

2018 was a year of strong performance for Channel 4 both creatively and commercially. Against the background of a changing media landscape and a challenging economy, I am pleased to report that Channel 4 continues to be seen as a compelling brand to viewers, advertisers, producers and talent. Our digital viewing and revenues enjoyed another year of rapid growth and Channel 4 delivered high levels of public service impact measured against our public remit obligations.

Chair's Statement

Charles Gurassa

Channel 4 delivered a £5 million financial surplus in 2018 and remains in robust financial health, despite the challenging economy. We retain a strong balance sheet with cash reserves of £180 million and have a £75 million additional credit facility available should it be required. We are therefore well prepared to navigate any Brexit-related volatility in the advertising market over the coming months.

We budgeted prudently in 2018 against the backdrop of continuing economic and political uncertainty. As a result of this, content spend declined from £675 million in 2017 to £662 million in 2018 but still represents our third highest-ever level of spend. In the previous two years, we had deficit-funded record levels of content investment.

Despite challenging trading conditions with the TV advertising market declining by -0.5% in 2018, commercial performance was strong with the Channel 4 Sales House sustaining TV ad market share in a very competitive environment. Overall, Channel 4 revenues grew from £960 million to £975 million, driven mainly by digital revenue growth of 11% and strong performance from Film4 in 2018, underlining our ambition to grow revenues outside of the traditional TV model.

Influenced in part by changing viewer habits, we saw some declines in our audience perception remit trackers. However, Channel 4 continued to outperform its PSB competitors in all of these measures.

Channel 4 continued to punch above its weight creatively in 2018, with Oscar-winning films, agenda-setting journalism, brilliant new comedy and drama and ground-breaking new programme formats. We were delighted to see the News and Current Affairs team winning eight RTS Journalism Awards early in 2019, including a record seven awards for *Channel 4 News*, four of which were for the Cambridge Analytica story, which made headlines around the world.

It was also a particularly strong year for Film4, with BAFTA and Oscar success for *Three Billboards in Ebbing, Missouri*. *Three Billboards* was the first production coming out of the new strategy to take bigger financial stakes in key films, generating further revenues for Channel 4 and Film4. Film4's good performance has continued into 2019 with the success of *The Favourite*.



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Chair's Statement (continued)



The year also saw Channel 4 announce its ambitious strategy to further enhance its contribution to the UK's Nations and Regions, through its '4 All the UK' plan. In March 2018, we launched a tender process where cities and regions from across the UK were invited to bid to become the homes of our new National HQ and Creative Hubs.

There was extraordinary interest and enthusiasm across the country to host Channel 4 and all of the shortlisted cities would have made worthy winners. In October, after careful consideration, the Board approved the final decision to select Leeds as the home of the new National HQ, and Bristol and Glasgow as the homes of our new Creative Hubs. The inspiring visions and passion for Channel 4 articulated in these bids shone through – and we now begin the real work of bringing that vision to life.

4 All the UK is the start of a significant new chapter in Channel 4's history and an opportunity to enable new voices, new talent and new perspectives from across the UK to flourish. We are looking forward to working closely with all of our partners to ensure that we fully realise the potential of these changes.

The breadth of our output, our contribution to the creative industries around the UK and our championing of alternative views, new British talent and minority voices all underline the continued importance of Channel 4's role as a public service broadcaster.

At a time when global media and technology giants are increasingly influencing what people see and concerns about the impact of 'fake news' continue to grow, public service broadcasting has never been more important. It is why we are working closely with the other UK public service broadcasters to find ways in which together we can ensure the continuing ease of access and availability of our schedules and programmes in the digital landscape, and are calling on policy-makers to urgently address the issue of prominence. We believe it is critical to modernise the current regulations that underpin the public service broadcaster framework to ensure that public service broadcasters receive appropriate prominence regardless of how, when and where audiences are viewing television content.

Looking ahead to 2019 and beyond, the priority of the Board is to ensure that Channel 4 remains creatively dynamic and financially sustainable at a time of continued political and economic uncertainty, while also driving significant digital transformation. This means making sure that Channel 4 is responsive to these market changes – by accelerating its investments in its digital capability, responding rapidly to changing viewer habits, nurturing a culture that is creatively vibrant and distinctive, building partnerships across the sector and continuing to manage its finances prudently. Above all, we are committed to delivering distinctive, thought-provoking, engaging and entertaining content to British audiences.

I would like to thank all the Members of the Board for their continued stewardship of Channel 4. I would particularly like to thank Dan Brooke, who has stepped down from his role as Chief Marketing and Communications Officer and from the Channel 4 Board. Dan has been a great champion of Channel 4 and contributed greatly to its successes of recent years.

Finally, I would like to thank everyone who works at Channel 4 and all its creative partners for their tremendous efforts throughout 2018. It is their dedication, imagination and commitment to the organisation that make it such a unique place, and ensures that against a backdrop of rapid change, Channel 4 continues to matter.

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Charles Gurassa
Non-Executive Chair

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