and reappointment of the statutory auditor

- The audited Annual Report and financial statements
- The establishment, purchase or acquisition of any qualifying company and the approval or variation of terms of reference for any subsidiary
- Approval of any significant new business investment or programme investment
- Significant proposed changes to Channel 4's headcount
- Such other matters as the Board may from time to time resolve to review or decide upon

The Board has delegated certain responsibilities to the sub-committees below.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the integrity of the Corporation's financial statements, reviewing the Corporation's internal control and risk management systems and making recommendations to the Board in respect of the external auditor. The Audit Committee Report is set out on pages 125 to 127.

REMUNERATION COMMITTEE

The Remuneration Committee oversees all aspects of pay for the Executive Members and staff of Channel 4, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff, including the Executive Members. The Remuneration Committee Report is set out on pages 128 to 134.

ETHICS COMMITTEE

The Ethics Committee reviews any conflicts of interest that may arise for Channel 4's Board and matters relating to the Code of Conduct as may be referred to it by the Chairman or otherwise and offers advice to the Chairman on conflicts of interest relating to Non-Executive Members and/or Executive Members.

Corporate governance continued

The role of the Chair

The Chair is responsible for:

- Leading the Board in setting the values and standards of Channel 4
- Maintaining a relationship of trust with and between the Executive and Non-Executive Members
- Leadership of the Board, ensuring its effectiveness on all aspects of its role, including the setting of the agenda
- Ensuring that all Members receive accurate, timely and clear information
- Ensuring that all Members continually update their skills and the knowledge and familiarity with Channel 4 required to fulfil their role both on the Board and on committees
- Facilitating the effective contribution of Non-Executive Members and ensuring constructive relations between Executive and Non-Executive Members
- Undertaking an annual evaluation of Board and committee performance

Charles Gurassa was appointed Chair for an initial three-year term from 28 January 2016.

The role of the Chief Executive

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board, to implement the policies and strategy agreed by the Board, and to communicate with Ofcom and other key stakeholders.

On 30 October 2017, David Abraham stepped down as Chief Executive and was replaced on the same date by Alex Mahon.

Deputy Chair and Senior Independent Member

MT Rainey was appointed Deputy Chair and Senior Independent Member on 15 April 2016. Following the conclusion of her term on 31 December 2017, the roles of Deputy Chair and Senior Independent Member are currently vacant.

Members and Members' independence

The 2017 Board Members and their skills, experience and responsibilities are set out on pages 113 to 117.

The Non-Executive Members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Non-Executive Members are of sufficient calibre and number that their views carry significant weight in the Board's decision-making. The Members are given access to independent professional advice at the Group's expense when the Members deem it is necessary in order for them to carry out their responsibilities.

Details of the current Chair's professional commitments are included in his biography. These do not adversely affect his role with Channel 4.

The Board considers all its Non-Executive Members to be independent in character and judgement. At the time of this report, no Non-Executive Member:

- Has been an employee of the Group within the past five years
- Has, or has had within the past three years, a material business relationship with the Group (although attention is drawn to the related party transactions on page 118)
- Receives remuneration other than their Member's fee
- Has close family ties with any of the Group's advisers, Members or senior employees
- Holds cross-directorships or has significant links with other Members through involvement in other companies or bodies, with the exception of Charles Gurassa and Fru Hazlitt who are both on the board of Merlin Entertainments plc
- Has served on the Board for more than six years from the date of their first election

Professional development

On appointment, the Members take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Executive Committees and the powers delegated to those committees, the Group's corporate governance practices and procedures including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. This is supplemented by meetings with members of the senior management team. On appointment, all members are advised that they have access to advice and the services of the Board Secretary. Throughout their period in office the Members are continually updated on the Group's business and environment and other changes affecting the Group and the industry it operates in as a whole, by written briefings and meetings with senior executives.

A formal Board effectiveness review that uses a detailed questionnaire to allow Board Members to express both qualitative and quantitative views on Board performance is undertaken annually. In 2017, the Board Secretary engaged a third party, Independent Audit, to conduct an independent review of the Board and of the Audit and Remuneration Committees. Findings and analysis were presented by Independent Audit and discussed at the February 2018 Board meeting. Proposals for actions to ensure continuous improvement of the Board were tabled and agreed, with further consideration to be given to relevant findings within the committees.

Board information

Regular reports and papers are circulated to the Members before Board and committee meetings. These papers are supplemented by information specifically requested by the Members from time to time. A monthly performance pack is prepared covering all key areas of the business and providing a month-by-month report on progress against the main performance indicators set by the Board.

The Board Secretary's responsibilities include ensuring an effective flow of information within the Board and its committees, and between senior management and Non-Executive Members, induction of new Members and assisting with professional development as required.

The Deputy Controller of Corporate Legal is responsible for advising the Board through the Chair on all governance matters.

Both posts are available to provide advice and services to all Members, as relevant, to ensure compliance with Board procedures.

Board meetings

The number of full Board meetings and committee meetings attended by each Member during the year is shown in the table below:

Name	Board meetings attended (invited)	Audit Committee meetings attended (invited)	Remuneration Committee meetings attended (invited)	Ethics Committee meetings attended (invited)
Charles Gurassa	9 (9)	4 (4) ¹	6 (6) ¹	1 (1)
Paul Potts	8 (9)	2 (4)	–	–
MT Rainey	8 (9)	–	6 (6)	1 (1)
Josie Rourke	4 (9)	–	–	–
Stewart Purvis	9 (9)	–	6 (6)	–
Paul Geddes	7 (9)	3 (4)	–	–
Roly Keating	9 (9)	–	–	1 (1)
Lord Chris Holmes	8 (9)	–	3 (6)	–
Simon Bax	9 (9)	4 (4)	–	–
David Abraham	7 (7)	4 (4) ¹	3 (5) ¹	1 (1)
Alex Mahon	2 (2)	–	1 (1) ¹	–
Jonathan Allan	9 (9)	–	–	–
Jay Hunt	6 (6)	–	–	–
Dan Brooke	9 (9)	–	–	–

¹ The Chair and the Chief Executive attended Audit Committee and Remuneration Committee meetings but were not members of those committees.

GOVERNANCE CONTINUED

Corporate governance continued

Board diversity

As shown on pages 50 to 55, diversity is at the heart of Channel 4 and this is equally important at the most senior levels of the organisation as at entry-level positions. At March 2018, the Channel 4 Board comprised four Executive Members and ten Non-Executive Members. As stated on page 120, Non-Executive Members are appointed by Ofcom, and Executive Members by the Chief Executive and the Chair.

At March 2018, one of the four Executive Members was a woman (December 2016: one of four). At March 2018, the Board comprised four women and ten men, with the four women making up 29% of the Board membership (December 2016: 23%).

At March 2018, the Board comprised two Members who were BAME (December 2016: none).

Internal control

In accordance with good corporate governance practice, the Board:

- Is responsible for maintaining sound risk management and internal control systems, ensuring they are effective in identifying key risks and reporting on the adequacy of actions to respond to and manage those risks
- Seeks regular assurance and receives regular reports that enable it to satisfy itself that the system is functioning effectively
- Is responsible for the Group's process for the preparation of the consolidated accounts

The Board is not responsible for the internal control environment or corporate governance for any of the Group's joint ventures or associates.

Control environment

Clear management responsibilities are established for the Executive Members. The Corporation has a Code of Conduct and a suite of policies and procedures which encompass ethical behaviour, conduct and internal controls.

The Audit Committee satisfies itself that internal controls are operating throughout the year based on a programme of internal audit reviews, which are reported to the Committee at their quarterly meetings.

All expenditure is authorised in line with a delegated authorities framework. An electronic invoice authorisation system is used to further enhance the control environment. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate.

Risk management

In addition to its requirements under Schedule 9 of the Communications Act 2003 set out below, the Board and management have a clear responsibility for the identification of risks facing the Group and for putting in place procedures to monitor and mitigate such risks. Channel 4 has a high appetite for creative risk-taking, giving rise to potentially litigious content. The Group has a low appetite for operational risks. The Board and Executive team operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. Material controls, including financial, operational and compliance controls, are monitored and reviewed by senior management, Business Assurance and the Audit Committee. Remedial plans are put in place where internal reviews identify control weaknesses or opportunities for improvement. Serious control weakness (if any) are reported to the Board and appropriate actions taken. This framework has been developed in accordance with relevant good practice guidance on internal controls and risk management. A summary of the key risks that the Group faces, together with how those risks are mitigated, is presented in the Strategic Report on pages 110 to 111.

Editorial and compliance

Channel 4 has a long-established compliance culture, which is fully integrated into its commissioning process and provides clear editorial 'reference-up' to senior executives and appropriate Board oversight. Its importance is widely recognised and understood by independent production companies we work with and they share equal responsibility for ensuring that programmes and online content conform to the compliance culture we work within. The Commissioning team works in close collaboration with the Legal and Compliance department on all significant commissions. There are strong editorial, legal and compliance systems and controls in place over the content commissioned by Channel 4.

These include specific guidance and protocols contained within the Channel 4 Producers' Handbook, which encompasses the Ofcom Broadcasting Code, other relevant regulations, media law and best practice guidelines. This is supported by extensive training for both staff and independent producers. At the heart of Channel 4's creative risk-taking and compliance is the editorial 'reference-up' procedure. The Members are satisfied that Channel 4 has in place suitable procedures to fulfil the requirements of paragraph 3b of the Ofcom licence, which exists to ensure that difficult or fine-cut decisions on editorial and compliance issues are properly considered by the most appropriately experienced and senior editorial executives and programme lawyers within Channel 4.

Reporting to the Board

Information is provided to the Members in advance of each Board or Committee meeting. The information provided over the course of the year includes strategic plans, detailed annual budgets, re-forecasts and key projects and initiatives as well as monthly performance packs. Amongst other things, the monthly performance packs monitor progress against the agreed objectives for the year, and compare actual performance metrics, income and expenditure to date with budget and prior year. Explanations are provided for significant variances to facilitate discussion and review at the Board meetings.

The Members also receive information in between Board meetings as appropriate, including weekly risk and viewing updates. The Board Secretary is responsible for the provision of information to the Members.

Pension plan

There were five Trustees of the Channel Four Television Staff Pension Plan at 31 December 2017. The Trustees, who meet several times each year, also met the Plan's investment managers: Legal & General Assurance (Pensions Management) Limited, Veritas Asset Management LLP, BMO Global Asset Management, GMO UK Limited, JP Morgan Asset Management, Ruffer LLP and IFM Investors during the year.

During the year, the Trustees were as follows:

Channel 4 Executives

Glyn Isherwood ¹	Group Finance Director
Martin Baker	Director of Commercial Affairs

Member-nominated Trustees

Neil Pepin	Deputy Head of Legal & Compliance
Rebecca O'Connor	Senior Production Finance Manager

Independent Trustee Services	Independent Corporate Trustee
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¹ Resigned as a Trustee on 1 March 2018

Further details of the Channel Four Television Staff Pension Plan are provided in note 18 to the financial statements.

Corporate governance continued

Requirements of Schedule 9 of the Communications Act 2003 (the 'Act')

The Act requires Channel 4 to submit proposals to Ofcom detailing the arrangements under which it proposes to secure, so far as reasonably practicable, that all significant risks to the primary function are identified, evaluated and properly managed. These proposals are referred to as the Arrangements.

In addition, the Arrangements must include proposals which Channel 4 considers appropriate for securing the transparency objectives as set out in the Act, namely:

- an appropriate financial and organisational separation between the activities of Channel 4 that relate to the carrying out of their primary functions and their other activities; and
- an appropriate degree of transparency in financial and other reporting where resources are shared between separated activities or where there is some other financial or practical connection between otherwise separated activities.

The Act sets out the matters to which the submitted Arrangements may relate. These include the procedures and other practices to be followed by Channel 4 in the case of the initiation and management of new ventures, the exercise of particular powers, the assessment of risks, the imposition of charges and the keeping of records.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance, with the Arrangements to be checked regularly by a person (other than Channel 4's auditor) appointed in accordance with that provision. Revised Arrangements came into force on 15 September 2016.

Following the tender of the Group external audit, Channel 4 appointed BDO LLP to review compliance with the Arrangements. Copies of the Arrangements are available from the Board Secretary.

GOVERNANCE CONTINUED

Corporate governance continued

INDEPENDENT REPORTING ACCOUNTANT'S REPORT TO CHANNEL FOUR TELEVISION CORPORATION ('THE CORPORATION') AND THE OFFICE OF COMMUNICATIONS ('OFCOM')

We have performed a review of the Corporation's compliance during the year ended 31 December 2017 with the arrangements agreed by the Corporation and the Office of Communications ('Ofcom') in 2016 under Section 2 of Schedule 9 of the Communications Act 2003.

This report is made solely to Channel Four Television Corporation and Ofcom in accordance with our letter of engagement dated 29 January 2018 and in order to (a) allow the Corporation to meet its obligations under the Licence and Schedule 9 of the Communications Act 2003 to procure such reports and (b) to facilitate the carrying out by Ofcom of its regulatory functions. Our work has been undertaken so that we might state to the Corporation and Ofcom those matters we are required to state to them in a reporting accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and Ofcom (in accordance with our Regulator's Contract with Ofcom dated 27 March 2018), for our work, for this report, or for the opinions we have formed.

Respective responsibilities of Channel Four Television Corporation and reporting accountants

The Corporation has agreed arrangements with Ofcom to secure the following objectives (the 'Objectives') as set out in Schedule 9 of the Communications Act 2003:

- So far as reasonably practicable, secure that all significant risks that their other activities will have an adverse effect on the carrying out, during the relevant licence period, of their primary functions are:
 - a) identified;
 - b) evaluated; and
 - c) properly managed.
- The transparency objectives of securing:
 - a) An appropriate financial and organisational separation between the activities of the Corporation that relate to the carrying out of their primary functions and their other activities; and
 - b) An appropriate degree of transparency in financial and other reporting where resources are shared between separate activities or where there is some other financial or practical connection between otherwise separated activities.

The arrangements between the Corporation and Ofcom are available from https://www.ofcom.org.uk/__data/assets/pdf_file/0031/88519/Channel-4-Schedule-9-Arrangements.pdf. The responsibility of the Corporation in terms of Schedule 9 of the Communications Act 2003 is to act in accordance with these arrangements throughout the review period.

Our responsibility is to check whether the Corporation has complied with these arrangements during the year ended 31 December 2017 and report to you our independent conclusion as to whether they have done so.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

Basis of opinion

We carried out our work in accordance with International Standard on Assurance Engagements 3000 'Assurance Engagements'. Our work consisted of:

- Confirming our understanding of the Corporation and the internal procedures and controls in place made to comply with the arrangements made under Schedule 9 of the Communications Act 2003 through enquiry of senior management and other appropriate personnel; and
- Testing the operation of the relevant internal procedures and controls and examining of the financial records relating to the above.

Our work was carried out based on the internal procedures and controls in place to comply with the arrangements during the year ended 31 December 2017. We are not responsible for concluding whether the arrangements are sufficient and appropriate to achieve the objectives set out above. Any system of internal control can only give reasonable, not absolute, assurance that the objectives will be met.

