Financial report and statements

Consolidated income statement for the year ended 31 December

	Note	Group 2012 £m	Group 2011 £m
Revenue	1	**925**	941
Cost of transmission and sales	2	**(924)**	(883)
Gross profit		**1**	58
Revaluation of freehold property – reversal of previous impairments	4	**–**	6
Past service pension cost credit	4	**–**	11
Other operating expenditure	3	**(30)**	(34)
Operating profit/(loss)		**(29)**	41
Financial income	6	**13**	16
Financial expense	6	**(12)**	(14)
Net finance income		**1**	2
Share of profit of investments accounted for using the equity method, net of income tax and amortisation	9	**1**	2
Profit/(loss) before tax		**(27)**	45
Income tax expense	7	**–**	(10)
Profit/(loss) for the year		**(27)**	35

Statement of comprehensive income for the year ended 31 December

	Note	Group 2012 £m	Group 2011 £m
Profit/(loss) for the year		**(27)**	35
Net actuarial gains/(losses) on pension scheme	21	**(21)**	(4)
Revaluation of freehold land and buildings	4, 11	**7**	11
Deferred tax on pension scheme recognised directly in other comprehensive income	13	**5**	–
Other comprehensive income/(cost) for the year		**(9)**	7
Total comprehensive income/(cost) for the year		**(36)**	42

Statement of changes in equity for the year ended 31 December

Group statement of changes in equity

	Retained earnings £m	Revaluation reserve £m	**Total equity £m**
At 1 January 2011	458	–	**458**
Profit for the year	35	–	**35**
Other comprehensive income	(4)	11	**7**
Total comprehensive income for the year	**31**	**11**	**42**
At 31 December 2011	**489**	**11**	**500**
At 1 January 2012	489	11	**500**
Loss for the year	(27)	–	**(27)**
Other comprehensive income	(16)	7	**(9)**
Total comprehensive income/(cost) for the year	**(43)**	**7**	**(36)**
At 31 December 2012	**446**	**18**	**464**

Channel 4 statement of changes in equity

	Retained earnings £m	Revaluation reserve £m	**Total equity £m**
At 1 January 2011	392	–	**392**
Loss for the year	(40)	–	**(40)**
Other comprehensive income	(4)	11	**7**
Total comprehensive income/(cost) for the year	**(44)**	**11**	**(33)**
At 31 December 2011	**348**	**11**	**359**
At 1 January 2012	348	11	**359**
Loss for the year	(29)	–	**(29)**
Other comprehensive income	(16)	7	**(9)**
Total comprehensive income/(cost) for the year	**(45)**	**7**	**(38)**
At 31 December 2012	**303**	**18**	**321**

Balance sheets as at 31 December

	Note	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Assets					
Investments accounted for using the equity method	9	**25**	26	**–**	–
Equity investments	10	**2**	2	**28**	–
Freehold land and buildings	11	**62**	56	**62**	56
Fixtures, fittings and equipment	11	**19**	18	**19**	16
Intangible assets	12	**5**	4	**5**	3
Deferred tax assets	13	**11**	8	**11**	8
Total non-current assets		**124**	114	**125**	83
Programme and film rights and other inventories	14	**219**	206	**219**	178
Trade and other receivables	15	**173**	199	**173**	127
Other financial assets	16	**88**	44	**88**	44
Cash and cash equivalents	16	**173**	246	**173**	246
Total current assets		**653**	695	**653**	595
Total assets		**777**	809	**778**	678
Liabilities					
Employee benefits – pensions	21	**(40)**	(21)	**(40)**	(21)
Provisions	18	**(3)**	(4)	**(3)**	(4)
Deferred tax liabilities	13	**(1)**	(2)	**(1)**	(1)
Total non-current liabilities		**(44)**	(27)	**(44)**	(26)
Trade and other payables	17	**(267)**	(274)	**(412)**	(289)
Current tax liabilities	17	**(1)**	(4)	**–**	–
Provisions	18	**(1)**	(4)	**(1)**	(4)
Total current liabilities		**(269)**	(282)	**(413)**	(293)
Total liabilities		**(313)**	(309)	**(457)**	(319)
Net assets		**464**	500	**321**	359
Revaluation reserve		**18**	11	**18**	11
Retained earnings		**446**	489	**303**	348
Total equity		**464**	500	**321**	359

The financial statements on pages 124–167 were approved by the Board of members on 27 March 2013 and were signed on its behalf by:

Lord Burns
Chairman
David Abraham
Chief Executive

Cashflow statements for the year ended 31 December

	Note	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Cashflow from operating activities					
Profit/(loss) for the year		**(27)**	35	**(29)**	(40)
Adjustments for:					
Income tax expense/(credit)		**–**	10	**–**	(2)
Depreciation	11	**6**	4	**6**	4
Amortisation of intangibles	12	**2**	2	**2**	1
Net financial (income)/expense	6	**(1)**	(2)	**(1)**	–
Share of profit from investments accounted for using the equity method, net of income tax and amortisation	9	**(1)**	(2)	**(1)**	–
Current service pension cost	21	**3**	5	**3**	5
Past service pension cost credit	4	**–**	(11)	**–**	(11)
Revaluation of freehold property – reversal of previous impairments and depreciation	4, 11	**–**	(6)	**–**	(6)
Operating cashflow before changes in working capital and provisions		**(18)**	35	**(20)**	(49)
Changes in working capital and provisions:					
(Increase)/decrease in programme and film rights and other inventories	14	**(13)**	(1)	**(41)**	9
(Increase)/decrease in trade and other receivables	15	**26**	(43)	**(46)**	(11)
Increase/(decrease) in trade and other payables	17	**(7)**	69	**95**	105
Increase/(decrease) in provisions, excluding unwinding of discounts	18	**(4)**	–	**(4)**	–
Cash generated from operations		**(16)**	60	**(16)**	54
Pension contributions	21	**(6)**	(13)	**(6)**	(13)
Tax (paid)/repaid		**(2)**	(8)	**(2)**	–
Net cashflow from operating activities		**(24)**	39	**(24)**	41
Cashflow from investing activities					
Proceeds from disposal of investment		**–**	1	**–**	–
Purchase of property, plant and equipment	11	**(6)**	(14)	**(6)**	(13)
Internally developed software	12	**(3)**	(1)	**(3)**	(1)
Interest received		**2**	2	**2**	2
Dividends received	9	**2**	2	**2**	–
Net cashflow from investing activities		**(5)**	(10)	**(5)**	(12)
Cashflow from financing activities					
(Increase)/decrease in other financial assets*	16	**(44)**	65	**(44)**	65
Net cashflow from financing activities		**(44)**	65	**(44)**	65
Net increase/(decrease) in cash and cash equivalents		**(73)**	94	**(73)**	94
Cash and cash equivalents at 1 January		**246**	152	**246**	152
Cash and cash equivalents at 31 December		**173**	246	**173**	246

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

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 2012 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 own 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 27 March 2013. The registered office of Channel 4 is 124 Horseferry Road, London, SW1P 2TX.

Statement of compliance

The group and Channel 4 financial statements have been prepared and approved by the members in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). On publishing the Channel 4 financial statements here together with the group financial statements, Channel 4 is taking advantage of the exemption in section 408 of the Companies Act 2006 as if those provisions were to apply not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties, 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 in a form directed by the Secretary of State for Culture, Media and Sport with the approval of HM Treasury and meet the disclosure and measurement requirements, in so far as they are applicable, of the Companies Act 2006 and Adopted IFRSs.

