

CHANNEL  
**FOUR**  
TELEVISION  
COMPANY LIMITED  
REPORT &  
ACCOUNTS  
FOR THE YEAR ENDED  
31st MARCH 1989





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## Chairman's statement

THE GREATER PART of the past year has been dominated by impending legislation which will change the whole ethos of television broadcasting in this country. This was presaged, in November 1988, by the publication of the Government's White Paper which delineated a complete reshaping of the commercial sector and radically redefined Channel 4's placement within this new framework. Although changes in the system for allocating and regulating ITV franchises were laid out in some detail, the White Paper put forward three broad options for the future constitution of Channel 4 and these remained open to discussion.

The first proposal was that the channel should become a private sector company, licensed by the Independent Television Commission; the second was that it should become a non-profit-making subsidiary of the ITC; and the third was that it should be linked with a new fifth channel. The Independent Programme Producers' Association made an additional proposal that the channel should be operated by a trust composed of appointees representing various interest groups.

The Government's propositions were based on two clear prerequisites; that Channel 4's airtime should be separately and competitively sold; and that its programme remit, which the White Paper described as 'a striking success', should be maintained.

We had the opportunity to submit a detailed response to the various options, both to the Home Office – which solicited opinions on the White Paper as a whole – and to the Home Affairs Select Committee, which was solely concerned with Channel 4. The essential criteria on which we based these submissions were independence together with secure and adequate funding to sustain the programme remit.

The Board was clear that privatisation would place the remit in the greatest jeopardy. It was likely the channel could well thrive in the short term, before newcomers had established a share of the market. In the long term, however, commercial pressures under this option would inevitably distort our present programming policy out of all recognition. We would find ourselves at the mercy of the audience ratings, driven by the understandable expectations of shareholders.

In our submissions, we proposed that legislation should follow the broad features of the White Paper's second option, with proceeds from the channel selling its own airtime underpinned to a guaranteed minimum level by income from other sources. As an incentive to efficiency, we suggested that this safety net should be set at 14% of all terrestrial net advertising revenue (NAR), which is somewhat below the channel's current level of expenditure (adjusted for additional costs for transmitters etc which will be transferred from ITV to Channel 4 after 1992). 14% is also considerably less than we presently generate in advertising revenue.

We are delighted that, as this report goes to press, these general parameters have been accepted by Government and that the



principle of secure funding has been endorsed as a necessary element in the protection of the programme remit. Channel 4 is deemed to require a minimum income equivalent to 14% of NAR. Should it fail to attract and hold this revenue base from its own advertising sales after 1992, it will be allocated funds, not exceeding 2% of NAR, levied from the companies making up Channel 3.

A safety net limited to 2% is seen as an added incentive to cost efficiency. We are considering closely, however, the proposed formula for the distribution of revenues earned above the level of 14% of terrestrial NAR. We wish to be sure that the channel can adequately enhance its investment in programmes from its success in the commercial marketplace and that there is an appropriate incentive to selling our airtime effectively.

The funding formula will afford advertisers the competitive sale of airtime that they seek. It will also eradicate the damage which would inevitably be imposed on the channel by a policy which sought only to increase ratings. Even more importantly, it will mean that the remit – which we willingly accept and proudly uphold – remains the driving force and guiding principle behind our continuing existence.

The Government now favours the concept of Channel 4 being administered by a public trust. My colleagues and I will wish to examine this idea very carefully. Since the recent announcement in the House of Lords that the Government of the day will be directly responsible for the trustees' appointment, the criteria for their selection and the degree of authority to be vested in them give cause for real concern.

Michael Grade has completed his first 18 months as Chief Executive. His total commitment to maintaining the high standards which have become synonymous with Channel 4 has granted him the degree of advocacy to which, in no small measure, we owe the



attainment of most of our principal objectives under forthcoming legislation.

During the past twelve months, three senior commissioning editors have left the company. Naomi Sargant was responsible for education, Adrian Metcalfe for sport and Michael Kustow for the arts. Each made a particular and extremely valid contribution to the present patchwork of diversity that constitutes Channel 4's output and each, having joined the company when it was first founded, helped establish the benchmarks which those who follow must now attempt to match. The channel is indebted to them all.

We have completed our first year with the inclusion on the Board of five executive directors. Not unnaturally – since this is a step I have long advocated – I am in no doubt that their presence has been of immense value. I believe that this initiative has enabled the Board to make more informed decisions and that, in turn, those who work for Channel 4 on a day to day basis have a far greater understanding of the regulatory parameters set by Parliament which determine the administration of its affairs.

This year we welcomed Richard Dunn and Greg Dyke as non-executive directors. The presence of these distinguished ITV figures will, I hope, ensure the continuance of the special relationship which the two channels enjoy.

Another new member of our Board is Anne Lapping, a most distinguished independent programme maker who, in some respects, replaces the particular knowledge and experience brought to our debates by John Gau until he departed to take up his position with BSB. John's contribution to the channel over many years was unique – particularly his understanding of the hopes and fears of independent producers. We shall miss him greatly and wish him well in his new post.

In my last report I referred to the impending departure of Justin Dukes. Since I know the Chief Executive also wishes to express his gratitude, I will only mention him briefly here. It would, however, be totally improper were I not to reiterate how greatly we are indebted to him for structuring the arrangements which, under the Board's new executive directors, are now being so successfully implemented.

During the year we lost our Deputy Chairman, George Russell. He was greatly admired for his perceptions and counsel in our debates and was held in very real affection by all his colleagues on the Board. He has proved a tremendous advocate for the future of Channel 4 in his position as Chairman of the IBA and as Chairman designate of the ITC. I would, therefore, wish to place on record that his invaluable support, together with that of the Home Affairs Select Committee, has been paramount in the achievement of so many of our aims.

George Russell succeeded Lord Thomson as Chairman of the IBA. In bidding farewell to the outgoing Chairman many fitting tributes were paid. His stalwart defence of public service

broadcasting over the years, his attention and support for Channel 4, his integrity and wisdom have served the industry so well. But above all, we are indebted to him for his unswerving defence of the editorial independence of broadcasting. He holds a special place in the history of independent television in this country.

John Whitney has also left the Authority. No Director General of the IBA has had to preside over such a difficult period. His special qualities of diplomacy, tact and his open minded, calm approach to problems were invaluable. The channel is immensely grateful to him for his concern for our welfare. He has proved a most staunch and tireless supporter of the channel.

George Russell has coined a cogent phrase, 'the quality of money', which he believes should be a critical factor in granting future ITV licences. It appears that the Government has not fully accepted his vital criterion and we can but hope, as the Parliamentary debates on the new Broadcasting Bill draw near, that his logic will ultimately find favour.

In finally presenting the Bill to the House of Commons, the Government must surely be conscious of its responsibility to legislate for television programming that is not only produced efficiently and effectively but also to the highest possible standard. Television occupies a major place in our lives. It has supplanted both radio and the written word as our principal source of entertainment, argument, debate and news.

If we allow the competitive commercial marketplace to be the sole factor determining the quality and content of television broadcasting in this country, we will be failing very seriously in our responsibility to future generations. And there is, I believe, arising from the debate prompted by the White Paper, a growing consciousness of this responsibility.

Certainly it concerns us greatly at Channel 4. Were we to lose our freedom of action, were commercial pressures or vested interests allowed to usurp independent editorial judgements, then Channel 4 might just as well never have been born. But it has been born and, while the present executives and Board members remain to serve the company, it will be the beneficiary of their unbounded commitment to preserve and enhance the high aspirations which brought it into being.

Richard Attenborough  
CHAIRMAN  
20th June 1989



## Chief Executive's review



Sven Arnsten

THE TELEVISION YEAR has been dominated by the politics of broadcasting so it is particularly reassuring that the channel's programmes have continued to attract sizeable audiences, critical acclaim and a long list of domestic and international awards.

The popularity of ITV, our own decision last year to drop snooker (an easy and economical ratings booster) and the growing strength of BBC1, have all combined to put pressure on Channel 4's share of the total audience. Nevertheless the channel has virtually maintained its position with an average share of the whole television audience in the period under review of 8.7% compared to 8.8% for the equivalent period last year. Our share of the commercial audience was 17.1% compared with 17.4% last year.

Such a small fluctuation in share is not significant. However, in the 3½ years remaining before the new competition (foreshadowed by the Broadcasting White Paper) starts to bite and while our constitutional relationship with ITV remains, we have a valuable window for growth. Much creative energy will be put into the effort to increase our audiences nearer to the 10% ambition of my

predecessor Jeremy Isaacs. We must demonstrate in these years to come that we have a sufficient constituency of support from viewers and advertisers to provide a reasonable financial base for the new age of competition.

We must not underestimate the potentially damaging effect (post 1992) that increased efforts by other channels to secure higher audiences and revenue could have on our share of the market. The executives of Channel 4 are determined to increase the channel's audience to consistently higher figures than at present without altering either the channel's special and distinctive mix of programmes or consigning minority programmes to unsocial extremities of the programme schedule. There will be much greater emphasis on our marketing strategies.

We must also be most particularly aware of the need to consolidate and build up our relationships with independent producers – ensuring that they still view Channel 4 as the first place to come with their creative ideas; and above all it will mean continuing flair, courage and expertise in identifying new areas of interest to potential viewers whose tastes are not being served elsewhere on British television.

This represents a considerable challenge. I do not doubt for a moment that the dedicated and talented staff of the channel will relish the prospect and achieve these objectives. We are already busy preparing ourselves for the rigours of a more competitive future.

The Chairman has addressed the question of the channel's constitutional future in his statement on pages 2 and 3. I would like to endorse the view that the present Board structure offers a guarantee of the channel's independence.

The present non-executive members of our Board, appointed by the IBA, offer the channel's executives criticism or advice from a wide range of their very different

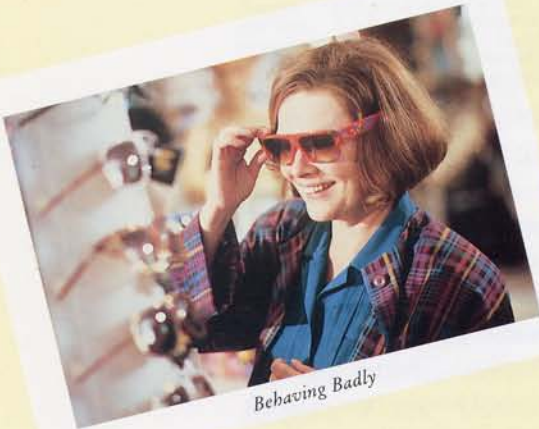




Channel 4 News



A Very British Coup



Behaving Badly



The Channel Four Daily

experience and background, always objective and always putting the long term interest of the programme remit first. This year has been no exception and we, the staff, are grateful for their continuing dedication to the general welfare of the channel.

The programme year under review is a good indication of the channel's continuing commitment to provide distinctive and innovative programmes. The channel's awards have ranged from the most prestigious international prize in television entertainment, the Montreux Golden Rose, for the Comic Strip's parody *THE STRIKE* (a highlight of the previous year) to the Camera D'Or award at Cannes for Mira Nair's debut feature film, *SALAAM BOMBAY*, commissioned as part of our multicultural output, and now doing well in the cinema here and in the USA, where it was nominated for an Oscar.