Opinion

In our opinion, the Corporation has complied with the arrangements under Schedule 9 of the Communications Act 2003, in all material respects for the year ended 31 December 2017.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Channel Four Television Corporation and Ofcom, for any purpose or in any context. Any party other than Channel Four Television Corporation and Ofcom who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Channel Four Television Corporation and Ofcom for our work, for this report, or for the conclusions we have reached.

BDO LLP

Chartered Accountants
London
28 March 2018

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

AUDIT COMMITTEE REPORT

Chair's introduction

A significant activity of the Committee in 2017 was the tender of the Group external audit. I believe the tender process was thorough, open and transparent and I was pleased that this process enabled the Committee to make a decision based on high quality proposals put forward by all the firms involved.

Given the length of their tenure, we did not invite KPMG to re-tender for the audit, but thank them for their diligence and commitment to Channel 4 during their time as our auditor. We have now welcomed Deloitte as our new auditor from 2017.

Paul Potts retired from the Committee in December 2017 and I would also like to thank him for his contribution during his tenure. I also welcome Althea Efunshile who joined the Committee in January 2018 and will provide additional perspective and insight to our discussions with management.

Composition

During 2017 the Audit Committee comprised Simon Bax (Chair), Paul Geddes and Paul Potts. All the members of the Committee are Independent Non-Executive Members. From January 2018 Althea Efunshile replaced Paul Potts. Further details of the Members of the Audit Committee can be found on pages 113 to 117. The Committee met four times during 2017. Details of attendance at Audit Committee meetings by the Members of the Corporation are disclosed in the Corporate Governance Report on page 121.

At the Committee Chair's invitation, the Chair of the Board, the Chief Executive, the Group Finance Director, the Group Financial Controller, the Head of Business Assurance, the Board Secretary and the external audit partner (among others) attended Committee meetings. The external audit partner and Head of Business Assurance have direct access to the Chair of the Audit Committee.

Responsibilities

As noted in the Corporate Governance Report on page 120, the Board has discharged certain responsibilities to the Audit Committee:

- To monitor the integrity of the financial statements of Channel 4 and any formal announcements relating to Channel 4's financial performance and reviewing significant financial reporting judgements contained in them
- To review the Corporation's internal financial controls and internal control and risk management systems
- To monitor the Corporation's whistleblowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, and with suitable follow-up action
- To review the findings of Business Assurance reviews and to monitor and review the effectiveness of Channel 4's Business Assurance function
- To make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters where it considers that action or improvement is needed and making recommendations on steps to be taken
- To update the Board about the Audit Committee's activities and ensure the Board is aware of matters that may have a significant financial impact on Channel 4

Role of the Audit Committee

The Committee monitors the effectiveness of the Group's financial reporting, systems of internal control and risk management and the integrity of the Group's external and internal audit processes.

Activities

The Committee discharged its key responsibilities in 2017 and 2018 to date as set out below.

FEBRUARY 2017 MEETING

- Considered the disclosure of the Corporation's key risks and Viability Statement in the 2016 Annual Report
- Considered how much to draw down from the content reserve in respect of 2016
- Confirmed the key audit risks for 2016 with the external auditor
- Considered the Financial Reporting Council's revised Ethical Standard published in June 2016, which enacts EU audit reforms published in 2014, and updated its policy on the supply of non-audit services to reflect the Standard
- Reviewed and approved the Business Assurance plan for 2017

MARCH 2017 MEETING

- Reviewed the 2016 financial statements and other sections of the Annual Report including the Statement of Media Content Policy and discussed whether these were fair, balanced and understandable to stakeholders
- Reviewed the Corporation's accounting policies in respect of the key audit risks, significant accounting and reporting issues and a detailed financial report in respect of 2016 and discussed matters arising with the external auditor
- Reviewed the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003 in relation to 2016
- Approved the audit tender planned for 2017

JUNE 2017 MEETING

- Considered information security priorities for 2017, disaster recovery processes and the threats of cyber crime and the Corporation's safeguards and governance in place to mitigate such risks
- Reviewed the key risks, oversight and governance of the Commercial Growth Fund
- Considered the Corporation's cashflow, liquidity and borrowing requirements
- Recommended the appointment of Deloitte LLP as external auditor to the Board and the appointment of BDO LLP as independent auditor under Schedule 9 of the Communications Act 2003
- Considered the framework for the Corporation's published Tax strategy

SEPTEMBER 2017 MEETING

- Reviewed the Corporation's accounting policies in respect of the key audit risks, significant accounting and reporting issues and a detailed financial report in respect of the half year to 30 June 2017
- Discussed the key audit risks and audit plan for 2017 with the new external auditor
- Considered the tax affairs and arrangements of the Corporation ahead of the annual Senior Accounting Officer certification to HMRC
- Approved the Corporation's published Tax strategy
- Reviewed the Corporation's progress towards GDPR compliance
- Reviewed the appropriateness of preparing the 2017 Annual Report on a going concern basis

GOVERNANCE CONTINUED

Audit Committee Report continued

JANUARY 2018 MEETING

- Considered the disclosure of the Corporation's key risks and Viability Statement in the 2017 Annual Report and approved the preparation of the financial statements on a going concern basis
- Confirmed the key audit risks for 2017 with the external auditor
- Discussed the impact of IFRS 15 'Revenue from Contracts with Customers' on the Corporation's revenue recognition policies from 2018 onwards
- Reviewed and approved the Business Assurance plan for 2018

MARCH 2018 MEETING

- Reviewed the 2017 financial statements and other sections of the Annual Report including the Statement of Media Content Policy and discussed whether these were fair, balanced and understandable to stakeholders
- Reviewed the Corporation's accounting policies in respect of the key audit risks, significant accounting and reporting issues and a detailed financial report in respect of 2017 and discussed these with the external auditor
- Reviewed the findings of the independent reporting accountants concerning compliance with the arrangements under Schedule 9 of the Communications Act 2003 in relation to 2017

Key audit risks

After discussions with both management and the external auditor, the Audit Committee determined that the key risks in relation to misstatement of the Corporation's financial statements continued to be as follows:

- Programme and film rights
- Revenue recognition

These issues were discussed while the audit strategy was being reviewed and at the conclusion of the audit of these financial statements.

PROGRAMME AND FILM RIGHTS

Reflecting the status of Channel 4 as a public service broadcaster, the value to the Corporation of the programme and film rights portfolio is considered on an aggregate basis. As described on pages 145 to 146, programme and film rights are stated at the lower of direct cost incurred up to the balance sheet date and value to the Group. The valuation reflects our cross-subsidy business model and requires judgements across a range of specific programmes to establish a valuation.

Programme and film rights are wholly written off on first transmission, except for certain feature films, sports rights and certain acquired series, the costs of which are written off over more than one transmission in line with the expected value to the Group.

The value of programme and film rights recognised on the balance sheet at 31 December 2017 is £255 million as disclosed in note 12 to the financial statements. The total value of obsolete programmes and developments written off in the year was £28 million.

The Committee has reviewed the results of management's provision for programme rights at the balance sheet date and the amortisation profile, and is satisfied that the procedures performed and the assumptions made were robust.

The auditor has explained its audit procedures to test the carrying value of programme and film rights on the balance sheet and the results of their work. On the basis of their audit work, the auditor considered that the carrying value of programme and film rights was appropriate in the context of the materiality of the financial statements as a whole.

REVENUE RECOGNITION

Advertising revenue is recognised on transmission of the advertisement while sponsorship revenue is recognised on a straight-line basis in accordance with the transmission schedule for each sponsorship campaign. Although revenue is processed through automated transactional processes and the general accounting policy is not complex, there are occasions where judgement is required around the timing and value of revenue.

Certain advertising revenues are recognised from barter and other similar contractual arrangements and 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.

Total revenue for 2017 was £960 million as detailed in note 1 to the financial statements. The revenue recognition accounting policies of the Corporation are disclosed on page 144. In 2017, £897 million, or 93% of total revenues, were advertising and sponsorship revenue. The accounting treatment for new or unusual revenue contracts is reviewed and presented by management to the Audit Committee.

The Committee has reviewed the accounting treatment for each material new revenue contract in 2017, and the judgement applied in each case. Management also provided papers explaining the accounting treatment to the auditor during the 2017 financial audit. The Committee has reviewed the results of management's judgements in respect of revenue recognition at the balance sheet date, and is satisfied that the procedures performed and the assumptions made were robust.

On the basis of its audit work, the auditor considered that the value of revenue recognised was appropriate in the context of the materiality of the financial statements as a whole.

The Audit Committee has also considered the impact of IFRS 15 'Revenue from Contracts with Customers' which is effective from 1 January 2018, and is satisfied that the standard does not have a material impact on the revenue recognition policies of the Corporation.

MISSTATEMENTS

Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditor reported to the Committee any misstatements that it found in the course of their work. No material misstatements remain unadjusted.

After reviewing the presentations and reports from management and consulting where necessary with the auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Fair, balanced and understandable

The Audit Committee has satisfied itself that the Annual Report and financial statements, when considered as a whole, are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Corporation's performance, business model and strategy.

Audit Committee Report continued

External audit

AUDIT TENDER

As disclosed in the 2016 Annual Report, the Audit Committee agreed to carry out an audit tender process in 2017. During 2017, Deloitte LLP was appointed as external auditor for the audit of the financial statements for the year ending 31 December 2017. Kate Houldsworth began her tenure as audit partner in 2017.

The committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

AUDITOR INDEPENDENCE

Channel 4 will not use its external auditor to provide other services unless it is efficient and effective to do so and authorised by the Chair of the Audit Committee. The Committee has also taken action to ensure the objectivity and independence of the external auditor is maintained. To discharge this responsibility, the Committee has:

- approved the proposed audit fee and scope of the audit;
- reviewed all non-audit fees payable to the Group's external auditor; and
- reviewed Deloitte LLP's annual statement to the Audit Committee to confirm its independence within the meaning of regulatory and professional requirements.

A summary of the fees earned by Deloitte LLP in respect of all services provided in 2017 (and by KPMG LLP in respect of all services provided in 2016) to the Corporation is shown in note 3 to the financial statements.

AUDIT EFFECTIVENESS

The Committee has reviewed the external audit process and has satisfied itself that it is effective by reviewing:

- the external auditor's plan for the audit of the Group's accounts, including the key audit risks identified above;
- the external auditor's reports on the Group's draft financial statements for the year ended 31 December 2017;
- the conduct of the audit through enquiries with management;
- the robustness and perceptiveness of the external auditor in their handling of key accounting and audit judgements identified and in responding to questions in one-on-one meetings; and
- the effectiveness of management in preparing and carrying out the audit and providing the external auditor with timely information

Business Assurance

The Corporation has a Business Assurance function and the Head of Business Assurance reports jointly to the Group Finance Director and the Chair of the Audit Committee.

During 2017, the Business Assurance function undertook a number of specific projects to provide assurance that control processes were appropriate and working effectively, and where necessary recommend improvements. As noted on pages 125 to 126, the key reviews included the Commercial Growth Fund, cyber security and GDPR.

The Head of Business Assurance is responsible for coordinating the risk management framework for the Group and for taking a risk-based approach when setting out the Business Assurance plan for the year. To provide a wide range of expertise across a number of specialist areas, the Head of Business Assurance supplements resources by bringing in specialist expertise from PwC. Whistleblowing procedures are led by the Head of Business Assurance and reported to the Audit Committee.

By Order of the Board

SIMON BAX

Chair of the Audit Committee
28 March 2018

MEMBERS' REMUNERATION REPORT

Chair's introduction

During the year, the Committee has focused on managing remuneration decisions in the context of increased market volatility and balancing this with fair reward decisions for staff in a year of significant change.

In addition to agreeing remuneration arrangements relating to changes at Board level, a significant activity of the Committee was gender pay gap reporting, ensuring a level of assurance around the disclosure, understanding key drivers and consideration of future actions.

MT Rainey retired from the Committee in December 2017 and I would like to thank her for the insight and contribution she brought to the Committee during her tenure. I would also like to welcome Fru Hazlitt who joined the Committee in January 2018 and who will bring considerable experience and perspective to the work of the Committee.

Annual statement by the Chair of the Remuneration Committee

This report sets out the activities of the Remuneration Committee for the year ended 31 December 2017. It discloses the remuneration policy and remuneration details for the Executive and Non-Executive Members of the Corporation. It has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. Channel 4's status as a statutory corporation without shareholders means these provisions are not all directly applicable, but the Members have decided to comply voluntarily with the provisions to the extent that they are relevant to Channel 4, in line with the Board's commitment to high standards of corporate governance.

The report is set out in three sections: the statement by the Chair of the Remuneration Committee, the annual report on remuneration, and the policy report. The annual report on remuneration provides details on remuneration relating to 2017 and other information required by the Regulations.

The Companies Act 2006 requires the auditor to report on certain parts of the Members' Remuneration Report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in the Auditor's Report. The statement by the Chair of the Remuneration Committee and the policy report are not subject to audit.

The Remuneration Committee oversees all aspects of pay for the Executive Members and staff of Channel 4, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff, and the details of remuneration packages for the Executive team. The Committee's recommendations and decisions in 2017 reflect its remuneration policy, which is designed to enable Channel 4 to attract, motivate and retain high calibre staff by offering both fixed and variable pay to reward commercial and creative success, while being sensitive to Channel 4's position as a public service broadcaster.

Where Executive Members or senior management are involved in advising or supporting the Remuneration Committee, care is taken to recognise and avoid conflicts of interest. No Executive Members attend meetings of the Remuneration Committee at times when any aspect of his or her individual remuneration, benefits or terms of employment is being discussed.

COMPOSITION OF THE REMUNERATION COMMITTEE

During 2017, the Remuneration Committee comprised Stewart Purvis (Chair), MT Rainey and Lord Chris Holmes. Fru Hazlitt replaced MT Rainey from January 2018. All the members of the Committee are Independent Non-Executive members. The Chair of the Board, the Chief Executive, the Group Finance Director, the Head of Human Resources and the Board Secretary attend meetings as appropriate.

Responsibilities of the Remuneration Committee

The Committee's principal responsibilities are:

- to recommend to the Board the level of any average annual salary increases and variable pay awards and the structure of remuneration, and specific awards, for the Executive team;
- to recommend to the Board the structure of the annual Corporate Variable Pay and Advertising Sales Schemes, and to review progress against the targets set for the schemes;
- to review any other aspect of HR strategy or performance as appropriate; and
- to review any other significant change in Channel 4's remuneration arrangements and policies.

The Chair of the Remuneration Committee reports to the Board on the Remuneration Committee's discussions and recommendations, and brings to the Board's attention any matters of an unusual or sensitive nature.

Activities of the Remuneration Committee

The Committee's work in 2017 and 2018 to date included making an award recommendation to the Board for the Corporate Variable Pay Scheme in respect of 2017 and reviewing the structure and appropriateness of the Corporate Variable Pay and Advertising Sales Schemes for 2018:

- The variable pay award for 2017 and the details of the Corporate Variable Pay Scheme are detailed on page 130
- The Remuneration Committee agreed that the Corporate Variable Pay Scheme for 2018 will remain largely unchanged from 2017 and continue to be focused on creative achievement and financial sustainability
- The Remuneration Committee agreed that the Advertising Sales Scheme for 2018 will remain largely unchanged from 2017

In 2017, reflecting a period of advertising market volatility and evolving economic conditions, the Committee, on management's recommendation, decided to predominantly defer the average pay award from April 2017 until July 2017. The Committee considered that a pay award later in 2017 would allow greater clarity on trading conditions and budget affordability.