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

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

Programme and film rights
Programme and film rights are included in the balance sheet at the lower of cost and net realisable value. In estimating net realisable value, consideration is given to when the programmes and films are scheduled for transmission and the contracted sales price and projected costs to complete for programmes in production. Programmes which, taking into account viewing expectations, in management's judgement are unlikely to be transmitted in their originally intended slot or sold are expensed to the income statement (note 14).

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

Going concern
The group's business activities, the factors likely to affect its future development and performance, the financial position of the group and its cash flows are set out in the Report of the members (pages 110–121). In addition, note 19 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 considerable 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.

Accounting policies

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

The following new amendment, effective for the first time from 1 January 2012 has not had a material effect on the financial statements:

- Amendments to IAS 12 – Income Taxes

A number of new standards, amendments to standards and interpretations have been issued and are not yet effective. These have not been applied in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group.

Basis of consolidation

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

Associates are those entities over which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or until the associate is classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

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

As explained in note 9, certain of the group's joint ventures are not-for-profit organisations. Cost contributions to those organisations are charged to the income statement in the period to which they relate.

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

Revenue recognition

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

Television advertising revenue is recognised on transmission of the advertisement.

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

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

Commission earned from advertising representation for parties outside the group is recognised on transmission of the related advertisements in line with contractual arrangements. Where the group acts as an agent and does not have exposure to the significant risks and rewards of the sale, sales are not recognised in revenue.

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

DVD revenues are recognised when stock is delivered to retailers, net of a provision for anticipated returns, and for 4-branded events, when the event takes place.

Revenues recouped from theatrical box office releases are recognised when revenues can be reliably measured. In practice this does not occur until the group is provided with a statement from a distributor.

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

Revenues are recognised from barter transactions involving advertising when the services exchanged are dissimilar, and are measured with reference to the fair value of the advertising provided.

Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments', where the Chief Operating Decision-maker has been identified as the Channel 4 Board, and reportable segments follow management reporting to the Board in order to make decisions on the allocation of resources within the group. Segments are aggregated only where the nature of the products and services provided are similar and where the segments have similar economic characteristics.

Income statement presentation

The group has presented the impact on profit in 2011 of the revaluation of freehold land and buildings and the statutory change in pension plan inflation measure separately in the income statement. These items have been presented because, in the opinion of the Members, separate disclosure is helpful in understanding the underlying performance of the business.

Broadcasting spectrum

As noted on page 110, Channel 4 receives free spectrum in return for fulfilling public service obligations. As such, there are no imputed costs in the financial statements in respect of the use of this broadcasting spectrum.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in 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 jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Investments in subsidiaries

Investments in subsidiaries are carried at historical cost and consolidated in the group balance sheet from the date that control commences to the date it ceases.

Investments in associates and interests in jointly controlled entities

Investments in associates and interests in joint ventures are carried at historical cost in the balance sheet of their immediate parent company.

These investments are recognised in the consolidated balance sheet initially at cost. The carrying amount is subsequently increased or decreased to recognise the share of total recognised gains or losses, or share of profit or loss if these are the same, after the date of acquisition or investment.

Equity investments

Equity investments represent equity holdings without significant influence. 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.

Property, plant and equipment

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

Any gain arising from a change in fair value is recognised directly in 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. Freehold land is not depreciated. The annual rates used for this purpose are as follows:

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

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.

Where applicable, property, plant and equipment held under finance leases are depreciated over the period of the lease.

Intangible assets and goodwill

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

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

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

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or 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 the income statement or revaluation reserve.

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 rights and other inventories

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

Development expenditure is included in broadcast programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme directly to the income statement.

The cost of broadcast programme and film rights is 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 expected revenue or other benefits.

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

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

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

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts.

Other financial assets

Other financial assets comprise deposits of more than three months' duration and other funds with time restricted access 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 in a number of currencies as well as Sterling, and is a net purchaser of Euros. Certain exposures to fluctuations in exchange rates are managed by transactions in the forward foreign exchange markets. These derivative financial instruments are stated at fair value based on quoted market rates. Changes in the fair value of these derivative financial instruments are recognised in the income statement. The group does not hold or issue derivative financial instruments for trading purposes.

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

Where 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.

Employee benefits – pensions

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

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

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

Provisions

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

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

Transfer of assets

As a result of changes in legislation (page 110), on 1 January 2012 Channel 4 carried out an internal business transfer to move some activities from 4 Ventures Ltd (4 Ventures), a 100% owned subsidiary of Channel Four Television Corporation, into the Corporation. The assets were transferred at their carrying value and included:

- the Ofcom licences in respect of our digital channels held in 4 Ventures and two of its wholly owned subsidiaries
- 4 Ventures' share in the joint venture company Box Television Ltd
- the operation of the digital channels (E4, More4 and Film4, and their associated '+1' and the 'HD' channels), the operation of video on demand services and 4Rights.

1. Segment reporting

The reportable segments are shown in accordance with IFRS 8 'Operating Segments'. The segments are measured in a manner consistent with the management reports reviewed by the Board, which is considered to be the Chief Operating Decision-maker.

Following the implementation of the Digital Economy Act 2010 and the internal transfer of activities (page 110), the underlying activities of the group have been rearranged. The segmental information presented in these financial statements reflects the new arrangement of activities and the financial information presented to the Board. The 2011 comparative segmental information has been re-presented to reflect the new operating segments as required by IFRS 8.

Summaries of the principal activities, products and services and financial performance for each segment are provided within the Report of the members on pages 110 to 114.

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 which are reviewed under arrangements required under Schedule 9 of the Communications Act (page 176). All costs and revenues are fully allocated across the segments.

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

Revenues from transactions with three individual external customers comprised more than 10% of the group's revenues in 2012 were £123 million, £105 million and £103 million (2011: one external customer amounting to £117 million). The group's major customers are all media buying agencies and these revenues are attributable to the 4Broadcast and 4Rights segments. Approximately 3% of the group's revenues (2011: 2%) are attributable to external customers outside the UK and these are therefore not separately presented.

1. Segment reporting continued

The following is an analysis of the group's investment in content and revenue by reportable segment.

Year ended 31 December 2012	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
Programme and other content (note 2)	(619)	(1)	–	3	(617)
Funded by:					
External sales	849	75	1	–	925
Inter-segment sales	1	3	–	(4)	–
Total revenue	**850**	**78**	**1**	**(4)**	**925**
Operating profit/(loss)	**(52)**	**23**	**–**	**–**	**(29)**
Net finance income					1
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					1
Loss before tax					**(27)**

Programme and content spend is funded by television advertising and other commercial operations. The £29 million 2012 group operating loss includes investment in content and other strategic initiatives and is financed from reserves accumulated in prior years. A summary of cash reserves is shown below.

