

## OVERVIEW

## CHAIR'S STATEMENT

CHARLES GURASSA  
NON-EXECUTIVE CHAIR

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

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

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

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

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

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

Charles Gurassa  
Chair



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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CHARLES GURASSA**  
Chair

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

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## CHIEF EXECUTIVE'S STATEMENT

ALEX MAHON  
CHIEF EXECUTIVE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## CHIEF EXECUTIVE'S STATEMENT

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

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

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

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

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

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

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

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

**ALEX MAHON**  
Chief Executive

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