A *VERY BRITISH COUP* and ITN's *CHANNEL 4 NEWS* scooped the pool of awards in their respective categories. *CHANNEL 4 NEWS* – one of the three programmes surviving from the channel's opening night – won awards for its journalism, and for its incomparable presenter Peter Sissons, from BAFTA, the Broadcasting Press Guild and the Royal Television Society. Fellow professionals in BAFTA and journalists in the Broadcasting Press Guild alike judged *A VERY BRITISH COUP* the best drama series of 1988 and Ray McAnally the best TV actor; the series also bagged an International Emmy Award and enjoyed success in the BAFTA craft awards, with a special writer's award to Alan Plater for all his achievements, not least his screenplay for the series, based on Chris Mullin's novel.

In the last months of the year, too late for immediate awards, critical acclaim continued for many series ranging from the extremely popular *BEHAVING BADLY* to the remarkably assured magazine series on gay themes, *OUT ON TUESDAY*. And as the year drew to a close the authority of our



lunchtime financial news programme, BUSINESS DAILY (now making a major contribution to the new early morning service THE CHANNEL FOUR DAILY) was recognised with the Harold Wincott Award for financial journalism, following in the path of *The Economist* and *The Financial Times* – an honour to be officially recorded in next year's report.

One pleasing trend that has accelerated this year has been the amount of original programming the channel has commissioned from independent producers. The channel transmitted over 1,650 hours of programmes from independent producers. We increased our spend in that sector by 18.7% over the previous year. The independent sector is now well and truly established as an efficient viable source of a range of top quality programmes comparable to anything produced in-house at the BBC and ITV. We look forward to, and are actively encouraging, a further expansion of independent production from outside of the Greater London area.

We were particularly pleased that in 1988 the number of programme proposals received from independent producers in Scotland was some 6 times larger than in 1987. Furthermore some 12% of the proposals were successfully converted to commissioned programmes. That percentage commissioned is much larger than the normal rate and will help, we hope, to create a more vibrant independent production sector in Scotland.

The Channel 4 commissioning and publishing model has now more than proved itself and has led the direction in which the private sector of broadcasting is headed. This is not surprising since the structure offers great flexibility and economy. We are very proud of the fact that, despite a considerable 83% expansion of transmission hours since our 1983/84 year, we are still maintaining a level of

amounts to less than 11% of our total income. The channel continues to operate with small staff numbers – at 31st March 1989 we employed 353 people. The relationship between the number of hours of transmission and the number of staff has remained constant throughout the last six years. The channel's drive for cost efficiency is necessitated by an inherent desire to turn as much of our income as possible into programmes. The average cost per hour of our programme transmissions declined in the year to 31st March 1989 to £25,700 (1988: £26,500).

Our commercial activities, film investment, film and programme distribution and sales, merchandising and publishing, are showing signs of real growth. This year they have contributed £2.5 million of profit from a turnover of £10.3 million (1988: £7.2 million) of which exports accounted for £7.3 million (1988: £4.9 million). This was a year on year increase in turnover of 44%. These commercial activities, which provide funds for additional programmes, have now established a useful base which we are keen to expand and exploit to the full.

Finally, I must pay tribute to Managing Director Justin Dukes, and three senior commissioning editors Naomi Sargant (education), Adrian Metcalfe (sport) and Michael Kustow (arts) who left to pursue new challenges. All four had been with the channel from the beginning and they each made their individual contribution in terms of flair and personal commitment to the ideals and the ultimate success and health of the channel. The channel is indebted to them all and I wish them well in the future.

Michael Grade  
CHIEF EXECUTIVE  
20th June 1989

## Diversity of programmes

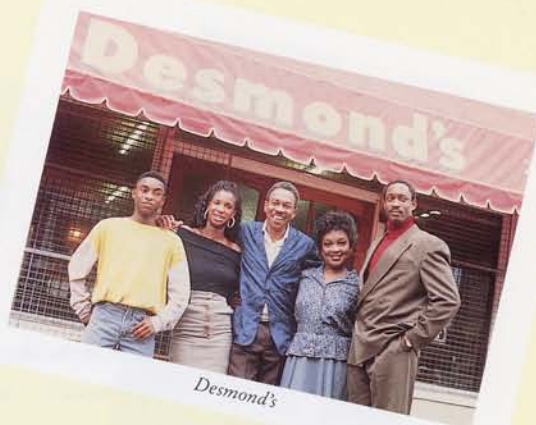
IN THE PAST YEAR, Channel 4 has maintained its diversity alongside its remit to innovate, be distinctive and cater for tastes and audiences not catered for elsewhere. It has sustained that range with a balance of programmes – some purchased, like *THE COSBY SHOW*, some home-grown like *BROOKSIDE* – that win large popular audiences and form the channel's Top Ten. Sometimes programmes can both win large audiences *and* fulfil the remit. For example, black writer Trix Worrell's multicultural situation comedy, *DESMOND'S*, set in a black barber's shop in Peckham, provided the most instantly popular home-grown situation comedy in the channel's history.

### Drama

Channel 4's own commissioned drama has always combined distinctive quality and popularity. Well over a hundred feature films have now been commissioned by the channel for cinema and television release as *FILM ON FOUR*. In 1989 Neil Jordan's *MONA LISA* added to its critical and commercial cinema success with the largest-ever television audience for *FILM ON FOUR* – almost eight million viewers.

Among drama series, *ECHOES* reverberated in the ratings; *EUROCOPS* identified a new working form for European co-operation, with each participating country contributing an episode with its own police characters in its own language; and early in 1989, *BEHAVING BADLY* performed well – both critics and viewers responded to Judi Dench's touching and funny portrayal of a divorced woman defying conventional expectations.

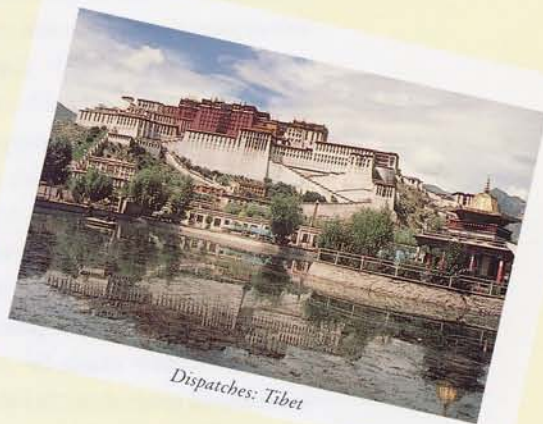
However, the 1988 awards for drama series from both BAFTA and the Broadcasting Press Guild were scooped by the witty and fast-moving political thriller,



*Desmond's*



*Film on Four: Mona Lisa*



*Dispatches: Tibet*



*True Stories: After the Fire*



A VERY BRITISH COUP and Ray McNally's central performance as the charismatic left-wing Prime Minister withstanding conspiracy.

### *Factual programmes*

While A VERY BRITISH COUP won the honours for political fiction, for political fact CHANNEL 4 NEWS won BAFTA, the Royal Television Society and the Broadcasting Press Guild awards to sustain its reputation as British television's most consistently authoritative news programme. DISPATCHES, the first topical current affairs programme to eschew an overall editorial team and rely on individual week-by-week commissioning, consolidated its reputation for domestic and worldwide stories with Vanya Kewley's clandestine report from inside Tibet – a feat of personal daring as well as journalistic prowess; a controversial investigation of alleged Governmental manipulation of official statistics in COOKING THE BOOKS; an exposé of the National Front; and a stylish account of new theories about Kennedy's assassination. The same principle of individual commissioning has been extended to a strand of reports that now enhances the channel's pioneering international programme THE WORLD THIS WEEK.

Besides series investigating the future of the European left, NEXT LEFT, and assessing the outgoing US president's career, REAGAN ON REAGAN, the current affairs output also attempted a novel right-wing discussion format, RIGHT TALK. Confining the participants to right-wingers was not some kind of balancing act to offset the commitment of some radical ELEVENTH HOUR programmes, but an attempt to focus debate beyond familiar and widely-aired issues of fundamental left-

right principle to concentrate on the subtle differences among right-wing theorists.

Diversity of opinion remains an essential commitment – with the daily COMMENT slot, RIGHT TO REPLY, OPINIONS and the range of documentary and drama in THE ELEVENTH HOUR. A second, extended, season of AFTER DARK used its late-night open-ended format to tease out different experiences and opinions – whether on Israel, Ireland, privacy or witchcraft – with inimitable results.

Reporting on the world of business, BUSINESS DAILY confirmed its status by following *The Economist* and *The Financial Times* and others as winner of the prestigious Harold Wincott Award for financial journalism. THE HARRODS SALE was a model of investigative reporting, uncovering much of the background to the Al Fayed's and their purchase of House of Fraser.

THE MEDIA SHOW maintained its broad worldwide coverage. EQUINOX continued to find imaginative treatments for a wide range of science and technology subjects – from the lucid exploration of the new theory of CHAOS, to a one-man show THE AIR FIX by a former aircraft engineer turned actor James Castle exposing flaws in aircraft safety. FRAGILE EARTH brought a new toughness in exposing the threats to flora and fauna – most notably with SEAL MOURNING whose graphic images of Norwegian fishermen clubbing baby seals caused a furore with over 8,000 telephone calls for more information within 24 hours of transmission.

TRUE STORIES provided a showcase for commissioned and purchased non-fiction movies. These included AFTER THE FIRE on Vietnam since the war, BEIRUT – THE LAST HOME MOVIE about a rich family's survival amidst the shelling, and a





Equinox: The Air Fix



Big World Cafe



Glorious Colour

Czech view of the Munich settlement 50 years on, PEACE IN OUR TIME.

Besides a deft combination of dramatic reconstruction and personal reminiscence of the 1938 Oxford by-election, A VOTE FOR HITLER, other historical series included KOREA: THE UNKNOWN WAR and A CENTURY OF CHILDHOOD.

### *Multicultural and regional*

Besides the success of the situation comedy DESMOND'S and Cannes award and Oscar nomination for the Channel 4 commissioned feature film SALAAM BOMBAY, the channel maintained its multicultural commitment with the current affairs programme BANDUNG FILE; THE BANGLADESH STORY; a new magazine for the Chinese community, ORIENTATIONS; together with movie seasons of BOMBAY TALKIES; BLACK CINEMA IN EUROPE; and NEW CHINESE CINEMA.

The regional diversity of the UK was confronted in the ten-part series THE DIVIDED KINGDOM, made by HTV Wales. IRISH REEL presented a season of documentaries about Irish life today beyond the political flashpoints. A Scottish perspective came through the current affairs series SCOTTISH EYE; GLASGOW, BY THE WAY; and a successful late-night entertainment and cultural programme, HALFWAY TO PARADISE, seemingly

presented by a 55-year-old bingo caller from Airdrie.

### *Education*

Channel 4's educational output – with all its published back-up material – consists both of the programmes commissioned directly as education and other programmes, such as EQUINOX, that are 'validated' by the IBA as providing the mix of information and inspiration that defines educational broadcasting.

Some of the greatest response – notably to special help-lines after each programme – came from a short series CONCERNING CANCER. The educational commissions also included series for those with special needs: LISTENING EYE for the deaf and hard-of-hearing; SAME DIFFERENCE for those with a range of handicaps, and GO FOR IT for all children, especially those with handicaps. There were also series advising on creative knitting, Kaffe Fassett's GLORIOUS COLOUR; recalling the history of wine, VINTAGE; or exploring THE SECRET LIFE OF MACHINES.