Cashflow information	£m
Cash and cash equivalents at 1 January (note 16)	246
Other financial assets at 1 January (note 16)	44
Total cash and cash equivalents and other financial assets at 1 January 2012	**290**
Net cashflow from operating activities	(24)
Net cashflow from investing activities	(5)
Total cashflow	**(29)**
Cash and cash equivalents at 31 December (note 16)	173
Other financial assets at 31 December (note 16)	88
Total cash and cash equivalents and other financial assets at 31 December 2012	**261**

As at 31 December 2012	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
Balance sheet					
Segment assets	801	115	35	(174)	777
Segment liabilities	(375)	(29)	(83)	174	(313)
Net assets/(liabilities)	**426**	**86**	**(48)**	**–**	**464**

1. Segment reporting continued

The 2011 comparative segmental information, as presented in our 2011 Annual Report, has been re-presented to reflect the new segments as required by IFRS 8.

Year ended 31 December 2011	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
Programme and other content (note 2)	**(590)**	**–**	**–**	**–**	**(590)**
Funded by:					
External sales	858	83	–	–	941
Inter-segment sales	–	1	–	(1)	–
Total revenue	**858**	**84**	**–**	**(1)**	**941**
Operating profit	**19**	**22**	**–**	**–**	**41**
Net finance income					2
Share of profit of investments accounted for using the equity method, net of income tax and amortisation					2
Profit before tax					**45**

Cashflow information	£m
Cash and cash equivalents at 1 January (note 16)	152
Other financial assets at 1 January (note 16)	109
Total cash and cash equivalents and other financial assets at 1 January 2011	**261**
Net cashflow from operating activities	39
Net cashflow from investing activities	(10)
Total cashflow	**29**
Cash and cash equivalents at 31 December (note 16)	246
Other financial assets at 31 December (note 16)	44
Total cash and cash equivalents and other financial assets at 31 December 2011	**290**

As at 31 December 2011	4Broadcast £m	4Rights £m	Other £m	Eliminations £m	Group £m
Balance sheet					
Segment assets	804	115	29	(139)	809
Segment liabilities	(319)	(52)	(77)	139	(309)
Net assets/(liabilities)	**485**	**63**	**(48)**	**–**	**500**

2. Cost of transmission and sales

	Programme and other content	Indirect programme costs	Transmitter and regulatory costs		Cost of sales	Cost of marketing	Total
			Analogue	Digital			
	£m	£m	£m	£m	£m	£m	£m
2012							
4Broadcast	619	44	4	102	59	47	875
4Rights	1	5	–	3	40	4	53
Other	–	–	–	–	–	–	–
Eliminations	(3)	–	–	–	–	(1)	(4)
Group continuing operations	**617**	**49**	**4**	**105**	**99**	**50**	**924**

The 2011 comparative cost of transmission and sales, as presented in our 2011 Annual Report, has been re-presented to reflect our new segments as required by IFRS 8.

	Programme and other content	Indirect programme costs	Transmitter and regulatory costs		Cost of sales	Cost of marketing	Total
			Analogue	Digital			
	£m	£m	£m	£m	£m	£m	£m
2011							
4Broadcast	590	40	9	93	47	43	822
4Rights	–	6	–	2	48	4	60
Other	–	–	–	–	1	–	1
Eliminations	–	–	–	–	–	–	–
Group continuing operations	**590**	**46**	**9**	**95**	**96**	**47**	**883**

3. Other operating expenditure

Other operating expenditure includes:

	2012 £m	2011 £m
Depreciation of property, plant and equipment (note 11)	**6**	4
Amortisation of intangible assets (note 12)	**2**	2
Restructuring costs	**1**	5
Research and development (page 120)	**10**	12
Members' remuneration (page 185)	**3**	2
Operating lease rentals (note 20)	**1**	1
Charge for doubtful debts	**–**	1
Other administrative expenses	**7**	7
Other operating expenditure	**30**	34

Consistent with the exemption provided by section 408 of the Companies Act 2006 Channel 4 has not presented its own income statement. Within the loss for the year of £27 million (2011: profit of £35 million) recorded in the consolidated income statement, a loss of £29 million (2011: £40 million) results from Channel 4.

Auditors' remuneration

Fees in respect of services provided by the auditors were:

	2012 £000	2011 £000
Audit of these financial statements	**74**	72
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**63**	72
Other audit related and assurance	**75**	74
Total audit and assurance	**212**	218
Taxation compliance services	**122**	80
All other services	**32**	55
Total other services	**154**	135
Auditors' remuneration	**366**	353

In addition to the above services £21,500 (2011: £21,300) is payable to the group's auditors who acted as auditors to the Channel Four Television Staff Pension Plan.

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

4. Other items

The following items were presented separately in the income statement in 2011.

Revaluation of freehold property – reversal of previous impairments
Freehold land and buildings were revalued as at 31 December 2011 resulting in an increase in fair value of £17 million to £56 million. Of the increase, £6 million was recorded in the income statement to the extent that it reversed previous impairments recorded in the income statement. The remaining £11 million was recognised as a gain on revaluation in the Statement of Other Comprehensive Income.

Freehold land and buildings were revalued as at 31 December 2012 to £62 million, resulting in an increase of £7 million recognised as a gain on revaluation in the Statement of Other Comprehensive Income.

Past service pension cost credit
In July 2010 the Government announced that the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) should be used for the statutory revaluation of deferred pensions. As at 31 December 2010 a constructive obligation was considered to exist between the Corporation and the members of the pension plan to provide benefits based on RPI until the change was formally communicated. The change in valuation method was communicated to the members of the scheme in June 2011. The valuation of the scheme liabilities as at 31 December 2011 included CPI as the inflation measure for the deferred members for the first time, resulting in a cost credit of £11 million. There were no similar items in 2012.

5. Employee expenses and information

A detailed analysis of members' remuneration, including salaries and variable pay, is provided in the report on members' remuneration on pages 183–187.

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

	Group 2012 £m	Group 2011 £m	**Channel 4 2012 £m**	Channel 4 2011 £m
Aggregate gross salaries	**55**	52	**55**	37
Employer's national insurance contributions	**6**	6	**6**	4
Employer's defined benefit pension contributions (note 21)	**3**	4	**3**	4
Employer's defined contribution pension contributions	**1**	1	**1**	1
Total direct costs of employment	**65**	63	**65**	46

In addition to the above, in 2012 £1 million was expensed to the income statement in respect of restructuring initiatives to increase operational efficiency within the group (2011: £5 million). All employee costs are borne by Channel 4 in 2012 as a result of the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

The salary multiple of highest to median employee was as follows:

	2012 £000	2011 £000
Total remuneration of highest paid employee (page 185)	**744**	701
Total remuneration of median employee	**51**	55
Multiple of highest paid to median employee	**14.6**	12.7

Total remuneration is defined as base salary, variable pay, employer pension contribution and other benefits. All figures are full-time equivalents and are annualised at the reporting date.

5. Employee expenses and information continued

The average number of employees, including executive members, were as follows:

	2012 Number	2011 Number
4Broadcast		
Programme commissioning	**225**	221
Advertising and sponsorship sales and research	**190**	188
Marketing and creative services	**100**	99
Corporate affairs and press office	**34**	34
Information systems	**46**	45
Corporate and strategy	**21**	21
Transmission and engineering	**27**	15
Finance, human resources and facilities management	**68**	69
4Talent	**16**	5
	727	697
4Rights	**68**	66
Group employees	**795**	763
Permanent employees	**716**	688
Contract staff	**79**	75
	795	763
Male	**334**	331
Female	**461**	432
	795	763

Travel, subsistence and hospitality expenditure was as follows:

	2012 £000	2011 £000
Members	**59**	47
Channel 4	**2,150**	2,018
	2,209	2,065

Staff loans outstanding at 31 December were as follows:

	2012 £000	2011 £000
Season ticket loans	**217**	270

There were no loans to members.

