

REPORT OF THE MEMBERS

Introduction

The Members present their report and the audited financial statements for the year ended 31 December 2014.

The Chairman and Chief Executive present their statements on pages 4 and 5 respectively. A review of the Group, outlining its business model, development and performance during the financial year, together with its position at 31 December 2014 and financial outlook is provided in the Strategic Report on pages 100–109. The Strategic Report also outlines the principal risks and uncertainties facing Channel 4.

The Group's financial statements are set out on pages 130–158 and Channel 4's financial statements are set out on pages 159–162.

Legal form

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

Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all Members' interests. During 2014, Members, in addition to their salaries, benefits and/or fees as disclosed on page 125, were interested in the following transactions negotiated at arm's length on normal commercial terms with the Group:

David Abraham is a Non-Executive Director and MT Rainey is Vice Chair of Creative Skillset. Channel 4 paid £453,000 to Creative Skillset, the sector skills council for the creative industries, to fund industry-wide training during 2014. Channel 4 received £214,000 from Creative Skillset in relation to the Open 4 programme in 2014.

Lord Burns is Chairman of Santander UK plc. Santander UK plc advertises its services on Channel 4.

Mark Price is Managing Director of Waitrose, and Deputy Chairman of the John Lewis Partnership. Waitrose and John Lewis advertise their services on Channel 4.

Richard Rivers is a Member of the Advisory Board of WPP plc. Channel 4 sells advertising through a number of subsidiaries of WPP plc.

Dan Brooke is a Non-Executive Director of the Britdoc Foundation, a non-profit film foundation supported by Channel 4. Channel 4 paid £180,000 to the Britdoc Foundation in 2014.

Alicja Lesniak is a Non-Executive Director and Audit Chair of SThree plc. SThree plc owns Huxley Associates, a recruitment consultancy which provides IS contractors to Channel 4. Channel 4 paid £5,686,000 to Huxley Associates in 2014.

Where the Members have an interest in an advertising or sponsorship client of the Group, the amounts paid or payable are not disclosed as they are negotiated and transacted via media buying agencies. All such transactions are negotiated and transacted on an arm's length basis.

Environmental sustainability

We want to ensure that the way we conduct our day-to-day activities reflects our commitment to reducing any negative impact we may have on the environment. To support this, we have had an Environment Policy in place since 2004.

In 2014 we continued our in-house campaigns aimed at raising awareness of issues surrounding the environment and sustainability, as well as focusing on specific campaigns such as volunteering and charitable giving.

To provide accurate targets we have undertaken a benchmarking exercise for services during 2014 to provide a baseline for the Horseferry Road building now that it is fully occupied. This included a complete review of all our existing plant, which runs our building services in terms of heating, air conditioning and lighting, most of which has not been renewed since the building opened in 1994. This has allowed us to identify where we can make our existing equipment more environmentally friendly and also to update our life cycle plan so where equipment requires renewal, we can effectively cost and implement a replacement strategy that incorporates energy efficiency and sustainability.

Carbon footprint

Channel 4 registered for Phase 2 of the government's CRC scheme which commenced on 1 April 2014. Our CRC reportable carbon emissions for the April 2013 – March 2014 year saw an increase of 10% against the figures reported for the 2012–2013 year. This is due to it being the first reportable period where the building was fully occupied since the refurbishment.

Our greenhouse gas emissions for 2014 are set out in the table below.

	2014	2013
Total carbon footprint (tonnes of CO ₂)	5,922	5,925
Total carbon footprint per £m revenue	6.3	6.5

Waste

We recycled 132.628 tonnes of general office waste during 2014 (2013: 143.100 tonnes), representing 100% of identified recyclable waste. General municipal unsorted waste decreased to 30% of total waste in 2014 (2013: 36%). The mixed waste has decreased due to better food waste disposal resulting in less contaminated general waste.

Water

Following the refurbishment of the offices at Horseferry Road, we continue to monitor our consumption. The water consumption for 2014 was 9,705 cubic metres which shows an increase of 28% year-on-year, but this is attributable to the increase in occupancy of the offices.

REPORT OF THE MEMBERS CONTINUED

Channel 4 website

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

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 Corporation'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 Corporation's auditors are aware of that information.

Auditor

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

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 cashflows are set out in the Strategic Report (pages 100–109). In addition, note 14 to the financial statements includes the Group's approach to financial risk management, including its financial instruments and hedging activities and its exposures to liquidity and credit risks.

On 11 March 2014, Ofcom announced the renewal of Channel 4's licence. The new ten-year licence came into effect in January 2015.

The Group has sufficient financial resources and, based on normal business planning and control procedures, the Members believe that the Group is well placed to manage its business risks. The Members have a reasonable expectation that the Group will continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

REPORT OF THE MEMBERS CONTINUED

Responsibility statement of the members in respect of the annual financial statements

The Members are responsible for preparing the Annual Report and the Group and Corporation's financial statements in accordance with applicable law and regulations. The Corporation is required by its governing legislation (the Broadcasting Act 1990) to keep proper accounts and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year. Under that law, the Members have elected to prepare the financial statements of the Group in accordance with IFRSs as adopted by the EU and the requirements of Chapter 4 of Part 15 of the Companies Act 2006, and elected to prepare the financial statements of the Corporation in accordance with the Financial Reporting Standard 101 *Reduced Disclosure Framework*.

The Members accept responsibility for approving the financial statements only after they are satisfied that, when taken as a whole, they are fair, balanced and understandable and provide the information necessary to assess the company's performance, business model and strategy. In preparing each of the Group and Corporation financial statements, the Members:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Corporation will continue in business.

The Members have accepted responsibility for keeping proper accounting records that are sufficient to show and explain the Group and Corporation's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Corporation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Members have decided to voluntarily prepare a Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, made under the Companies Act 2006, as if those requirements were to apply to the Group and Corporation.

The Members are responsible for ensuring compliance with the requirements of Schedule 9 of the Communications Act 2003, as set out on page 117. Following the Digital Economy Act 2010, revised arrangements, approved by Ofcom, were implemented from 24 January 2012.

The Members are responsible for the maintenance and integrity of the corporate and financial information included on the Corporation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the Corporation and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the company's performance, business model and strategy in accordance with the UK Corporate Governance Code (September 2012).

By Order of the Board

David Abraham
Chief Executive
25 March 2015