### *Religion*

While there may be fears about the prospects for religious programming in the structure of broadcasting in the 1990s, Channel 4 extended its original approach to religious issues with John Romer's





*Opera on 4: The Midsummer Marriage*



*Out on Tuesday*



*Evil*



*Tour de France*



*This is David Lander*



*East Meets Wax*



*Signals: The Day Comics Grew Up*



individual history of the Bible, in TESTAMENT. Other highlights included a lucid account of the significance for contemporary British Jews of their Shabbat in THE SABBATH BRIDE; a three part exploration of EVIL; and a new topical religious magazine, NOT ON SUNDAY with Brian Redhead.

### *For the young*

For young people, NETWORK 7 returned for a second and final series, while BIG WORLD CAFE drew on a new interest in world music and marked the first of a new 1989 generation of programmes for young people. The channel decided not to expand its original commissioning for children, but THE STORYTELLER with John Hurt and Jim Henson's creatures retelling classic folk tales was an acclaimed exception.

### *Arts and music*

Channel 4's first-ever weekly arts programme, SIGNALS, sought new ways to explore the contemporary relevance of art – through subjects as diverse as the social impact of new architecture; a relay of the Royal Opera House's gala for the Armenian Earthquake Appeal Fund; and a swiftly-dramatised account of the legally-unprecedented 'frozen fetuses' case.

DANCE ON 4 returned for its sixth season of contemporary dance, while OPERA ON 4 featured NIXON IN CHINA, the ENO's version of THE RAPE OF LUCRETIA, and a new studio production of Tippet's THE MIDSUMMER MARRIAGE. Popular music was covered with the rock series, WIRED, and the series of jazz documentaries, SOUNDS OF SURPRISE.

### *Sport and entertainment*

SUMO, TOUR DE FRANCE, BASEBALL and VOLLEYBALL continued to win more

converts to the roster of sports – still headed by AMERICAN FOOTBALL – that Channel 4 has made popular here, together with the first-ever TV series devoted to women's sport, FAIR PLAY.

Two stars who made their names on Channel 4 spread out onto location documentaries as Jonathan Ross evaded THE LAST RESORT in search of some bizarre American directors in THE INCREDIBLY STRANGE FILM SHOW, and Ruby Wax invaded Miami and Moscow for MIAMI MEMOIRS and EAST MEETS WAX. In THIS IS DAVID LANDER, Stephen Fry drily sent up investigative television.

Channel 4's track-record in spotting the best of American series has been enhanced this year with ROSEANNE, launched here only weeks after its successful US debut, and THIRTY-SOMETHING. They both arrived in 1989, but it was refreshing that as 1988's best imported series, both BAFTA and the Broadcasting Press Guild chose TANNER 88 – not a ratings smash, but a highly-original format in which Robert Altman and Garry 'Doonesbury' Trudeau inserted an imaginary runner into the 1988 US presidential race.

### *Out On Tuesday*

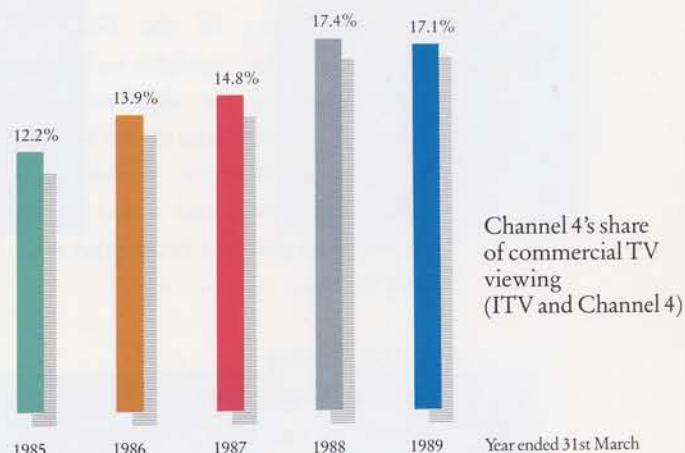
Last, but not least, Channel 4 mounted an eight-hour wholly-commissioned series tackling gay issues, from the portrayal of gays in Hollywood to the fate of the gays under the Nazis. It demonstrated its commitment without stridency and was made with a stylish assurance unknown in the channel's earlier pioneering days – and without any of the press outcry that greeted the controversial gay programme ONE IN FIVE in Channel 4's opening weeks.



## Audience: viewing to the remit

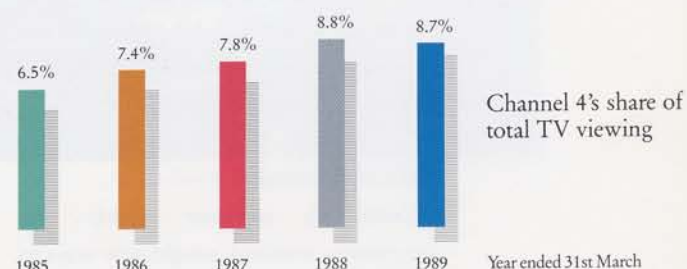
### *All of the people some of the time*

Channel 4 is now very much a part of the daily life of the British public. The channel is watched by 93% of the population each month and 76% each week. This compares very favourably with last year's figures of 91% of the population per month and 75% per week. In achieving this increase in patronage Channel 4 is clearly living up to its aims of serving all the people some of the time.



### *Special interest groups*

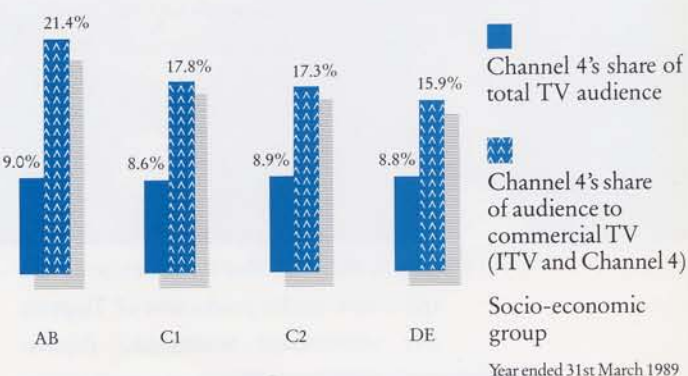
Channel 4 has maintained the expansion of programming for special interest groups and other minorities; everybody has special interests and is a minority at some stage and this accounts for Channel 4's 8.7% share of the total audience across all segments of the population.



### *Young upmarket audiences*

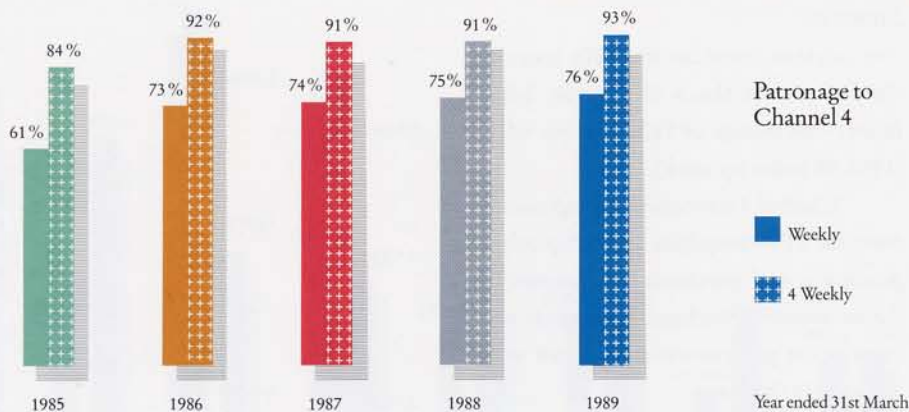
Most importantly, whilst continuing to provide a wide range of programmes for all interest groups – from the disadvantaged or unemployed to the business community – Channel 4 has retained the ability to attract young upmarket audiences: audiences that do not watch a lot of television. This is a strength that continues to complement ITV and help advertisers reach elusive groups. The viewing share that Channel 4 achieved of the 16-24 young audiences age group for the year ending 31st March 1989 was 10.4%. That is well up on Channel 4's national average of 8.7% for all viewers.

19.9% of the 16-24 age group's commercial television viewing in that year went to Channel 4. This may be compared with Channel 4's national average of 17.1% of commercial TV viewing among all viewers.



Programmes like NETWORK 7 which continued to cover a whole range of young people's issues, WIRED the magazine-style music programme, THIS IS DAVID LANDER





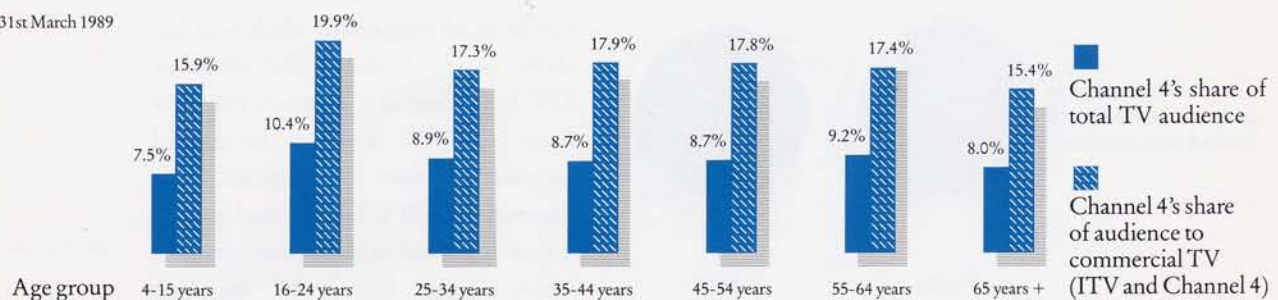
the tongue-in-cheek comedy programme, *WHOSE LINE IS IT ANYWAY?* the comedy improvisation show, and *SCOFF* the alternative food programme, helped Channel 4 achieve those audience shares among the young viewers.

Channel 4 continues to take a disproportionate share of commercial television's upmarket viewers. 21.4% of the AB socio-economic group's commercial television viewing went to Channel 4. Viewers from the DE group spend far more of their viewing time with ITV – Channel 4 received only 15.9% of their commercial television viewing. Programmes that contributed to Channel 4's strong share of upmarket commercial audiences include the much acclaimed award-winning drama *A VERY BRITISH COUP*, *CHANNEL 4 NEWS*, *THE MEDIA SHOW*, *SIGNALS*, *DISPATCHES*, *THE BUSINESS PROGRAMME* and *EQUINOX*.

### The future

Overall Channel 4 looks set to continue to increase its share of audiences and to build on its strengths among young and upmarket viewers – while continuing to widen its monthly and weekly patronage. Programmes like *SIGNALS* with its broad coverage of all areas of the arts – from architecture, dance, fine art, film, graphic art, literature, music, opera, theatre to television – reach a large proportion of the population at some time, even if the weekly subjects of the programme appeal to very different groups in the population. On the other hand, *DESMOND'S*, a British comedy programme with a largely black cast, has appealed to a broad spectrum of the British public each week, with an average audience per programme of 3.5 million people. Channel 4 is building on these strengths within the remit.