6. Net finance income/(expense)

Net finance income recognised in the year comprised:

	2012 £m	2011 £m
Interest receivable on short-term deposits	**2**	3
Expected return on plan assets (note 21)	**11**	13
Financial income	**13**	16
Interest on pension scheme liabilities (note 21)	**(12)**	(13)
Other financing costs	**–**	(1)
Financial expense	**(12)**	(14)

7. Income tax expense

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

	2012 £m	2011 £m
Current tax:		
Current year	**–**	6
Adjustment for prior years	**(1)**	–
	(1)	6
Deferred tax: origination and reversal of temporary differences		
Current year	**1**	4
Prior year	**–**	–
Income tax expense	**–**	10
Share of income tax of investments accounted for using the equity method	**1**	1
Total income tax expense	**1**	11

Corporation tax is charged at the standard UK rate of 24.5% for the year (2011: 26.5%).

7. Income tax expense continued

	2012 %	2012 £m	2011 %	2011 £m
Profit /(loss) after tax		**(27)**		35
Total income tax expense		**–**		10
		(27)		45
Income tax of investments accounted for using equity method		**1**		1
Profit excluding income tax		**(26)**		46
Income tax using the domestic corporation tax rate	**24.5%**	**(6)**	26.5	12
Effects of:				
Non-deductible expenses		**1**		1
Non-taxable gains		**(1)**		(2)
Deferred tax not recognised		**6**		
Other tax adjustments		**–**		–
Income tax adjustments	**–**	**–**	23.3	11

Current tax assets and liabilities

The current tax liability of £1 million (2011: £4 millon) represents the amount of income tax payable in respect of current and prior periods (note 17).

Deferred tax recognised directly in other comprehensive income

The following movement in deferred tax has been recognised directly in other comprehensive income and is shown in the Statement of Comprehensive Income:

	2012 £m	2011 £m
Relating to employee benefits	**(5)**	–
Deferred tax recognised in other comprehensive income	**(5)**	–

8. Investments in subsidiaries

Subsidiaries

The cost of investments at 31 December was:

	Channel 4 2012 £000	Channel 4 2011 £000
4 Ventures Ltd	**1**	1

4 Ventures Ltd is a 100% owned subsidiary of Channel 4. On 1 January 2012 a number of activities were transferred to Channel 4 (page 110).

At the balance sheet date 4 Ventures Ltd owned more than 50% of the issued share capital of the following companies either directly or indirectly*, each of which was incorporated in Great Britain:

	Activity	Issued ordinary £1 shares	Ownership %
FilmFour Ltd	Film distribution	1,000	100
Life One Broadcasting Ltd	Non-trading	1,000	100
Life Two Broadcasting Ltd*	Non-trading	1,000	100
Life Showcase Ltd*	Non-trading	1,000	100
Channel 4 Radio Ltd	Non-trading	1	100
Channel 4 Radio Services Ltd*	Non-trading	1	100

FilmFour Ltd sells rights from its film library to Protagonist Pictures Ltd (note 10).

It is the members' intention to wind up Life One Broadcasting Ltd, Life Two Broadcasting Ltd and Life Showcase Ltd following the transfer of their broadcast licences to Channel 4 on 1 January 2012 (page 110).

As Channel 4 Radio Ltd and Channel 4 Radio Services Ltd are not trading, it is the members' intention to wind up these entities.

9. Investments accounted for using the equity method

Box Television Ltd

Box Television Ltd (Box) broadcasts a number of music television channels on free to air and pay platforms. The investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box.

Impairment tests on the investment in Box are carried out annually or if indications arise of a possible impairment.

The recoverable amounts of the goodwill and intangible assets in Box are determined based on their value in use.

An impairment review was carried out by estimating the future expected cashflows for Box until 2017 using a pre-tax discount rate of 11% (2011: 10%), reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 2.1% (2011: 2.0%), an equity risk premium of 6.9% (2011: 7.0%), and a sector premium of 2.0% (2011: nil). Cashflows were based on management's best estimate of future performance to 2016 and flat growth into perpetuity, reflecting management's cautious view of the long term potential in music viewing 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 and believes that there are currently no likely changes in revenues or discount rate which would reduce the value in use for Box down to a level where an impairment would arise.

The broadcast licence acquired as part of the investment in Box is amortised over the duration of the licence period (eight years). This amount is included within the carrying value of the investment.

There are no contingent liabilities and no capital commitments in respect of Box or other joint ventures to be included within the group's financial statements.

The carrying value of the group's investment in Box was as follows:

	2012 £m	2011 £m
Carrying value at 1 January	**26**	26
Share of post acquisition profits, net of income tax	**2**	3
Amortisation	**(1)**	(1)
Share of dividends received	**(2)**	(2)
Total carrying value at 31 December	**25**	26

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
2012						
Box Television Ltd	**13**	**–**	**(6)**	**–**	**37**	**(33)**
2011						
Box Television Ltd	18	–	(10)	–	37	(28)

9. Investments accounted for using the equity method continued

The following of the group's joint ventures are not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. The group recognises its share of the funding contributions of these organisations in the appropriate line in the income statement in the period to which they relate.

Broadcasters' Audience Research Board Ltd (BARB)
BARB is a company limited by guarantee. Channel 4 is a joint member along with the BBC, ITV Network Ltd, Channel 5 Broadcasting Ltd, BSkyB plc and the IPA.

Clearcast Ltd
Channel 4 holds one ordinary £1 share in Clearcast Ltd, representing 16.7% of the share capital. ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd, GMTV Ltd and Turner Entertainment Networks International Ltd own the remaining 83.3%. Clearcast Ltd is responsible for the pre-transmission examination and clearance of television advertisements.

Digital 3 and 4 Ltd
Channel 4 holds 1,000 A class ordinary £1 shares in Digital 3 and 4 Ltd, representing 50% of the share capital. ITV Network Ltd owns the other 50%. Digital 3 and 4 Ltd has been granted a licence by Ofcom to operate the Channel 3 and Channel 4 digital terrestrial multiplex. At 31 December 2012, Channel 4's share of the net assets of Digital 3 and 4 Ltd amounted to £1,000. The company acts as an agent for its shareholders.

DTT Multiplex Operators Ltd (DMOL)
DMOL is a company limited by guarantee. The group is a member via its share in Digital 3 & 4 Ltd. The other members are the BBC, National Grid Wireless plc and SDN Ltd.

DTV Services Ltd
Channel 4 holds 6,000 ordinary £1 shares in DTV Services Ltd, representing 20% of the share capital. The BBC, National Grid Wireless, BSkyB plc and ITV Network Ltd own the remaining 80%. DTV Services Ltd is the company responsible for marketing the Freeview digital terrestrial TV network.

Parliamentary Broadcasting Unit Ltd
Channel 4 holds one share in the Parliamentary Broadcasting Unit Ltd, representing 11.1% of the share capital. The BBC owns four shares and ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd and Park Square (Leeds) Nominees Ltd each own one share.

