

Report of the members

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

Business review and Principal activities

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

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

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

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

Members

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

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

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

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

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

Members' interests

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

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

Employment policy

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

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

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

Employee involvement and consultation

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

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

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

Diversity

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

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

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

Environmental matters

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

Community

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

Charitable donations

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

Development

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

Group foreign currency, cash and treasury management

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

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

Channel 4 website

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

Disclosure of information to auditors

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

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

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

Auditors

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

Going concern

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

By Order of the Board:

Andy Duncan
Chief Executive
17 April 2009