In the interim, an award of 2% per annum for the year beginning 1 April 2017 was made to a total of 265 staff who earn Full Time Equivalent ('FTE') salaries of up to £40,000. Subsequently, an award of 1% per annum for the year beginning 1 July 2017 was made to staff who earn FTE salaries of up to £100,000.

After careful consideration and review, in January 2018, the Committee agreed that an average pay award of 2.5% would be made to all staff effective 1 April 2018.

The Remuneration Committee reviewed and approved the terms of employment for incoming Executive Board Members Alex Mahon (CEO) and Ian Katz (Director of Programmes), and the exit terms for outgoing Executive Board Members David Abraham (CEO) and Jay Hunt (Chief Creative Officer).

Members' Remuneration Report continued

During 2017, the Remuneration Committee initiated a review of gender pay and conducted a review of the Corporation's employment policies, including parental leave and long-term illness among others.

The Remuneration Committee appointed Lewis Silkin LLP to provide independent professional advice to gain assurance on equal pay in preparation for gender pay disclosures. The Committee satisfied themselves that the advice was objective and independent. The fee for these services was £27,000.

The Remuneration Committee also appointed Deloitte LLP to provide assurance over the Corporation's gender pay methodology and disclosures in its 'Channel 4 Gender Pay Report 2017'.

The Channel 4 Gender Pay Report was published in March 2018 and revealed a mean gender pay gap of 28.6% as at March 2017. This was driven by two key factors. Firstly, there is a large number of women in the lower two quartiles of the organisation and, secondly, the majority of the employees in the highest-paid quartile being male. Channel 4 is targeting a 50:50 gender balance in the top 100 earners by 2023.

Remuneration Report

THE FOLLOWING PROVISIONS ON THIS PAGE ARE SUBJECT TO AUDIT

The remuneration of the Executive Members for the years ending 31 December 2017 and 2016 is made up as follows:

£000	Salary	Taxable benefits	Variable pay	Pension	Total for 2017	Salary	Taxable benefits	Variable pay	Pension	Total for 2016
David Abraham ¹	471	1	195	118	785	560	1	256	140	957
Alex Mahon ²	96	11	–	19	126	–	–	–	–	–
Jay Hunt ³	375	1	160	56	592	433	1	180	69	683
Jonathan Allan	375	1	118	30	524	355	1	182	26	564
Dan Brooke	313	1	100	50	464	308	1	125	50	484
Total	1,630	15	573	273	2,491	1,656	4	743	285	2,688

1 Ceased to be a Member on 30 October 2017

2 Appointed on 30 October 2017

3 Ceased to be a Member on 30 September 2017

The figures in the table above represent the gross amounts received by Executive Members in 2017, after taking account of salary increases during the year where applicable.

In 2017 and 2016, all of the Executive Members received pension benefits in the form of cash payments.

Jonathan Allan's variable pay comprises a 50:50 split between the Advertising Sales Scheme and the Corporate Variable Pay Scheme.

Taxable benefits includes private medical insurance for all Executive Members. Alex Mahon's taxable benefits in 2017 also included one-off legal costs in relation to her appointment paid on her behalf by the Corporation.

The remuneration of the Non-Executive Members for the years ending 31 December 2017 and 2016 is as follows:

£000	2017 salary and fees	2016 salary and fees
Charles Gurassa (term commenced on 28 January 2016)	95	88
Stewart Purvis	22	22
Simon Bax (term commenced on 5 December 2016)	22	2
Paul Geddes (term commenced on 5 December 2016)	22	2
Lord Chris Holmes (term commenced on 5 December 2016)	22	2
Roly Keating (term commenced on 5 December 2016)	22	2
MT Rainey (term concluded on 31 December 2017)	30	27
Paul Potts (term concluded on 31 December 2017)	22	22
Josie Rourke (term concluded on 31 December 2017)	22	22
Lord Burns (term concluded on 27 January 2016)	–	7
Mark Price (term concluded on 1 April 2016)	–	7
Monica Burch (term concluded on 30 September 2016)	–	16
Alicja Lesniak (term concluded on 30 September 2016)	–	16
Richard Rivers (term concluded on 30 September 2016)	–	16
Total	279	251

No detailed disclosure has been provided for the Non-Executive Members other than that relating to their fee, as it is the only form of remuneration they receive.

GOVERNANCE CONTINUED

Members' Remuneration Report continued

Variable pay

During the year, the Committee met to monitor performance as part of its oversight of variable pay across the business. The Committee met again in January 2018 to agree on a recommendation to the Board on variable pay once results for the year were available.

Corporate Variable Pay Scheme outline

The Corporation's business model and strategy are set out in the Strategic Report on page 103. The Corporate Variable Pay Scheme has been designed specifically to link variable pay with the business model and is based on the following areas of achievement:

- Creativity – to maintain Channel 4's reputation for originality and creativity with an emphasis on innovation, impact and creative risk-taking and achievement of the remit
- Sustainability – with the aim of growing total revenues and successfully developing new sources of revenue that can be reinvested into content

Progression against diversity objectives is also a key performance measure of the scheme. Achievement of at least the budgeted surplus or deficit before tax for the year and Ofcom licence requirements is a condition for any element of the scheme to pay out to staff. There may be circumstances where additional strategic or content investments are made in the year which means the budgeted surplus or deficit before tax is adjusted for the purpose of the Corporate Variable Pay Scheme award, as agreed by the Board. Where this is the case, the surplus or deficit before tax is measured against the adjusted budget so that the financial impact of such investments can be taken into account.

Most staff and the Executive team participate in the Corporate Variable Pay Scheme, where the amounts provided can be up to 10% of total gross salary for staff, 20% for Heads of Department and between 30% and 50% for the Executive team. These percentages represent the maximum average amount that can be provided across each employee category. Actual awards for each staff member will vary from the average to reflect their individual achievement against personal performance objectives.

Process for determining variable pay

To decide on how much variable pay should be provided each year, the Remuneration Committee reviews business performance using a monthly performance dashboard and report which tracks performance across a range of qualitative and quantitative metrics. Where relevant, performance versus competitors against the same metrics is also a key part of the Committee's deliberations. The Committee also monitors progress against the Corporate objectives set for the year and considers a report written by the Chief Executive in conjunction with others in the Executive team, describing how the Corporation has performed in relation to creativity, commercial sustainability and diversity.

The scheme is based on a mix of both qualitative and quantitative information, and a degree of judgement is required around creative performance measures. Creativity and sustainability are considered to be of broadly equal weighting because they are both equally important to the long-term success of the Corporation, but the weighting allocated to each in a given year is at the discretion of the Committee.

After due consideration of performance during the year, the Remuneration Committee makes a judgement on the overall performance for the year and proposes an amount, based on what they consider the average payout across the Corporation should be for the year. The Committee produces a narrative assessment of its evaluation which is then presented to the Board, which has the final approval of any payout. The Committee will review the Corporate Variable Pay Scheme each year to ensure it remains appropriate.

Variable pay decision for 2017

The Committee undertook a detailed review of all the information available to it, including the CEO and Executive team's 2017 Creativity, Sustainability and Diversity Report, the Corporation's performance across a wide range of performance metrics and the progress and achievement of the Corporate objectives set for the year. An extract of the performance metrics considered by the Remuneration Committee is set out on pages 173 to 174 and includes programme quality, creative achievements, viewing performance, diversity targets, financial performance, ad sales performance, VoD viewing and commercial impact performance in key demographics. The creative achievements and financial results are also outlined in detail throughout this Annual Report.

The Committee noted that the two gateways to the scheme, meeting the licence requirements and achieving the budgeted pre-tax result, had been met.

The Committee determined that 2017 had been another successful year of remit delivery as well as achievement of all diversity goals for the year. From a creative perspective, there had been major television and film awards (pages 92 to 97) including Broadcast Channel of the Year and successful programmes across every genre. *The Great British Bake Off* was launched on Channel 4 to critical acclaim and some of the largest audiences in Channel 4's history. As well as *F1* coverage continuing to attract strong audiences, Channel 4 Sport also covered the *World Para Athletics Championships* and attracted the largest ever audiences for women's football with its coverage of the UEFA Women's Euros. The Corporation maintained or increased its lead over other broadcasters compared to 2016 across a range of Statement of Media Content Policy ('SMCP') metrics (pages 62 to 89). The Committee recognises that in the pursuit of creative innovation not all endeavours will be successful; however, overall, 2017 had been another strong year of creative performance.

The Committee also determined there had been robust commercial performance in an extremely challenging advertising market which declined in 2017 and contributed to reduced Corporation revenues in 2017. Revenue was aided by Digital revenues which grew by 22% and Channel 4's digital platform, All 4, achieved viewing growth of 16% in 2017 and nearly 17 million registered viewers by the end of 2017. The Indie Growth Fund progressed with a further two investments in 2017 and also made its first two sales from the portfolio, generating capital returns above expectations. The Commercial Growth Fund also progressed, with four further investments in 2017 with the total portfolio value increasing to £21 million.

Despite the challenging market conditions, significant competitive pressures and a reduction in the total content budget, spend on originated content reached a record level in 2017 and portfolio and main channel viewing share were flat at 10.5% and 5.9% respectively (page 84), while the key 16-34-year-old and ABC1 demographics increased and held portfolio viewing share respectively.

After a careful and detailed consideration of performance for 2017, the Committee recommended that, following a strong year of creative performance and a year of robust commercial performance despite the overall decline in revenue and taking into account the challenging market conditions, staff should receive an average of 80% of their maximum opportunity under the Corporate Variable Pay Scheme.

Advertising Sales Scheme

Staff working within advertising sales have a separate Advertising Sales Scheme, linked to advertising revenue and paid bi-annually based on performance. They are not eligible for the Corporate Variable Pay Scheme, with the exception of Executive Member Jonathan Allan whose variable pay comprises a 50:50 split between the Advertising Sales Scheme and the Corporate Variable Pay Scheme.

Members' Remuneration Report continued

THE FOLLOWING PROVISIONS ON THIS PAGE MARKED WITH * ARE SUBJECT TO AUDIT

Variable pay awards to Executive Members*

The Committee made the following awards to Executive Members in respect of 2017 performance:

- David Abraham was awarded an amount of 41% of year-end salary under the Corporate Variable Pay Scheme which was pro-rated to his last day in office as CEO
- Jay Hunt was awarded an amount of 32% of year-end salary under the Corporate Variable Pay Scheme
- Dan Brooke was awarded an amount of 32% of year-end salary under the Corporate Variable Pay Scheme
- Jonathan Allan was awarded an amount of 32% of the half of his year-end salary which is subject to the Corporate Variable Pay Scheme. He also received £57,000 through the Advertising Sales Scheme
- Alex Mahon was not eligible for an award under the Corporate Variable Pay Scheme

Taxable benefits*

Executive Members are eligible for a range of taxable benefits, which can include a pension allowance and membership of a private medical insurance scheme (which is provided to all staff). With the exception of one-off legal costs paid by the Corporation on behalf of Alex Mahon in respect of her appointment in 2017, no expenses claimed by Executive Members were chargeable to UK income tax as they were incurred wholly for the purposes of the business of the Corporation.

Pension*

The Corporation has two pension schemes: a defined contribution scheme open to all staff, and a defined benefit scheme which is closed to new entrants and closed to future accrual from 31 December 2015. Further details relating to the defined benefit plan are provided in note 18 to the financial statements.

All of the Executive Members received cash payments in lieu of pension benefits in 2017.

Non-Executive Members are not eligible for membership of either pension scheme.

CEO remuneration table

The table below shows the percentage change in remuneration of David Abraham, the CEO, for the majority of 2017, and the Corporation's employees as a whole between the years 2016 and 2017:

	CEO	All staff ¹
Salary and fees	0%	0 to +2% ²
Variable pay	-24%	-34%
Total	-5%	-4%

1 All staff includes the CEO but excludes the costs of a small number of on-screen talent who are remunerated via Channel 4's payroll. This is consistent with the information in note 4 to the financial statements.

2 An award of 2% p.a. for the year beginning 1 April 2017 was made to staff earning Full Time Equivalent ('FTE') salaries of up to £40,000. An award of 1% p.a. for the year beginning 1 July 2017 was made to staff who earn FTE salaries of up to £100,000.

The Group is not presenting a table on CEO pay in comparison to Total Shareholder Return as it is a statutory corporation without shareholders and the requirements are therefore not applicable.

Payment for loss of office*

No payments were made for loss of office in 2017 to Executive Members, and at the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office to Executive Members.

Payment to past Members*

David Abraham continued to receive salary, taxable benefits and payments in lieu of pension benefits between 30 October 2017 and the end of his notice period on 31 December 2017. As outlined above, he also received a variable pay award for 2017 based on the achievement of performance. The amount of salary and variable pay disclosed in the single figure table on page 129 relates to his period of service as a Member to 30 October 2017.

Jay Hunt continued to receive salary, taxable benefits and payments in lieu of pension benefits between 30 September 2017 and the end of her notice period on 14 January 2018. As outlined above, she also received a variable pay award for 2017 based on the achievement of performance. Jay Hunt is also eligible for a variable pay award under the scheme in 2018, pro-rated to the end of her notice period. The amount of salary and variable pay disclosed in the single figure table on page 129 relates to her period of service as a Member to 30 September 2017.

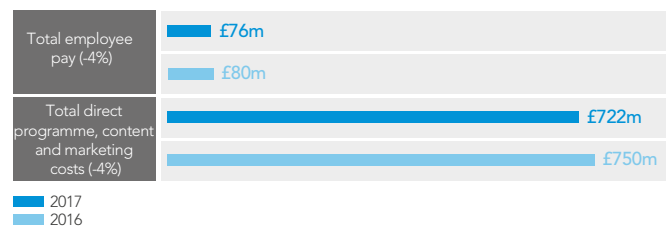
No other payments were made to past Members in 2017.

Members' service contracts

Members' service contracts are kept available for inspection at the Corporation's Head Office, 124 Horseferry Road, London SW1P 2TX.

Relative importance of spend on pay

The graph below shows the actual expenditure of the Group and the change between the current and previous years.



The Members have chosen the change in total direct programme, content and marketing costs as disclosed in note 2 to the financial statements as the comparative measure for relative spend on pay as it is considered to be the most significant indicator in understanding total Corporation expenditure year-on-year. Employee pay was approximately 11% (2016: 11%) of on-screen expenditure.

Total employee pay is detailed in note 4 to the financial statements.

By Order of the Board

STEWART PURVIS

Chair of the Remuneration Committee
28 March 2018

GOVERNANCE CONTINUED

Members' Remuneration Report continued

Remuneration policy for 2018

The remuneration of Executive Members is determined by the Remuneration Committee, the membership and terms of reference of which are detailed on page 128. In framing its remuneration policy, the Committee has given full consideration to the best practice provisions of the UK Corporate Governance Code. There have been no significant changes to the remuneration policy for 2018.