Year ended 31st March 1989





## Programme Transmissions

### Sources

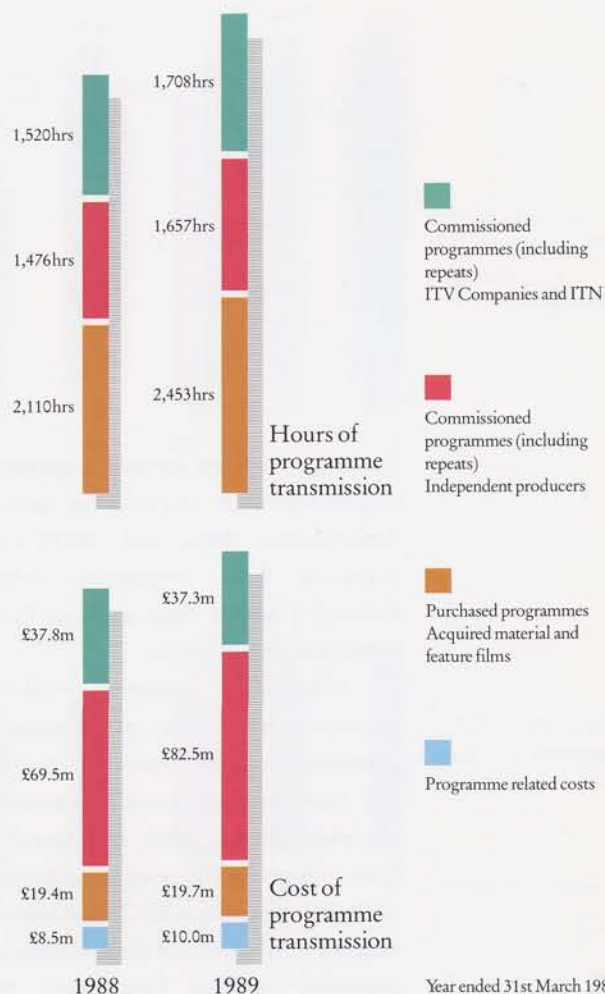
THE CHANNEL broadcast for 5,818 hours in the year to 31st March 1989 (1988: 5,106 hours) – an average of 112 hours per week (1988: 98 hours per week).

Channel 4 commissions programmes from the ITV companies and independent producers, and purchases programmes in the international markets. The sources and costs of the programmes transmitted were as shown in the chart.

In the year to 31st March 1989, the ITV companies and ITN provided 29% (1988: 30%) of Channel 4's total hours of programme transmissions for 25% (1988: 28%) of the channel's programme transmission costs.

Independent producers provided 28% (1988: 29%) of the total hours of programme transmissions for 55% (1988: 51%) of the channel's programme transmission costs.

The overall cost per programme hour from the ITV companies might appear to be less than for programmes from the independent producers, but this is simply because the ITV companies produce the majority of Channel 4's cheaper studio based programmes, whereas the independent producers provide the majority of the drama programmes and the more expensive location productions.



### Categories

The channel transmits a wide range of programmes, analysed in the chart facing.

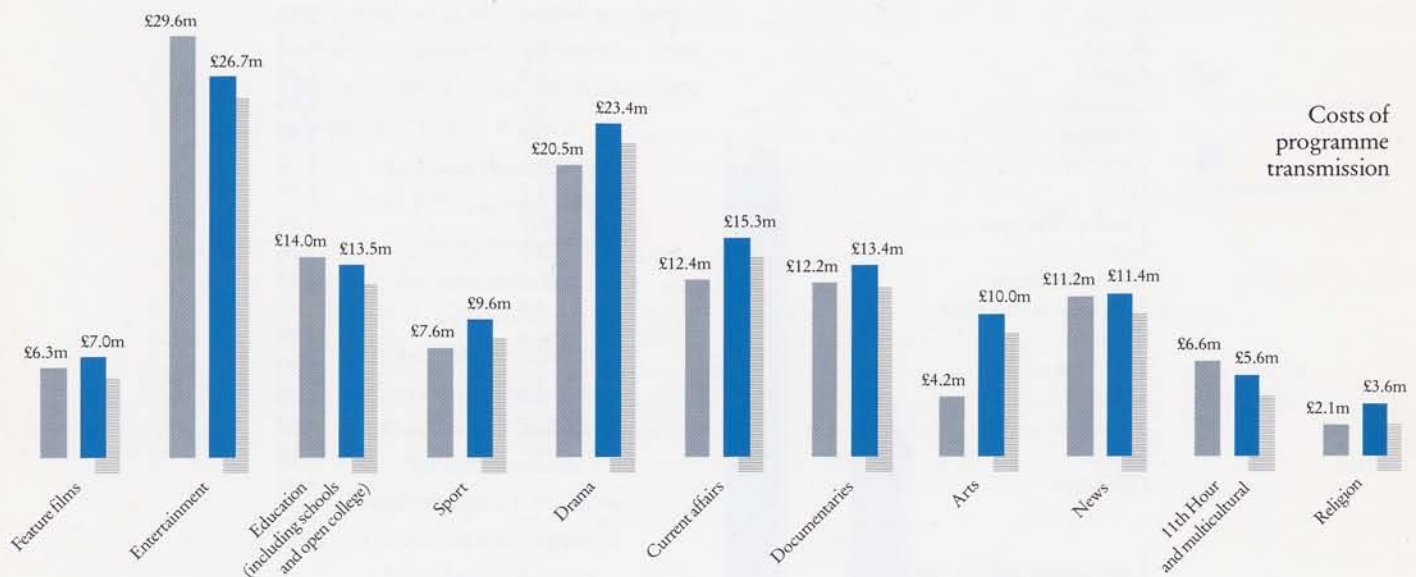
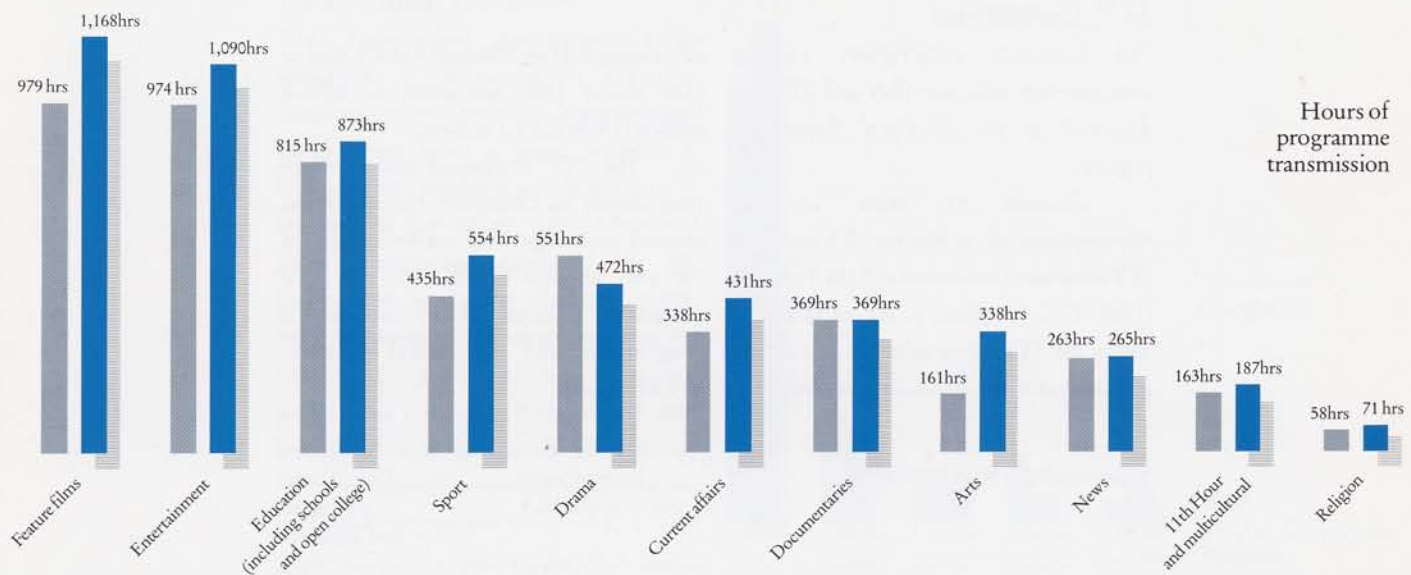
These programmes divide between first showings and repeats as shown in the charts.

Programmes repeated on Channel 4 may be either programmes which were first shown on the channel or first shown on ITV. In the year to 31st March 1989, 351 hours (1988: 297 hours) of the repeated programmes were programmes first transmitted on ITV. Repeat hours exclude feature films and other acquired material which might have been broadcast previously on either ITV or the BBC.

The Channel's average programme cost per hour of transmission







■ Year ended 31st March 1988

■ Year ended 31st March 1989



1988  
Total 5,106 hrs



1989  
Total 5,818 hrs



## Transactions with ITV and independent producers

### ITV Companies

THE CHANNELS subscription funding arrangements with the IBA and ITV are described in the Directors' Report on page 22.

Channel 4's share of the subscriptions derived by the IBA from the ITV companies amounted to £181.8 million (1988: £163.4 million) as set out below. In return the ITV companies sell advertising on Channel 4 and retain the proceeds. The advertising sold on Channel 4 in the year to 31st March 1989 amounted to £256.4 million (1988: £213.3 million).

The ITV companies also produce programmes for Channel 4 – for which the channel pays negotiated market prices. In the year to 31st March 1989 the ITV companies received £42.59 million for programmes sold to Channel 4 (1988: £39.68 million).

Year ended 31st March 1989	Subscription received by the IBA	Programme payments by Channel 4
	£m	£m
Anglia .....	14.3	0.24
Border .....	0.2	0.67
Central .....	34.5	0.86
Channel .....	0.1	0.09
Grampian .....	0.4	0.40
Granada .....	25.1	3.02
HTV .....	15.1	1.21
London Weekend .....	26.9	3.44
Scottish .....	13.2	1.26
Television South .....	26.0	2.47
Television South West .....	3.8	—
Thames .....	36.8	4.95
Tyne Tees .....	8.8	0.27
Ulster .....	0.4	0.75
Yorkshire .....	21.7	4.37
ITN .....	—	14.18
ITV Sport .....	—	4.41
	<u>227.3</u>	<u>42.59</u>
Less amount paid by the IBA to the Welsh Fourth Channel Authority .....	(45.5)	—
Channel 4's subscription received from the IBA, and programme payments made to ITV companies .....	<u>181.8</u>	<u>42.59</u>
Net advertising revenue obtained by ITV from the sale of Channel 4's air-time .....	<u>256.4</u>	
Net advertising revenue obtained by ITV from the sale of S4C's air-time .....	<u>3.9</u>	