Thinkbox Ltd
Channel 4 holds 3,000 ordinary £1 shares representing 14% of the share capital. Channel 5 Broadcasting Ltd, GMTV Ltd, ITV plc, BSkyB plc, Turner Broadcasting and Viacom Brand Solutions Ltd hold the remainder of the shares. Thinkbox Ltd is the television marketing body for the main UK commercial broadcasters.

In addition, the group contributed towards the operating cost of the following joint venture. Service fees payable to this joint venture under the terms of the shareholder agreement are recognised in the Income Statement in the period to which they relate.

YouView TV Ltd
Channel 4 holds 600 shares, representing 14.3% of the share capital. The BBC, ITV Broadcasting Ltd, Channel 5 Broadcasting Ltd, BT plc, Talk Talk Telecom Group plc and Arqiva Ltd own the remaining 85.7%. YouView is responsible for developing, supporting and promoting a set of software standards and enabling technologies, based on a convergence of DTT and IPTV technologies, which allow for the development of competing TV platforms.

10. Equity investments

Channel 4

On 1 January 2012 the investment in Box Television Ltd was transferred to Channel Four Television Corporation from 4 Ventures Ltd, a wholly owned subsidiary, at its carrying value of £28 million (page 110).

The investment in Box Television Ltd is recorded on Channel Four Television Corporation's balance sheet at historical cost. The balance as at 31 December 2012 was £28 million.

Group

Equity investments held for the group comprise:

	2012 £m	2011 £m
At 1 January	**2**	2
At 31 December	**2**	2

Espresso Broadband Ltd

£1.5 million of the equity investments held by the group at 31 December 2012 relate to a 10% equity holding in Espresso Broadband Ltd, a producer and distributor of digital education programming, held since March 2007.

Protagonist Pictures Ltd

£0.1 million of the equity investments held by the group reflect a 15% equity holding in Protagonist Pictures Ltd.

Other

The group further holds investments in School of Everything Ltd, AudioBoo Ltd, ScraperWiki Ltd and MyBuilder Ltd. These are recorded at nil value as at 31 December 2012.

11. Property, plant and equipment

	Channel 4 Freehold land and building £m	Channel 4 Fixtures, fittings and equipment £m	Other Fixtures, fittings and equipment £m	Group Total £m
Cost or valuation				
At 1 January 2011	40	95	10	145
Additions	–	13	1	14
Revaluation	16	–	–	16
At 31 December 2011	**56**	**108**	**11**	**175**
At 1 January 2012	56	108	11	175
Additions	–	6	–	6
Transfer of assets	–	11	(11)	–
Revaluation	6	–	–	6
At 31 December 2012	**62**	**125**	**–**	**187**
Depreciation				
At 1 January 2011	–	89	9	98
Charge for the year	1	3	–	4
Revaluation	(1)	–	–	(1)
At 31 December 2011	**–**	**92**	**9**	**101**
At 1 January 2012	–	92	9	101
Charge for the year	1	5	–	6
Transfer of assets	–	9	(9)	–
Revaluation	(1)	–	–	(1)
At 31 December 2012	**–**	**106**	**–**	**106**
Net book value				
At 1 January 2011	40	6	1	47
At 31 December 2011	**56**	**16**	**2**	**74**
At 1 January 2012	56	16	2	74
At 31 December 2012	**62**	**19**	**–**	**81**

Commitments to purchase property, plant and equipment are detailed in note 20. There were no material assets held under finance leases at the balance sheet date. No assets have been pledged for security (2011: none).

11. Property, plant and equipment continued

Valuation of freehold property
The freehold property at 124 Horseferry Road, London, SW1P 2TX, was valued at 31 December 2012 by external valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the members believe approximates to current value. 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 £62 million (2011: £56 million). After depreciation charged on the open market value at 31 December 2012 (£1 million), a gain on revaluation of £7 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:

	2012 £m	2011 £m
Cost	**62**	62
Accumulated depreciation	**(17)**	(16)
Impairment	**(6)**	(6)
Net book value based on cost	**39**	40

12. Intangible assets

	Channel 4 Developed software £m	Channel 4 Broadcasting licence £m	Other Broadcasting licence £m	Group Total £m
Cost				
At 1 January 2011	19	–	5	24
Internally developed	1	–	–	1
At 31 December 2011	**20**	**–**	**5**	**25**
At 1 January 2012	20	–	5	25
Transfer of assets	–	5	(5)	–
Internally developed	3	–	–	3
At 31 December 2012	**23**	**5**	**–**	**28**
Amortisation				
At 1 January 2011	16	–	3	19
Amortisation for the year	1	–	1	2
At 31 December 2011	**17**	**–**	**4**	**21**
At 1 January 2012	17	–	4	21
Transfer of assets	–	4	(4)	–
Amortisation for the year	1	1	–	2
At 31 December 2012	**18**	**5**	**–**	**23**
Carrying amount				
At 1 January 2011	3	–	2	5
At 31 December 2011	**3**	**–**	**1**	**4**
At 1 January 2012	3	–	1	4
At 31 December 2012	**5**	**–**	**–**	**5**

Developed software represents amounts capitalised on internally developed computer software, principally in relation to the management of advertising and sponsorship revenues and programme scheduling applications meeting the recognition criteria for internally generated intangible assets under IAS 38 'Intangible Assets'. Assets are amortised on a straight line basis over two to five years from the date the asset becomes available for use. The amortisation charge for developed software is recognised in the income statement (note 3).

The Broadcasting licences acquired as part of the acquisition of Life One Broadcasting Ltd on 30 April 2007 (note 8) were considered to have a useful economic life of six years. On 1 January 2012 the licence was transferred to Channel Four Television Corporation at its carrying value (page 110). These licences have been amortised on a straight line basis over this period and were fully amortised at the balance sheet date.

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at 23% (2011: 25%), reflecting the corporation tax rate substantially enacted as at 31 December 2012. The UK Government has announced a phased reduction in the main corporation tax rate to 21%.

	Assets 2012 £m	Assets 2011 £m	**Liabilities 2012 £m**	Liabilities 2011 £m	**Net 2012 £m**	Net 2011 £m
Property, plant and equipment	**2**	2	**–**	–	**2**	2
Intangible assets – internally developed software	**–**	–	**(1)**	(1)	**(1)**	(1)
Employee benefits	**9**	5	**–**	–	**9**	5
Other short term timing differences	**–**	1	**–**	–	**–**	1
Channel 4 deferred tax assets/(liabilities)	**11**	8	**(1)**	(1)	**10**	7
Other short term timing differences	**–**	–	**–**	(1)	**–**	(1)
Group deferred tax assets/(liabilities)	**11**	8	**(1)**	(2)	**10**	6

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of:

	2012 £m	2011 £m
Revaluation of freehold land and buildings	**–**	2
Carried forward capital losses	**1**	1
Carried forward trading losses	**7**	1
Tax assets	**8**	4

Unrecognised deferred tax assets include trading and capital losses carried forward that the group is not yet able to utilise. A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available in the near future against which the deductible temporary difference can be utilised.