Future policy table

The following table sets out the key components of the remuneration package for Executive Members:

Component	How this supports the strategic aims of the Group	How this operates	Maximum amount payable	Performance measures
Salary	Offering competitive remuneration packages helps the Corporation attract, motivate and retain a high calibre Executive team.	Salaries are paid monthly. The Remuneration Committee discusses the performance of each Member with the Chair of the Board and with the Chief Executive for other Executive Members.	Annual salaries for the year to 31 December 2018 are approved as follows: – Alex Mahon – £569,250 from 1 April 2018 – Ian Katz – £355,000 from 8 January 2018 – Jonathan Allan – increase from £380,000 to £425,000 with effect from 1 March 2018, reflecting his increased responsibilities in relation to the Nations and Regions agenda – Dan Brooke – increase from £313,388 to £321,223 with effect from 1 April 2018 Salaries are usually reviewed annually in the first quarter of the year.	None.
Taxable benefits		The Corporation offers a range of benefits to all staff including private medical insurance. Other benefits, such as life assurance, are available through a flexible benefits scheme.	The value of private medical insurance in 2018 is expected to range from £919 to £2,297 for Executive Members.	None.
Pensions		The Corporation currently offers a defined contribution pension scheme for new staff. Certain Executive Members also receive cash payments in lieu of pension benefits.	The maximum amount contributed by the Corporation under the defined contribution scheme is 13% of pensionable salary. Alex Mahon, Jonathan Allan and Dan Brooke are not members of the defined contribution scheme and receive cash payments in lieu of pension benefits.	None.
Variable pay		All of the Executive team participate in the Corporate Variable Pay Scheme. Payout is determined annually by the Remuneration Committee shortly after the financial year end based on performance and paid in March following the year end. Jonathan Allan's variable pay comprises a 50:50 split between the Advertising Sales Scheme and the Corporate Variable Pay Scheme.	The Corporate Variable Pay Scheme will pay up to 50% of total gross salary for the Chief Executive and up to 40% for the rest of the Executive Members. The Advertising Sales Scheme is linked to advertising revenue and paid bi-annually throughout the year based on performance.	The Remuneration Committee agreed that the Corporate Variable Pay Scheme and the Advertising Sales Scheme for 2018 will remain largely unchanged from 2017. Details of the schemes are set out on page 130.

Members' Remuneration Report continued

None of the components of remuneration contain any provisions for recovery of sums paid.

There are no other differences between the Corporation's policy on the remuneration of Directors and the policy on the remuneration of other employees.

The following table sets out the key components of the remuneration package for Non-Executive Members:

Component	Purpose	Operation
Fees	The Non-Executive Members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations.	Fees are set by Ofcom, paid monthly and reviewed periodically. Annual fees for the year to 31 December 2018 are expected to be: Chair – £95,000 Deputy Chair – £29,940 Other Non-Executive Members – £22,177

Non-Executive Members are appointed by Ofcom and service contracts are subject to fixed terms of a maximum of three years. Fees for Non-Executive Members do not contain any provisions for recovery of sums paid. No other components of remuneration are available for Non-Executive Members.

Non-Executive Members are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board and other meetings in relation to fulfilling their duties.

Remuneration policy framework

The Corporation looks to attract, retain and motivate the best people in the market. To be able to do this it looks to offer a fair and competitive reward package. The Committee will seek to align the remuneration package offered to new Executive Members with the policy, which will involve determining remuneration appropriate and necessary to recruit and retain the individual. A summary of the policy is set out below:

Fixed remuneration	Base salary is benchmarked against the external market and broadly aligned to market median.
Variable remuneration	Awards under the Corporate Variable Pay Scheme are limited to 50% of base salary for the Chief Executive and 40% of base salary for other Executive Members.
Benefits	Executive Members are provided with private medical insurance, life assurance, Group income protection and health screening. All other benefits are provided on a voluntary basis. The Corporation has a standard pension contribution scale but will consider paying a cash alternative depending on individual circumstances. The Corporation will pay legal fees incurred by any new Executive Member in respect of their appointment.
Internal promotions	In the event that an internal candidate was promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements.

The Committee monitors the effectiveness of Executive Member remuneration and has regard to the impact and compatibility with remuneration policies in the wider workforce. During the year the Committee is provided with information regarding pay in the wider workforce which gives additional context for the Committee to make informed decisions. The Committee determines the overall approach for salary and variable pay for the overall workforce and similar principles are applied when considering Executive Member arrangements.

Policy on payment for loss of office

The service contracts of all the Executive Members are subject to notice periods of one year or less. The Committee's policy is to make payments in line with contractual obligations covering payment in lieu of notice including base salary and other benefits.

The Remuneration Committee will consider what compensation commitments (including pension contributions and all other elements) the Executive Members' terms of appointment would entail in the event of early termination. The aim of this is to avoid rewarding poor performance.

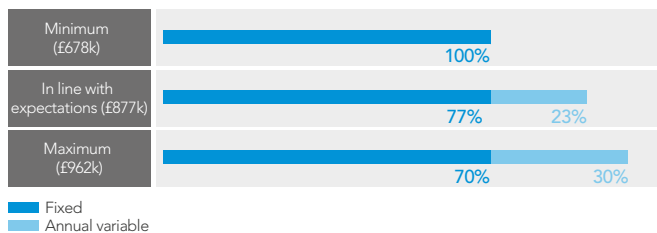
GOVERNANCE CONTINUED

Members' Remuneration Report continued

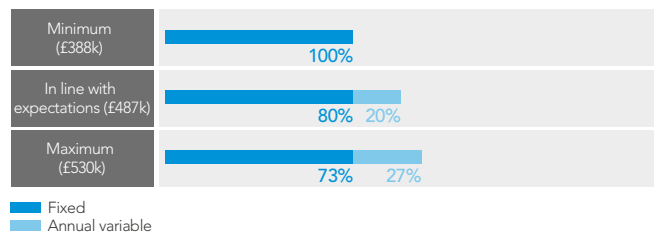
Illustration of application of remuneration policy

The graphs below represent the variations in the remuneration at different levels of performance for the 2018 remuneration policy for the Executive Members:

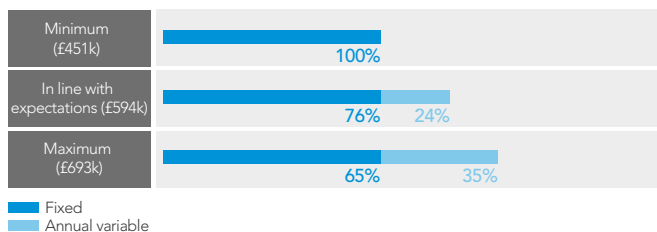
Chief Executive Officer



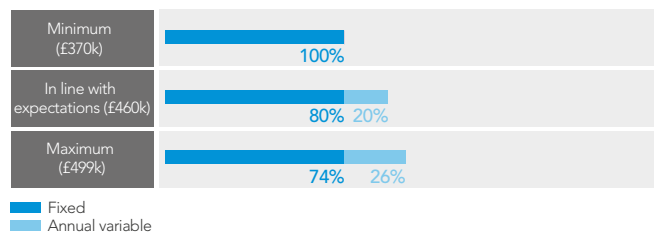
Director of Programmes



Chief Commercial Officer



Chief Marketing and Communications Officer



The variable element of total remuneration in relation to 'in line with expectations' reflects the average award under the Corporate Variable Pay Scheme over the last ten years.

Audited information

The Members' Remuneration Report (pages 128 to 134), where indicated, has been audited by the Corporation's auditor in accordance with Schedule 8 of the Companies Act 2006 as if those requirements were to apply to the Corporation.

FINANCIAL REPORT AND STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHANNEL FOUR TELEVISION CORPORATION
(THE 'CORPORATION') ONLY**Opinions and conclusions arising from our audit**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Corporation's affairs as at 31 December 2017 and of the Group's deficit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Corporation financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, with regard to the Group financial statements, as if that Act applied to the Corporation.

We have audited the financial statements of Channel Four Television Corporation (the 'Corporation') and its subsidiaries (the 'Group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Channel 4 balance sheets;
- the consolidated and Channel 4 statements of changes in equity;
- the consolidated cashflow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Corporation financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Corporation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. While the Corporation is not a public interest entity subject to European Regulation 537/2014, the Members have decided that the Corporation should follow the same requirements as if that Regulation applied to the Corporation.

Summary of our audit approach

Key audit matters – The key audit matters that we identified in the current year were:

- recognition of non-cash revenue
- amortisation of programming content

Materiality – the materiality that we used for the Group financial statements was £7 million, which was determined on the basis of 0.7% of revenue.

Scoping – we audited the Group as a single component, covering 100% net assets, revenue and profit before tax.

Conclusions relating to going concern, principal risks and viability statement**GOING CONCERN**

We have reviewed the Members' statement on page 118 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and their identification of any material uncertainties to the Group's and Corporation's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement which the Members have made as if the Corporation was required to apply Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the Members' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Members' assessment of the Group's and the Corporation's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 110 to 111 that describe the principal risks and explain how they are being managed or mitigated;
- the Members' confirmation on page 112 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Members' explanation on page 112 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Members' statement relating to the prospects of the Group which they have chosen to make as if the Corporation was required to by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

AMORTISATION OF PROGRAMMING CONTENT**Key audit matter description**

The Corporation commissions and purchases the rights to programming content and films which are held as inventory on the balance sheet. The majority of programming inventory relates to general programming content and is written off fully at the time of the first transmission. Acquired film rights and acquired series have

FINANCIAL REPORT AND STATEMENTS CONTINUED

Independent auditor's report continued

different profiles and are therefore written off over more than one transmission based on the number of runs, whilst developed film rights are written off over a profile based on revenue generation.

There is judgement required in estimating the profile over which the economic benefits from the programming assets are used by the Corporation.

A number of quantitative and qualitative factors impact upon the appropriateness of these policies, including the number of views that a programme is expected to achieve for each broadcast and qualitative factors reflecting other benefits delivered to the Corporation from content.

There is a risk, including due to fraud, that the policies are inappropriate and therefore that programme and other content expense does not accurately reflect the profile of the consumption of the inventory.

The total amount expensed through the income statement in relation to the amortisation of programming content in 2017, as disclosed in note 12 to the financial statements, was £663 million (2016: £684 million). The carrying value of programme and film rights disclosed in note 12 to the financial statements is £255 million (2016: £279 million).

Refer to page 126, where this is included as a significant matter in the Audit Committee Report, and pages 145 to 146 in the notes to the financial statements where management describe their accounting policy.

How the scope of our audit responded to the key audit matter

We assessed the design and implementation of relevant key controls relating to the determination of appropriate amortisation profiles.

For general programming content, acquired series and acquired film rights we reviewed and critically assessed management's determination of the appropriateness of their accounting policies and performed procedures to test whether the expense was incurred in line with the relevant policy. Further, we assessed the expense and amortisation profiles against industry benchmarks and identified relevant quantitative factors, including viewing trends.

For developed film rights we examined evidence to support the fact that there is historical uncertainty over film performance and no consistent revenue generation profile, in order to assess the appropriateness of management's accounting policy to amortise based on future revenue generation.

We also considered linear versus non-linear viewing profiles and relative values of linear and non-linear rights to show content to determine whether these would require separate amortisation policies.

We further assessed the relative significance of qualitative factors such as brand value in the determination of the consumption of economic benefit for each of the amortisation profiles.

Key observations

We consider the accounting policies reasonable in light of the qualitative and quantitative factors but note that the assumptions taken determining the policy are towards the conservative end of a reasonable range, since the policy results in earlier recognition of cost than suggested by other consumption profiles.

RECOGNITION OF NON-CASH REVENUE**Key audit matter description**

The Corporation earns the significant majority of its revenues from TV advertising, for which most contracts are standard and the recognition of such revenue is system-driven. There is a sub-set of contracts which have complex terms, including those which include barter arrangements in relation to the transfer of non-cash consideration in exchange for the advertising airtime provided. This typically includes consideration such as programming or equity investments.

As a result of the nature of these contracts, there is significant judgement involved in valuation of non-cash items. We therefore identified a key audit matter relating to the risk of inappropriate revenue recognition for these contracts, whether due to error or fraud.

The amount of revenue which is not settled in cash was £50 million (2016: £52 million). The Corporation's policy in relation to this is included on page 144 in the notes to the financial statements. Refer to page 126, where this is included as a significant matter in the Audit Committee Report.

How the scope of our audit responded to the key audit matter

We met with management to obtain an understanding of the process by which revenue is recognised, including straightforward system-driven revenue, and the non-cash revenue to which our key audit matter relates. As part of this process we evaluated the design and implementation of relevant key controls.

We reviewed a statistical sample of contracts to identify any unusual contract terms to determine whether these were accounted for appropriately.

We selected a sample of non-standard revenue contracts, focusing on those which in our judgement had a higher probability of error, and assessed whether accounting treatment for these contracts was in line with their terms and relevant accounting standards.

For non-cash driven revenue, we obtained and critically assessed evidence to support the fair value of the non-cash consideration received. For programming received in these barter contracts, we agreed consideration received to contracts. For equity investments received in barter deals we agreed consideration received to latest funding round information, observable market evidence such as share price, or future cashflow forecasts.

Key observations

We consider the accounting policies applied to be appropriate in relation to IAS 18. We are satisfied the valuation of non-cash consideration was appropriate and in line with fair value.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality – £7 million (2016: materiality determined by the previous auditor of £7 million)

Basis for determining materiality – we determined materiality using a benchmark of 0.7% of revenue (2016: materiality determined by the previous auditor using a benchmark of 0.7%).

Rationale for the benchmark applied – we consider the use of a benchmark of revenue, rather than profit, to be appropriate since the Corporation's aim is to achieve a long-term break-even position.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £300,000 (2016: £300,000 was agreed by the previous auditors) for the Group and the Corporation, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report continued

An overview of the scope of our audit

The Group maintains a single aggregated set of accounting records for all of its operations and we therefore audited the entire Group as a single component. For the audit of the Corporation we deconsolidated the Group financial information in order to identify the relevant Corporation-only balances and transactions.

Other information

The Members are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Members that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Members' statement of compliance with the UK Corporate Governance Code** – the parts of the Members' statement relating to the Corporation's compliance with the UK Corporate Governance Code containing provisions specified for review do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group's and the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Group or the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation's members, as a body, in accordance with section 23 of the Broadcasting Act 1990 and the terms of our engagement. Our audit work has been undertaken so that we might state to the Corporation's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed under the terms of our engagement

In our opinion the part of the Members' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Corporation a quoted company.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Members for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Members have been prepared in accordance with applicable legal requirements that would have applied were the Corporation subject to the Companies Act 2006.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Report of the Members.