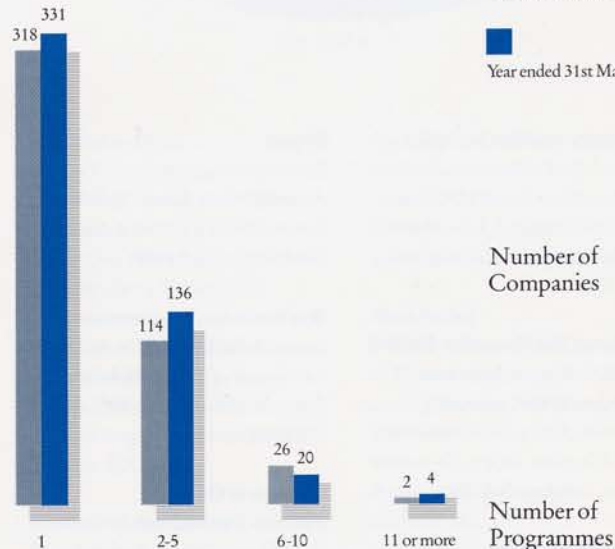
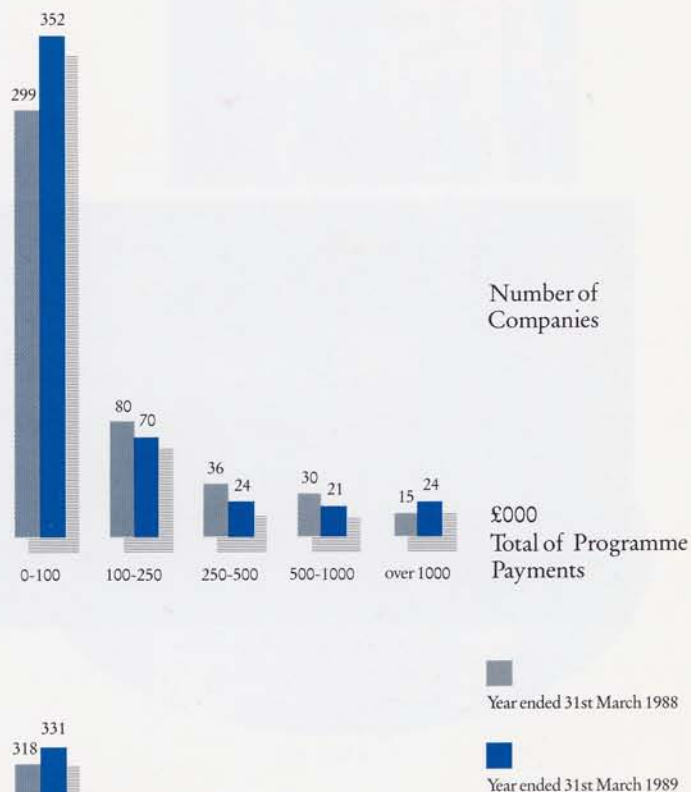
The figures for programme payments from Channel 4 to the ITV companies include amounts paid to those companies' subsidiaries.



### Independent Producers

The independent production sector continues to grow and for the sixth successive year Channel 4 commissioned programmes from a larger number of independent production companies. In the year to 31st March 1989, Channel 4 made programme payments to 491 independent production companies (1988: 460 companies). The chart sets out the number of companies which received programme payments from the channel in each of the various bands. The majority of these are small companies which produce only one programme or series at a time. However, in the year ended 31st March 1989 the following independent production companies received payments from Channel 4, for a variety of programmes, totalling more than £1 million:

*Bandung Productions*  
*Brook Productions (1986)*  
*Brookside Productions*  
*Business Television*  
*Channel X*  
*Chatsworth Television*  
*Cheerleader Productions*  
*Hat-Trick Productions*  
*Holmes Associates*  
*Humphrey Barclay Productions*  
*Initial Film and Television*  
*John Gau Productions*  
*North South Partnership*  
*Open Media Limited*  
*Panoptic Productions*  
*Picture Partnership Productions*  
*Regent Productions*  
*Skyline Film and Television Productions*  
*Television Sport and Leisure*  
*TVF*  
*Video Visuals*  
*Wall to Wall Television*  
*Working Title Television*  
*Zed.*



The chart set out above shows the number of programmes or series of programmes for which the channel has made payments to individual independent production companies. The chart includes long running strands of programmes as one programme series. The BROOKSIDE series, of which two episodes are transmitted each week, is therefore shown in the chart as one series.



## Awards for Channel 4 programmes

Received in the year ended 31st March 1989



*Baka – People of the Rain Forest*



*Brond*



*The Good Father*

### **The Agony and the Ecstasy**

London Film Productions  
2nd Place Silver Award (Human Sexuality Category): John Muir Medical Film Festival, California, USA 1988.

### **Aids Now: The Quest for Control**

Edward Goldwyn Associates  
Award for Adult Continuing Education, for a general audience: Royal Television Society Education Awards, London, UK 1988.

### **Alternative Fringe**

Scarlet Television  
The Observer Award for Best Use of Humour in Animation; The Observer Award for Best Animation Filmscript: 1st British Animation Awards, Cardiff, UK 1988.

### **Arcadia**

Working Title  
Best Fiction Film: Tampere Short Film Festival, Finland 1989.

### **Baka-People of the Rain Forest**

Dja River Films  
Grand Prize – Best of the Festival: Banff TV Festival, Canada 1988.

### **Brond**

Jam Jar Productions  
Award for Best Action/Adventure: International TV Movie Awards, New Jersey, USA 1988.

### **The Business Programme**

Business Television  
Certificate of Merit: Richard Cawston Award 1987/88, London, UK 1988.

### **Change of Owner**

Fulcrum Productions  
Certificate of Merit: Richard Cawston Award 1987/88, London, UK 1988.

### **Channel 4 News**

ITN  
Best News or Outside Broadcast Coverage – The Production Team: British Academy of Film and Television Arts, Film and TV Awards, London, UK 1989.  
Best News or Current Affairs Programme: Broadcasting Press Guild Television Award 1988, London, UK 1989.

### **Channel 4 News: The Bush Tapes (Michael Crick)**

ITN  
News, Topical Feature Award: Royal Television Society Journalism Awards 1988, London, UK 1989.

### **Channel 4 News: Peter Sissons**

ITN  
Judges Award: Royal Television Society Journalism Awards 1988, London, UK 1989.

### **The Comic Strip Presents...**

**The Strike**  
The Comic Strip  
Golden Rose; Press Prize: 28th Golden Rose of Montreux, Switzerland 1988.  
Best Television Comedy: Banff TV Festival, Canada 1988.

### **Distant Voices, Still Lives**

BFI/C4  
International Critics' Prize: Cannes International Film Festival, France, 1988.  
Golden Leopard (Best Film): Locarno International Film Festival, Switzerland, 1988.  
Critics' Prize: Annual Toronto International Festival, Canada, 1988.  
Golden Spike (Best Film); Best Photography Prize: Valladolid International Film Festival, Spain, 1988.

### **The Dressmaker**

Dressmaker Productions  
2nd Prize – Rose of Lidice Award: Karlovy Vary International Film Festival, Czechoslovakia 1988.  
Best Actress – Billie Whitelaw (shared): Evening Standard Awards, London, UK 1989.



*Drowning by Numbers**The Comic Strip Presents... The Strike**Girls' Night Out**The Kitchen Toto***Drowning by Numbers**

Allarts  
*Best Artistic Contribution – Peter Greenaway: Cannes International Film Festival, France 1988.*

**Frontline States**

Central Television  
*The Geneva International Prize for Television: Rencontres Medias Nord-Sud, Geneva, Switzerland 1988.*

**Girls' Night Out**

Joanna Quinn  
*Silver Dragon: International Festival of Short Films, Cracow, Poland 1988.*

**The Golem**

Mole Hill Animation/Julian Roberts Productions  
*Honorary Diploma: International Festival of Short Films, Cracow, Poland 1988.*

**The Good Father**

Greenpoint Films  
*Prix Italia (Television Fiction): Prix Italia, Capri, Italy 1988.*

**Grand Illusions**

Philippa Walker Productions  
*Special Mention (Independents Competition): Golden Rose of Montreux, Switzerland 1988.*

**Hell to Pay**

Mira Films  
*Jury Prize for full-length Documentary: International Festival of Creteil, France 1989.*

**High Hopes**

Portman Productions  
*Fipresci Prize (Critics' Award) (shared): Venice Film Festival, Italy 1988.*

**Ingmar Bergman:**

**The Magic Lantern**  
 Thames Television  
*Best Documentary in Tiempo de Historia Section: Valladolid International Film Festival, Spain 1988.*

**The Kitchen Toto**

Skreba Films  
*Grand Prix; Best Actor – Edwin Malinda; Best Music – John Keane: 3rd International Festival of Youth, Paris, France 1988.*

**A Matter of Life and Debt**

Brook Productions  
*Premier Award: One World Broadcasting Trust Awards 1988, London, UK 1988.*

**A Month in the Country**

Euston Films  
*The Anthony Asquith Award; Film Music Award: British Film Institute Awards, London, UK 1988.*

**My Mama Done Told Me**

Metropolis Pictures  
*Silver Hugo: Chicago International Film Festival, USA 1988.*

**On the Black Hill**

British Screen/BFI  
*Grand Gold Shell (Best Feature): San Sebastian International Film and Video Festival, Spain 1988.*

**Alan Plater**

*Writer's Award: British Academy of Film and Television Arts, Film and TV Awards 1988, London, UK 1989.*

**Reefer and the Model**

Berber Films  
*Europa Prize for Best Film: Barcelona International Film Festival, Spain 1988.*

**Salaam Bombay**

Mirabai  
*Camera D'Or for Best First Film – Mira Nair: Cannes International Film Festival, France 1988. Best British (or British Co-Production) Feature in the Festival (given by the Guild of Regional Filmwriters): 11th Tyneside Film Festival, Newcastle, UK 1988.*





*The Storyteller*



*Salaam Bombay*



*My Mama Done Told Me*

#### **Shattered Dreams**

SPI

*Anthropos Festival Award:  
Anthropos 1988, California,  
USA 1988.*

#### **Shoah**

Les Films Aleph

*Special Commendation: Royal  
Television Society Awards,  
London, UK 1988.*

#### **The Short and Curlies**

Portman Productions

*Short Film Prize: Cork Film  
Festival, Eire 1988.  
2nd Prize (shared): Berlin Short  
Film Festival, West Germany 1988.*

#### **Sir Steven Runciman:**

##### **Bridge to the East**

Amaranthus

*Certificate of Merit; Chicago  
International Film Festival,  
USA 1988.*

#### **Stone Monkey:**

##### **Portrait of a Rock Climber**

Hughes Film Productions

*1st Prize – Category 2 (Climbing  
Films): International Mountain  
Film Festival, Graz, Austria 1988.*

#### **The Storyteller:**

##### **Hans my Hedgehog**

TVS/Jim Henson Productions

*Costume Design – Ann  
Hollowood; Best Children's  
Programme (Ent/Drama) –  
Duncan Kenworthy: British  
Academy of Film and Television  
Arts, Film and TV Awards 1988,  
London, UK 1989.*

#### **Struggles for Poland**

David Naden Associates/WNET/  
NDR

*Archival Achievement Award:  
British Film Institute Awards,  
London, UK 1988.*

#### **Talking to the Enemy**

Sered Films

*Best Documentary Film on Video:  
Festival dei Popoli, Florence, Italy  
1988.*

#### **Tanner '88**

Darkhorse Productions

*Best Foreign Television  
Programme: British Academy of  
Film and Television Arts, Film and  
TV Awards 1988, London, UK 1989.  
Best Imported Programme:  
Broadcasting Press Guild  
Television Awards 1989, London,  
UK 1989.*

#### **Testimony**

Isolde Films

*1st Prize: Cuenca International  
Film and Music Festival, Madrid,  
Spain 1988.*

#### **V.**

LWT

*Original Programme Award:  
Royal Television Society Awards,  
London, UK 1988.*



*A Very B*

#### **Veronico Cruz**

Mainframe Films

*Grand Jury Prize: Silver Hugo  
Award for Best First Feature:  
Chicago International Film  
Festival, USA 1988.  
Silver Malchila Public Prize:  
Biarritz Festival, France 1988.*