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 31 Dec 11 £m	**Recognised in income £m**	**Recognised in other comprehensive income £m**	**Recognised in joint venture £m**	**Balance at 31 Dec 12 £m**
Property, plant and equipment	2	–	–	–	2
Intangible assets – internally developed software	(1)	–	–	–	(1)
Employee benefits	5	(1)	5	–	9
Other short term timing differences	1	–	–	(1)	–
Channel 4 deferred tax assets/(liabilities)	**7**	**(1)**	**5**	**(1)**	**10**
Other short term timing differences	(1)	**–**	–	1	–
Group deferred tax assets/(liabilities)	**6**	**(1)**	**5**	**–**	**10**

The movement recognised in other comprehensive income includes a reduction in the deferred tax asset of £nil as a result of the change in the deferred tax rate.

13. Deferred tax assets and liabilities continued

	Balance at 31 Dec 10 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised in joint venture £m	Balance at 31 Dec 11 £m
Property, plant and equipment	2	–	–	–	2
Intangible assets – internally developed software	(1)	–	–	–	(1)
Employee benefits	9	(4)	–	–	5
Other short term timing differences	1	–	–	–	1
Channel 4 deferred tax assets/(liabilities)	**11**	**(4)**	**–**	**–**	**7**
Other short term timing differences	(1)	–	–	–	(1)
Group deferred tax assets/(liabilities)	**10**	**(4)**	**–**	**–**	**6**

14. Programme and film rights and other inventories

	Group 2012 £m	Group 2011 £m	**Channel 4 2012 £m**	Channel 4 2011 £m
Programmes and films completed but not transmitted	**91**	83	**91**	75
Acquired programme and film rights	**50**	49	**50**	37
Programmes and films in the course of production	**75**	72	**75**	66
Other inventories	**3**	2	**3**	–
Programme and film rights and other inventories	**219**	206	**219**	178

Certain programmes and film rights may not be utilised within one year.

Programme rights and other inventories to the value of £596 million were recognised as expenses in the year (2011: £570 million). Of this amount, obsolete programmes and developments written off totalled £26 million for the group (2011: £29 million) and £26 million for Channel 4 (2011: £25 million).

Other inventories represent amounts held within the 4Rights segment for DVDs.

The increase in Channel 4 programme and film rights and other inventories includes the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

15. Trade and other receivables

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Trade receivables	**142**	174	**142**	114
Prepayments and accrued income	**27**	23	**27**	13
Distribution and producer advances	**4**	2	**4**	–
Trade and other receivables	**173**	199	**173**	127

Trade receivables are shown net of impairment charges amounting to £0.3 million (2011: £0.5 million) recognised in the current year in relation to outstanding balances from customers, the receipt of which management view as unlikely.

Distribution and producer advances are shown net of impairment charges amounting to £4 million (2011: £2 million) recognised in the current year in relation to advances paid on DVD development deals, which management consider are unlikely to be recouped through future sales.

The increase in Channel 4 trade and other receivables includes the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

16. Cash and cash equivalents

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Bank balances	**23**	23	**23**	23
Money market funds*	**114**	167	**114**	167
Money market deposits maturing in less than three months	**36**	56	**36**	56
Cash and cash equivalents	**173**	246	**173**	246
Money market deposits maturing after three months	**40**	34	**40**	34
Investment funds	**48**	10	**48**	10
Other financial assets	**88**	44	**88**	44

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

17. Trade and other payables and current tax liabilities

	Group 2012 £m	Group 2011 £m	**Channel 4 2012 £m**	Channel 4 2011 £m
Trade payables	**16**	13	**16**	13
National insurance	**1**	1	**1**	1
Other creditors	**37**	35	**37**	35
Amounts due to subsidiaries	**–**	–	**146**	96
Accruals	**197**	201	**196**	130
VAT	**16**	24	**16**	14
Trade and other payables	**267**	274	**412**	289
Corporation tax	**1**	4	**–**	–
Current tax liabilities	**1**	4	**–**	–

The group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Director of Finance, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services in 2012, as calculated using average payable balances, was 6 for both the group and Channel 4 (2011: 7). This is significantly lower than the group's standard payment terms of 30 days due to the payment arrangements required for programme and transmission costs.

The increase in Channel 4 trade and other payables includes the internal transfer of activities from 4 Ventures Ltd to Channel 4 (page 110).

18. Provisions

	Group and Channel 4		
	Onerous contracts £m	Restructuring costs £m	Total £m
At 1 January 2011	7	–	7
Utilised in the year	(4)	–	(4)
Charged to the income statement	–	5	5
At 31 December 2011	**3**	**5**	**8**
At 1 January 2012	3	5	8
Utilised in the year	(1)	(5)	(6)
Charged to the income statement	1	1	2
At 31 December 2012	**3**	**1**	**4**

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

	2012 Group and Channel 4 £m	2011 Group and Channel 4 £m
Current	**1**	4
Non-current	**3**	4
	4	8

Onerous contracts

The provision relates to the rental deficit on a building which is surplus to requirements but for which we have contracted commitments at the balance sheet date. The property rental agreement is set to expire in 2020. The provision represents the discounted net cash flows of the property rental agreement until its expiry in 2020. An amount of £0.4 million (2011: £0.4 million) has been recognised as an interest cost relating to the passage of time of the discounted provision.

Restructuring costs

The restructuring provision as at 31 December 2012 relates to costs associated with the restructuring initiatives undertaken to improve the operational efficiency of the group. The provision held at the balance sheet date is expected to be fully utilised in 2013.

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.

19. Derivatives and other financial instruments

In accordance with IFRS 7 'Financial Instruments: Disclosures', Channel 4 is required to provide disclosures about the nature and extent of risks arising from financial instruments.

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

The Board is responsible for approving the treasury policy for the group. The group's treasury and funding activities are undertaken by a treasury function which reports to the Director of Finance. Its primary activities are to manage the group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates. The group's policy is to ensure that adequate liquidity and financial resource is available to support the group's continuing activities and growth while managing these risks. The group's policy is not to engage in speculative financial transactions. The group does not seek to apply hedge accounting. Group treasury operates within clearly defined objectives and controls and is subject to periodic review by the business assurance function (page 173).

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

It is estimated that if Sterling had strengthened/weakened by 10% at the balance sheet date against other currencies with all other variables held constant, the group's profit before tax would have been £0.1 million lower/higher (2011: £0.2 million).

Interest rate risk and exposure
The group invests surplus cash in fixed rate money market deposits, high interest bank accounts and variable net asset value money market funds. Funds are invested only with an agreed list of organisations 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 0.1% lower/higher throughout the year, with all other variables held constant the group's profit before tax would have been £0.2 million lower/higher (2011: £0.3 million).

The group does not have any debt and as such is not exposed to fluctuations in interest rates in this regard.

19. Derivatives and other financial instruments continued

The interest rate profile of the group's and Channel 4's cash and deposits at 31 December 2012 and 31 December 2011 is set out below:

Interest rate risk

2012	Group and Channel 4 Effective interest rate %	Group and Channel 4 Total £m
Cash and cash equivalents		
Interest bearing deposits maturing in less than three months held in Sterling	0.5	172
Interest bearing deposits maturing in less than three months held in foreign currencies	0.1	1
	0.3	**173**

2011	Group and Channel 4 Effective interest rate %	Group and Channel 4 Total £m
Cash and cash equivalents		
Interest bearing deposits maturing in less than three months held in Sterling	0.7	245
Interest bearing deposits maturing in less than three months held in foreign currencies	0.2	1
	0.6	**246**

2012	Group and Channel 4 Effective interest rate %	Group and Channel 4 Total £m
Other financial assets		
Money market deposits maturing after three months held in Sterling	0.6	40

2011	Group and Channel 4 Effective interest rate %	Group and Channel 4 Total £m
Other financial assets		
Money market deposits maturing after three months held in Sterling	1.2	34

19. Derivatives and other financial instruments continued

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 are considered to be adequate to support the group's medium-term funding requirements.