Matters on which we are required to report by exception

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the terms of our engagement we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the Corporation's financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Independent auditor's report continued

MEMBERS' REMUNERATION

Under the terms of our engagement we are also required to report if, in our opinion, certain disclosures of Members' remuneration have not been made or the part of the Members' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

We were appointed with the approval of the Secretary of State for Culture, Media and Sport on 10 August 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. This is the first year of our engagement.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

**KATE J HOULDSWORTH FCA (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP**

Statutory Auditor
London, UK
28 March 2018

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 £m	2016 £m
Revenue	1	960	995
Cost of transmission and sales	2	(951)	(986)
Gross surplus		9	9
Other operating expenditure	3	(34)	(27)
Operating deficit		(25)	(18)
Net finance expense	5	(1)	–
Gain on sale of investments		8	–
Share of profit of investments accounted for using the equity method, net of income tax and amortisation	7	1	3
Deficit before tax		(17)	(15)
Income tax credit/(expense)	6	2	(3)
Deficit for the year		(15)	(18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 £m	2016 £m
Deficit for the year		(15)	(18)
Net remeasurement deficit on pension scheme	18	(25)	(2)
Revaluation of freehold land and buildings	9	1	2
Deferred tax on pension scheme	11	4	–
Gain on revaluation of investments	8	4	–
Other comprehensive cost for the year		(16)	–
Total comprehensive cost for the year		(31)	(18)

The gain on revaluation of investments will be reclassified to the income statement on disposal of the relevant assets. None of the other items in comprehensive income will be reclassified to the income statement.

FINANCIAL REPORT AND STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Retained earnings			Total equity £m
	Other retained earnings £m	Content reserve £m	Revaluation reserve £m	
At 1 January 2016	390	50	55	495
Deficit for the year	(18)	–	–	(18)
Other comprehensive (cost)/income	(2)	–	2	–
Total comprehensive (cost)/income for the year	(20)	–	2	(18)
Reserve transfer	15	(15)	–	–
At 31 December 2016	385	35	57	477
At 1 January 2017	385	35	57	477
Deficit for the year	(15)	–	–	(15)
Other comprehensive (cost)/income	(17)	–	1	(16)
Total comprehensive (cost)/income for the year	(32)	–	1	(31)
Reserve transfer	15	(15)	–	–
At 31 December 2017	368	20	58	446

We established a content reserve in 2014 to ensure surpluses generated are re-invested into our creative ambition in order to deliver on our remit. Our aim is to maintain an overall financial break-even position in the long term. We have drawn down £15 million from the content reserve in 2017, reducing it to £20 million at 31 December 2017.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

	Note	2017 £m	2016 £m
Assets			
Investments accounted for using the equity method	7	30	32
Other investments	8	21	10
Property, plant and equipment	9	106	110
Intangible assets	10	9	7
Deferred tax assets	11	19	13
Total non-current assets		185	172
Programme and film rights	12	255	279
Trade and other receivables	13	169	170
Other financial assets	14	75	83
Cash and cash equivalents	14	115	132
Total current assets		614	664
Total assets		799	836
Liabilities			
Employee benefits – pensions	18	(67)	(52)
Provisions	16	–	(1)
Total non-current liabilities		(67)	(53)
Trade and other payables	15	(282)	(306)
Provisions	16	(4)	–
Total current liabilities		(286)	(306)
Total liabilities		(353)	(359)
Net assets		446	477
Revaluation reserve		58	57
Retained earnings:			
Content reserve		20	35
Other retained earnings		368	385
Total equity		446	477

The financial statements on pages 139 to 165 were approved by the Members of the Board on 28 March 2018 and were signed on its behalf by:

CHARLES GURASSA
Chair

ALEX MAHON
Chief Executive

The notes on pages 143 to 165 form part of these financial statements.

FINANCIAL REPORT AND STATEMENTS CONTINUED

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 £m	2016 £m
Cashflow from operating activities			
Deficit for the year		(15)	(18)
<i>Adjustments for</i>			
Income tax (credit)/expense	6	(2)	3
Depreciation	9	6	6
Amortisation of intangibles	10	2	2
Net financial expense	5	1	–
Profit on sale of investments	7, 8	(8)	–
Impairment losses on investments	7, 8	2	–
Share of profit from investments accounted for using the equity method, net of income tax and amortisation	7	(1)	(3)
		(15)	(10)
Decrease/(increase) in programme and film rights	12	24	(25)
Decrease in trade and other receivables	13	1	8
(Decrease)/increase in trade and other payables	15	(24)	13
Increase/(decrease) in provisions, excluding unwinding of discounts	16	3	(1)
		(11)	(15)
Defined benefit pension contributions	18	(11)	(8)
Net cashflow from operating activities		(22)	(23)
Cashflow from investing activities			
Acquisition of investments	7, 8	(9)	(13)
Proceeds on sale of investments	7, 8	11	–
Purchase of property, plant and equipment	9	(1)	(2)
Additions to internally developed software	10	(4)	(4)
Interest received and effects of foreign exchange rates	5	–	2
Dividends received	7	–	3
Decrease in other financial assets ¹	14	8	4
Net cashflow from investing activities		5	(10)
Net decrease in cash and cash equivalents		(17)	(33)
Cash and cash equivalents at 1 January		132	165
Cash and cash equivalents at 31 December		115	132

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

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 2017 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 Company 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 28 March 2018. The registered office of Channel 4 is 124 Horseferry Road, London SW1P 2TX.

Basis of preparation

The financial statements of the Group have been prepared and approved by the Members in accordance with International Financial Reporting Standards as adopted by the European Union ('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 Digital, 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

The preparation of financial statements in accordance with IFRS requires the Group to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, the relative uncertainty means actual results may ultimately differ from those estimates.

The preparation of financial statements also requires management to make critical judgements in the application of accounting policies.

Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this represents a critical accounting estimate. Estimates and underlying assumptions are reviewed on an ongoing basis and based on historical experience and other factors including expectation of future events.

The critical accounting judgements made by management in the application of IFRS that have a significant risk of material adjustment on the financial statements are summarised as follows:

- Certain advertising revenues are recognised from barter and other similar contractual arrangements 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.
- The following aspects of our programme and film rights policy require judgement:
 - 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 future revenues from distribution when evaluating the carrying value of film rights held for exploitation

The sources of estimation uncertainty in the application of IFRS that have a significant risk of material adjustment on the financial statements are summarised as follows:

- Carrying value of The Box Plus Network Limited ('Box') – The carrying value of Box is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cashflows for the specific asset. The sources of estimation uncertainty arise in the complexity of the estimation process, including projected performance, the discount rate and long-term growth rate applied. Management have applied sensitivities in relation to reasonable possible changes in the assumptions used in the value in use calculations, as detailed in note 7.

Going concern

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

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 involvements 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.

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.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Group accounting policies continued

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.

Accounting policies

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

The following new standards became effective for the first time from 1 January 2018:

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts with customers

Neither of these standards are expected to have a significant effect on the consolidated financial statements of the Group.

In assessing the impact of IFRS 15, management has considered the accounting treatment for each of its significant revenue contracts and revenue streams. Management has concluded that the application of IFRS 15 would not have had a material impact on the financial statements for the year ending 31 December 2017.

There are no other standards that became effective 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 persuasive evidence of a sale exists, a service has been performed, and when collectability is reasonably assured. Each of the Group's significant revenues are recognised as described below:

ADVERTISING AND SPONSORSHIP REVENUES

Revenues are stated net of advertising agency commissions and rebates.

Television advertising revenue 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.

Commission revenue earned from advertising representation for third parties, including The Box Plus Network Limited, is recognised on transmission of the related advertisements in line with contractual arrangements. As the Group acts as an agent for these parties, and does not have exposure to the significant risks and rewards of the sale, the 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.

OTHER REVENUES

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

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

Revenues generated from the exploitation of programme rights are recognised when the rights are transferred to the customer.

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

Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments'. Segments are aggregated only where the nature of the products and services provided are similar and where the segments have similar economic characteristics.

The chief operating decision-maker has been identified as the Channel 4 Board.

Taxation

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

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

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

The following temporary timing differences are not provided for: the initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and 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. Equity investments are normally carried at fair value in accordance with IFRS 13 'Fair Value Measurement'. Where an active market value is not available or when it is not possible to measure fair value, the investment is recorded at cost less provision for impairment. The Members believe that this valuation reflects a reasonable approximation of fair value.

Property, plant and equipment

Freehold land and buildings are stated at open market valuation (fair value) and are revalued at 31 December each year. Directions from the Secretary of State for Digital, 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.

Group accounting policies continued

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

Goodwill 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 is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested annually for impairment.

Impairment

An impairment charge is recognised if the carrying value of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment charges are recognised in the income statement.

The carrying values of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable

amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cashflows for the specific asset, or if the asset does not generate independent cashflows, the discounted future net cashflows for the cash-generating unit to which it belongs.

Estimates are used in deriving these cashflows 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 the direct cost incurred up to the balance sheet date and value to the Group. Development expenditure is included in programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme, or a 'green-lit' film, directly to the income statement.

PROGRAMME AND ACQUIRED FILM RIGHTS

Direct cost

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

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 17).

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 recognised to reflect the unavoidable costs in relation to the remaining commitment.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Group accounting policies continued

Amortisation

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

DEVELOPED FILM RIGHTS**Direct cost**

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

Rights are recorded on the balance sheet when 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 receivables are reflected net of an estimated impairment for doubtful accounts. The fair value of trade and other receivables equals its book value. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are estimated as the present value of future cashflows discounted at the market rate of interest at the reporting date.

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

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

All other leases are treated as operating leases. The rental costs arising from operating leases are charged to the income statement in the year in which they are incurred even where payments are not made on such a basis.

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 cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segment reporting

The reportable segments are shown in accordance with IFRS 8 'Operating Segments'. Summaries of the principal activities, products and services and financial performance for each segment are provided within the Strategic Report on pages 106 to 107.

Segment results, assets and liabilities include items directly attributable to a segment, along with certain costs which are allocated on an equitable basis in accordance with the Group's cost allocation policies. All costs and revenues are fully allocated across the segments.

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

Gross revenues from transactions with one individual external customer comprised more than 9% of the Group's revenues in 2017, amounting to £142 million (2016: one external customer amounting to £169 million). The Group's major customers are all media buying agencies and these revenues are attributable to the 4Broadcast segment. Approximately 2% of the Group's revenues (2016: 3%) are attributable to external customers outside the UK and these are therefore not separately presented.

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

Year ended 31 December 2017	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Programme and other content	(686)	-	-	-	(686)
Funded by:					
Advertising and sponsorship revenue	832	65	-	-	897
Other revenue	23	40	-	-	63
Total revenue	855	105	-	-	960
Operating (deficit)/surplus	(91)	67	(1)	-	(25)
Net finance expense					(1)
Gain on disposal of investments					8
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					1
Deficit before tax					(17)

Programme and other content is comprised of investment into content across all services (the main channel, digital TV channels and digital media services) of £675 million (2016: £695 million), access services (subtitling, audio description and signing) and amounts due to collection societies. Programme and content spend is typically funded by television advertising and other commercial operations but can also be funded by the content reserve in years when a deficit arises following creative investment.

Balance sheet as at 31 December 2017	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Segment assets	848	284	34	(367)	799
Segment liabilities	(631)	(17)	(72)	367	(353)
Net assets/(liabilities)	217	267	(38)	-	446

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

1. Segment reporting continued

Year ended 31 December 2016	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Programme and other content	(706)	–	–	–	(706)
Funded by:					
Advertising and sponsorship revenue	890	48	–	–	938
Other revenue	22	34	1	–	57
Total revenue	912	82	1	–	995
Operating (deficit)/surplus	(60)	42	–	–	(18)
Net finance expense					–
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					3
Deficit before tax					(15)
Balance sheet as at 31 December 2016	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Total £m
Segment assets	896	224	29	(313)	836
Segment liabilities	(572)	(24)	(76)	313	(359)
Net assets/(liabilities)	324	200	(47)	–	477

2. Cost of transmission and sales

2017	Programme and other content £m	Indirect programme costs £m	Transmitter and regulatory costs £m	Cost of sales £m	Cost of marketing £m	Total £m
4Broadcast	686	46	93	53	35	913
4Rights	–	17	4	16	1	38
Other	–	–	–	–	–	–
Continuing operations	686	63	97	69	36	951
2016	Programme and other content £m	Indirect programme costs £m	Transmitter and regulatory costs £m	Cost of sales £m	Cost of marketing £m	Total £m
4Broadcast	706	46	90	61	43	946
4Rights	–	16	4	18	1	39
Other	–	–	–	1	–	1
Continuing operations	706	62	94	80	44	986

Notes to the consolidated financial statements continued

3. Other operating expenditure

Other operating expenditure includes:	2017 £m	2016 £m
Depreciation of property, plant and equipment (note 9)	6	6
Amortisation of intangible assets (note 10)	2	2
Restructuring costs	1	1
Increase in onerous lease provision (note 16)	2	–
Release of unused property accrual	–	(5)
Operating lease rentals	2	2
Other administrative expenses	21	21
Other operating expenditure	34	27

Auditor's remuneration

Fees in respect of services provided by the auditor were:	2017 £000	2016 £000
Audit of these financial statements	155	150
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	20	20
Audit-related assurance services	34	42
Other assurance services	25	–
Total audit and assurance	234	212
Total other services	169	184
Auditor's remuneration	403	396

During 2017 Deloitte LLP were appointed as auditor for the audit of the financial statements for the year ending 31 December 2017. The comparative figures in the table above for the year ending 31 December 2016 represent fees in respect of services provided by the Corporation's previous auditor, KPMG LLP.

Other assurance services in 2017 relate to assurance provided by Deloitte LLP over the Corporation's gender pay methodology, and disclosures in its 'Channel 4 Gender Pay Report' publication in March 2018.

Other services in 2017 relate to certain permitted advisory services provided by Deloitte LLP.

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:

	2017 £m	2016 £m
Aggregate gross salaries	65	69
Employer's National Insurance contributions	7	7
Employer's defined contribution pension contributions	4	4
Total direct costs of employment	76	80

In addition to the above, in 2017 £1 million of costs were expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the Group (2016: £1 million).

The Executive Members are considered to be the key management of the Corporation. As disclosed in the Members' Remuneration Report on page 129, the total remuneration of the Executive and Non-Executive Members for the year ending 31 December 2017 is £2,770,000 (2016: £2,939,000).

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

4. Employee expenses and information continued

The salary multiple of highest paid to median employee was as follows:

	2017 £000	2016 £000
Total remuneration of highest paid Executive Member ¹ (page 129)	907	957
Total remuneration of median employee	57	59
Multiple of highest paid to median employee	15.9	16.2

¹ Total remuneration of £907,000 includes salary and benefits received by David Abraham from the end of his term as CEO to the end of his notice period and is therefore different from the remuneration disclosed in the table in the Remuneration Report on page 129.

Total remuneration is defined as base salary, variable pay, employer pension contribution and other benefits.

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

	2017 Number	2016 Number
4Broadcast		
Commercial	247	239
Creative	260	258
Operational	298	296
4Talent	22	17
	827	810
4Rights	31	32
Group total	858	842

The headcount calculation has been revised in 2017 to reflect the actual proportion of hours worked in a week for each individual employee. Prior to 2017 the average number of employees was computed on a Full Time Equivalent basis where any individual working less than 37 hours a week was classified as 0.5 of a full head. Under this methodology the average number of employees in 2017 would have been 827 (2016: 814).