**A Very British Coup**

Skreba Films

*Grand Prix: International Golden Fleece Festival, Black Sea, Georgia, USSR 1988.**Grand Prix FIPA D'Or for Best Actor – Ray McAnally: FIPA 1988, Cannes, France 1988.**Emmy Award for Drama: International Emmy Awards 1987–88, New York, USA 1988.**Film Sound – Christian Wangler/David Old/Peter Elliott; Film Editor – Don Fairservice; Best Drama Series – Ann Skinner/Sally Hibbin/Mick Jackson/Alan Plater; Best Actor – Ray McAnally: British Academy of Film and Television Arts, Film and TV Awards 1988, London, UK 1989.**Best Drama Series; Best Actor – Ray McAnally: Broadcasting Press Guild Television Awards 1988, London, UK 1989.*

British Coup

**Wired**

Initial Pictures

*'Broadcast' Award for best animated title/graphics (shared): 1st British Animation Awards, Cardiff, UK 1988.**Graphics – Matt Forrest: British Academy of Film and Television Arts, Film and TV Awards 1988, London, UK 1989.***A World Apart**

Working Title

*Grand Prix of the Jury; Best Actress Award – Jodhi May/Barbara Hershey/Linda Mvusi: Cannes International Film Festival, France 1988.**Best Original Screenplay – Shawn Slovo: British Academy of Film and Television Arts, Film and TV Awards 1988, London, UK 1989.***The World is Watching**

Investigative Productions

*Golden Hugo Award: Chicago International Film Festival, USA 1988.**Ecumenical Prize: Public Jury Prize: Nyon International Film Festival, Switzerland 1988. Genie Award: Academy of Canadian Cinema and TV Awards, Toronto, Canada 1989.***The World of the Unborn**

Genesis Films

*Gold Award (Educational, Adults): 31st International Film and TV Festival of New York, USA 1988.**Education Award (shared): British Association for the Advancement of Science Awards, London, UK 1989.***Zina and the Ogre**

TSI Films

*Best Actress – Domiziana Giordano: Television Rencontres Européennes de Reims, France 1989.***The Zip**

Usualstone

*Grand Prix: Festival International Fantastique et de Science Fiction de Bruxelles, Belgium 1989.***Channel 4 Television***1988 Friends of the Independents Award: 3rd International Independent Spirit Awards, California, USA 1988.*

Struggles for Poland



Tanner '88



Wired



## Directors' report

THE DIRECTORS present their report for the year ended 31st March 1989.

### *Principal activities*

Channel 4 was set up by the Independent Broadcasting Authority (IBA) under the terms of Section 12(2) of the Broadcasting Act 1981 to obtain and assemble the necessary material and to carry out such other activities involved in providing programmes for the fourth channel television service as appears to the IBA to be appropriate.

A review of the business for the year is set out in the Chairman's statement on pages 2 and 3.

### *Funding*

Channel 4 obtains funds from the IBA, which collects the fourth channel subscription from each of the ITV companies. That subscription for each financial year is an agreed proportion (currently 17%) of the net advertising revenue (NAR) of the ITV programme contractors (including the revenue from their sales of advertising on Channel 4 and S4C) for the year to the previous 31st January. The funds thus raised are apportioned on the basis of up to 20% of the total subscription to the Welsh Fourth Channel Authority, for funding S4C's services, and the remainder to Channel 4.

As a result of this arrangement, Channel 4 receives not less than 80% of the total fourth channel subscription based on 17% of the NAR for the year to the preceding 31st January. Hence Channel 4's subscription income is not less than 13.6% of that previous year's NAR.

These present funding arrangements made by the IBA took effect from April 1986 and will continue until 31st December 1992.

Until 1st April 1989, TV-am did not contribute to the fourth channel subscription, as neither Channel 4 nor S4C regularly transmitted in the hours of TV-am's licence period (6.00 am to 9.25 am). However, following the start of Channel 4's early morning programme service in April 1989, TV-am now pays a fourth channel subscription calculated in the same manner as the subscription for all the other ITV companies. The whole of TV-am's subscription for the year to 31st March 1990 has been allocated to Channel 4.

Funding of £217.9 million for the year to 31st March 1990 has been agreed with the IBA.

### *Results*

The company received income of £181.8 million from the IBA in the year ended 31st March 1989. This income is used to acquire the company's programme and film rights for transmission, and to finance capital and overhead expenditure. The balance of this income, after costs of programme transmissions and operational and administrative expenses, thus represents the principal means of financing the net assets of the company, and is treated as deferred income in the accounts.

In addition to the income from the IBA the company has other trading activities and receives interest on cash balances. The surplus on these other activities, after tax, was £2.7 million.

### *Directors*

The present directors of the company are listed on page 40. Two executive and three non-executive directors have been appointed to the Board since 1st April 1988 as shown on that page.

Four directors resigned during the year. Justin Dukes was Managing Director



and Deputy Chief Executive until 2nd November 1988. George Russell was Deputy Chairman until 20th December 1988. Anthony Pragnell and John Gau were non-executive directors until 30th June 1988 and 18th October 1988 respectively.

All other directors served throughout the year.

### *Directors' interests*

None of the directors has any interest in the shares of the company.

As indicated in the list on page 40, a number of directors are also directors of companies which supply programmes to Channel 4, and to that extent are also interested in the contracts of the company. In addition, note 22 to the accounts gives the information required to be disclosed in relation to material interests of two directors in contracts with the company.

### *Fixed assets*

Movements of fixed assets during the year are set out in note 7 to the accounts.

### *Research and development*

The company devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in the year on scripts and programmes not commissioned for production by 31st March 1989 amounted to £2,296,000 (1988: £1,431,000).

### *Employee involvement and consultation*

There are a number of ways in which the company informs and consults with its employees:

- a) through normal collective bargaining with trade unions. Approximately half of the company's employees are in

membership of one of four recognised trade unions:

- BETA (for clerical and studio staff)
- ACTT (for engineering and presentation staff)
- EETPU (for plumbers and electricians)
- Equity (for continuity announcers)

b) regular departmental meetings where information is disseminated and staff have an opportunity to air views; and

c) biannual staff meetings, where the executive directors give presentations on the company's progress and future and all staff are encouraged to ask questions.

### *Employment policy*

The company is an equal opportunities employer. It does not discriminate on the grounds of race, sex, religion, physical handicap or marital status in its recruitment or other employment policies. The company has established an ethnic monitoring system for its recruitment and the ethnic composition of its staff.

Disabled people, whether registered as such or not, are fully and fairly considered for all vacancies arising within the company and are given equal opportunities with other staff in relation to training, career development and promotion.

### *Auditors*

Coopers & Lybrand have expressed their willingness to continue in office in accordance with Section 384 of the Companies Act 1985. A resolution proposing their reappointment as auditors will be put to the members at the Annual General Meeting.

By Order of the Board

D.R.A. Scott  
20th June 1989



## *Income and expenditure account*

Year ended 31st March	Notes	1989 £000	1988 £000
<b>Income from the IBA</b>	1(b)	181,811	163,400
<b>Cost of programme transmissions</b>	1(b)	(149,509)	(135,183)
		32,302	28,217
<b>Operational and administrative expenses</b>	2	(19,943)	(17,158)
		12,359	11,059
<b>Transfer to deferred income</b>	1(b)	(12,359)	(11,059)
<b>Other income less expenditure</b>	1(b),5	4,331	2,358
<b>Less taxation thereon</b>	6	(1,607)	(828)
<b>Surplus for the year</b>	1(b)	<u>2,724</u>	<u>1,530</u>

The notes on pages 27 to 37 form part of these accounts

Report of the auditors – page 37

Statements of movements on the deferred income account and income and expenditure account are given in notes 14 and 15 on page 34.



## Balance sheet

As at 31st March	Notes	1989 £000	1989 £000	1988 £000	1988 £000
<b>Fixed assets</b>					
Tangible assets	1(c), 7		9,306		8,603
Investments and loans	8		—		—
			9,306		8,603
<b>Current assets</b>					
Programme and film rights	1(b), 1(d), 9	87,287		80,280	
Debtors	10	16,818		7,479	
Cash at bank and in hand		9,168		7,240	
		113,273		94,999	
<b>Creditors</b>					
Amounts falling due within one year	11	(15,532)		(11,454)	
<b>Net current assets</b>			97,741		83,545
<b>Total assets less current liabilities</b>			107,047		92,148
<b>Provision for liabilities and charges</b>					
Deferred tax	12		(30)		(214)
			107,017		91,934
<b>Capital</b>					
Called up share capital £100	13		—		—
<b>Deferred income</b>	1(b), 14		101,826		89,467
<b>Income and expenditure account</b>	1(b), 15		5,191		2,467
			107,017		91,934

Sir Richard Attenborough  
CHAIRMAN

Michael Grade  
CHIEF EXECUTIVE

These accounts were approved by the Board of Directors on 20th June 1989.

The notes on pages 27 to 37 form part of these accounts.

Report of the auditors—page 37

## Statement of source and application of funds

Year ended 31st March	1989 £000	1989 £000	1988 £000	1988 £000
<b>Source of funds</b>				
Income from the IBA, less cost of programme transmissions and administrative expenses	12,359		11,059	
Surplus on other income less expenditure before taxation	<u>4,331</u>		<u>2,358</u>	
		16,690		13,417
Adjustment for items not involving the movement of funds:				
Depreciation of fixed assets	1,818		1,950	
Provision against loans (see note 8)	300		300	
Net loss on sale of fixed assets	<u>2</u>		<u>2</u>	
		<u>2,120</u>		<u>2,252</u>
<b>Total from operations</b>		18,810		15,669
<b>Funds from other sources</b>				
Sale proceeds of fixed assets		<u>53</u>		<u>19</u>
<b>Total sources of funds</b>		18,863		15,688
<b>Application of funds</b>				
Tax paid	(646)		(479)	
Purchase of fixed assets	(2,576)		(1,444)	
Investments and loans	<u>(300)</u>		<u>(300)</u>	
		<u>(3,522)</u>		<u>(2,223)</u>
		<u>15,341</u>		<u>13,465</u>
<b>Change in working capital</b>				
Increase in programme and film rights		7,007		11,183
Increase/(decrease) in debtors		9,339		(3,481)
(Increase) in creditors, excluding taxation		<u>(2,933)</u>		<u>(608)</u>
		13,413		7,094
Movement of net liquid funds:				
Increase in bank and cash balances		<u>1,928</u>		<u>6,371</u>
		<u>15,341</u>		<u>13,465</u>



## Notes to the accounts

Year ended 31st March 1989

Note 1

### **Principal accounting policies**

(a)

#### **ACCOUNTING CONVENTION**

The accounts have been prepared under the historical cost convention.

(b)

#### **INCOME AND EXPENDITURE ACCOUNT**

(i) INCOME:

a) Income from the IBA is credited to the income and expenditure account when it is received.

b) Income from programme and film sales is recognised in the income and expenditure account when the sales are confirmed to the company.

(ii) COST OF PROGRAMME TRANSMISSIONS:

The direct cost of films and programmes is wholly written off on first transmission.

(iii) INCOME RECEIVED IN ADVANCE OF RELATED EXPENDITURE:

As a result of the above policies, income from the IBA may be credited in advance of the costs of films and programmes being charged in the income and expenditure account. Such income received in advance (after taking account of operational and administrative expenses) is transferred to deferred income. As programmes are transmitted, there is a corresponding transfer of the relevant income back into the income and expenditure account. The income and expenditure account therefore contains a net transfer to or from deferred income comprising these two transfers.

The balance of deferred income represents the principal means of financing the net assets of the company, and accordingly is shown with capital and reserves in the balance sheet. This represents a departure from the normal presentation prescribed by the Companies Act 1985.