Trade and other payables are shown in note 17. The value of trade and other payables at 31 December 2012 was £267 million for the group (2011: £274 million) and £412 million for Channel 4 (2011: £289 million). The fair value of these financial liabilities equals their book values. The contractual cash flows are equal to the carrying amount and are classified as payable within six months or less at 31 December 2012 and 2011.

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 against exposure to these receivables working to approved terms of reference including insurance for most customers. Exposure is monitored and reviewed on a weekly basis, and any issues are formally reported to an executive committee chaired by the Director of Finance. Based on credit evaluation and discussions with both the committee and insurers, customers may be required to provide security in order to trade with the group.

The group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as advertising agencies must settle their debts before advertising transmissions are broadcast.

(ii) Counterparty

See Interest rate risk exposure on page 157.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure at the balance sheet date in relation to trade receivables, net of allowance for impairment, was £142 million for the group (2011: £174 million) and £142 million for Channel 4 (2011: £114 million), with £88 million of other financial assets for both the group and Channel 4 (2011: £44 million) and cash and cash equivalents for both the group and Channel 4 of £173 million (2011: £246 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £142 million for the group (2011: £173 million) and £142 million for Channel 4 (2011: £114 million). The maximum exposure to credit risk for trade receivables for other regions for the group and Channel 4 was £nil (2011: £1 million).

19. Derivatives and other financial instruments continued

Trade receivables of £142 million for the group (2011: £174 million) and £142 million for Channel 4 (2011: £114 million) were aged under six months. Included in receivables due under six months are receivables of £142 million for the group (2011: £166 million) and £142 million for Channel 4 which were not yet due under standard credit terms at the balance sheet date (2011: £114 million). £112 million of the receivables of the group and Channel 4 were insured at the balance sheet date (2011: £113 million) and £132 million has been subsequently collected by the group and Channel 4 since the balance sheet date.

The allowance for impairment of trade receivables was £0.3 million at the balance sheet date (2011: £0.5 million).

Capital structure and management
Channel 4 is a statutory corporation without shareholders. Whilst returns to shareholders are therefore not relevant, the group maintains cash reserves to help protect against short term fluctuations in revenue and meet its business objectives in a timely and efficient manner. The group is committed to efficient utilisation of the cash resources at its disposal to generate an appropriate return taking into account the liquidity needs of the business and the scope of treasury policy.

Derivative financial instruments
At 31 December 2012, the total value of forward contracts used as economic hedges of monetary liabilities was £14 million (2011: £12 million). This represents 14 Euro and 1 US Dollar forward purchase contracts. All of these contracts had a fixed maturity date with settlement within 12 months from the balance sheet date. At the 2012 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £0.4 million has been recognised in the income statement and the associated liability recorded on the balance sheet as at 31 December 2012.

Fair values
The table below sets out a comparison of book values and corresponding fair values of all the group's financial instruments by class:

	2012 Book value £m	**2012 Fair value £m**	2011 Book value £m	2011 Fair value £m
Financial assets				
Cash and cash equivalents (note 16)	**173**	**173**	246	246
Other financial assets (note 16)	**88**	**88**	44	44
Trade and other receivables (note 15)	**173**	**173**	199	199
Investments accounted for using equity method (note 9)	**25**	**25**	26	26
Equity investments (note 10)	**2**	**2**	2	2
	461	**461**	517	517
Financial liabilities				
Trade and other payables (note 17)	**267**	**267**	274	274

19. Derivatives and other financial instruments continued

The investment in Box Television Ltd is recorded at historical cost on the balance sheet of Channel Four Television Corporation. The book and fair value as at 31 December 2012 is £28 million.

As there is no publicly traded market for the equity investments held, the members believe that valuation at cost is a reasonable approximation of fair value.

The major methods and assumptions used in estimating the fair values of the group's financial instruments are summarised below.

Forward exchange contracts
The fair value of forward exchange contracts is based on their quoted market price.

Trade and other receivables/payables
For trade and other receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value
The group's cost of capital at the reporting date is used to discount future cash flows to determine the fair value of financial assets and liabilities.

Except where otherwise stated, the disclosures in respect of derivatives and other financial instruments for Channel 4 are the same as for the group.

20. Commitments

a) Programme and film commitments
At 31 December, committed future expenditure for programmes and films due for payment were as follows:

	Group 2012 £m	Group 2011 £m	Channel 4 2012 £m	Channel 4 2011 £m
Within one year	**296**	279	**245**	245
After one year	**297**	203	**234**	166
	593	482	**479**	411

b) Digital 3 and 4 Ltd commitments
Under the terms of the shareholder agreement for Digital 3 and 4 Ltd, Channel 4 is committed to meeting its share of contracted costs entered into by that company. Digital 3 and 4 Ltd's exact annual monetary commitment is dependent upon the timing of the roll-out of the digital transmission network.

Channel 4's share of Digital 3 and 4 Ltd's committed payments was £23 million in 2012 and is forecast to be £30 million in 2013. Digital 3 and 4 Ltd has entered into long term distribution contracts that expire in 2022 and 2034 and Channel 4 is committed to funding its contractual share.

c) Operating lease commitments
At 31 December, the group had total commitments under non-cancellable operating leases, all of which were for land and buildings, as set out below:

	2012 £m	2011 £m
Operating leases which expire:		
Within one year	**–**	–
Within two to five years	**1**	1
After five years	**11**	20
	12	21

The group leases office space in a number of properties in the UK under operating leases expiring between 2015 and 2020. Annual rentals of £1 million were charged to the income statement in respect of this property in 2012, partly offset by the utilisation of onerous contract provisions. The total future rental commitment amounts to £12 million. Where possible vacant office space has been sublet by the group, with the minimum future payments receivable amounting to £7 million on sub-leases expiring between 2019 and 2020.

20. Commitments continued

d) Capital commitments

At 31 December, the group had contracted commitments, as set out below:

	2012 £m	2011 £m
Property, plant and equipment		
Contracted but not provided in the financial statements	**1**	2

e) Other commitments

Under the terms of the shareholder agreement for YouView TV Ltd (note 9), Channel 4 is committed to meeting its share of contracted costs entered into by that company.

21. Employee benefits – pensions

The group operates a defined benefit pension scheme – the Channel 4 Television Staff Pension Plan (the Plan), providing benefits based on final salary for employees.

The amounts recognised in the group and Channel 4 balance sheets are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of funded obligations	**(284)**	(249)	(238)	(221)	(170)
Fair value of plan assets	**244**	228	202	176	149
Recognised liability for defined benefit obligations	**(40)**	(21)	(36)	(45)	(21)

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

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets at 1 January	**228**	202	176	149	167
Expected return on plan assets	**11**	13	11	9	12
Benefits paid	**(4)**	(4)	(9)	(3)	(3)
Employer contributions net of charges*	**6**	13	10	6	4
Employee contributions net of charges	**1**	1	1	1	2
Actuarial gain on plan assets	**2**	3	13	14	(33)
Fair value of scheme assets at 31 December	**244**	228	202	176	149

*The employer contribution includes an additional contribution of £5 million paid in December 2011 and £3 million paid in December 2010.