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 expense

Net finance expense recognised in the year comprised:

	2017 £m	2016 £m
Interest receivable on short-term deposits	1	1
Foreign exchange (loss)/gain on forward contracts	(1)	1
Net interest expense on pension scheme (note 18)	(1)	(2)
Net finance expense	(1)	–

Notes to the consolidated financial statements continued

6. Income tax expense

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

	2017 £m	2016 £m
Current tax:		
Current year	–	–
Deferred tax: origination and reversal of temporary differences (note 11)		
Current year	(2)	3
Prior year	–	–
Total income tax (credit)/expense	(2)	3

Corporation tax is charged at the standard UK rate of 19.25% for the year (2016: 20.0%).

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Corporation's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

Reconciliation of income tax:

	2017 Rate	2017 £m	2016 Rate	2016 £m
Deficit before income tax		(17)		(15)
Income tax using the domestic corporation tax rate	19.25%	(3)	20.00%	(3)
Effects of:				
Non-deductible expenses		1		1
Non-taxable gains		(2)		(1)
Deferred tax not recognised		2		5
Other tax adjustments		–		1
Total income tax (credit)/expense		(2)		3

The income tax expense excludes the Group's share of income tax of investments accounted for using the equity method of £nil (2016: £1 million) 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:

	Box £m	Indie Growth Fund £m	Total £m
Carrying value at 1 January 2016	22	7	29
Acquisitions	–	3	3
Share of post-acquisition profits, net of income tax	2	1	3
Share of dividends received	(3)	–	(3)
Total carrying value at 31 December 2016	21	11	32
Carrying value at 1 January 2017	21	11	32
Acquisitions	–	1	1
Share of post-acquisition profits, net of income tax	–	1	1
Disposals	–	(3)	(3)
Impairment loss	–	(1)	(1)
Total carrying value at 31 December 2017	21	9	30

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

7. Investments accounted for using the equity method continued

THE BOX PLUS NETWORK LIMITED

The Box Plus Network Limited ('Box'), incorporated and operating in the United Kingdom, broadcasts a number of music television channels on free-to-air and pay platforms. Box is accounted for as a joint venture and the investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box. Box's principal place of business is 124 Horseferry Road, London SW1P 2TX.

Annual impairment tests on Box's goodwill and intangible assets are based on their recoverable amounts determined from their value in use. An impairment review was carried out by estimating the future expected cashflows for Box using a pre-tax discount rate of 12% (2016: 12%), reflecting the Group's estimated cost of capital for commercial television and comprising a risk-free rate and an equity risk premium. Cashflows were based on management's best estimate of future performance to 2022, reflecting management's cautious view of the long-term potential in music viewing in commercial television. The present value of the cashflows accruing to the Group was compared with the carrying value of the investment held on the balance sheet. No impairment was required as a result. Management has approved the forecast on which the cashflow analysis has been based.

Any of the following reasonably possible changes in assumptions while holding all other assumptions constant would cause the recoverable amount of Box to equal its carrying value:

- Reduction in the terminal growth rate from the 2.0% assumption applied to a revised assumption of -0.25%
- An increase in the discount rate from the 12.0% assumption to a revised assumption of 13.5%
- Shortfalls in trading performance against forecast resulting in operating cashflows decreasing by 17% each year

There are no contingent liabilities and no capital commitments in respect of Box to be included within the Group's financial statements. During 2017, Channel 4 did not receive a dividend (2016: dividend of £3 million) from Box. Channel 4 also sold £6 million (2016: £7 million) of services to Box including commissions earned on advertising sales and made payments on Box's behalf for other services including transmission, programme costs, brand royalties, marketing, facilities management, information systems, finance and other administrative support and pensions. Box owed Channel 4 £nil at 31 December 2017 (2016: £nil) in respect of these services.

SUMMARY ANNUAL FINANCIAL INFORMATION OF INVESTMENT IN BOX

	Current assets £m	Non-current assets £m	Current liabilities £m	Long-term liabilities £m	Revenue £m	Profit from continuing operations £m
2017	9	1	(4)	-	30	1
2016	12	1	(6)	-	37	7

THE INDIE GROWTH FUND

The Indie Growth Fund seeks to invest up to £20 million in a broad portfolio of television and digital companies. In 2017, Channel 4 invested £1 million (2016: £3 million) in the Indie Growth Fund to acquire minority shareholdings in a further two companies (2016: two). A further £1 million is committed for subsequent equity subscriptions in these companies at 31 December 2017. Channel 4 has committed a total of £16 million of the fund to date.

During 2017, Channel 4 sold its stakes in True North Productions Limited and Renowned Films Limited recognising a total gain on disposal of £3 million.

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.

Annual impairment tests on the Indie Growth Fund investments are based on their recoverable amounts determined from their value in use. An impairment review was carried out by estimating the future expected cashflows for investments using a pre-tax discount rate of 11.5% (2016: 11.5%), reflecting the Group's estimated cost of capital for the Indie Growth Fund investment portfolio and comprising a risk-free rate and an equity risk premium.

Cashflows were based on management's best estimate of future performance to 2022. The present value of the cashflows accruing to the Group was compared with the carrying value of the investment held on the balance sheet. An impairment loss of £1 million (2016: £nil) was recognised as a result.

Management believes that there are currently no likely changes in cashflows or discount rate which would reduce the value in use for Indie Growth Fund investments down to a level where any further impairment would arise.

Notes to the consolidated financial statements continued

7. Investments accounted for using the equity method continued

Of the £663 million (2016: £684 million) total of programme rights recognised as expenses in 2017 (note 12), Channel 4 commissioned £25 million (2016: £23 million) of content from Indie Growth Fund companies which includes commissions sanctioned both pre and post acquisition. Channel 4 owed the Indie Growth Fund companies £nil in respect of these transactions at 31 December 2017 (2016: £nil).

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

Company	Activity	Registered address and country of incorporation	Proportion of equity owned at 31 December	
			2017	2016
Arrow International Media Limited	TV programme production activities	17-18 Margaret Street, London, W1W 8RP	18.0%	18.0%
Barcroft Holdings Limited	TV programme production activities	Regina House, 124 Finchley Road, London, NW3 5JS	8.5%	7.5%
Dial Square 86 Limited	TV programme production activities	Somerset House, Strand, London, WC2R 1LA	6.0%	8.0%
Eleven Film Limited	TV programme production activities	25-26 Poland Street, London, W1F 8QN	20.0%	20.0%
Lightbox Media Limited	TV programme production activities	Regina House, 124 Finchley Road, London, NW3 5JS	22.0%	22.0%
Popkorn Media Limited	TV programme production activities	C/O Williams & Co., 8/10 South Street, Epsom, Surrey, KT18 7PF	25.0%	25.0%
Renowned Films Limited	TV programme production activities	39 Long Acre, Covent Garden, London, England, WC2E 9LG	–	25.0%
Spelthorne Community Television Limited	TV programme production activities	2nd Floor, 63-64 Margaret Street, London, W1W 8SW	21.1%	21.1%
True North Productions Limited	TV programme production activities	Grant Way, Isleworth, Middlesex, United Kingdom	–	25.0%
Voltage TV Productions Limited	TV programme production activities	5 Elstree Gate, Borehamwood, Herts, WD6 1JD	15.0%	15.0%
Whisper Films Limited	Motion picture production activities	Unit B South Avenue Studios, 7 South Avenue, Richmond, Surrey, England, TW9 3EL	25.0%	25.0%
Parable Ventures Limited	TBC	64 New Cavendish Street, London, W1G 8TB	11.0%	–
Firecrest Films Limited	TV programme production activities	Fairfield, 1048 Govan Road, Glasgow, Scotland, G51 4XS	13.3%	–

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

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	Profit/(loss) from continuing operations £m
2017	21	2	(11)	(1)	65	–
2016	23	4	(9)	(1)	73	–

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

8. Other investments

THE COMMERCIAL GROWTH FUND

	Total £m
Carrying value at 1 January 2016	–
Acquisitions	10
Total carrying value at 31 December 2016	10
Carrying value at 1 January 2017	10
Acquisitions	8
Fair value gain	4
Impairment loss	(1)
Total carrying value at 31 December 2017	21

During 2015, Channel 4 launched the Commercial Growth Fund, a fund with the aim of attracting new advertisers to TV and stimulating existing sectors where the Corporation exchanges advertising airtime in return for equity shareholdings or convertible loan instruments. During 2017, the Corporation invested £8 million (2016: £10 million) in a broad range of companies for a combination of equity and convertible loan notes.

The Commercial Growth Fund investments are recorded at fair value. Fair value has been assessed against quoted prices in active markets where available or against other observable inputs. A gain of £4 million (2016: £nil) has been recognised in other comprehensive income in respect of this in 2017.

There were no other transactions with the Commercial Growth Fund companies in 2017 (2016: none).

Annual impairment tests on the Commercial Growth Fund investments are based on their recoverable amounts determined from their value in use. Management has reviewed the carrying value of the Commercial Growth Fund as at 31 December 2017 and as a result an impairment loss of £1 million (2016: £nil) was recognised in the portfolio.

OTHER INVESTMENTS

During 2017, Channel 4 sold its stake in MyBuilder Limited, a company held at £nil carrying value, and recognised a gain on disposal of £5 million. Channel 4's equity shareholding in MyBuilder Limited included an element acquired in exchange for providing advertising airtime.

Notes to the consolidated financial statements continued

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 2016	96	108	–	204
Additions	–	1	1	2
Revaluation	1	–	–	1
At 31 December 2016	97	109	1	207
At 1 January 2017	97	109	1	207
Additions	–	1	–	1
Transfers	1	–	(1)	–
Revaluation	(1)	–	–	(1)
Disposals	–	(2)	–	(2)
At 31 December 2017	97	108	–	205
Depreciation				
At 1 January 2016	–	92	–	92
Charge for the year	1	5	–	6
Revaluation	(1)	–	–	(1)
At 31 December 2016	–	97	–	97
At 1 January 2017	–	97	–	97
Charge for the year	2	4	–	6
Revaluation	(2)	–	–	(2)
Disposals	–	(2)	–	(2)
At 31 December 2017	–	99	–	99
Net book value				
At 1 January 2017	97	12	1	110
At 31 December 2017	97	9	–	106
At 1 January 2016	96	16	–	112
At 31 December 2016	97	12	1	110

There is no commitment to purchase property, plant and equipment at the balance sheet date (2016: £1 million). There are no material assets held under finance leases at the balance sheet date (2016: none). No assets have been pledged for security (2016: none).

VALUATION OF FREEHOLD PROPERTY

The freehold property at 124 Horseferry Road, London SW1P 2TX was valued at 31 December 2017 by independent valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. BNP Paribas Real Estate have 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.

The open market value for this property was £97 million (2016: £97 million). After depreciation charged on the open market value at 31 December 2017 (£2 million), a gain on revaluation of £1 million has been recognised in the statement of other comprehensive income.

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

	2017 £m	2016 £m
Cost	62	62
Additions	1	–
Accumulated depreciation	(23)	(21)
Impairment	(6)	(6)
Net book value based on cost	34	35

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

10. Intangible assets

	Goodwill £m	Developed software £m	Broadcasting licence £m	Software under construction £m	Total £m
Cost					
At 1 January 2016	2	25	5	–	32
Additions	–	1	–	3	4
At 31 December 2016	2	26	5	3	36
At 1 January 2017	2	26	5	3	36
Additions	–	–	–	4	4
At 31 December 2017	2	26	5	7	40
Amortisation					
At 1 January 2016	–	22	5	–	27
Amortisation for the year	–	2	–	–	2
At 31 December 2016	–	24	5	–	29
At 1 January 2017	–	24	5	–	29
Amortisation for the year	–	2	–	–	2
At 31 December 2017	–	26	5	–	31
Carrying amount					
At 1 January 2017	2	2	–	3	7
At 31 December 2017	2	–	–	7	9
At 1 January 2016	2	3	–	–	5
At 31 December 2016	2	2	–	3	7

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.

Notes to the consolidated financial statements continued

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 17% (2016: 17%) reflecting the corporation tax rate substantially enacted as at 31 December 2017.

	Assets 2017 £m	Assets 2016 £m	Liabilities 2017 £m	Liabilities 2016 £m	Net 2017 £m	Net 2016 £m
Property, plant and equipment	2	2	–	–	2	2
Employee benefits	11	9	–	–	11	9
Trading losses	6	2	–	–	6	2
Group deferred tax assets	19	13	–	–	19	13

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of:

	2017 £m	2016 £m
Carried forward capital losses	1	1
Carried forward trading losses	7	5
Tax assets	8	6

Unrecognised deferred tax assets include losses carried forward that the Group is not yet able to utilise. A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised (either now or in later accounting periods).

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR

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

	Balance at 1 Jan 2017 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 Dec 2017 £m
Property, plant and equipment	2	–	–	2
Employee benefits	9	(2)	4	11
Trading losses	2	4	–	6
Group deferred tax assets	13	2	4	19

	Balance at 1 Jan 2016 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 Dec 2016 £m
Property, plant and equipment	2	–	–	2
Employee benefits	10	(1)	–	9
Trading losses	3	(1)	–	2
Other short-term timing differences	1	(1)	–	–
Group deferred tax assets	16	(3)	–	13

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

12. Programme and film rights

	2017 £m	2016 £m
Programmes and films completed but not transmitted	114	94
Acquired programme and film rights	64	65
Programmes and films in the course of production	77	120
Total programme and film rights	255	279

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 17%.

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 (2016: £684 million). Of this amount, obsolete programmes and developments written off totalled £28 million (2016: £30 million).

Programme and film rights include £39 million (2016: £30 million) in respect of developed film rights.

13. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	138	141
Prepayments and accrued income	31	29
Total trade and other receivables	169	170

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 (2016: £nil) recognised in the current year in relation to outstanding balances from customers.

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 to an Executive Committee chaired by the Group Financial Controller. Based on credit evaluation and discussions with both the Committee and insurers, customers may be required to provide security in order to trade with the Group.

The Group may establish an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as advertising agencies must settle their debts before advertising transmissions are broadcast.

(ii) Counterparty

See interest rate risk and exposure in note 14.

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 £138 million for the Group (2016: £141 million), with £75 million of other financial assets (2016: £83 million), and cash and cash equivalents of £115 million (2016: £132 million). The exposure to credit risk all arises in the UK.

Trade receivables of £138 million for the Group (2016: £141 million) were aged under six months and were not yet due under standard credit terms at the balance sheet date. £131 million of the receivables were insured at the balance sheet date (2016: £129 million) and £138 million (2016: £141 million) has been subsequently collected by the Group since the balance sheet date.