(c)

#### **FIXED ASSETS**

(i) Fixed assets are stated at cost, together with any incidental expenses of acquisition, less depreciation.

(ii) Depreciation is calculated so as to write off the cost of the asset on a straight line basis over its estimated useful life. The principal annual rates used for this purpose are as follows:

Assets held by the company:

Leasehold properties are amortised on a straight line basis over the remaining period of the lease.

Technical equipment and office furniture 20%

Motor cars 25%

Assets held by third parties:

Freehold properties are amortised on a straight line basis over 50 years.

Technical equipment 20% or 33%

## (d) PROGRAMME AND FILM RIGHTS

- (i) Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for expenditure on material which is unlikely to be transmitted or sold.

Direct cost is defined as payments made or due to production companies or programme suppliers, but excludes any costs falling due after the balance sheet date.

- (ii) Development expenditure consists of funds spent on projects prior to a final decision being made on whether a programme will be commissioned.

Development expenditure is included in programme and film rights but is fully provided for. At such time as it is apparent that a development will not result in a programme, the development cost and the provision are written out of the accounts. Where development expenditure leads to the commissioning of a programme, such expenditure is transferred to programme cost and the provision is released.

Note 2	<b>Operational and administrative expenses</b>	1989	1988
		£000	£000
	These may be analysed as follows:		
	Employee and freelance staff costs	9,321	7,932
	Establishment costs	2,690	2,231
	Advertising and promotion	2,631	1,986
	Depreciation of fixed assets (note 7)	1,818	1,950
	Legal and professional fees	976	574
	Travel and subsistence	830	653
	Repairs and maintenance	797	691
	Provision against loans (note 8)	300	300
	Other general expenses	580	841
		<u>19,943</u>	<u>17,158</u>
	and include:		
	Auditors' remuneration	25	21
	Directors' remuneration:		
	to the non-executive directors	56	88
	to the executive directors for management, (including pension contributions)	397	169
	Operating lease rentals – company premises	767	657
	Equipment hire	<u>96</u>	<u>81</u>



Note 3	<b>Directors' remuneration</b>	1989	1988
		£000	£000

The following information is given in accordance with Schedule 5 Part V of the Companies Act 1985 and excludes pension contributions:

Former Chairman's remuneration (to 30th June 1987)	–	7
Present Chairman's remuneration (from 1st July 1987)	22	17
Highest paid director's remuneration	87	72
	<hr/>	<hr/>
Other directors	Number	Number
£0 – £5,000	11	15
£5,001 – £10,000	1	2
£15,001 – £20,000	–	1
£30,001 – £35,000	1	–
£40,001 – £45,000	2	–
£55,001 – £60,000	1	–
£60,001 – £65,000	1	1

Compensation for loss of executive office amounting to £132,450 was paid to two former directors in the year (1988: nil).

Note 4	<b>Employee information</b>	1989	1988
		£000	£000

- (a) The employment costs for all employees, including executive directors, were as follows:

Aggregate gross salaries	7,076	6,036
Employer's NI contributions	573	484
Employer's pension contributions	887	828
Total direct costs of employment	8,536	7,348

- (b) There were 40 employees (1988:38), excluding directors, who earned in excess of £30,000 in the following ranges:

	Number	Number
£30,001 – £35,000	15	22
£35,001 – £40,000	14	8
£40,001 – £45,000	6	3
£45,001 – £50,000	3	5
£50,001 – £55,000	2	–

- (c) The average number of employees, including executive directors, during the year was

	329	303
At 31st March 1989 the company employed	353	314

Note 5	Other income less expenditure	1989	1989	1988	1988
		£000	£000	£000	£000
PROGRAMME AND FILM SALES					
Income:					
	Film sales	3,374		3,878	
	Programme sales	4,662		1,788	
	Co-finance received	860		430	
	Publishing and merchandising	120		151	
	Investment income	413		245	
	Commission	787		585	
	Other	110		90	
		<u>10,326</u>		<u>7,167</u>	
Less costs of sales:					
	Direct costs	(3,669)		(2,411)	
	Share of income due to independent producers and third parties	(3,169)		(2,160)	
	Operational and administrative expenses	<u>(1,019)</u>		<u>(891)</u>	
			2,469		1,705
COMPUTER & OTHER SALES					
	Computer software and other sales	69		73	
	Costs of sales	<u>(2)</u>		<u>(56)</u>	
			67		17
OTHER INCOME					
Interest receivable:					
	from the IBA	1,708		612	
	from other sources	<u>87</u>		<u>24</u>	
			1,795		636
			<u>4,331</u>		<u>2,358</u>

In addition to the co-finance included above, substantial further sums have been paid by co-financiers directly to production companies and hence do not appear in these accounts.

The geographical analysis of programme and film sales income is as follows:

	1989	1988
	£000	£000
Exports:		
USA	1,471	1,597
rest of the world	<u>5,789</u>	<u>3,289</u>
	7,260	4,886
UK sales and other income	<u>3,066</u>	<u>2,281</u>
	<u>10,326</u>	<u>7,167</u>



Note 6

**Taxation**

Taxation is not levied on the income from the IBA less related costs.

UK corporation tax is payable on other net income as follows:

	1989	1988
	£000	£000
UK corporation tax based on other net income for the year @ 35%	1,806	614
Double tax relief	(241)	(81)
Deferred tax	(184)	214
	1,381	747
Adjustment in respect of prior years	(15)	—
Overseas taxation	241	81
	<u>1,607</u>	<u>828</u>

Note 7

**Fixed assets**

(a)

**Tangible assets**

	Freehold Properties £000	Leasehold Properties £000	Furniture & Equipment £000	Motor Vehicles £000	Total £000
<b>COST</b>					
At 31st March 1988	395	5,432	11,406	159	17,392
Additions	—	565	1,899	112	2,576
Disposals	—	—	(619)	(89)	(708)
At 31st March 1989	<u>395</u>	<u>5,997</u>	<u>12,686</u>	<u>182</u>	<u>19,260</u>
<b>DEPRECIATION</b>					
At 31st March 1988	39	1,199	7,489	62	8,789
Charge for the year	6	241	1,522	49	1,818
Disposals	—	—	(602)	(51)	(653)
At 31st March 1989	<u>45</u>	<u>1,440</u>	<u>8,409</u>	<u>60</u>	<u>9,954</u>
<b>NETBOOK VALUE</b>					
At 31st March 1989	<u>350</u>	<u>4,557</u>	<u>4,277</u>	<u>122</u>	<u>9,306</u>
At 31st March 1988	<u>356</u>	<u>4,233</u>	<u>3,917</u>	<u>97</u>	<u>8,603</u>

- (b) Certain of the fixed assets owned by the company are utilised by programme makers in the independent production sector. The net book value at 31st March 1989 was located as follows:

	Freehold Properties	Leasehold Properties	Furniture & Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Held by the company	—	4,557	4,217	122	8,896
Held by third parties	350	—	60	—	410
	<u>350</u>	<u>4,557</u>	<u>4,277</u>	<u>122</u>	<u>9,306</u>

- (c) The leasehold properties mainly represent work carried out on the company's offices and transmission centre at 60 and 76 Charlotte Street, London W1 which are leased for 25 years from 1981 and 1988 respectively.

The freehold properties are 13 houses in Liverpool which are used as a permanent location set for the BROOKSIDE programme.

#### Note 8

#### Investment in and loans to British Screen Finance Limited

The company holds 18 ordinary £1 and 1,842,141 B class deferred £1 shares in British Screen Finance Limited (British Screen). That is equivalent to 29.5% of the ordinary share capital and 35.3% of the total capital. The shares were received for nil cost.

The company has entered into a financing commitment under which, at 31st March 1989, it had advanced to British Screen £1,025,000, in exchange for 10% unsecured loan stock redeemable at par on or before 1st January 2016, for the financing of British films. Further advances of £475,000 (£300,000 in the year to 31st March 1990 and £175,000 thereafter) will be made. The loans are repayable out of the exploitation proceeds of the films produced – subject to the reinvestment of all income arising in British Screen until 31st December 1990.

The ability of British Screen to pay dividends out of any profits is restricted by its present policy to reinvest all available funds in further films.

Accounts for British Screen for the year to 31st December 1988 show accumulated losses of £4.6 million to that date. The company has recognised its share of those losses made by British Screen by making full provision against the loans referred to above. The provision at 31st March 1989 amounted to £1,025,000 (1988: £725,000) and will be released in future years to the extent that British Screen records profits or as the advances are repaid.



Note 9	<b>Programme and film rights</b>	1989	1988
		£000	£000
	Programmes and films completed but not transmitted	45,392	44,004
	Programmes and films in the course of production	25,703	19,885
	Purchased programme and film rights	16,192	16,391
		<u>87,287</u>	<u>80,280</u>

Depending on programme scheduling, and programme and film sales, certain of the above programme and film rights may not be realised within one year.

Note 10	<b>Debtors</b>	1989	1988
		£000	£000
	Amount due from the IBA	1,202	612
	Other debtors	1,856	1,181
	Prepayments and accrued other income	13,760	5,686
		<u>16,818</u>	<u>7,479</u>

All the above amounts are receivable within one year.

Note 11	<b>Creditors</b>	1989	1988
		£000	£000
	Trade creditors	1,267	1,045
	Accruals	12,175	9,513
	Other creditors, including taxation and social security:		
	United Kingdom corporation tax	1,571	533
	Social security	260	233
	Other creditors	259	130
		<u>15,532</u>	<u>11,454</u>

All the above amounts will fall due within one year.

Note 12	<b>Deferred taxation</b>	1989	1988
(a)	Analysis of provision and potential liability	Full potential liability and provision made	Full potential liability and provision made
		£000	£000
	Tax deferred on interest receivable	<u>30</u>	<u>214</u>
(b)	Movement on the provision for deferred taxation	£000	
	At 1st April 1988	214	
	Transfer to income and expenditure account	<u>(184)</u>	
	At 31st March 1989	<u>30</u>	
Note 13	<b>Share capital</b>		
	The authorised and allotted share capital consists of 100 ordinary shares of £1 each, fully paid.		
Note 14	<b>Deferred income</b>	1989	1988
		£000	£000
	At 1st April 1988	89,467	78,408
	Net transfer for the year	<u>12,359</u>	<u>11,059</u>
	At 31st March 1989	<u>101,826</u>	<u>89,467</u>
Note 15	<b>Income and expenditure account</b>	1989	1988
		£000	£000
	At 1st April 1988	2,467	937
	Surplus for the year	<u>2,724</u>	<u>1,530</u>
	At 31st March 1989	<u>5,191</u>	<u>2,467</u>
Note 16	<b>Company status</b>		
	The company is a wholly owned subsidiary of the Independent Broadcasting Authority, which is a body incorporated under Act of Parliament.		



**Note 17 Subsidiary companies**

The company owns the whole of the issued share capital of the following companies – none of which have traded since incorporation and all of which were dormant during the year ended 31st March 1989.

	Issued ordinary £1 shares
Film on Four Limited	100
Sport on Four Limited	2
Channel Four Racing Limited	2
BSFC Films Limited	43

**Note 18 Programme and film commitments**

At 31st March 1989, the company had committed and approved future expenditure for programmes and films amounting to £94 million (1988: £78 million), of which £80 million (1988: £72 million) is estimated to fall due for payment in the year ending 31st March 1990 and £14 million (1988: £6 million) thereafter.