The fair value of the plan assets and the return on those assets were as follows:

	2012 Actual return £m	2011 Actual return £m	2010 Actual return £m	2009 Actual return £m	2008 Actual return £m	**2012 Actual return %**	2011 Actual return %	2010 Actual return %	2009 Actual return %	2008 Actual return %	**2012 Actual value £m**	2011 Actual value £m	2010 Actual value £m	2009 Actual value £m	2008 Actual value £m
Equities	**7**	(9)	17	20	(28)	**9.5**	(8.2)	19.5	28.5	(26.3)	**64**	74	102	98	77
Bonds	**6**	25	8	3	7	**5.2**	21.3	9.0	2.5	11.2	**179**	144	94	74	69
Other	**–**	–	–	–	–	**–**	–	–	–	–	**1**	10	6	4	3
	13	16	25	23	(21)						**244**	228	202	176	149

21. Employee benefits – pensions continued

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

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of scheme liabilities at 1 January	**249**	238	221	170	176
Current service cost	**3**	5	5	4	6
Past service cost	**–**	(11)	–	–	–
Gain on curtailments	**–**	–	(1)	–	(1)
Employee contributions net of charges	**1**	1	1	2	1
Interest on pension scheme liabilities	**12**	13	13	10	10
Benefits paid	**(4)**	(4)	(9)	(3)	(3)
Actuarial (gain)/loss on plan liabilities	**23**	7	8	38	(19)
Present value of scheme liabilities at 31 December	**284**	249	238	221	170

Expense recognised in the income statement:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Current service cost	**3**	5	5	4	6
Past service cost credit	**–**	(11)	–	–	–
Gain on curtailments	**–**	–	(1)	–	(1)
Interest on pension scheme liabilities	**12**	13	13	10	10
Expected return on plan assets	**(11)**	(13)	(11)	(9)	(12)
Net (credit)/charge to income statement	**4**	(6)	6	5	3

The expense has been recognised in the following lines in the income statement:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Cost of transmission and sales	**2**	(5)	4	3	3
Other operating expenditure	**1**	(1)	1	1	1
Net financial (income)/cost	**1**	–	1	1	(1)
Net charge to income statement	**4**	(6)	6	5	3

21. Employee benefits – pensions continued

	2012 **£m**	2011 £m	2010 £m	2009 £m	2008 £m
Experience (loss)/gain on plan liabilities	**(23)**	(7)	(8)	(38)	19
Experience gain/(loss) on plan assets	**2**	3	13	14	(33)
Actuarial gain/(loss)	**(21)**	(4)	5	(24)	(14)

The cumulative amount of net actuarial losses recognised in the Statement of Comprehensive Income since transition to IFRS is £61 million.

Principal actuarial assumptions at the balance sheet date

	2012 **%**	2011 %	2010 %	2009 %	2008 %
Discount rate	**4.45**	4.81	5.42	5.75	6.00
Rate of increase in salaries	**2.50**	2.90	4.00	4.50	3.65
Rate of increase in pensions	**3.00**	3.10	3.50	3.60	2.75
Inflation	**3.00**	3.10	3.50	3.60	2.75
Expected return on plan assets – equities	**7.00**	7.00	8.20	8.40	7.00
Expected return on plan assets – bonds	**3.55**	3.90	4.80	5.00	5.00
Expected return on plan assets – cash	**2.00**	2.00	1.00	1.00	3.00

	2012 **years**	2011 years	2010 years	2009 years	2008 years
Life expectancy from 60 (now aged 40) – male	**28.5**	28.4	28.4	28.3	28.3
Life expectancy from 60 (now aged 40) – female	**29.3**	29.2	29.2	29.2	29.1
Life expectancy from 60 (now aged 60) – male	**26.9**	26.8	26.8	26.7	26.6
Life expectancy from 60 (now aged 60) – female	**28.2**	28.2	28.1	28.1	28.0

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. It is estimated that if the discount rate was increased/decreased by 0.1% points at the balance sheet date the net liability for defined benefit obligations would have been £7 million lower/higher.

Contribution rates to the scheme are determined by a qualified independent actuary (the Actuary to the Plan) on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2009 and this valuation was subsequently updated at 1 January 2010. The results of the valuation at 1 January 2010 showed that the scheme's assets represented 85% of the benefits that had accrued to members, reflecting a deficit of £30 million. The next triennial valuation will be performed as of 1 January 2013.

Following the valuation and discussions with the Actuary to the Plan, the Trustees and the Board agreed to continue to pay additional monthly contributions of £0.3 million during 2012 to reduce the Plan's funding deficit.

The estimated employer contributions in 2013 are £7 million.

22. Related party transactions

Details of transactions in which members have an interest are disclosed on page 116. Details of members' remuneration are shown in the remuneration report on pages 183–187.

Subsidiary undertakings

On 1 January 2012 Channel 4 acquired the activities of 4 Ventures Limited (page 110). At 31 December 2012 Channel 4 owed subsidiary undertakings £146 million (2011: £96 million).

Joint ventures

During 2012, Channel 4 received a dividend of £2 million (2011: £2 million) from Box Television Ltd (Box). Channel 4 also sold £8 million (2011: £8 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 £1 million at 31 December 2012 (2011: £2 million) in respect of these services. Channel 4 paid £1 million (2011: £1 million) to Box in 2012 and owed Box £0.1 million at 31 December 2012 (2011: £0.1 million).

Channel 4 paid £1 million of funding to Clearcast Ltd (2011: £1 million), £20 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2011: £17 million), £2 million to BARB for research services (2011: £2 million), £1 million to Thinkbox TV Ltd for marketing services (2011: £1 million) and £2 million to DTV Services Ltd for marketing services (2011: £1 million). Channel 4 also received £1 million from Digital 3 and 4 Ltd and £0.1 million from Digital UK Ltd in service fees. No amounts were due to or from these companies at 31 December 2012 (2011: £nil).

Channel 4 also recognised equal revenue and expense of £5 million with DTV Services Ltd (2011: £5 million), £1 million with Thinkbox TV Ltd (2011: £1 million) and £2 million with YouView Ltd (2011: £nil), reflecting the group's contribution of promotional airtime in respect of marketing services with these companies. No amounts were due from or owed to these companies at 31 December 2012 (2011: £nil).

Channel 4 paid £7 million in respect of fees (2011: £5 million) and received £0.3 million in respect of management services and brand royalty fees (2011: £1 million) to other joint ventures. No amounts were due from these entities as at 31 December 2012 (2011: £nil).

Equity investments

During 2012, Channel 4 received £0.2 million brand fee income from Espresso Education Ltd (2011: £0.4 million). No amounts were owed to Channel 4 at 31 December 2012 (2011: £0.1 million).

Channel 4 also paid £0.2 million to Protagonist Pictures Ltd for agency sales and film acquisition services (2011: £0.2 million). No amounts were due at 31 December 2012 (2011: £nil).