Notes to the consolidated financial statements continued

14. Treasury

	2017 £m	2016 £m
Bank balances	42	25
Money market funds ¹	73	97
Money market deposits maturing in less than three months	–	10
Cash and cash equivalents	115	132
Money market deposits maturing after three months	–	10
Investment funds	75	73
Other financial assets	75	83

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

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

CASHFLOW INFORMATION

	2017 £m	2016 £m
Cash and cash equivalents at 1 January	132	165
Other financial assets at 1 January	83	87
Total cash and cash equivalents and other financial assets at 1 January	215	252
Net cashflow from operating activities	(22)	(23)
Net cashflow from investing activities	(3)	(14)
Total cashflow	(25)	(37)
Cash and cash equivalents at 31 December	115	132
Other financial assets at 31 December	75	83
Total cash and cash equivalents and other financial assets at 31 December	190	215

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 and Poor's, and Moody's credit rating services with government support, or with money market funds that have an AAA credit rating from either of these credit rating services.

It is estimated that if interest rates had been 0.5% points lower/higher throughout the year, with all other variables held constant, the Group's deficit before tax would have been £1 million lower/higher (2016: £1 million).

At the balance sheet date the Group had no debt and was not exposed to fluctuations in interest rates. However, as noted on pages 103 and 112, in 2018 the Group has entered into a revolving credit facility ('RCF'). The RCF is for a five-year term until March 2023 and provides £75 million of additional liquidity. The facility is unsecured and is committed with a single tangible net worth covenant.

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

14. Treasury continued

The interest rate profile of the Group's cash and deposits at 31 December 2017 and 31 December 2016 is set out below:

	Effective interest rate 2017 %	Effective interest rate 2016 %	Total 2017 £m	Total 2016 £m
Interest-bearing deposits maturing in less than three months held in Sterling	0.2	0.3	105	122
Interest-bearing deposits maturing in less than three months held in foreign currencies	1.3	0.5	10	10
Total cash and cash equivalents	0.3	0.3	115	132
Money market deposits maturing after three months held in Sterling	–	0.4	–	10
Investment funds	0.6	0.9	75	73
Other financial assets	0.6	0.8	75	83

FOREIGN CURRENCY RISK AND DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group does not have any material 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 2017, the total value of forward contracts used as economic hedges of monetary liabilities was £10 million (2016: £7 million). At 31 December 2017, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £nil (2016: £1 million) has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2017. The forward contracts have been assessed as level 2 in the fair value hierarchy under IAS 13 and assessed against observable market inputs.

The settlement profile of the forward contracts at 31 December 2017 and 31 December 2016 is set out below:

	2017 Maturity within 12 months of balance sheet date No	2016 Maturity within 12 months of balance sheet date No	2017 Maturity more than 12 months after balance sheet date No	2016 Maturity more than 12 months after balance sheet date No	2017 Total No	2016 Total No
Forward contracts to purchase Euros	17	10	1	1	18	11
Forward contracts to purchase US Dollars	2	1	–	–	2	1
Total forward contracts with fixed maturity dates	19	11	1	1	20	12

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 £2 million lower/higher (2016: £2 million).

MARKET RISK

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

The Board is responsible for approving the treasury policy for the Group. The Group's policy is to ensure that adequate liquidity and financial resource is available to support the Group's continuing activities and growth while managing 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 in to the Group Finance Director. Its primary activities are to manage the Group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates within the parameters of the approved treasury policy.

Notes to the consolidated financial statements continued

15. Trade and other payables

	2017 £m	2016 £m
Trade payables	6	12
Taxation and social security	1	1
Other creditors	58	62
Accruals and deferred income	187	218
VAT	30	13
Total trade and other payables	282	306

There is no difference between the fair value and book value of trade and other payables. The contractual cashflows are equal to the carrying amount and are payable within six months or less at 31 December 2017 and 2016.

The Group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 45 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Group Finance Director, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services in 2017, as calculated using average payable balances, was five (2016: six). This is significantly lower than the Group's standard payment terms due to the payment arrangements required for certain programme and transmission costs.

LIQUIDITY RISK

Liquidity risk is the risk that the Group fails to meet its financial obligations as they fall due. The management of operational liquidity risk aims primarily to ensure that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. The cash balances held by the Group and, from March 2018, the £75 million revolving credit facility, are considered to be sufficient to support the Group's medium-term funding requirements.

16. Provisions

	Onerous lease/ dilapidations £m	Restructuring costs £m	Total £m
At 1 January 2016	1	1	2
Released in the year	–	(1)	(1)
At 31 December 2016	1	–	1
At 1 January 2017	1	–	1
Charged to the income statement	2	1	3
At 31 December 2017	3	1	4

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

	2017 £m	2016 £m
Current	4	–
Non-current	–	1
Total	4	1

ONEROUS LEASE AND DILAPIDATIONS PROVISION

In 2016, the provision as at the balance sheet date represented the discounted dilapidations cost when a property rental agreement held by the Corporation expires in 2020. During 2017, an agreement was reached to exit the property ahead of the property rental agreement expiration. The provision at the balance sheet date represents the discounted net cashflows of the contractual commitments in respect of this that will be settled in 2018.

CONTINGENT LIABILITIES

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

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

17. Commitments

	Due within 1 year £m	Due within 2–5 years £m	Due after 5 years £m	Total £m
2017				
Programme commitments	438	408	16	862
Operating leases	1	–	–	1
Property, plant and equipment	–	–	–	–
Total	439	408	16	863
2016				
Programme commitments	390	295	–	685
Operating leases	2	4	–	6
Property, plant and equipment	1	–	–	1
Total	393	299	–	692

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 £23 million in 2017 (2016: £22 million) and is forecast to be £23 million in 2018. Digital 3 and 4 Limited has entered into long-term distribution contracts that expire in 2022 and 2034 and the Group is committed to funding its contractual share.

The Group is committed to paying capacity costs for transmission on the digital terrestrial and satellite network. Committed payments for digital terrestrial transmission capacity costs amounted to £25 million in 2017 (2016: £24 million) and are forecast to be £25 million in 2018. The digital terrestrial transmission contracts expire between 2018 and 2031. Committed payments for satellite transmission capacity costs were £16 million in 2017 (2016: £16 million) and are forecast to be £15 million in 2018. The satellite transmission contracts expire between 2018 and 2024.

The Group has commitments for equity subscriptions for minority shareholdings in companies in the Indie Growth Fund due within one year as disclosed in note 7.

18. Employee benefits – pensions

During 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 164 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.

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

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, 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 undertook a comprehensive strategy review in 2015. The result of the 2015 review was that the Plan should have a diversified mix of UK and global equities and bonds. It was also decided that a part of the Plan's assets would be invested in a multi-asset portfolio with an absolute return focus, and that part of the Plan's bond assets would be invested in a dynamic liability driven ('LDI') portfolio, so that the Plan's assets better match its liabilities under movements in long-term interest rates and inflation assumptions.

The latest investment strategy discussions in 2017 focused on alternative growth investments and potential insurance solutions. During 2017 a portion of the Plan's assets was invested in infrastructure funds, funded from within the Plan's multi-asset absolute return portfolio.

The Trustees regularly seek advice from their investment adviser about the benchmark allocation and consider the impact of further opportunities to enhance the current investment strategy, taking into account market conditions and anticipated future cashflows.

AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

	2017 £m	2016 £m
Present value of funded obligations	(506)	(476)
Fair value of Plan assets	439	424
Recognised liability for defined benefit obligations	(67)	(52)

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

	2017 £m	2016 £m
Fair value of scheme assets at 1 January	424	332
Interest income on Plan assets	12	12
Return on Plan assets (excluding amounts in interest income)	21	82
Employer contributions net of charges	11	8
Benefits paid	(29)	(10)
Fair value of scheme assets at 31 December	439	424

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

	2017 £m	2016 £m
UK equity	9	8
Overseas and emerging markets equity	75	100
Total equity securities	84	108
Corporate bonds	60	59
Infrastructure	21	–
Total debt securities	81	59
Multi-asset absolute return	67	81
Liability driven investments	181	155
Total investment funds	248	236
Cash and cash equivalents	26	21
Fair value of scheme assets at 31 December	439	424

The Plan assets do not include any directly or indirectly owned financial instruments issued by the Corporation.

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

FINANCIAL REPORT AND STATEMENTS CONTINUED

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

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

	2017 £m	2016 £m
Present value of scheme liabilities at 1 January	476	388
Interest expense on pension scheme liabilities	13	14
Remeasurement deficit on plan liabilities arising from changes in demographic assumptions	19	6
Remeasurement deficit on plan liabilities arising from changes in financial assumptions	22	90
Experience remeasurement	5	(12)
Benefits paid	(29)	(10)
Present value of scheme liabilities at 31 December	506	476

Expenses recognised in the income statement arose as follows:

	2017 £m	2016 £m
Net interest expense	1	2
Net charge to income statement	1	2

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

	2017 £m	2016 £m
Remeasurement deficit on plan liabilities	(46)	(84)
Remeasurement gain on plan assets (excluding amounts in interest income)	21	82
Net remeasurement deficit on pension scheme	(25)	(2)

The cumulative amount of net remeasurement deficits/gains recognised in the statement of changes in equity since transition to IFRS is £114 million (2016: £89 million).

PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE BALANCE SHEET DATE

	2017 %	2016 %
Discount rate	2.50	2.75
Rate of increase in salaries	2.70	2.75
Rate of increase in pensions	3.10	3.15
Inflation	3.20	3.25
	2017 years	2016 years
Life expectancy from 65 (now aged 45) – male	23.8	23.7
Life expectancy from 65 (now aged 45) – female	26.3	26.2
Life expectancy from 65 (now aged 65) – male	23.1	23.1
Life expectancy from 65 (now aged 65) – female	24.8	24.7

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 at 31 December 2017:

	Revised present value of scheme liabilities £m
0.5% decrease in discount rate	566
1 year increase in life expectancy	526
0.5% increase in salary assumptions	511
0.5% increase in inflation (and inflation-linked) assumptions	556

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

Notes to the consolidated financial statements continued

18. Employee benefits – pensions continued

FUNDING ARRANGEMENTS

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 2015. The results of the valuation at 31 December 2015 showed that the scheme's assets represented 74% of the benefits that had accrued to Members, reflecting a deficit of £115 million. The next triennial valuation will be carried out as at 31 December 2018.

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 £10.5 million in 2017 and £11 million from 2018.

The weighted average duration of the Plan's defined benefit obligation is approximately 21 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.'

19. Related party transactions

MEMBERS

Details of transactions in which Members have an interest are disclosed in the Report of the Members (page 118).

Details of Members' remuneration are shown in the Members' Remuneration Report (page 129).

JOINT VENTURES AND ASSOCIATES

Details of transactions between the Group and its joint ventures and associates 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	
				2017 £m	2016 £m	2017 £m	2016 £m
Broadcasters' Audience Research Board Limited	Research	*	–	–	–	1	1
Clearcast Limited	Regulator	Ordinary, deferred	25.0%	–	–	1	1
Digital 3 and 4 Limited	Operator	'A' Ordinary	50.0%	2	1	23	22
DTV Services Limited	Marketing	Ordinary	20.0%	7	8	5	6
Digital UK	Marketing	*	–	–	–	1	1
Thinkbox Limited	Marketing	Ordinary	20.0%	1	1	2	2
YouView Limited	Platform	Voting, non-voting	14.3%	–	–	1	1

There are no trade receivable or trade payable balances with any of the related parties listed above at 31 December 2016 and 2017. No dividends were received in 2017 (2016: £nil) from any of the related parties listed above.

ADDITIONAL INFORMATION

CHANNEL 4 BALANCE SHEET
AS AT 31 DECEMBER

	Group note	Channel 4 note	2017 £m	2016 £m
Assets				
Property, plant and equipment	9		106	110
Intangible assets		2	7	5
Investments in subsidiaries and joint ventures		3	28	28
Deferred tax assets	11		19	13
Total non-current assets			160	156
Programme and film rights		4	250	277
Trade and other receivables		5	167	170
Other financial assets	14		75	83
Cash and cash equivalents	14		115	132
Total current assets			607	662
Total assets			767	818
Liabilities				
Employee benefits – pensions	18		(67)	(52)
Provisions	16		–	(1)
Total non-current liabilities			(67)	(53)
Trade and other payables		6	(402)	(430)
Provisions	16		(4)	–
Total current liabilities			(406)	(430)
Total liabilities			(473)	(483)
Net assets				
Revaluation reserve			58	57
Retained earnings:				
Content reserve			20	35
Other retained earnings			216	243
Total equity			294	335

As permitted by section 408 of the Companies Act 2006, the Corporation has not presented its own income statement. A deficit of £21 million has been recognised in relation to the Corporation in 2017.

The financial statements on pages 166 to 170 were approved by the Members of the Board on 28 March 2018 and were signed on its behalf by:

CHARLES GURASSA
Chair

ALEX MAHON
Chief Executive

The notes on pages 168 to 170 form part of these financial statements.

CHANNEL 4 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Retained earnings			Total equity £m
	Other retained earnings £m	Content reserve £m	Revaluation reserve £m	
At 1 January 2016	247	50	55	352
Deficit for the year	(17)	–	–	(17)
Net remeasurement deficit on pension scheme	(2)	–	–	(2)
Revaluation of freehold land and buildings	–	–	2	2
Total comprehensive (cost)/income for the year	(19)	–	2	(17)
Reserve transfer	15	(15)	–	–
At 31 December 2016	243	35	57	335
At 1 January 2017	243	35	57	335
Deficit for the year	(21)	–	–	(21)
Net remeasurement deficit on pension scheme	(25)	–	–	(25)
Deferred tax on pension scheme	4	–	–	4
Revaluation of freehold land and buildings	–	–	1	1
Total comprehensive (cost)/income for the year	(42)	–	1	(41)
Reserve transfer	15	(15)	–	–
At 31 December 2017	216	20	58	294

ADDITIONAL INFORMATION CONTINUED

CHANNEL 4 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties, derivatives and certain financial instruments are stated at fair value, and are presented in pounds Sterling, rounded to the nearest million.

The financial statements have been prepared under the Financial Reporting Standard 101 *Reduced Disclosure Framework*. The Corporation's financial result and balance sheet are included in the consolidated financial statements presented on pages 139 to 165. As permitted by Financial Reporting Standard 101, the Corporation has not presented its own cashflow statement and has not provided the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

As permitted by section 408 of the Companies Act 2006, the Corporation has not presented its own income statement. A deficit of £21 million (2016: £17 million deficit) was recorded in relation to the Corporation. Accounting policies applied in the preparation of the Corporation's financial statements are consistent with the Group policies presented on pages 143 to 146, except as stated below.

In preparing these financial statements the Corporation has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include disclosure of related party transactions with other wholly owned members of the Group headed by the Corporation. Details of transactions between the Group and its related parties are disclosed in Group note 19 on page 165.

Investments in subsidiaries

Investments in subsidiaries are carried at historical cost less provision for impairment.

Investments in associates and joint ventures

Investments in associates and joint ventures are carried at historical cost less provision for impairment.

Equity investments

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

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts if applicable.

Critical accounting judgements and sources of estimation uncertainty

The critical accounting judgements made by management and the sources of estimation uncertainty in the application of IFRS that have a significant risk of material adjustment on the financial statements of the Corporation are considered to be the same as for the Group, as disclosed on page 143.

NOTES TO THE CHANNEL 4 FINANCIAL STATEMENTS

1. Operating expenditure

AUDITOR'S REMUNERATION

Fees in relation to the audit of the Corporation financial statements and additional fees paid to the auditor for the year ended 31 December 2017 are presented in note 3 to the consolidated financial statements on page 149.