<b>Note 19</b>	<b>Other commitments</b>	1989	1988
		£000	£000
(a)	CAPITAL EXPENDITURE:		
	Amounts contracted for but not provided for in the accounts were	514	425
	Amounts authorised but not contracted for were	<u>4,858</u>	<u>2,850</u>
(b)	INVESTMENT IN BRITISH SCREEN FINANCE LIMITED:		
	The company has agreed to make certain advances to British Screen Finance Limited as detailed in note 8.		
(c)	FORWARD FOREIGN EXCHANGE CONTRACTS:		
	At 31st March 1989, the company had entered into commitments to purchase foreign currencies amounting to £439,000 (1988: nil), maturing on 30th June 1989 which were entered into in order to fix the sterling cost of certain foreign programmes and film purchase commitments.		
(d)	OPERATING LEASES:		
	The company has financial commitments in respect of operating leases for its premises, which will terminate in 1996 or thereafter. The amount payable under these leases in the next year will be £934,000 (1988: £634,000).		

## Note 20

**Pension costs**

The company operates a contributory pension scheme providing benefits based on final pay. The assets of the scheme are held separately from those of the company, being invested through Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1st January 1988. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

The pension charge for the year was £887,000 (1988: £828,000).

The actuarial valuation at 1st January 1988 showed that the market value of the scheme's assets was £5,307,000 and that the actuarial value of those assets represented 114% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees remain at 15.3% and 6% of earnings respectively.

## Note 21

**Contingent liabilities**

There are contingent liabilities in respect of compensation that would be payable in the event of certain production contracts being discontinued. No payments under such arrangements are currently envisaged.

## Note 22

**Directors' interests in contracts****ANNE LAPPING**

Anne Lapping is a director and shareholder of Brook Productions (1986) Limited, an independent production company which was commissioned during the year to produce 3 one-hour ON TRIAL programmes. The production costs for these programmes were £255,138, of which £10,080 was due to Anne Lapping as executive producer and £28,015 was the production fee to the production company. £18,456 of the production fee was paid in the year to 31st March 1989 and the balance is payable in the subsequent year. These programmes were transmitted during January and February 1989.

The company made further payments on the following programmes which had been commissioned from Brook Productions (1986) Limited in previous years: A WEEK IN POLITICS (fourth series) and A VOTE FOR HITLER with a total running time of 38 hours. The production costs for these programmes were £2,862,959, of which £52,916 was due to Anne Lapping as executive producer and £62,632 as production fee to the production company. These programmes were all transmitted during the year ended 31st March 1989.

Brook Productions (1986) Limited was commissioned to produce a number of other programmes with executive producers other than Anne Lapping. Brook Productions (1986) Limited received 25% of the production fees of £106,596 which were paid for these programmes in the year, and to that extent Anne Lapping was interested in those contracts.



#### JOHNGAU

John Gau is a director and principal shareholder of John Gau Productions Limited, an independent production company which was commissioned during the year to produce a fourth series of MONEYSPINNER programmes. The production costs for these programmes were £956,576 of which £7,000 was due to John Gau as executive producer and £95,731 was the production fee to the production company. £85,713 of the production fee was paid during the year to 31st March 1989 and the balance is payable in the subsequent year. These programmes were transmitted between May 1988 and May 1989.

The company made further payments to John Gau Productions on the third series of MONEYSPINNER the financial details of which were reported in last year's accounts. The payments made in the year to 31st March 1989 were £269,666 of which £21,681 was the production fee to the production company.

The company also acquired from John Gau Productions the rights in a documentary, THE AUSTRALIAN CAMEL RACE, for £60,000. That programme was transmitted in February 1989.

## *Report of the auditors*

*To the members of Channel Four Television Company Limited*

We have audited the accounts on pages 24 to 37 in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st March 1989 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand  
CHARTERED ACCOUNTANTS  
London

20th June 1989

## Revenues and costs attributable to Channel 4

Year ended 31st March		Cumulative 1982 to 1987			Cumulative 1982 to 1989
	Notes	Total £m	1988 £m	1989 £m	Total £m
<b>Revenues and subscription</b>					
Channel 4 NAR	1	399.7	213.3	256.4	869.4
IPA/Equity dispute	2	55.0	—	—	55.0
Channel 4 subscription	3	<u>(581.1)</u>	<u>(163.4)</u>	<u>(181.8)</u>	<u>(926.3)</u>
		(126.4)	49.9	74.6	(1.9)
<b>Attributable costs, not paid by Channel 4</b>					
IBA transmitter and regulatory costs	4	(99.9)	(23.5)	(25.0)	(148.4)
ITV sales and other costs	5	<u>(28.5)</u>	<u>(6.5)</u>	<u>(6.9)</u>	<u>(41.9)</u>
(Deficit)/surplus to the ITV system, before exchequer levy and corporation tax					
	6	(254.8)	19.9	42.7	(192.2)

### Notes

- 1 This is the actual net advertising revenue invoiced by the ITV companies for their sale of advertising on Channel 4 (source: IBA).
- 2 The Institute of Practitioners in Advertising (IPA) and Equity were in dispute from November 1982 until October 1984. That dispute depressed the revenue on Channel 4. The IBA estimates that the compensating extra two minutes per hour of peaktime advertising, which was allowed on ITV between January 1983 and November 1984, earned £55 million additional revenue for ITV.
- 3 The subscription is the actual amount received from the IBA by Channel 4.
- 4 It has been assumed that, from 1982 onwards, 40% of the IBA's television rentals relates to Channel 4 and S4C, in the proportion 90:10 (Source: IBA).
- 5 The ITV companies incur selling, presentation and engineering costs for Channel 4 and S4C. The IBA estimated that for the year to 31st March 1987 these costs amounted to 3.5% of the total Channel 4 and S4C NAR for that year – a total of £5.5 million. It is assumed that these costs are mainly attributable to Channel 4 and cannot be apportioned on the 90:10 basis. S4C's share has been assessed as a nominal £100,000 per annum. For the two years to 31st March 1989 these costs have been adjusted by the overall percentage increase in ITV's total sales costs.
- 6 The accumulated deficit represents the gross cost of Channel 4 since the company was founded in 1981. It is estimated that some 80% of this deficit has been offset by the ITV companies from exchequer levy and corporation tax savings.



## Five year summary

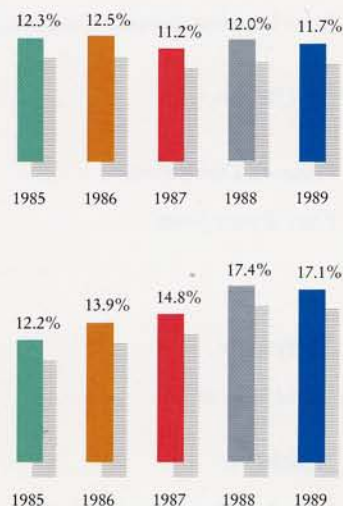
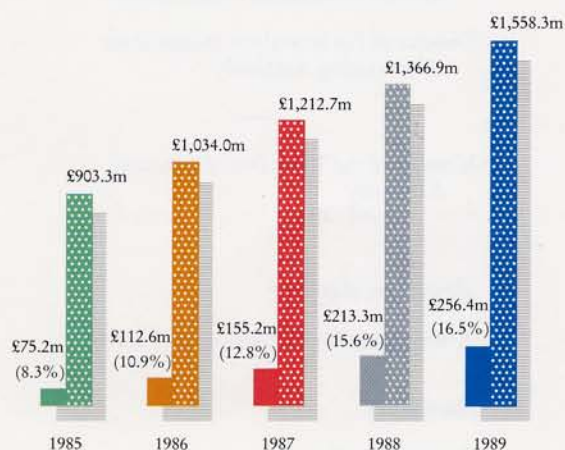
Year ended 31st March	1985	1986	1987	1988	1989
	£m	£m	£m	£m	£m
<b>Income and expenditure</b>					
Income from the IBA	111.0	129.1	135.9	163.4	181.8
Cost of programme transmissions	(95.4)	(101.3)	(114.2)	(135.2)	(149.5)
Operational and administrative expenses	(11.8)	(13.3)	(16.0)	(17.1)	(20.0)
Net transfer to deferred income	3.8	14.5	5.7	11.1	12.3
Other income less expenditure after taxation	0.2	0.1	0.8	1.5	2.8
<b>Balance sheet</b>					
Fixed assets	9.7	9.4	9.1	8.6	9.3
Current assets	60.4	72.1	80.9	95.0	113.3
Current liabilities	(11.9)	(8.7)	(10.7)	(11.5)	(15.5)
Deferred tax	—	—	—	(0.2)	(0.1)
	58.2	72.8	79.3	91.9	107.0
Capital: £100	—	—	—	—	—
Deferred income	58.2	72.7	78.4	89.5	101.8
Income and expenditure account	—	0.1	0.9	2.4	5.2
	58.2	72.8	79.3	91.9	107.0

### Net advertising revenue (NAR)

■ NAR attributable to Channel 4

■ Total ITV and C4 NAR (excluding TV-am)

Year ended 31st March



Channel 4 subscription as a percentage of total NAR

Year ended 31st March

Channel 4's share of audience to commercial TV (ITV and Channel 4)

Year ended 31st March

## General information

### Chairman

\*Sir Richard Attenborough CBE ..... Film producer/director, Chairman of British Film Institute and Chairman of the British Screen Advisory Council.

### Other related activities

### Executive directors

Michael Grade (CHIEF EXECUTIVE) ..... Non-executive director of ITN Limited and The Open College Limited

Liz Forgan (DIRECTOR OF PROGRAMMES) ..... Governor of the British Film Institute

Colin Leventhal (DIRECTOR OF ACQUISITION AND SALES) ..... Member of the British Screen Advisory Council

Frank McGettigan (DIRECTOR AND GENERAL MANAGER) *appointed 1st July 1988* ..... Governor of the National Film and Television School

David Scott (DIRECTOR OF FINANCE) *appointed 1st July 1988* ..... Non-executive director of British Screen Finance Limited

### Non-executive directors

\*Sir Brian Bailey OBE ..... Chairman of Television South West plc, non-executive director of Independent Television Publications Limited and Oracle Limited

Carmen Callil .....

Richard Dunn *appointed 1st January 1989* ..... Managing Director of Thames Television plc, Chairman of the ITV Association, non-executive director of ITN Limited and Independent Television Publications Limited

Greg Dyke *appointed 11th April 1988* ..... Director of Programmes, and Deputy Managing Director of London Weekend Television plc

James Gatward ..... Chief Executive of TVS Entertainment plc, and non-executive director of ITN Limited

Anne Lapping *appointed 1st January 1989* ..... Independent producer and director of Brook Productions (1986) Limited

\*Peter Rogers ..... Director of Finance of the Independent Broadcasting Authority

Professor David Vines .....

Eleri Wynne Jones ..... Member of the Welsh Fourth Channel Authority

### Secretary

David Scott FCA

### Registered office

70 Brompton Road, London SW3 1EY

### Bankers

National Westminster Bank plc  
21 Lombard Street,  
London EC3P 3AR

### Auditors

Coopers & Lybrand  
Chartered Accountants  
Plumtree Court, London EC4A 4HT

\*The Directors marked with an asterisk are members of the audit committee of the Board





CHANNEL FOUR TELEVISION

60 Charlotte Street London W1P 2AX Telephone 01-631 4444