STAFF COSTS

All staff costs are borne by Channel 4 and are presented in note 4 to the consolidated financial statements on pages 149 to 150 and in the Members' Remuneration Report on pages 128 to 134.

The average monthly number of employees of the Corporation is 850 (2016: 837).

The key management of the Corporation are considered to be the same as for the Group, as disclosed in Group note 4.

2. Intangible assets

	Developed software £m	Assets under construction £m	Total £m
Cost			
At 1 January 2016	25	–	25
Additions	1	3	4
At 31 December 2016	26	3	29
At 1 January 2017	26	3	29
Additions	–	4	4
At 31 December 2017	26	7	33
Amortisation			
At 1 January 2016	22	–	22
Amortisation for the year	2	–	2
At 31 December 2016	24	–	24
At 1 January 2017	24	–	24
Amortisation for the year	2	–	2
At 31 December 2017	26	–	26
Carrying amount			
At 1 January 2017	2	3	5
At 31 December 2017	–	7	7
At 1 January 2016	3	–	3
At 31 December 2016	2	3	5

3. Investments

JOINT VENTURES

The investment in The Box Plus Network Limited is recorded on the Corporation's balance sheet at historical cost. The balance as at 31 December 2017 is £28 million (2016: £28 million).

SUBSIDIARY UNDERTAKINGS

The cost of investments at 31 December is:

	2017 £000	2016 £000
4 Ventures Limited	1	1

ADDITIONAL INFORMATION CONTINUED

Notes to the Channel 4 financial statements continued

3. Investments continued

The subsidiary undertakings incorporated in the United Kingdom at 31 December 2017 are as follows:

Name	Nature of business	Issued ordinary £1 shares	Ownership interest
Registered office address is: 124 Horseferry Road, London, SW1P 2TX			
4 Ventures Limited	Intermediate holding company and non-primary function activities	1,000	100%
Film Four Limited ¹	Film distribution	1,000	100%
Channel Four Investments Limited ¹	Indie Growth Fund	1	100%
Channel Four Television Company Limited	Non-trading	100	100%
Channel Four Racing Limited ¹	Non-trading	2	100%
E4.com Limited ¹	Non-trading	1,000	100%
E4 Television Limited ¹	Non-trading	1,000	100%
Film on Four Limited ¹	Non-trading	100	100%
Four Ventures Limited ¹	Non-trading	1,000	100%
Sport on Four Limited ¹	Non-trading	2	100%

Name	Nature of business	Issued 'A' ordinary shares of £1,000 each	Ownership interest
Registered office address is: 10 Orange Street, Haymarket, London, WC2H 7DQ			
Global Series Network Limited ¹	TV and film distribution	2,000	80%
Registered office address is: 54 Poland Street, London, W1F 7NJ			
GSN Holdings International Limited	TV and film distribution	1,000	82.5%

1 Indirect shareholding through 4 Ventures Limited

ASSOCIATED UNDERTAKINGS

For the Corporation's indirect shareholdings in the Indie Growth Fund through Channel Four Investments Limited, refer to Group note 7.

For the Corporation's indirect shareholdings in the Commercial Growth Fund through 4 Ventures Limited, refer to Group note 8.

4. Programme and film rights

	2017 £m	2016 £m
Programmes and films completed but not transmitted	114	94
Acquired programme and film rights	59	63
Programmes and films in the course of production	77	120
Total programme and film rights	250	277

Certain programme and film rights may not be utilised within one year as disclosed in note 12 to the consolidated financial statements.

5. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	136	141
Prepayments and accrued income	31	29
Total trade and other receivables	167	170

6. Trade and other payables

	2017 £m	2016 £m
Trade payables	6	12
Taxation and social security	1	1
Other creditors	54	60
Amounts due to subsidiaries	125	126
Accruals and deferred income	186	218
VAT	30	13
Total trade and other payables	402	430

PROGRAMMES AND THE LICENCE

THE FOLLOWING SECTION IS UNAUDITED

Sources of programmes

CHANNEL 4

Channel 4 commissions programmes from both independent and non-independent producers and purchases programmes from the international markets. The source and cost of the programmes transmitted on the main Channel 4 service in 2017 are shown in the table below:

	2017 Hours	2016 Hours	2017 £m	2016 £m
Originated				
Independents	2,553	2,752	214	232
Other	2,965	2,961	230	214
Total originated programmes	5,518	5,713	444	446
Acquired	3,242	3,071	100	107
Total originated and acquired programmes	8,760	8,784	544	553
Other direct programme costs			8	7
Total	8,760	8,784	552	560
All hours	Hours	Hours	%	%
Originated	5,518	5,713	63	65
Acquired	3,242	3,071	37	35
Total	8,760	8,784	100	100
Peak-time hours	Hours	Hours	%	%
Originated	1,330	1,327	81	81
Acquired	313	320	19	19
Total	1,643	1,647	100	100

Independent production companies are the most important source of originated programmes. Programmes transmitted on Channel 4 in 2017 were provided by 161 independent companies (2016: 153).

Other direct programme costs reflect access services such as subtitling and sign-language services and amounts payable to music royalty collection societies.

PRODUCTION OUTSIDE LONDON

Channel 4 is keen to encourage film and television production throughout the Nations and Regions of the United Kingdom and has a number of schemes to achieve that objective. The total cost of those programmes in 2017 amounted to £182 million (2016: £163 million).

ADDITIONAL INFORMATION CONTINUED

Programmes and the licence continued

Programme transmissions

CHANNEL 4

The main Channel 4 service broadcast 8,760 hours in 2017 (2016: 8,784) – 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows¹:

	2017 Hours	2016 Hours	2017 £m	2016 £m
Drama	429	335	87	77
Entertainment	1,970	2,132	79	102
Education ²	3,004	2,795	111	102
Feature films	809	837	42	49
Other factual	435	374	83	57
News	248	244	27	26
Current affairs	287	315	24	28
Documentaries	487	358	31	28
Arts and music	117	98	6	6
Sport	381	804	43	68
Quiz and game shows	584	491	10	10
Religion	9	1	1	0
Total programme transmissions	8,760	8,784	544	553

1 The data in the table above is consistent with prior years and based on Channel 4's internal reporting genres. Data presented in the Statement of Media Content Policy ('SMCP') is structured around the key genres reflecting Channel 4's internal commissioning structure.

2 'Education' refers to all programmes broadcast across the main channel (originated and acquired) that are educational in nature.

E4, MORE4 AND FILM4 CHANNELS

The digital channels broadcast for the following hours:

	2017 Hours	2016 Hours	2017 % Hours subtitled	2016 % Hours subtitled
E4	8,760	8,784	100	100
More4	6,894	6,835	100	100
Film4	6,037	6,054	100	100
4seven	7,170	7,161	100	100

OFCOM

Ofcom monitors compliance with broadcasters' licence obligations (including compliance with its Broadcasting Code) and deals with complaints concerning standards in programmes and complaints of unfair treatment and/or infringement of privacy.

Channel 4

Ofcom recorded three breaches of its Code on standards in programmes by the main Channel 4 service in 2017 (2016: two). In one case it imposed a statutory sanction, requiring Channel 4 to broadcast a summary of its adjudication (2016: none). In 2017, no complaints about fairness/privacy in Channel 4's programmes were upheld in whole or in part (2016: none).

E4, More4 and Film4

No recorded breach of the Code on standards in programmes was noted against More4 (2016: none), E4 (2016: none) and Film4 (2016: none) in 2017. No statutory sanctions were imposed against any of these channels in 2017 (2016: none). In 2017, no complaints about fairness/privacy were upheld against E4, More4 or Film4 (2016: none).

ADVERTISING STANDARDS AUTHORITY

The Advertising Standards Authority ('ASA') regulates all broadcast and non-broadcast UK advertising. All non-broadcast advertising should comply with the Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (the 'CAP Code'). All broadcast advertising and programme sponsorship credits on television services licensed by Ofcom should comply with the UK Code of Broadcast Advertising (the 'BCAP Code'). Ofcom retains direct responsibility under the BCAP Code for sponsorship, product placement and participation TV advertising. The ASA recorded one breach of the BCAP Code in 2017 (2016: one).

HISTORICAL METRICS 2013–2017

	Page ref	2013	2014	2015	2016	2017
Creativity						
Commissioning success						
Originated content spend (£m)	65, 104	429	430	455	501	510
Engaging audiences						
Portfolio high peak-time viewing share (8-11pm)		12.4%	12.5%	12.9%	12.5%	12.7%
Portfolio viewing share ABC1s		11.3%	10.9%	11.0%	10.8%	10.8%
Portfolio viewing share 16-34-year-olds	85	16.7%	17.0%	16.5%	16.2%	16.4%
Channel 4 viewing share	84	6.1%	5.9%	5.9%	5.9%	5.9%
Portfolio viewing share	84, 105	11.0%	10.9%	10.6%	10.5%	10.5%
Portfolio 15 minute reach	83	86.8%	85.2%	83.8%	83.5%	81.4%
Digital VoD views (m)	84	476	492	512	620	719
Registered viewers (m) ¹	58	10.2	11.3	13.1	14.9	16.6
1 Registered viewers are net of duplicate and active users within the last two years.						
Sustainability						
Financial metrics						
Corporation revenue (£m)	139	908	938	979	995	960
Digital revenues (£m)		61	63	82	102	124
Content and marketing spend (£m)	148	649	651	685	750	722
Content and marketing spend and surplus/(deficit) as a percentage of revenue		70%	69%	73%	75%	73%
Year end cash (£m)	141	238	222	252	215	190
Non-advertising and sponsorship revenue (£m)		62	69	54	56	63
Pre-tax surplus/(deficit) (£m)	139	(16)	4	26	(15)	(17)
Ad sales measures						
Sales House SONAR	175	26.3%	25.9%	26.4%	26.6%	26.1%
Advertising and sponsorship revenue (£m)	104	846	869	925	938	897
SOCI portfolio high peak-time (8-11pm)		18.7%	19.1%	19.7%	19.1%	18.7%
SOCI portfolio ABC1s		19.0%	18.2%	18.5%	17.9%	17.5%
SOCI portfolio 16-34-year-olds		23.3%	23.3%	22.5%	21.5%	21.4%
SOCI portfolio		17.1%	16.6%	16.2%	15.6%	15.4%

ADDITIONAL INFORMATION CONTINUED

Historical metrics 2013–2017 continued

	2013	2014	2015	2016	2017
Performance versus competitors					
Portfolio viewing share					
Channel 4	11.0%	10.9%	10.6%	10.5%	10.5%
BBC	32.4%	33.1%	32.8%	32.1%	31.6%
ITV	23.1%	22.0%	21.2%	21.3%	21.7%
Channel 5	6.0%	5.9%	6.0%	6.2%	6.5%

Source: BARB all individuals

Portfolio high peak-time viewing share 8-11pm

Channel 4	12.4%	12.5%	12.9%	12.5%	12.7%
BBC	32.8%	33.3%	33.0%	32.1%	31.3%
ITV	24.9%	24.0%	22.9%	23.5%	23.6%
Channel 5	7.2%	7.0%	7.1%	7.3%	7.5%

Source: BARB all individuals

SOCI portfolio

Channel 4	17.1%	16.6%	16.2%	15.6%	15.4%
ITV	38.3%	36.2%	34.9%	34.4%	34.5%
Channel 5	9.7%	9.5%	9.3%	9.2%	9.4%
Sky	21.7%	25.6%	24.7%	24.8%	25.5%

Source: Mediaocean

SOCI portfolio ABC1s

Channel 4	19.0%	18.2%	18.5%	17.9%	17.5%
ITV	36.4%	34.6%	33.7%	33.7%	34.0%
Channel 5	8.9%	8.7%	8.5%	8.6%	8.8%
Sky	22.6%	25.8%	24.0%	23.6%	24.0%

Source: Mediaocean

SOCI portfolio 16-34-year-olds

Channel 4	23.3%	23.3%	22.5%	21.5%	21.4%
ITV	27.3%	26.3%	26.2%	27.3%	28.8%
Channel 5	8.0%	7.7%	7.6%	8.4%	8.4%
Sky	27.7%	30.1%	26.4%	25.5%	24.8%

Source: Mediaocean

HISTORICAL RECORD

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Consolidated results										
Revenue	906	830	935	941	925	908	938	979	995	960
Operating surplus/ (deficit)	(1)	4	49	41	(29)	(15)	4	24	(18)	(25)
Net financial income/ (expense)	14	(2)	2	2	1	(1)	(1)	(1)	–	(1)
Gain on sale of investment	–	–	–	–	–	–	–	–	–	8
Share of profit/(loss) in joint venture	(3)	–	3	2	1	–	1	3	3	1
Surplus/(deficit) before taxation	10	2	54	45	(27)	(16)	4	26	(15)	(17)
Taxation	(8)	(2)	(15)	(10)	–	1	(1)	–	(3)	2
Surplus/(deficit) for the year	2	–	39	35	(27)	(15)	3	26	(18)	(15)

All figures are shown in accordance with IFRS.

Advertising sales

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Channel 4 Sales House	790	707	819	939	916	935	967	1,047	1,056	1,002
Other	2,487	2,179	2,490	2,442	2,430	2,616	2,770	2,922	2,908	2,830
Total broadcast	3,277	2,886	3,309	3,381	3,346	3,551	3,737	3,969	3,964	3,832
	%	%	%	%	%	%	%	%	%	%
Channel 4 Sales House share	24.1	24.5	24.8	27.8	27.4	26.3	25.9	26.4	26.6	26.1
Other share	75.9	75.5	75.2	72.2	72.6	73.7	74.1	73.6	73.4	73.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Audience share (portfolio)

	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %
BBC	33.5	32.6	32.9	32.9	33.6	32.4	33.1	32.8	32.1	31.6
ITV	23.2	23.1	22.9	23.1	22.4	23.1	22.0	21.2	21.3	21.7
Channel 4 excluding S4C	11.8	11.5	11.4	11.6	11.5	11.0	10.9	10.6	10.5	10.5
Channel 5	6.1	6.1	5.9	5.9	6.0	6.0	5.9	6.0	6.2	6.5
Other	25.4	26.7	26.9	26.5	26.5	27.5	28.1	29.4	29.9	29.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BARB all individuals

Audience share

	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %
BBC One	21.8	20.9	20.8	20.7	21.3	21.0	21.7	21.9	22.0	21.8
BBC Two	7.8	7.5	6.9	6.6	6.1	5.8	6.1	5.7	5.9	5.8
ITV and GMTV	18.4	17.9	17.0	16.6	15.7	16.2	15.6	15.0	15.4	15.5
Channel 4 excluding S4C	8.1	7.4	7.0	6.8	6.6	6.1	5.9	5.9	5.9	5.9
Channel 5	5.0	4.9	4.5	4.4	4.5	4.4	4.4	4.2	4.1	4.2
Other	38.9	41.4	43.8	44.9	45.8	46.5	46.3	47.3	46.7	46.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BARB all individuals

NOTES



CHANNEL FOUR TELEVISION CORPORATION